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Rent to Own - Wales: Research with private rental sector tenants to develop the scheme

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Author(s): Nina Prosser and Dr Jo Coates

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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

For further information please contact:

Nina Prosser

Social Research and Information Division

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

Tel: 0300 025 5866

Email: nina.prosser@gov.wales

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Glossary

Acronym/Key word	Definition
ISA	Individual Savings Account
IRP	Internal Research Programme
ONS	Office for National Statistics
PPIW	Public Policy Institute Wales
PRS	Private Rental Sector
RCT	Rhondda Cynon Taf
RSL	Registered Social Landlord

Executive Summary

1. This research aimed to provide qualitative evidence to test assumptions and explore issues around home purchase in Wales and to assist the development of the Welsh Government's Rent to Own Wales and Shared Ownership - Wales schemes. Both schemes are designed to help those individuals/families who are currently unable to access home ownership. Rent to Own – Wales is designed for those who have access to no deposit, or who are currently unable to obtain a mortgage by traditional lenders. Individuals enter into a rental agreement with a Registered Social Landlord (RSL), who will charge market rent. Tenants have an option to purchase the property from the end of the second year of rental. Upon exercising the option to purchase tenants will be gifted 25 per cent of the rent back to use as a mortgage deposit thereby enabling them to access a mortgage to purchase the property they are renting. Shared Ownership – Wales is designed for those who have a small deposit saved, and who are able to obtain a mortgage to part purchase a property whilst paying rent on the share which they do not own. Both schemes are available to people / families who are currently unable to access home ownership. The scheme will only be available on specific new build homes.

2. The policy has arisen out of a need for more diverse housing offers for those who are struggling to save for home ownership as a result of low income and high costs of living. In order to understand which demographic groups to target the offer at, and how to shape specific terms and conditions in preparation for the official launch of Rent to Own Wales and Shared Ownership Wales in 2018, the Homes and Places Division (Education and Public Services, Welsh Government) asked the Internal Research Programme (IRP, Knowledge and Analytical Services, Welsh Government) to undertake some research with the public. The research aimed to;

- Understand the reasons why individuals are currently renting privately and the extent to which individuals have an appetite to own their home;
- To understand and explore the enablers and barriers those in the public rental sector (PRS) experience in attempting to purchase a home;
- Explore individuals' awareness of other home purchase support schemes e.g. Help to Buy - Wales, Rent First and others, and whether they have considered taking up support from these schemes;
- Explore the views of individuals of Rent to Own Wales – including perceptions of social housing and whether take-up of the scheme would be suitable given individuals' current employment and lifestyle;

- Take into account adjustments to delivery in different locations to make the scheme worthwhile and attractive to its target market.

3. The research comprised 30 telephone interviews with current PRS tenants, lasting an average of 30 minutes each, and was carried out in July-August 2017. Interviewees were recruited using the National Survey for Wales recontact list and were broadly representative in terms of age, gender, and income, and were varied in terms of their current living circumstances. Interviewees were asked about their current rental situation and their eventual aspirations to purchase a home, before moving onto discuss the key terms of the offer and provide their views on how attractive the offer is in relation to their current circumstances.

Key Findings

4. The majority of participants had aspirations to purchase their own homes. The majority of individuals across all age groups, irrespective of their previous experience of home ownership or contentment with their current rental property expressed a desire to own their own home. Home ownership was considered to be desirable firstly to afford tenants the long-term security and stability that many did not consider achievable in the PRS and secondly as an investment to benefit future family members.

5. Tenants opted to rent as a consequence of an inability to pursue home ownership rather than a preference for renting. Individuals' decisions relating to their current rental circumstances were shaped by difficulties saving for a deposit on a home or by an unforeseen but significant life event which had impacted their personal circumstances, such as the breakdown of a relationship or the loss of a job.

6. Tenants' rental decisions were influenced by the perceived value and affordability of rental property and by the proximity of the rental property to their place of work. Participants described making decisions based on their assessment of the location of the property, rather than their views of the properties features. The majority of participants identified the proximity of their rental property to family and friends or its location within a valued local community among its advantages.

7. Participants identified the most common barriers to home ownership as difficulties saving for a deposit, their perceived investment potential and the impact of an unforeseen life event on their income or needs. Younger participants were more likely to describe facing difficulties saving for a deposit whereas older participants more commonly described facing perceived barriers accessing finance associated with their age or

experiencing a significant life event which had altered their financial status or needs, such as the breakdown of a relationship, loss of a job or onset of an illness or disability. Participants with higher household income tended to describe facing barriers associated with a poor or limited credit history, though a lack of awareness regarding the importance of maintaining a healthy credit was evident across all age and income groups.

8. Assistance from friends and family was proving a suitable means for some to overcome a poor or limited credit history to get on the property ladder. Some participants described establishing arrangements with family members or trusted friends who had successfully taken out a mortgage in their name on which participants met the monthly repayment commitment. This method was allowing those who did not meet the lending criteria of traditional lenders owing to a poor or limited credit history to effectively rent property below the local market rate.

9. Participants accessed general information and advice about home ownership and mortgages through a range of sources, principal among them being online web and social media platforms, their local bank and friends and family. Those who aspired to own their own home in the short-term explained that they frequently carried out their own research online, followed by enquiries with their local bank or seeking advice from family and friends.

10. Participants' awareness of current support schemes to enable home purchase was shaped by their readiness to buy. Among the schemes mentioned, participants were most commonly aware of the Help to Buy ISA product and more generally, the Help to Buy brand.

11. Participants across all age groups were generally positive about the Rent to Own Wales scheme and recognised the barriers it is intended to address. Younger participants most frequently mentioned the benefit of accessing the scheme without the need for a deposit and the potential of utilising their track record in the PRS as a means of demonstrating their ability to manage the long-term financial commitment.

12. If they were to take up an offer of housing under the scheme, participants cited the need for clear and detailed advice prior to a formal agreement, which would give guidance on repayments and overall affordability. This was felt important in order that potential applicants fully understood the terms and conditions of the scheme, and could make an informed decision on whether it was the right choice for them and their families.

13. **It was felt that a varied approach to marketing would be beneficial in order to reach as wide an audience as possible.** Respondents cited both traditional and newer forms of marketing as beneficial in communicating the key terms of the scheme to the public, including TV, radio, social media and public engagement events in different locations throughout Wales.

Recommendations

1. **Any marketing or subsequent material provided to potential applicants should outline the key features of Rent to Own Wales and distinguish between this scheme and others available in Wales.** Whilst some were informed about the various home purchase schemes and their key features, there was some confusion about the key terms of each scheme, and whether the offer in question was a Wales specific or UK wide scheme, as in the case of Help to Buy - Wales, which on some occasions was confused with the English version of the scheme. Clear explanation of the key differences between schemes, with examples of situations in which an individual might choose to take up a scheme would help initial decision making about whether to apply.

2. **Any marketing campaign should consider a broad range of media to advertise Rent to Own Wales.** Interviewees noted a variety of different means through which an associated communications campaign could potentially market Rent to Own Wales, including traditional methods such as TV and radio, through to social media and face-to-face engagement with communities. Any decisions about marketing should be made bearing in mind the target demographic for the scheme. Any campaign should seek to attract demand but balance the funding available to offer the scheme on 1,000 new builds across Wales, whilst ensuring access to the scheme across local authorities is equitable.

3. **Clear, impartial and independent advice should be provided to potential applicants once they have decided to proceed.** Interviewees clearly stated the need for independent advice on key terms and conditions of the scheme and an assessment of their current financial situation and their long term situation should they decide to enter into an agreement with an RSL. Providing sound projections of repayments and calculations of time taken to save a deposit will provide important information with which to determine affordability, and ensure due diligence has been applied to each offer made.

4. **Information on eligibility and contingency plans regarding the terms of the agreement should be made clear at application.** Many interviewees questioned whether their age or financial situation would make them eligible for the offer. They also asked whether any significant change in their life circumstances, such as a divorce, the death of a

partner, or an additional person moving into the property would impact on the validity of their rental or shared ownership agreement. Information about such circumstances and how it relates to any rental agreement should be readily available, alongside a directory or independent financial advisors to support them in a resolution.

5. Consider making available, or advertising education in financial literacy for those interested in applying for Rent to Own Wales. Previous research has indicated that those who are more financially literate are more likely to be engaged in making decisions about home purchase, and are educated further through the process of doing so. This research has found similarly that those who are motivated to buy are more informed about their choices. The scheme may want to consider, particularly if younger people are the focus of the intervention, provision for basic financial literacy around mortgage and housing options to enable people to better understand their options and engage them with assistance schemes.

