

# Legal & General Mortgage Club New Build Forum

Summary report, July 2022



# Introduction

The New Build sector is undergoing significant changes during unprecedented times. From the phasing out of Help to Buy and the introduction of new schemes, to the all-important green agenda, the sector is at a crucial convergence point. And it's come at a time that's challenging for the market and the wider landscape – with record inflation, the cost of living crisis and interest rate rises to name just a few.

With these changes happening at a rapid pace, there's a risk the sector could become complex and frustrating, not only for the industry, but for buyers too.

Our New Build Forum aimed to address some of these key issues, and our panel of trade bodies, lenders, developers and government representatives

discussed the current state of the sector, where it's going, and what you can expect.

**The key to communicating these changes is you. While there are many answers still to come, advisers will play a crucial role in helping clients come to the right solution using a new, more holistic advice process.**

This summary report aims to outline the key takeaways from our forum that will affect you and your approach to advice, as the new world of New Build starts to become clearer.





# Foreword from Danny Belton, Head of Lender Relationships

In the lead up to our latest New Build Forum, I was keen for answers, education and action on the key topics that surround this market sector. I was not disappointed.

The New Build sector is moving forward. Builders are now in full swing delivering a greater number of properties. Although the use of Help to Buy is reducing, customers are finding other ways to raise deposits to finance their purchase. Delivery of the new schemes that could replace Help to Buy remains slow for now, but the sense is that more support will come.

The green agenda continues in this sector, too. We're some way from the required innovation, but the discussions made it feel like the missing part of the jigsaw that could lead to more product innovation may have been found.

It's all very well talking about these things, but it is outcomes that we are all interested in. Our forum has moved things closer to providing some great outcomes for this sector.

For the full picture, **watch the New Build Forum now**



# Contents

1

## The changing landscape

With build volumes back to normal and the green agenda very much on the cards, we take a look at the current picture for New Build.

[Go>](#)

2

## Countdown to the Help to Buy closedown

Key dates for the Help to Buy scheme deadline.

[Go>](#)

3

## Help to Buy is out – so what next?

With the government's high-profile scheme coming to an end, new initiatives are waiting in the wings.

[Go>](#)

4

## It's not easy being green... yet

We take a look at the current state of helping homebuyers buy into the green building agenda.

[Go>](#)

5

## Case study: Sero Homes

How Sero Homes is helping realise the journey to net carbon zero for new homes.

[Go>](#)

6

## A question of affordability

With exponential energy prices, inflated food costs and house prices still creeping upwards, affordability is the question on everyone's minds.

[Go>](#)

# The changing landscape

The New Build sector is standing strong, with build volumes back to pre-pandemic levels and a range of green policies and levies coming into force. But, there are headwinds on the horizon. Here's a snapshot of the current picture.