1. Introduction

- 1.1 This research aimed to provide qualitative evidence to test assumptions and explore issues around home purchase in Wales and to assist the development of the Welsh Government's Rent to Own Wales and Shared Ownership – Wales schemes. Rent to Own Wales and Shared Ownership Wales are schemes currently under development. Rent to Own Wales aims to enable first time buyers who do not have sufficient deposit to purchase a home. Shared Ownership – Wales enables those who have saved a small deposit to contribute this and part own their property, whilst progressing towards full ownership over time. Both schemes have been developed under 'Taking Wales Forward', the Welsh Government's programme for government for the 2016-2021 Assembly term.
- 1.2 Aspirations towards and attainment of home ownership have been widespread and prominent in the UK, including Wales, for many decades. This has resulted in a high rate of home ownership in Wales which has endured over time. However, a number of factors arising from the 2008 global financial crisis have resulted in a decreased or delayed ability for potential owner-occupiers to succeed in purchasing their first home. The crisis had a number of negative effects on the economy, which has contributed to first time buyers finding home purchase more challenging. Firstly, this led to a decline in completion of new-build houses in the years immediately following the crisis, thus reducing the housing stock available for purchase (PPIW, 2015; Stats Wales, 2017).
- 1.3 First time buyers have also experienced reduced access to housing stock to purchase due to the increase in the purchase of buy-to-let properties, the concurrent increase in the ratio of house prices to household income, and the stagnation of wages. The ratio of house prices to household income in 2015/16 in Wales was 5.6, and the steady increase of the ratio up until the 2008 crisis (peaking at 6.3 in 2007) has meant that houses are becoming increasingly unaffordable as wages fail to keep pace with price rises (ONS, 2017).
- 1.4 In searching for alternatives to home purchase, and bearing in mind the reduced scope to access local authority housing¹, many households have opted to remain in the PRS whilst they save for a deposit, or in some cases permanently. This has

¹ The decline in local authority housing stock is primarily the result of the Right to Buy, a UK-wide policy of the Thatcher government in which local authority housing tenants were able to purchase their homes at a reduced price. Local authority housing stock was not replenished following private purchase.

been reflected in a decline of around five per cent (from 75 per cent in 2002-30 to 70 per cent in 2015-16) in home ownership, and a corresponding rise in private rental tenancies from eight per cent in 2002-03 to 14 per cent in 2015-16 (Stats Wales, 2017). In a society which promotes and affords high status to home-ownership, this has become problematic, as the established benefits of home-ownership, namely the attainment of assets for families and thus ongoing financial security, are narrowed. Remaining in the PRS for prolonged periods can be considered undesirable for a number of reasons, including the relative lack of regulation of the sector and the consequent lack of security and permanency it affords; the perceived 'waste' of money in paying rent as opposed to a mortgage; and the relative lack of autonomy and control tenants have over their home environment compared to homeowners.

- 1.5 The ongoing desirability of home-ownership over long term renting has been reflected in the development of government policies to increase the number of people able to purchase their own home. The Welsh Government has developed a number of schemes to enable this. In 2014, Help to Buy Wales was launched. This was an adaptation of the scheme of the same name launched in England, and was aimed at both first time and existing home-owners. Potential buyers put down a minimum 5 per cent deposit, and the Welsh Government provides a shared equity loan for up to 20 per cent of the property price, with prospective buyers requiring a maximum 75 per cent loan from an approved lender. Under the UK-wide Help to Buy brand, an ISA product is also available to boost individuals' savings to put towards a deposit, and this is also available to those living in Wales². Other schemes available in Wales include Homebuy; a Welsh Government scheme which, through the provision of an equity loan, supports people to buy an existing home on the open market. The equity loan (30 – 50% of the purchase price) can be repaid at any time but must be repaid when the property is sold.
- 1.6 An alternative solution to enabling individuals and families to get on the property ladder is to use a below market rate rental arrangement to enable money to be saved and build up to ownership over time. In 2011, Welsh Government introduced Rent First, an intermediate rent solution for those unable to access home ownership but able to afford more than a social rent. Those who take up the scheme have the option to purchase at a later date, but this is not mandatory.

² It is understood that this product will become known as the 'Lifetime ISA' in the near future.

- 1.7 Following the Assembly elections in May 2016, it became apparent that young people, predominantly aged under 35, were having particular problems getting a foothold in the property market. Often young people were locked into private rentals because they could not save for a deposit to purchase a home. This denied individuals the opportunity for financial security through home-ownership, but also the opportunity to obtain a mortgage, which is often cheaper than rent. Welsh Government wanted to create a scheme that would offer potential buyers the opportunity to purchase a home through a RSL. Two products were therefore developed; the first (Rent to Own) for those with no deposit who would take on the property as a rental and save for a deposit over time, the second being Shared Ownership Wales, in which tenants contribute an initial sum to a deposit and staircase up to full ownership over time. The scheme would be available to new build properties only, with the aim of stimulating the number of completions, and rental agreements would be made with RSLs to secure below-market rent.
- 1.8 Development of both schemes began following the Assembly elections, and in January 2017 the Homes and Places Division (Education and Public Services, Welsh Government) approached the Internal Research Programme (IRP, Knowledge and Analytical Services, Welsh Government) to undertake some research with the target market for the scheme, to understand views and suitability of Rent to Own Wales. This would inform decisions about current desirability of home-ownership, the target group for the offer and suitable terms and conditions under which the offer could be taken up. The key objectives of the research were therefore to;

Table 1.1: Aims and rationale of the research

Aim	Rationale
1. Understand the reasons why individuals are currently renting privately and the extent to which individuals have an appetite to own their own home	The research was concerned with exploring why individuals were renting within the PRS and sought to test assumptions about whether home ownership was still a dominant aspiration for those interviewed.
2. Understand and explore the enablers and barriers those in the PRS experience in attempting to purchase a home	By understanding why interviewees are renting within the PRS, the reasons why they may be delaying purchase of their own home can be understood.
3. Explore individuals' awareness of other home purchase support schemes e.g. Help to Buy - Wales, Rent First etc. and whether they have considered taking up support from these schemes	Understanding individuals' awareness of the current help available can indicate levels of awareness as well as which methods would be most suitable in marketing the scheme.
4. Explore the views of individuals of Rent to Own Wales– including perceptions of social housing and whether take-up of the scheme would be suitable given individuals' current employment and lifestyle	Obtaining interviewees' perspectives on the terms of the offer can shed light on the key aspects that may make the offer more or less attractive and which demographic group may be more inclined to take up the offer. Interviews will also provide indication as to whether there are any recurring issues associated with the offer that may need to be addressed.
5. Take into account adjustments to delivery in different locations to make the scheme worthwhile and attractive to its target market	In order to ensure that the scheme is designed and marketed appropriately, data from interviewees across different locations will be compared to identify any variations which may affect attractiveness and take-up of the scheme in different areas of Wales.

1.9 This report constitutes the findings of the qualitative research. Section two provides a summary of key literature relating to home ownership and affordability, affordable housing and key interventions to stimulate home purchase in Wales since the financial crisis. Section three outlines the methodological approach to the research, section four presents the key findings of the interviews, and section five offers some key conclusions and recommendations, as well as making suggestions for further research.

2. Literature Review

2.1 This section outlines some of the key academic and policy literature pertinent to home-ownership and the Rent to Own Wales and Shared Ownership Wales schemes, outlining the housing policy context and its key changes from the post-war period to the present day. This will incorporate discussion of the 2007-08 global financial crisis and the impact this has had on affordability of home purchase, before a discussion of the development and efficacy of Welsh Government policy to assist first time buyers from 2010 to the present. It will then explain how this has led to the development of the current offer as an accessible and affordable route to purchase, using a rental arrangement as an intermediate measure as a means to achieving full ownership.

Social Housing and the Shift towards Home Ownership

2.2 Today in Wales, as in the rest of the UK, there is a strong ethos of home ownership as a key milestone in an individual's life. Home ownership is associated with independence, personal empowerment and stability, and is considered an asset that can be used to boost an individual's financial standing and that of their children as wealth is passed on to future generations. The high cultural value attached to homeownership has arisen out of a set of particular policy decisions that have steered local government away from providing council-owned social housing³ to families and consequently a shift towards higher rates of home ownership from the late 20th century onwards. This has had particular consequences for those in need of affordable housing, an issue which has been exacerbated by the outcomes of the 2007-08 global financial crisis.

2.3 The immediate post WW2 period saw a high demand for new housing for families to accommodate the growing population in this period. The Town and Country Planning Act 1947, in line with the general policy of government ownership at that time, nationalised development rights which permitted central and local government to control changes in land use (Gurran and Whitehead, 2011). The aim of this was to ensure the government could provide housing for all families regardless of their capacity to pay. With local government increasingly able to control and build on

³ Throughout this report, 'social housing' refers only to the predominantly council-owned housing of the post-war era. The term 'affordable housing' is a broader term used to describe a number of housing tenures in existence from the 1980s onwards, from traditional council-owned social housing through to shared equity and subsidised homeownership, and reflects the diversity of options available to tenants/owners in the present day.

land, the proportion of council housing steadily increased, reaching a peak in 1980, with social housing constituting one third of all housing stock, 90 per cent of which was council-owned (Blessing, 2016: 161). Councils were already reducing their involvement in new housing provision from the mid 1970s onwards, but it wasn't until the Thatcher government introduced policy to restrict local authorities' capacity to borrow to provide housing, and their rights to subsidise housing provision (Gurran and Whitehead, 2011:1200), and house building was transferred to Housing Associations, which funded development from both private sector borrowing and capital grants.

- 2.4 In 1980, the Conservative government under Thatcher also introduced Right to Buy, a policy which enabled sitting council tenants to purchase their home at a discounted rate. The removal of local authorities' discretionary power to allow private purchase was removed, promoting the 'right' to purchase as uppermost, and lead to a significant increase in the rates of purchase of social housing (McKee, 2010). The policy has had a significant impact on the tenure composition in the UK, inevitably leading to higher rates of home ownership through the late 20th century up until the present, with over 2.5 million homes sold in the UK through the scheme since its introduction (McKee, 2010). Right to Buy has been popular with the public and politicians, promoting the values of financial stability through ownership of assets that would appreciate in value and can be passed on to children. Home-ownership also represents the potential to achieve social mobility and self sufficiency via the accumulation and determination of wealth. Right to Buy was also popular in Wales, with sales of social housing peaking in the early and late 1980s, although sales have been in marked decline since 2007-08 (Stats Wales, 2017).
- 2.5 Right to Buy, although popular with the public, has had negative impacts on the social rented sector, most obviously through the overall loss of over two million homes UK-wide available for let, with consequences also affecting Wales (McKee, 2010)⁴. This reduction in availability of social housing has been particularly detrimental to the most vulnerable households, who are unable to afford to purchase a home on the open market, with social landlords also finding it difficult to provide accommodation for those who are homeless or on low income. The decline in social housing lead to an expansion of the PRS, as some ex council houses were

⁴ Since this research was carried out, the Welsh Assembly Bill to abolish Right to Buy and all associated rights in Wales has been initiated. It is anticipated that this will come into effect in 2018. Right to Buy was also abolished in Scotland in 2016.

sold to private landlords. Social housing was increasingly concentrated in specific areas and attained a negative image due to the increasingly vulnerable populations it served, leading to a decline in economic development in these areas (McKee, 2010).

- 2.6 As a result of such policies, aspirations to own a home are strong in the UK (Saunders, 1990, in Houston and Sissons, 2012), and have remained so since the 1980s. The reasons for this are partly due to the construction of policies promoting home-ownership and the associated declining availability and negative image associated with social housing, and the narratives of empowerment and self-actualisation that are closely associated with home-ownership, although in reality the actual empowering effect of purchasing a home has been found to be limited (Kleinhaus and Elsinga, 2010). Despite these dominant narratives of empowerment and control, evidence demonstrates that the impact of the global financial crisis on the UK economy has proved to be a significant barrier to many in achieving this goal.

Challenges to Home Ownership (2007-present)

- 2.7 The global financial crisis of 2007-8 impacted the housing market in a number of ways, the consequences of which have endured over time, impacting on potential buyers and the buoyancy of the housing market more generally. In terms of impacts on individuals, the slowdown in the economy has led to a depressed job market and stagnant wages, meaning that those employed have not seen a real-terms increase in their salaries for nearly a decade. In conjunction with the rising cost of living, the ability for individuals to save for a deposit on a house has reduced.
- 2.8 This, alongside the policies which have reduced possibilities to obtain social housing, has meant that the PRS has increased in influence. Since 2000-01, the percentage of privately rented dwellings in Wales has doubled, from 7 per cent to 15 per cent in 2016 (Stats Wales, 2017). Conversely, overall Wales has seen a decrease in the proportion of owner-occupiers between 2001 and 2011 (Welsh Government, 2017). Cardiff had the highest proportion of privately rented dwellings, at 22 per cent, although much of this proportion may be due to its high student population. With the decline in availability of social housing, the 1988 Housing Act also removed rent controls on the PRS, allowing landlords to set their own rents according to market demand (Houston and Sissons, 2012). Consequently, data for

Wales indicate wide variability in the difference between social and private rents in particular local authorities. In Swansea, private rents were 83 per cent higher than those charged for similar size properties in the social sector, and in Cardiff they were 66 per cent higher (Stats Wales, 2015). This has meant that, for low-income tenants, the potential for rent to account for an increasing proportion of income is negatively impacting on quality of life, and is making the PRS inaccessible to those who are most vulnerable.

- 2.9 The expansion of the PRS has also been attributed to the increase in the number of buy-to-let mortgages and the decrease in affordability of owner-occupation. Affordability of homes for first time buyers has been made more difficult due to the persistent high ratio of house prices to household income. In 2016, data from the ONS show that the median house price to earnings ratio was 5.6. This had reduced from the ratio immediately prior to the economic downturn (6.3 in 2008), but nevertheless presents a significant barrier to purchase. This varies across local authorities in Wales, with the highest ratios in rural areas such as Ceredigion and the lowest in Blaenau Gwent. This means that households are experiencing a reduction in choice in the properties they are able to afford to purchase as it becomes more difficult to balance private sector rents and increased costs of living with stagnant wages.
- 2.10 The final factor contributing to reduced access to home-ownership post-recession has been the reduction in the completion of new-build houses. Recent years have seen an increasing demand for housing; however the recession that followed the financial crisis severely disrupted the pace at which new-build completions were made. In 2006/07, new-build completions in Wales peaked at 9,300 per year. After the crisis, completions declined and were reported at 6,800 in 2016/17 (PPIW, 2015; Stats Wales, 2017), although this figure is now increasing. The majority of completions were by the private sector, and local authorities contributed to no new-build completions in 2015/16. The lack of availability of new housing, particularly that which is affordable for first time buyers or those on lower incomes, has kept many families in the PRS for extended periods.

Young People and Home-Ownership

- 2.11 Typically, those most associated with experiencing problems purchasing a home are young people, particularly those aged between 18 and 35. Those entering the labour market at the onset of the recession have found it increasingly difficult to secure well-paid employment against a background of the rising cost of living. This has delayed the transition onto the property ladder for many, and an associated increase in the number and duration of private rentals means this trend is being replicated across a number of northern European nations (Lennartz et al, 2015). The term 'Generation Rent' has become a well-used term to describe young people's reliance on the PRS or living with their parents for longer periods of their lives (McKee, 2012, in Hoolachan et al, 2017) due to a combination of increases in unemployment, stricter mortgage lending, a higher deposit required to secure a mortgage on a property and reforms to the social security system preventing them from becoming home-owners. This has resulted in a vast reduction in the opportunities available to young people when compared with their parents or grandparents.
- 2.12 Income has a notable impact on the ability to purchase; Gathergood and Weber (2017) have found that those on low incomes are less likely to be homeowners, and that likelihood of purchasing a home is also influenced by the degree of financial literacy that individuals possess. Levels of financial literacy, whilst firstly a barrier to accessing a suitable mortgage for a household's earnings, have also been shown to be an important determinant of the timing of entry into home-ownership and the type of mortgage acquired (Gathergood and Weber, 2017). The research found that low financial literacy can delay the decision to buy a home. Those with lower levels of financial literacy were often steered towards higher leverage products which are more profitable to lenders, leaving them more vulnerable to getting into difficulties with repayments and putting them at risk of repossession. Those with higher financial literacy are often able to purchase earlier and make more appropriate lending choices in relation to their income and outgoings, thus ensuring financial stability in terms of income, repayments and low credit constraint in the long term.
- 2.13 Nevertheless, home-ownership remained a key aspiration for young people, as it has for generations before. This can be partly attributed to the deep-seated ideological importance attached to home ownership in the UK in particular (Coulter, 2016), and to the benefits that highlighted in the literature in relation to self-identity

and the full sense of control that some homeowners feel able to assert over their own property (Hulse and Milligan, 2014, in Hoolachan, 2016). These values have been successfully transmitted to young people, but without the financial means to pursue this as early in their lives as earlier generations might have done.

- 2.14 Delayed homeownership, whether temporarily or permanently, has a number of impacts financially and personally. Delays in home purchase can prevent the feeling of being settled in a location, and can subsequently lead to a postponement in the achievement of major milestones such as getting married or choosing to start a family (Hoolachan, 2016). As previously mentioned, there is also evidence to suggest that the delays to home ownership have a detrimental impact on the financial position of an individual or family in the longer term, with later house purchase often leading to mortgage commitments extending into later life.
- 2.15 Evidence also shows an increasing split between young people who are able to afford a home, and those who are not, based on a number of socio-economic and geographic factors. Coulter (2016) firstly found that areas in which house prices were higher, people were less likely to be able to afford to buy. However, parental situation was also found to affect prospects for home purchase, with parental home ownership increasing the likelihood of child home ownership. The ability of parents to help their children with homeownership was especially important in areas where prices were high. This highlights a trend in which those who have parents who can help become more advantaged in the long term with respect to financial security and accumulation of wealth, leading to a greater disparity in the ability to own a home. McKee (2012) also suggested that a shift is taking place from collective welfare and support towards a dependence on family. This can potentially replicate and intensify through the generations, leading to endemic societal inequality and reduced opportunities for social mobility. Housing policy interventions are therefore faced with the task of re-establishing equality of opportunity with regard to access to homeownership, particularly for younger people whose means and opportunities have significantly narrowed in recent years.