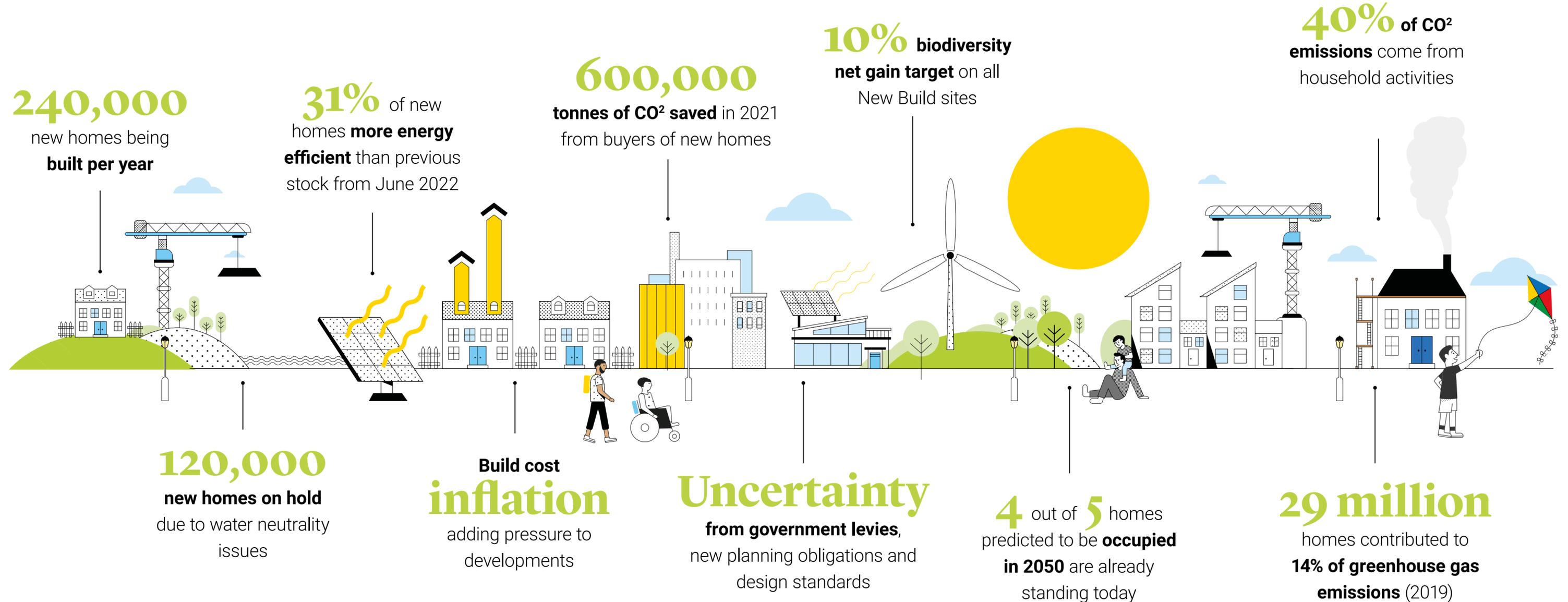
“During the last two years, the market has defied gravity”

David O’Leary, Home Builders Federation



Watch now

Get the full picture of the New Build sector in 2022 so far



# Countdown to the Help to Buy closedown

New applications to the Help to Buy ISA have been closed since 2019, and the equity scheme is due to end in March 2023. For now, Help to Buy is still an important tool for customers getting onto the housing ladder, but a natural wind-down is anticipated in 2022 as eligible housing stock diminishes and new schemes come in. Here are the key dates you need to know.



**29 July 2022**

Deadline for new homebuilder registrations and forecasts

**23 September 2022**

Deadline for existing homebuilder initial 2022-23 forecasts

**30 September 2022**

All homebuilders must be fully in contract

**21 October 2022**

Deadline for homebuilders in contract to request changes to approved 2022-23 funding

**31 October 2022**

Customer applications for equity loans close

**31 December 2022**

Deadline for homes bought with Help to Buy to reach practical completion

**31 March 2023**

Deadline for legal completion

# Help to Buy is out – so what next?

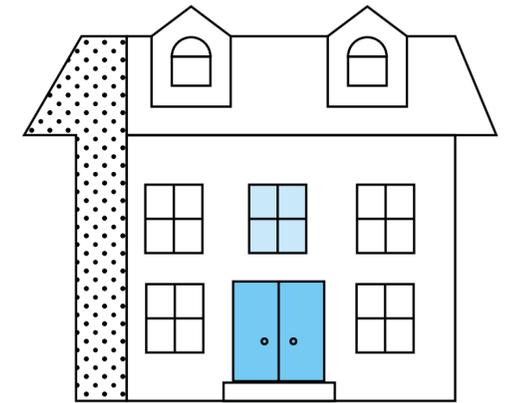
With the government's high-profile scheme coming to an end, new initiatives for New Builds are waiting in the wings. Here's a short overview of the schemes you could be soon recommending to your clients.

<b>First Homes</b>	>
<b>Market Mortgage</b>	>
<b>Deposit Unlock</b>	>
<b>Shared Ownership</b>	>

## First Homes

First Homes is a government scheme that is already underway, and it should be noted it isn't a replacement for Help to Buy. New sites are being built, lenders are testing the

mortgage application, and the first new sites are coming through the scheme's grant-funded programme.



**Find out more**  
about First Homes

 30% discount on market value	 4 sites almost sold and legally completed	 1,500 homes target build across 2022-2023
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# Help to Buy is out – so what next?

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First Homes >

**Market Mortgage** >

Deposit Unlock >

Shared Ownership >

## Market Mortgage

Market Mortgage's New Build scheme is due to launch imminently with a specialist lender; supplying 95% new build mortgages to under-served borrowers. Market Mortgage is working to bring more lenders on board and has developed a compelling but simpler

model for prime lenders to encourage quicker uptake, with the full programme layered in over time.