Provision of Affordable Housing

- 2.16 Some have criticised the promotion of home-ownership above all other housing options as contributing to the decline in social housing, a key pillar of support for low and middle income families, and leading to stigmatisation of those still in receipt of such support (Blessing, 2016). This issue has been exacerbated by the aforementioned decline in the rate of new-build house completions in the decade following the recession, as the housing stock has failed to keep pace with household growth. Whilst addressing the issues relating to the demand for homes post-recession, governments also need to ensure that the supply of affordable housing for purchase is met. Social housing, therefore, has largely been superceded by 'affordable housing', a range of options which support rental, purchase, or support to purchase a home at an affordable rate whilst renting.
- 2.17 The means through which affordable housing is financed and built has diversified in the UK since the 1980s. Much of the responsibility for creating affordable housing fell to Housing Associations; private (but publicly-funded), non-profit making organisations set up to provide housing for families on low-incomes, with developers contributing to the costs of completion of housing and a commitment to giving over 15-20 per cent of newly completed homes to affordable housing (Gurran and Whitehead, 2011). This ensured completions of both open market and affordable housing become available, and helped to maintain a 'mixed communities' policy, i.e. to ensure different housing provision co-occurs and certain areas are not stigmatised as less desirable due to the high proportion of affordable housing.
- 2.18 The rise of so-called intermediate housing schemes has, to some extent, filled the gap left by the lack of social housing. Intermediate housing is defined as housing that is for sale or for rent, and that is more expensive than social housing but cheaper than market rates. It encompasses both rental agreements and shared ownership schemes. The increasing diversity in schemes that can be accessed under the affordable housing banner have become ever more important in supporting individuals and families, particularly first time buyers, to combat the combination of rising house prices, declining availability of housing stock, rising cost of living and falling or stagnant incomes. In Wales, a specific suite of schemes has been developed to address the particular challenges the country faces in this regard.

Home Purchase Assistance in Wales

- 2.19 Wales's housing schemes has been partly modelled on approaches taken by the UK government, and partly created to address market-specific issues within the country. Schemes have addressed two key issues; the inability to afford ever increasing market rents and the inability to save for a deposit to secure a mortgage agreement.
- 2.20 In 2011, Welsh Government introduced Rent First, a capital grant funded intermediate rental assistance scheme designed for those unable to access home ownership, but who can afford more than a social rent. Aimed at those with household incomes between £16,000 and £30,000 per annum, and with the future option to purchase their property, Rent First offered both a standalone rental option as well as the possibility of purchase. Rents were set at 80 per cent of market rates. Rent First was designed to address the affordability gap between social and private renting and the purchase of a property, and was available on one, two and three bed properties.
- 2.21 The evaluation of the scheme gave a mixed picture; it found that take-up across local authorities varied widely, and that its operation was very much at the discretion of each authority (Welsh Government, 2015). Despite the potential to cross-subsidise development from the scheme for social rented units, the value of the scheme was thought to be limited in areas where house prices were lower. Local authorities had also implemented a number of other schemes offering owner-occupation and therefore Rent First had high levels of competition, possibly accounting for the lower than expected take-up. Local authorities did not see the scheme as a key part of their intermediate housing offer, but rather a supplementary scheme for occasional use. However, the evaluation also found that focusing the scheme on those with incomes between £16,000 and £30,000 was valid, bearing in mind that younger households could still expect to experience income growth into middle age and beyond.
- 2.22 There was however low take-up of the purchase option of Rent First, and local authorities, in areas where demand for social housing was high, were often using the scheme to meet this demand. This meant that it was viewed less as a means to purchase a home and more as a means to obtain affordable housing provision. Flexibility was required, either within Rent First or another scheme, in order that those who were able could progress towards home-ownership at a later stage.

- 2.23 For those with an aspiration to own their own home, but required assistance to access a more affordable mortgage offer, the Help to Buy Wales scheme was introduced in 2014. The scheme had the dual purpose of supporting routes to homeownership whilst also boosting the house building sector by providing a Welsh Government funded equity loan to make up the difference between a buyer's deposit and mortgage funding. The scheme is available to those purchasing a residential property up to the value of £300,000 and buyers were obligated to fund up to 80 per cent of the value of the property, including a minimum 5 per cent deposit. The scheme was designed to boost both demand and supply of housing, particularly new builds, and ensure the home construction industry remained competitive whilst providing an easier route to purchase (Welsh Government, 2016).
- 2.24 Findings from the interim evaluation, which included surveys of both buyers and developers, provided indicative findings on the impact of the scheme. From the buyers survey, it was revealed that the majority of beneficiaries were first-time buyers (75 per cent) and that the scheme had had a significant influence on most regarding their decision to buy, and the type of property they chose. Nearly three quarters (73 per cent) of beneficiaries chose to buy a new build property specifically because of the scheme (Welsh Government, 2016). From the developers' perspective, the majority reported that they were building more houses in Wales because of the scheme and that the scheme had increased the number of sales, and just over one quarter reported they actively sought new locations to build because of the scheme. There were high levels of promotion of the scheme from developers.⁵ Overall, the scheme was found to have a positive effect on encouraging first time buyers to purchase, and particularly new build properties, thus stimulating the supply and addressing the low availability of housing stock. However, there is some indication of displacement of activity which might otherwise have taken place, namely individuals being able to buy a bigger house, or at an earlier time than they may have planned. Overall, the interim evaluation was positive, but recommendations stated that the Welsh Government may want to work with developers to identify and increase the land available for house building to further increase the amount of new stock, as this was not keeping pace with demand. This is particularly important in areas where housing prices are higher. As with Rent First, the impact of the scheme across different local authorities is likely to

⁵ Please note that these findings are indicative due to the low response rates from the survey, particularly with regard to developers.

be variable, and this should be monitored over time to ensure continued success of the scheme.

- 2.25 Following the Assembly elections in 2016, the Welsh Government put forward proposals to introduce a further scheme to address the affordability of house purchase and to boost the number of new build completions. A gap in access to homeownership was identified for those who wished to buy, but were unable to secure a mortgage through schemes such as Help to Buy Wales due to their inability to save for a deposit, or for other reasons, such as a poor credit rating. A new scheme, Rent to Own Wales, was proposed as an intermediate solution by which potential buyers could move into a new-build property managed by a RSL, either renting at 80 per cent of market rate, or on a shared ownership basis if they had part of a deposit saved, and save the remaining 20 per cent towards a deposit over the long term. At the end of the rental term⁶, there would be an obligation to purchase the property. This would allow earlier access to a suitable property and enable buyers to save the remaining deposit whilst being adequately housed. The scheme will also be consolidated with Help to Buy, and another scheme, Homebuy, which provides equity loans of up to 50 per cent to assist in purchasing an existing property in rural locations. The consolidation of branding on each of these schemes is hoped to be useful in helping potential buyers identify which scheme is best for them, and address issues raised with previous schemes regarding the information provided to guide individuals to the right option.
- 2.26 The policy has identified a need for a scheme like Rent to Own Wales, but what was less clear were the level of demand, and the particular needs of certain demographic groups in making decisions about whether the scheme would be right for them. The current study therefore aimed to assist in the development of the terms and conditions of the scheme, exploring with PRS tenants their requirements and concerns. The following section outlines the methodological approach to the research, before a full discussion of the analysis of the telephone interviews with participants.

⁶ The term of the agreement can be flexible, with the maximum term being five years.

3. Methodology

- 3.1 Initial discussions with the Homes & Places Division revealed that the main motivation for research with PRS tenants was to gain an understanding of individual circumstances which had lead them to renting as opposed to purchasing a home, and the enablers and barriers to doing so in the future. Additionally, the research needed to provide an indication of opinions on the terms and conditions of the Rent to Own Wales scheme at the time the research took place. This would assist in shaping, or in some cases adjusting the terms and conditions of the offer. These requirements meant that a qualitative approach was favoured over quantitative methods in obtaining the detail required.
- 3.2 Following scoping meetings with policy colleagues, qualitative semi-structured one-to-one interviews were therefore the method of choice for this research. Semi-structured interviews allow for a logical exploration of all the issues of concern to ensure consistency of data collection through the use of an interview schedule. However, they also allow for a certain degree of flexibility in interviewing to pursue issues pertinent to individual interviews, helping to flesh out specific issues and provide richer data for analysis. This is the most suitable for facilitating discussions with individuals in order to draw out the detail required. In order to obtain data efficiently and in the most convenient way for the public, it was decided to conduct telephone interviews to minimise travelling and to fit in with individuals' busy lives with minimum disruption
- 3.3 In total, the number of interviews was set at 30. This provided enough of a spread of individuals across locations, ages, and incomes to provide varied and rich data on the issues of concern in the development of Rent to Own Wales. Although the number of interviews conducted is not enough to make this research representative of all demographic groups in Wales, it is important to have an even distribution of characteristics to ensure the widest possible range of views have been considered. The following tables provide a breakdown of the sample by different characteristics.

Table 3.1: Sample composition by gender

Gender	No of Participants
Male	14
Female	16

Table 3.2: Sample composition by age

Age	No of Participants
18-24	4
25-34	7
35-44	7
45-54	5
55-64	3
65+	3

Table 3.3: Sample composition by income band

Income Band	No of Participants
Under £10,000	3
£10,001 - £20,000	9
£20,001 - £30,000	4
£30,001 - £40,000	2
£40,001 - £50,000	3
£50,000 or above	2
Unknown	7

Table 3.4: Sample composition by living circumstances

Living circumstance	No of Participants
Living alone	12
Living alone (with children visiting)	1
Living with partner/spouse	4
Living with partner/spouse and children	8
Living with children	1
Living in shared rented accommodation (with non-relatives)	1
Living with parents and siblings	2

3.4 This enabled the IRP to achieve a balance in collecting rich data from a varied range of individuals, without placing a heavy burden on time and resources by carrying out a higher number of interviews, which would not have yielded significantly more information. The data, as with much quantitative research, is richer than what may be obtained from a survey, but is indicative and not representative of all individuals within the PRS in Wales. In order to maximise numbers agreeing to be interviewed, it was also decided that interviews should take place via telephone. This removed the need for respondents and interviewers to travel to conduct fieldwork, and allowed for respondents to choose the most convenient time for researchers to call to carry out the interviews.

3.5 The National Survey re-contact list was used to draw a sample of individuals to approach for telephone interviews. The re-contact list is created from the most current National Survey sample list, and records the personal and contact information of those who took part in the survey, and who have agreed to be re-contacted to take part in further Welsh Government research. It was decided that the sample should focus on a smaller number of local authorities within which a higher rate of new build houses had been, and were due to be completed, in forthcoming years. This was to ensure that those who took part, and were interested in hearing more about the scheme as it is rolled out, would have a better chance of

accessing it in comparison to areas in which completion of new builds was proportionately lower.

3.6 The five initial local authorities from which respondents would be selected were; Carmarthenshire, Conwy, Newport, Rhondda Cynon Taf (RCT) and Powys. These areas were selected due to the high number of new builds recently completed in those authorities, and also based on whether new builds were planned for forthcoming years. This yielded approximately 250 cases from the re-contact list. Due to concerns that this may not be enough from which to draw 30 interviews, taking into account the high refusal rate of individuals when approached 'cold' for a telephone interview, two additional local authorities, Denbighshire and Torfaen, were added as reserve local authorities, which boosted the total sample size to over 400. These local authorities were selected as additional options should there not be enough interviews conducted from the original five local authorities. Of the two, only Torfaen was used as a sample local authority, bringing the total local authority areas sampled to six.

3.7 Respondents were selected if they were currently renting in the private sector and were aged 18 or above. To ensure the broadest range of views from across different circumstances, respondents at all income bands were included. It was originally thought that only households with an income of £30,000 or less per annum would be included, based on the notion that those on lower incomes would be more likely to struggle to buy a home. However, the re-contact from the most recent National Survey list does not include information on household income, and so respondents would potentially need to be filtered to determine who would be eligible. It was decided that, due to the potential difficulties this may present in recruiting sufficient numbers for interview, added to the fact that the assumption that lower earners are the group most likely to have difficulty getting on the property ladder had not been tested, it was decided that no income restriction on sampling would be used. At the start of each interview, respondents were asked for some basic demographic information, including gender, age, marital status, ethnicity, employment status, income per annum, how long they had lived in their current rental property, and who they lived with. The overall sample achieved a reasonable spread of individuals by all of these characteristics.

3.8 The total number of interviews per local authority are detailed below;

Table 3.5: Number of interview respondents by Local Authority

Local Authority	Number of interviews completed
Carmarthenshire	5
Conwy	4
Newport	7
RCT	6
Powys	6
Torfaen	4

- 3.9 This brought the total number of completed interviews to 32. Two interviews were discounted; one due to the participant not being eligible for the offer and the second due to poor sound quality on the phone line, bringing the total interviews used to 30.
- 3.10 Interview tools were developed by the IRP in collaboration with the policy team, and covered the three broad areas of concern; current rental circumstances and aspirations to purchase a home, awareness of current support schemes available to buy a home, and a discussion of the terms of the Rent to Own Wales scheme and how suitable it may be for the interviewee. The first section of the interview aimed to explore why they were currently renting and whether an aspiration to buy was present. If so, respondents were asked whether they thought they may be able to buy within the next two years, 2-5 years, or in more than five years, to gain an understanding of whether affordability would be achieved in the short or longer term, and the reasons for this. The interview also had the purpose of establishing the extent to which respondents were aware of government schemes to assist with home purchase and other sources of advice on mortgage products and the purchase process. This would determine how best to promote Rent to Own Wales to ensure maximum awareness for those who may be eligible. The final section sought to describe as much about the scheme as had been developed at that point (summer 2017) to determine the views on key conditions of Rent to Own Wales and how suitable they may be for different ages, family circumstances and locations.

This provided insight into how practical some terms and conditions may be, and would help inform the development of an offer suitable for those who most need it. The interview schedule is available at annex A.

- 3.11 The majority of interviews took place over July and August of 2017, with additional interviews completed between September and October. Initial interviews were undertaken, and key changes were made to phrasing of questions and the explanation of the scheme in order to improve clarity for interviewees. Interviews were recorded and then transcribed and analysed using MaxQDA, a qualitative analytical software package. Emerging findings were presented to the policy team, and then the Rent to Own Wales Steering Group in September 2017, which assisted in informing decisions on eligibility and communication of the terms and conditions to potential beneficiaries. The following section outlines the main findings from the interviews.

4. Interview Findings

- 4.1 This section details the findings from all 30 interviews and discusses the main themes of the interview schedule in turn, from current rental circumstances, aspirations and plans to buy a home, accessing information and advice on homeownership, and their views on the Rent to Own Wales scheme. It is important to bear in mind that, at the time of interviewing, the anticipated maximum term of any agreement under the scheme was 10 years, and comments made in relation to the offer were made with this term in mind. The term of a rental agreement has since been reduced to five years.
- 4.2 The interviews aimed to build up a picture of individuals' current situations in order to better understand their perspective on Rent to Own Wales and how their circumstances would influence their take up of the scheme. The first part of the interview explored current rental situations and reasons for renting. This built up a rich picture and also determined whether the aspiration to purchase was present, as this would be a crucial determinant of take up. Participants' awareness of current schemes was discussed; this was useful to determine which sources of support were most well-known and how individuals accessed their advice. This would provide an indication of how Rent to Own Wales marketing could be effectively designed to meet the target market. The terms and conditions of the scheme were then outlined to interviewees and they were asked about how appealing the scheme would be in its current form, any aspects which would be potentially problematic, and whether they had any key issues they thought would need to be considered if they were to take up the offer. This would help the policy team adjust the specific terms and conditions if particular issues recurred during the interviews.

Reasons for renting

- 4.3 Most common among participants' reasons for renting was lacking the means to buy a property. **The majority spoke about the affordability of buying their own home and described it as currently being out of reach.** It was clear that for most, purchasing their own property was considered the preferred long-term option and renting in the private rental sector was considered a necessary compromise, rather than a preferred alternative.

“I wasn’t in the position to be able to buy to be honest with you, it’s a bit of a struggle to be able to get the money together for a deposit first of all, [...] that’s the main reason I haven’t bought really, pretty much.”

Participant, Carmarthenshire

- 4.4 Participants tended to defer to the private rental sector in the absence of any perceived viable alternative. Some indicated that the lack of choice in housing supply necessitated a move to the private rental sector in which it can be challenging to meet monthly outgoings and save for a deposit. Many participants articulated a sense of being stuck in a cycle of renting in the PRS, with limited choice and limited power to influence their circumstances. This was particularly keenly felt where amidst the rising costs of renting, participants had limited income and a poor relationship with their landlord or letting agency.

“I mean, we’ve been asking and asking for him to change the lounge window because the field unit’s gone on it but all he ever says is yes, I’ll see to it but I’ll have to put the rent up. We’ve been here four years and the window’s getting worse.”

Participant, Conwy

- 4.5 Participants wishing to buy in a preferred location stressed that the local labour market did not provide them with opportunities to earn sufficient income to afford a suitable type of property in the area. This was particularly keenly felt in rural areas such as Powys and Conwy where some participants felt that renting a higher specification of property was the best alternative given the unaffordability of homes of a similar specification to buy. One participant described the challenging economic factors faced by a significant number of those interviewed and affecting the housing and labour markets in his area:

“I think the private [rental] sector is like having a gun to your head with the amount you earn to the amount you pay – you know the percentage of income you earn to the amount you pay is unsustainable in the private sector. If you want to get on the mortgage ladder, you’ve got to try and then – after paying private sector rents, which where I am it’s about £600 so it works out at about 55 per cent of my old salary – and then trying to save for a deposit whilst in receipt of that money. It’s unmanageable.”

Participant, Powys

4.6 Younger participants, were more likely to refer to renting as a stop-gap in the journey towards owning their own homes, describing renting as a means to an end until they could secure a higher income that would allow them to save and build a deposit. A smaller number spoke about facing particular barriers purchasing their own homes, namely those associated with a poor or limited credit history or personal debt.

4.7 Unsurprisingly, older participants were more likely to have owned property in the past and frequently spoke about the impact of an unexpected life event, such as change in financial status owing to fluctuations in the economy, a job loss, relationship breakdown or the onset of a long-term illness or disability necessitating a move to the PRS.