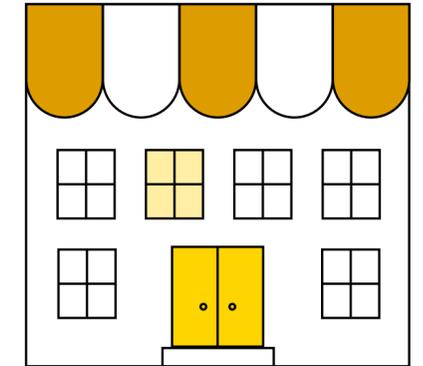
**Allows 95% lending on New Builds**



**31 developers signed up pre-launch**



**5% mortgage opens up criteria for more buyers**



**Find out more**  
about Market Mortgage

**“For the borrower and the broker’, it’s a normal 95% mortgage in every way. The scheme reduces lenders’ risk and goes some way to solving the Help to Buy problem.”**

Eliot Darcy, Market Mortgage

# Help to Buy is out – so what next?

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## Deposit Unlock

The Deposit Unlock scheme is now live, with two lenders already on board. It's exclusive to purchasing New Build homes, and open to first-time buyers and home movers alike. It's

expected to plug the gap left behind from Help to Buy, when buying New Build homes with just a 5% deposit will become more difficult.



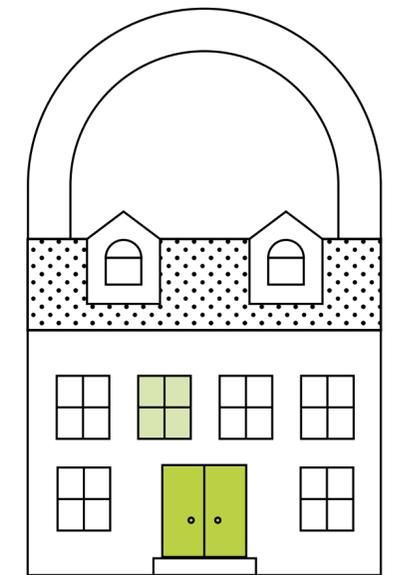
5% deposit for New Build homes



£750,000 maximum loan, depending on circumstances



2 lenders currently offering the scheme



**Find out more**  
about Deposit Unlock

“Deposit Unlock is now up and running and is a scheme that the HBF has sponsored and supported with 17 of its larger housebuilder members.”

David O’Leary, Home Builders Federation

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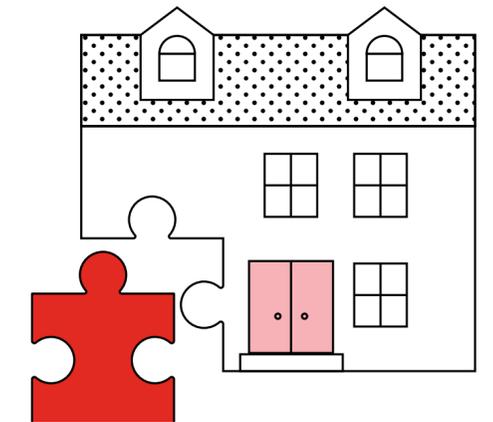
**Deposit Unlock** >

**Shared Ownership** >

## Shared Ownership

Research from L&G Mortgage Club found lenders want to move into 95% mortgages and the long-established option of Shared Ownership. Andy Mason, Lloyds Banking Group, says: "I think this is a scheme lenders will migrate to... It's helpful, and it does cater for those people who can't afford either a big enough mortgage for the whole of the property or they don't have a massive deposit."

David Anstice-Pim, Department for Levelling Up, Housing and Communities added that the First Homes scheme isn't intended to replace Shared Ownership, citing the funding structure of affordable homes programme and its heavy focus on Shared Ownership for affordable products.