“Well, we used to buy property and renovate them and then when the carry on started, the banks wanted their money back. So they forced us to sell the properties we had at reduced rates so we ended up with nothing. [Partner] was due to go into hospital so there was a panic to try and find somewhere to rent.”

Participant, Conwy

4.8 For some, renting in the PRS was a means of maintaining some stability and avoiding additional stress during times of upheaval, such as during a change of employment or strain in a relationship.

“It was a commitment with my job in the beginning and then since changing the company I was working for[...] it was a plus to get me into the job and then when I went to go and work for a recycling company, I was able to carry on renting the property which was great at the time going through my separation in my marriage.”

Participant, Powys

4.9 Participants identified a number of advantages of their current rental property, principal among them being its location. Those living in more rural communities were more likely to comment on the situation or aspect of the property in its rural setting, notably the benefits of access to green spaces and outdoor activities on their own outlook and wellbeing and that of children in the family. Irrespective of the rural or urban situation of their property, participants spoke most commonly about

the importance of being connected. Some described the importance of being connected in more practical terms such as having easy access to services, amenities and transport links:

“I am about five minutes’ walk away from work. I’ve got a park across the road. I’ve got the city centre just two miles down the road. I’ve got the motorway less than a mile away, it’s great.”

Participant, Newport

- 4.10 Some described this as being a part of a community or benefiting from a sense of community spirit in the area:

Mostly in terms of community, owing to the various circumstances in my life I’ve never been part of a small local community. [...]And then I stopped working and it seemed really important to me that I found another way of engaging socially with another group of people and that’s what I’ve gone about doing here.”

Participant, Powys

- 4.11 Participants spoke about how the cost of renting influenced their view of their current rental and appeared to define cost in a number of ways. Perhaps unsurprisingly, participants spoke about the importance of receiving value for money both in terms of the initial agency fees payable to the letting agency to source and agree a rental tenancy and thereafter, the monthly rental fees. Some described the way in which they had weighed up the cost of the quality and situation of the rental they could afford with the cost of the quality and situation of a property they could afford to buy in the same area. The influence of the quality and buoyancy of the market on participants’ decision making was particularly apparent among those who described locating to Wales or a different area within Wales.

“I would say, value for money. So I think we looked at one other property which was a little bit cheaper but the condition was much worse. I think we were pushing it on the salary at the time when we started out but it was clearly a much better house.”

Participant, Newport

4.12 A number of participants identified the important influence of their relationship with their landlord or estate agent in how they assessed the 'value-for-money' factor of their current rental. Some appeared to draw a correlation between the cost of their rental and their relationship with their landlord and/or estate agency.

"My landlord's really nice, really chilled and let's us do stuff with the property. The agency, well actually it's quite good that it's only a few doors down from my work so any issues I can just pop in and see them..."

Participant, Newport

4.13 Among the most important aspects of a positive relationship with their landlord and/or estate agency were how easily accessible and responsive they were felt to be to tenants needs, how friendly and approachable they were perceived to be and how efficient they were at resolving problems.

"If we've got any problems... I mean we've had to have the border done twice since we've been here but as soon as you say anything to him, he actually comes and does it. So he's an absolutely brilliant landlord."

Participant, Carmarthenshire

Aspirations to Buy

4.14 It would appear however that irrespective of how suitable individuals found their rental property to their needs, the need to rent at different points in their lives was often felt to make the prospect of owning a home a more distant and challenging goal. **The rising cost of renting, particularly across urban areas and areas within easy reach of urban centres, coupled with rising living costs was felt to be contributing to some participants' inability to save and acquire a sufficient deposit to buy in future.**

"Of course with living costs and the costs of rental the cost of living, it's really difficult for us then to save up that kind of money [yeah] with an option to buy then because it would... I mean like when you have a child in the house too... it makes it basically impossible for us to be able for us to save that kind of money in such a short term."

Participant, RCT

4.15 **There were shared aspirations, among participants of all ages, to own their own homes in future.** Irrespective of whether participants had previously owned property, many were agreed on the benefits of home ownership. Chief among the reasons cited for owning your own home was the desire to have security. Participants spoke about the importance of having the security to enable you to have choices, make decisions and determine the environment in which you want to live, relax and raise a family. Most spoke about the importance of being able to invest in modifying and improving their own surroundings, benefiting from the sense of achievement that comes from having control over your own future and reaping the rewards of your investment by increasing the objective and subjective value of your own home.

“I think the advantage is, I’m paying out several hundred a month which just disappears and I’m never going to see it again. Whereas buying my own property, I’m effectively investing in that property so that at the end of the 25 years or whatever it is, when you take out the interest that I will have paid, will have accumulated. It will be sitting there as an asset. That’s the primary consideration. The secondary consideration is being able to control where I live. To make it, modify it as I want to.”

Participant, Powys

4.16 **For some, owning their own home had positive effects on their sense of self-worth and self-efficacy. Participants described home ownership as an opportunity to place their own identity on the property.** One individual described the mutual impact that owning his own home had on the way he viewed himself, his attitudes and behaviours, suggesting that the increased sense of self-worth he gained from owning his own home resulted in his drive to add value to his property.

P: I think the main thing is when you live in a rented property; you never treat it like your own. When you buy your own home, I don’t know there’s a bit of a drill to it really, you gear up, you’re on board, you do it out and make it nice and make it your own. Whereas I’m a totally different person living in a rented property. I don’t neglect it...

Participant, Powys

4.17 In addition to desiring greater security, a significant number of participants aspired to own their own homes in order to accrue an asset to leave for their family. The majority expressed regret at the perceived waste of money they felt when renting. Many talked about wishing to own their own homes in order to work towards a tangible goal that they hoped would offer themselves some security in later life and security for any children they may have in future.

“I would love to do, not only for a pension, for my future children. It’s something to leave. The way I feel when I’m private renting, I’m paying large amounts of money. I’m paying the mortgage of some fat cat who’s sitting on this property, and some and I’m not getting anything from it.”

Participant, Powys

4.18 **Those who expressed little or no desire to own their own homes were more likely to be older and perceived their age to be a barrier to securing a mortgage.** Those who felt that renting was the right option for them identified two factors that influenced their decision to continue renting; firstly, they felt they could profit from a better level of security in their current rental arrangement as a consequence of the type and quality of the relationship they had with their landlord and secondly, they felt that they could afford a better specification of property in the rental sector than they were able to purchase in the same locality.

4.19 Most participants identified owning their own homes as a short to medium term aspiration which they hoped to achieve in the next 3-5 years. However, when asked about their reasons for renting at the present time, the majority readily cited a lack of a lump sum for a deposit and difficulties saving as the most significant barrier to purchasing a home rather than particular preferences for renting a home. It is notable that participants among the 25-34 and 35-44 age brackets were most likely to cite a lack of a deposit or difficulties saving as the principal barrier to home ownership. Participants commonly spoke about the challenges they faced putting money aside for significant purchases and described the need to prioritise short-expenditure in order to meet the needs of family or sustain their employment. Though accruing savings and a suitable deposit was a factor across all income groups, those facing these particular barriers were more commonly employed full-time and earning £10-20k or £20-30k per annum.

“I could put a bit aside every month and it slowly builds up and then suddenly... the handbrake breaks on the car and then that’s £250 gone... So that was the last two months spent again... So it just sort of takes me back step by step.”

Participant, Conwy

- 4.20 Problems related to individuals’ credit history were cited as a barrier across all income groups but more commonly identified among participants with higher household income. Problems with personal debt were felt to be a barrier to saving for some, particularly when compounded by the rising cost of renting which was felt to leave little surplus to accrue a deposit.

“My husband doesn’t have a great credit history. He was a bit ... [referring to her husband’s previous spending habits] when he was younger on the whole credit card situation. So he’s on a payment plan for that so that doesn’t usually go on our side. Obviously while we’re paying this amount in rent, there’s less and less to go on a deposit so it’s a no go.”

Participant, Conwy

- 4.21 Some participants explained that they lacked knowledge about the importance of maintaining and building a good credit history and what steps they would need to take in order to accrue a positive credit rating. Some talked about the realisation they had come to that careful and sensible management of their personal finances is key to their ability to purchase a home. It is important to note that many participants first described encountering problems attributed to a poor or limited credit history when they first began interacting with lenders to explore their ability to purchase and as such, individuals’ awareness and determination to address issues arising as a result of their credit status may be limited until they reach a point where they feel ready to purchase.

“We’ve been working really hard to get our credit rating good. I didn’t have my credit when we first got together because I was eighteen at the time and I lived with my parents. I’d never had a credit card. I’d never had a mobile contract. [...] So over the last couple of years I’ve had a credit card which I’ve been paying off at the end of each month to build my credit rating. We’ve consolidated all of our debt into one loan which we’re paying off all the time.”

Participant, Newport

4.22 A smaller proportion were self-employed and described the need to establish a stable business that would allow them to earn a regular and sufficient income to accrue a deposit and provide evidence of their financial stability.