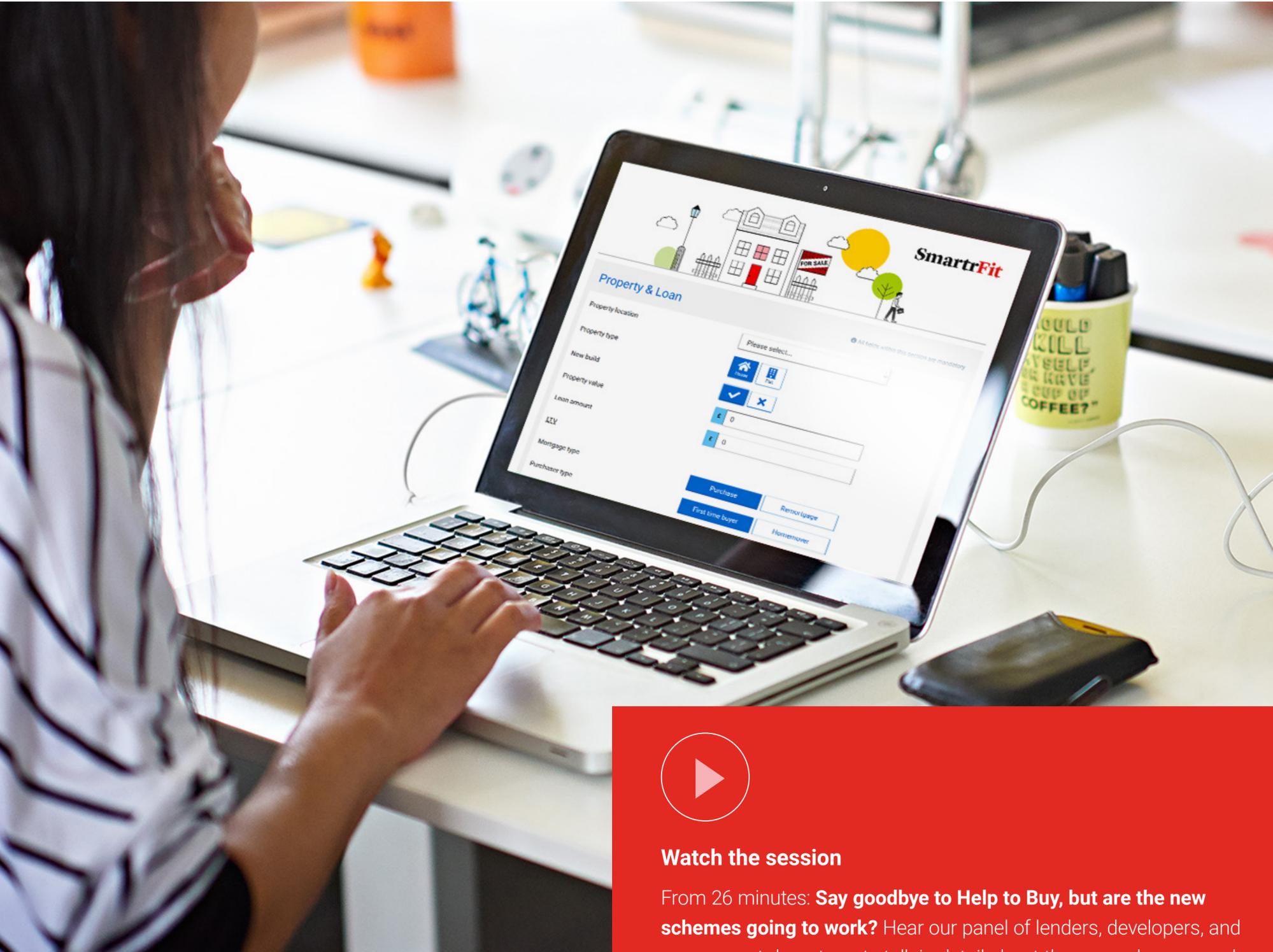
**Find out more**  
about Shared Ownership



80% of Shared Ownership homes were purchased by first-time buyers in 2020-21



150% increase in demand forecast for Shared Ownership when Help to Buy ends (Savills, 2019)



**Watch the session**

From 26 minutes: **Say goodbye to Help to Buy, but are the new schemes going to work?** Hear our panel of lenders, developers, and government departments talk in detail about the new schemes, and what you can expect.

**New schemes, new technologies**

Technology will play a huge part in assisting brokers with this transition, by helping you to recommend the right products and the best outcomes for clients. **Tools like SmartrFit can help you assess your client's initial situation, and is a great first step to determining whether or not any of the schemes should be**

**explored.** Although it's not there yet, experts believe that future technology could help advisers understand the new picture, for example, in identifying the most suitable products, the potential mortgage value on offer, or even be a one-stop shop for the key facts about each scheme and criteria.