“We’re just looking at 3-5 years because myself and my partner are self-employed in new businesses so we would have to make sure our incomes are stable first before signing into a mortgage[...], but no a long-term commitment isn’t a problem no.”

Participant, Torfaen

4.23 More broadly, the performance of the economy and its impact on interest rates was considered by some to be a barrier to home ownership because it was felt to prevent some from securing an affordable mortgage.

“In terms of my plan, because I do have a plan, within two years I would like to be a property owner. Now there are absolutely dependent factors on that [...] if the Brexit deal goes through and interest rates go up then that’s going to set me back a couple of years because I can no longer afford the rate that it’s going to be fixed at for three or four years type of thing.”

Participant, Powys

4.24 Participants were also keen to stress the negative impact of the economic downturn on banks’ and building societies’ lending criteria on individuals’ ability to secure a mortgage. Many articulated that their commitment and ability to sustain regular rental payments on a property in the PRS should be taken into account when assessing a mortgage application.

“If I was to make a suggestion of what would be helpful for people, it would be for long-term renters to use their history of being able to pay x amount of rent each month as a sort of way to get a mortgage because like I said, trying to find a big deposit is a no-go for a lot of people. So this is a way to prove that we can afford to pay a mortgage and keep up repayments.”

Participant, Conwy

4.25 **The availability of suitable housing was also felt to be an important environmental factor influencing individuals' ability to buy their own homes.**

Some participants renting in rural areas were keen to describe the benefits of the location on their lifestyle and wellbeing but highlighted that their ability to purchase in the area was limited because local housing prices were not felt to be aligned with the local labour market and individuals' earning capacities.

"I don't think that property was – for growing up with the children it's great because of the area it's in and the countryside but in an economic sense it's not great because job prospects and you know, if I want to purchase a property I wouldn't have been able to get a job in that area that would have allowed me to get the adequate mortgage that I need for a property."

Participant, Powys

4.26 In addition, a lack of choice within the social housing sector was felt to be driving demand in the PRS which in turn is driving an increase in rental costs and curtailing individuals' ability to buy.

"I don't think it's very fair to be honest. I think it should be more evenly balanced. But on the private rental side you've obviously got the demand, increases the prices and there's so much more demand for private rental and of course there's no social housing available, not in my area so we're stuck really."

Participant, Conwy

4.27 Despite sharing an aspiration to own their own homes, older participants, typically over 45 years, commonly cited age as a barrier to borrowing the capital required to purchase their own homes. It is also notable that participants who felt their age to be a barrier to lenders were more likely to be divorced or single. **The challenges of accruing a significant amount for a deposit on a single income were felt to make homeownership a distant, if not impossible aspiration for some.**

"My plan which I don't think will be possible in future [...] because I know it's much cheaper to pay the mortgage rather than the rent and it's not impossible, I am for sure, but basically my age. It's not easy to get a mortgage by my age. And I am alone without a partner again."

Participant, Newport

4.28 For most, participants' views appeared to be shaped by their own assumptions about whom lenders might judge to be suitable mortgage applicants. The majority were keen to acquire the security that they perceived home ownership to afford them, particularly in later life, but had ruled out any prospect of securing a mortgage either as a consequence of their projected retirement age or their perception of what a good investment might be for a mortgage lender or housing provider.

P: No, only because of my age. So for my age I wouldn't get a mortgage or an affordable mortgage for somewhere I'd want to live. So I think that avenue's closed to me now.

NP: Has your view been shaped by any engagement that you've had with a lender or a financial adviser or a bank or is it a conclusion that you've come to yourself based on conversations that you've had with others?

P: Yeah it's a conclusion that I've come to myself. I've got another three years in work until I can access my state pension so I don't think anybody would give me a mortgage based on that."

Participant, Torfaen

Lending Arrangements

4.29 A minority had taken steps to engage with lenders or housing associations offering home ownership schemes and had encountered negativity, which they put down to their age and lenders' reluctance to take risks on older individuals who were no longer in employment. Some identified specific barriers within the lending criteria that some lenders adopt, particularly failing to recognise an individual's state pension as a regular income.

"You go for insurance and things and they won't take you if you're say over 75. Your mortgage, they won't take it if you haven't got a regular income and they don't count your pension as a regular income, even though you get that every week. So I don't see how we could actually get the mortgage."

Participant, Conwy

4.30 The impact of unforeseen life events and changes to individuals' personal circumstances appear to be a significant factor influencing individuals' ability and readiness to buy their own homes. It is notable that the majority of participants who cited a lack of a deposit or difficulties saving as the main barrier to home ownership described themselves as single or divorced. **Unexpected and significant life**

events, such as the breakdown of a relationship, the loss of a job or a change in individuals' health, often impacting on their ability to work, were described to have a significant impact on individuals' financial status and income.

"I was working, I decided to rent a place closer to work and six months later had a big accident and haven't worked since [...] At the time I had lots of money so it literally wasn't a problem [...] I could afford it when I moved in, I can't afford it now [...] Everything about my life is precarious at the moment, whether the benefits office are going to sanction me for something stupid which is another big issue."

Participant, RCT

- 4.31 These changes to individuals' circumstances were noted to alter spending and saving behaviour. Participants described the need to prioritise short-term and essential expenditure that would enable them to meet their obligations and maintain a stable home and working life. Unexpected life events were felt to have a negative impact on participants' ability to save and prioritise long-term goals such as saving for a deposit.

"Our circumstances have improved a lot, I went through a year when I was made redundant and so that was a bit of a catch-up and a lot of my savings went during that time [...]to actually get to a stage where we have enough to put down a deposit we're talking about a long long time."

Participant, RCT

- 4.32 **The breakdown or initiation of a significant relationship was not only felt to impact on individuals' regular income and expenditure but on individuals' financial status.** Those who had experienced the breakdown of a relationship spoke about the difficulties they experienced reconciling a reduced monthly income with the need for housing that would meet the needs of dependants who may not be living in the household but visit often. As such participants' relationship status was felt to influence individuals' readiness and ability to buy their own homes but also shape their housing needs. Parents and grandparents who desired a home of their own highlighted the need for suitable housing that would enable them to spend quality time with their children or grandchildren, support the wider family and remain nearby and connected to their loved ones.

“I mean if the grandchildren come, they can’t really stop over. I mean, we’ve got a blow up bed we can use, which we have used when friends are staying but when they’re little children, you can’t really [...]”

Participant, Conwy

- 4.33 Individuals with dependants or family members from previous relationships required accommodation to suit the needs of family when they came to stay. These needs necessarily demanded more of participants looking to afford property of a particular size within a particular geography that would allow them to be accessible to family.

“I picked the best one value for money, you know, price and what I needed so I needed a certain number of bedrooms, I needed two bedrooms minimum, because of my children [...] I really don’t see myself being anywhere else, partly because my kids are in reasonable proximity and so it means I have access to them and that’s... well, my top priority.”

Participant, RCT

- 4.34 Participants who had begun a new relationship described encountering barriers with lenders because they lacked a financial history with a new partner.

“I think it was probably to do with the fact that we both had mortgages in our names because I was going through a divorce. [...] So combined, together we didn’t have any security to put a lump sum down and we needed something quite quickly.”

Participant, Torfaen

- 4.35 Other participants were able to identify enablers that were contributing to their ability to purchase a home. Some spoke about the contribution parents’ had been able to make in order to allow younger members of the family to get onto the property ladder.

“We were looking for somewhere to else to live, couldn’t afford a mortgage with all the children at home so my mother and father-in-law took a mortgage out in their name and we private rent from them.”

Participant, Torfaen

4.36 The assistance of family and friends had resulted in some being able to reach similar arrangements to overcome the challenges posed by a poor or limited credit history. Participants described how the arrangement was enabling them to 'rent' from trusted friends and family at less than the market rate by simply paying the mortgage taken out in other's name.

"I've been trying for a little while to get on the property ladder but I've never been able to get a mortgage simply because of poor credit rating and stuff like that so. It just so happened that this particular house came on the market and I did originally try and buy it myself and got turned down for a mortgage and that's when a good friend of mine stepped in and saved the day."

Participant, Newport

Awareness of sources of information about home ownership

4.37 Awareness of sources of information, advice and guidance was higher among those participants who expressed greater readiness to buy and had some level of engagement with the market. Online sources of information were most commonly participants' first port of call to seek general homeownership and mortgage advice. Many described having conducted their own personal research and having utilised a range of online sources such as local estate agents, money management and general mortgage advice websites. Some described receiving relevant information through popular social media platforms such as Facebook. Participants tended to cite their local bank and other traditional lenders or their estate agent as their next step in sourcing information about home ownership. More generally, people talked about the importance of family and peer networks as a means of alerting them to sources of information and help.

4.38 **It is notable that only a minority said that they would source mortgage or financial advice from an independent adviser.** Those that did state they would seek independent financial advice were more likely to be those with higher household income and previous experience of having accessed independent advice through a family member or network.

"I have a family accountant, that I have known for thirty years and he's got my interests at heart."

Participant, Torfaen

4.39 There was low awareness of the role and availability of independent financial advice, although views among those who had accessed such advice were generally positive.