**Replacement schemes – your next steps**

With a variety of pilots underway and replacement schemes already up and running, there is a call to lenders for clarity not just on the basics, but for transparency around payments and exit strategies too. However, more lenders are needed to support some of the newer schemes, which will take time. Once those decisions have been made, there's a mass education piece for lenders to provide to brokers, so you can give your clients the right advice for them.

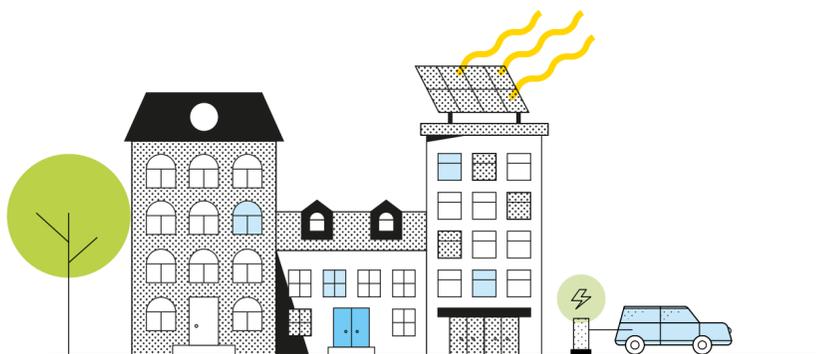
Your advice will likely need to be more holistic too, so that you can answer the ultimate question: is this a good deal for my client? With considerations around the 'bank of mum and dad', inheritance tax, and affordability challenges to bear in mind too, when forming recommendations, these upcoming changes are set to change the advice journey.

# It's not easy being green... yet

Buying a house is the biggest purchase of many people's lives, yet buyers are more likely to know the energy efficiency of their fridge than their homes. We take a look at the current state of helping homebuyers buy into the green building agenda.

Sustainability has filtered into almost every part of consumers' lives, from the cars we drive and the food we eat, to reducing everyday plastic or changing who we bank with. But ask how sustainable someone's home is, and you'll likely hear silence.

While green homes may not be a mainstream buying decision for consumers yet, our forum revealed it's certainly on the minds of developers, with imminent planning regulation and policy measures set to improve the carbon footprint of new homes. And with green mortgages yet to become a mainstream incentive for green purchases, the consumer connection is somewhat unclear.



## Do homebuyers want greener houses?

Brokers are seeing an appetite for greener homes, but there's a catch. "Customers often raise what the benefit is to themselves for having [green mortgages]. I don't think there's enough information for clients out there about how it differs, especially in the New Build sector," says Tanya Rudland from Evolve Financial Solutions.

Currently, the only energy indicator homebuyers are given is the Energy Performance Certificate (EPC). "EPCs don't produce real-life usage and energy performance, but it's the measure everyone's got to try and use," says Trudy Woolf, Sustainability Director at Legal & General Surveying Services. As EPCs aren't a robust measure of a properties' carbon footprint, experts say they aren't fit for purpose for the stringent net zero building targets. On top of this, New Build properties only receive a prospective EPC while the build is being finished, which some lenders may not accept.

## A new age of advice

The market of sustainable New Builds and green mortgages is likely to carve a new angle of broker advice. With 3 in 4 people already concerned about the energy performance of their properties<sup>1</sup>, consumers may gravitate towards efficient New Builds.

With the recent establishment of the New Homes Quality Board Ombudsman, and a new crystal mark for the Code of Practice, it's crucial that buyers can easily understand the expectations developers should be meeting. But the greatest onus will be on advisers to get educated, develop a deep understanding of the new landscape, and understand the interplay of other funding options to discern what works best for their clients. We can help with this. You'll now find a dedicated green page on our adviser site called **Green Hub**. The Hub will help you stay up to date on the latest green initiatives and regulations. As well as useful information, it includes resources to help you align your conversations and business with any changes or requirements.

"Brokers should be able to demonstrate the risk of owning a poorly performing home, and the challenge the consumer will face by having an inefficient energy performance," says Trudy, who says this could include difficulties remortgaging or price chipping.

Understanding how you can deliver this advice could help homebuyers avoid the very real risk of being trapped in an old, inefficient home that's difficult to sell because of a high carbon footprint and expensive retrofitting requirements in years to come.

So will we start to see a direct relationship between energy efficiency and the value of the property? As buyers begin searching for green credentials, home surveys, green mortgages and broker advice will play a big part in informing prospective buyers about their property and the potential energy risks or rewards associated with it. This could in turn drive a demand that's played out in higher property values.



Watch the session

From 54 minutes: **Are valuations evolving?** Presentation by Trudy Woolf, Sustainability Director, Legal & General Surveying Services

# Case study: sero

Sero is working with housebuilders, developers and lenders to help realise the journey to net zero carbon for new homes.

The company is taking a two-pronged approach to New Build net zero carbon, with results showing significant promise for both the value of homes and the energy payoff for buyers.

Sero co-founder Andy Sutton joined our forum to share the findings from the Parc Eirin project in Wales. He gave an update on the buyer response to the new net zero carbon homes, and shared information on its 'Pathway to Zero' passport for new homes, and how bespoke energy monitoring could affect borrowing and lending.

Sero also forms the latest part of Legal & General's growing investment portfolio, which includes offshore wind, onshore wind, solar PV, EV-charging and ground-source heat pumps, amongst others. As one of the UK's largest housebuilders by volume, with a commitment to deliver net-zero [operational] emissions from 2030 across our residential portfolio, there are significant opportunities for Sero to work with our existing housing assets and businesses.



## Watch the session

From 1 hour 21 minutes: Find out more about Sero's approach, its findings, and how innovative in-home monitoring could be a turning point for energy usage and borrowing.

**“We can put in a much more specific estimate of what a family's energy bill will be within that particular property. This can leverage more available borrowing and may in turn drive behaviours.”**

– Andy Sutton, Sero

# A question of affordability

The cost of living crisis is causing a tailspin of uncertainty across the country. With exponential energy prices, inflated food costs and house prices still creeping upwards, affordability is the question on everyone's minds.

There are still plenty of questions being asked around affordability: do consumers still want to buy in the current climate and can they afford to? And are there enough products to bring widespread consumer attention to an affordable eco home market?

While lenders say there's been an uplift in new green products over the last year, our panel agreed there's still plenty to be done. For Adrian MacDiarmid, Barratt Developments, high LTV lending is only one part of the complex puzzle. "95% lending is important but it doesn't solve

the affordability problem. There needs to be a much broader range of innovation, of solutions, to help customers who want to buy a home."

Then there's the availability (or lack thereof) of real-world energy efficiency data on new and existing homes. Understanding the energy efficiency characteristics of specific properties will help lenders create better products that could improve affordability. For Nicola Goldie at Virgin Money, "it's all about the data."

With housebuilders experiencing rising costs too, it begs the question whether New Builds will be unaffordable for your clients if developers are funding high-cost solutions. However, David O'Leary of the Home Builders Federation said "The reality is that it will affect viability of future

housing schemes but won't impact on sales prices."

According to Rachael Hunnisett, Skipton Building Society, there's a fine balance between driving consumer behaviour to afford greener homes and being tokenistic. "We need to make sure greener homes are accessible at scale to everyone and not just to people who have that higher borrowing power. Affordability matches quite nicely into that, and enhanced affordability gives people the tools they need to buy those properties."

So you can give the best advice, lenders will need to provide greater clarity on criteria around green products, and give a clear, educational steer to advisers on how to sell the benefits of their products to your clients.



## Watch the session



From 1 hour 11 minutes: Panel session: **Is the green agenda being embraced?** Hear our panel of lenders and brokers discuss how to make greener homes accessible and affordable.

# Thanks to our speakers and panellists



**David O'Leary**  
Home Builders Federation



**Andy Nelson**  
Homes England



**David Anstice-Pim**  
Department for Levelling Up,  
Housing and Communities



**Andy Mason**  
Lloyds Banking Group



**Adrian MacDiarmid**  
Barratt Developments



**Eliot Darcy**  
Market Mortgage



**Trudy Woolf**  
Legal & General Surveying  
Services



**Rachael Hunnisett**  
Skipton Building Society



**Andy Sutton**  
Sero Homes



**Nicola Goldie**  
Virgin Money



**Tanya Rudland**  
Evolve Financial Solutions



**Douglas Cochrane**  
New Homes Quality Board