“I have yes, I have used one. And that’s how I started getting ideas. He was quite good to be honest with you. That’s how I find out about the credit file because he asks me to print off a copy of my Experian report and send it to him. That’s when I learned the weird and wonderful little tricks that the mortgage companies use and what not.”

Participant, Powys

4.40 Though few individuals had experience of accessing independent financial advice, one individual questioned the added value of the advice they had been able to obtain.

“Well yes only about actual mortgages you know, the benefits of what mortgages might be available and when I talk to them about anything else I’ve always been directed back to the internet.”

Participant, RCT

4.41 Another expressed some negative perceptions and concerns about the genuine impartiality of independent financial advice. One individual who had become aware of the availability of independent financial advice through a partnership with the local housing developer questioned the impartiality of the advice to which he had been signposted. However, others welcomed the opportunity to access impartial financial advice through a home ownership scheme.

“As long as you get your impartial financial advice before you sign up or sign the tenancy it’s all good [...] Maybe you need the same [for Rent to Own Wales], where the application goes through an independent financial adviser who’s you know regulated and what not and then this adviser will then complete everything and give them the green light and say yes, this person is eligible, they can afford it[....]”

Participant, Powys

Awareness of current support schemes

4.42 Awareness of support schemes to encourage home ownership across Wales was variable across all age ranges. The majority of individuals had some awareness that there were initiatives designed to enable people to get on the housing ladder but lacked the knowledge to discuss the details of individual initiatives, whom they are designed to support and through which mechanisms. Those that had some awareness of specific schemes were most familiar with Help to Buy, although it is important to note that this may be attributed to the strength of the Help to Buy brand, rather than an awareness of the purpose and details of the scheme itself. There was some indication that individuals may be conflating the Welsh Government Help to Buy scheme with a Central Government home ownership scheme of the same title. Among those that had some awareness of Help to Buy, a significant proportion mentioned the Help to Buy Individual Savings Account (ISA) product which they had been alerted to by their bank or as a result of radio advertising campaign. This may be an indication of the way in which individuals' describe accessing advice and support and the numbers who indicated that they would first seek information or respond to information sent by their bank or building society.

"Me and my girlfriend have had that discussion. We've opened up a Help to Buy ISA and we're looking to buy one of the new-builds in this development where they're building houses just up the road."

Participant, Conwy

4.43 There is some evidence that older participants perceive the Help to Buy scheme to be aimed only at first-time buyers.

I: Do you recall where you've heard information about Help to Buy?

P: Just this morning on the television. They were talking about the ISAs you know?

I: Has that ever felt like a scheme that's aimed at you and your partner?

P: Not really... They seem to be aimed at the younger people because they've got more time to save up.

Participant, Conwy

4.44 For some this perception had been reinforced through their interactions with advisers available to offer information on new-build estates advertising the Help to Buy scheme. One older participant described a negative experience at a similar estate, at which she had made enquiries about the Help to Buy scheme.

“I know there are a lot of schemes out there, I’ve been looking around an area called [X] and they’re building some new houses and bungalows and they have got a Help to Buy but I think when you reach my age people are not interested as much, they’re not interested sufficiently to lend you money I don’t think.”

Participant, Conwy

4.45 Those who were more informed about the Help to Buy scheme expressed mixed views about the scheme. For some participants, the requirement to raise a deposit that meets the criteria of the Help to Buy scheme still presented a challenge.

“We know that there is the government ISA Help to Buy homes, we looked at that too[...] if you saved so much the government will support you, again our barrier again is that actually saving that money with our out-goings and stuff[...] “

Participant, RCT

4.46 Awareness of the lending criteria applicable to the Help to Buy scheme was generally low. One individual, considering the Help to Buy scheme in preparation for a move to England articulated his thoughts around the affordability of the scheme over time and particularly in relation to fluctuations in the economy.

“At the end of the day, you’ve got to understand the Government give you 20 per cent and yes you’ve got to pay it and that 20 per cent doesn’t come out of thin air – it’s tax payers money [...] I think people get confused and think it’s a 20 per cent ... but it’s not it’s a 20 per cent equity. So if you sell it for a profit, obviously the amount you owe goes up which is fair enough. [...] I don’t know about Wales. I think it’s a really good initiative. One of the best. My only issue is how regulated the home builds are because we’re constantly hearing – I don’t know if it’s the same in Wales but it’s only available on new-builds – and we’re constantly hearing horror stories about people moving into these properties and they’re sub-standard and what not. I don’t know why they can’t bring it in on older properties too. Maybe that would be a good idea.”

Participant, Powys

4.47 Most commonly, participants expressed views about the availability of the scheme being exclusive to new build properties and housing estates⁷. Although the majority of participants were generally positive about new-build properties, many shared mixed views about this feature of the scheme. Those that were positive felt that a new-build property would be a suitable fit with their personal taste and liking of contemporary design and features. Participants were attracted by the opportunity to have some input into specifying the design of some spaces within the property. Some highlighted the benefits of new-build properties coming with a range of guarantees on white goods and appliances and meeting energy efficiency standards.

“That I think is good because you know with new builds they tend to come with a guarantee on the property and they are all obviously very fuel efficient and things.”

Participant, Carmarthenshire

4.48 Those that expressed more negative views were concerned about the relative expense in relation to size, perceived quality and location of new-build properties. It was felt that contractors may compromise on the quality of particular fittings and appliances in order to meet contractual requirements and manage efficiencies and that the additional cost of purchasing a new-build may be offset by the cost of addressing problems that arise following the expiry of a guarantee.

4.49 Notably, those that expressed positive views about new-build properties were also keen to describe the benefits of an older property, particularly in relation to the perceived superior quality of the build and the spacious nature of older properties. Some were also drawn to the style, character and rural situation of some older properties. Participants were asked to expand on these views in relation to the proposed Rent to Own Wales scheme and an overview of these views are outlined later in this report.

4.50 Awareness and knowledge of shared ownership schemes was limited but where participants did have some knowledge or experience, they expressed reasonably strong views about its benefits and drawbacks. For a small number, a shared ownership scheme had allowed them or younger members of their family the

⁷ As part of Welsh Government’s development of the offer, extending the scheme to older properties is something that will be considered in the future.

opportunity to get a foot on the housing ladder, increase their stake in the property incrementally over time and in line with their financial capabilities.

“Well it suited [my daughter] because it meant that she could afford a nicer property that she could have afforded if she hadn’t have accessed that scheme. And then it meant that as her career progressed as she could afford more, she then bought the other 30 per cent so she owned it outright. So I think that was a really good way of doing it.”

Participant, Torfaen

- 4.51 In the main however, participants expressed concerns about lacking sole ownership over a property and the perceived expense of managing rental and a portion of the mortgage payments on a shared ownership property.

“I thought that was quite an expensive way of doing it. I’ve never done it myself but looking at it, I couldn’t see how that was much cheaper. By the time you’ve paid your rent on top it wasn’t much cheaper than actually going out and buying.”

Participant, Torfaen

- 4.52 Others who had experienced shared ownership schemes spoke about the limited range of providers that lend to applicants being a barrier.

“Yeah we looked into it, to be honest there wasn’t that much on offer in this area in terms of shared ownership.”

Participant, Newport

- 4.53 Those that expressed a reluctance to enter into an agreement with other shareholders talked about the perceived complications of negotiating repairs and modifications to the property.

“The main downside of Share to Buy is the fact of what you’re purchasing. You’re purchasing a leasehold property which I was not prepared to do with a house. If I owned 55 per cent, and was the majority shareholder in that property I would still be a leaseholder so I would still have to get permission from the freeholder. If I was to put a loft conversion up there I would have to do the same but I would also be increasing the value for the freeholder so I’m not keen on that whatsoever. I think it’s a bad scheme.”

Participant, Powys

4.54 For one individual who had used a shared ownership scheme to get onto the housing ladder, the number of stakeholders involved in managing the shared ownership scheme had led to complications when the time came to sell. The participant explained why she did not feel inclined to use a shared ownership scheme again:

“I wouldn’t do it again, because even though it got me on the housing ladder it all became a bit complicated when I came to sell. It was a really long process.”

Participant, Newport

Views on Rent to Own Wales

4.55 **Participants across all age groups were generally positive about the scheme and recognised the barriers it is intended to address.** Younger participants most frequently mentioned the benefit of accessing the scheme without the need for a deposit and the potential of utilising their track record in the PRS as a means of demonstrating their ability to manage the long-term financial commitment.

“It sounds like a good idea because I’ve always said to my husband if it was a case of you don’t need a deposit you just pay your rent, but rather than it being your rent it’s your mortgage we’d be able to do that.”

Participant, Newport

4.56 Older participants tended to view the scheme as a means of achieving a better sense of long-term security than could be found in the PRS.

“That sounds like a really good scheme. I’d definitely be interested in finding out more. I suppose then, you say 2-10 years, that at least gives you security for 2-10 years. Do you see what I mean rather than at any point, my landlord could turn around and say right, we’re selling up.”

Participant, Torfaen

4.57 A number remarked on the ability of the scheme to offer a route through which individuals with a poor credit history or personal debt could own their own homes.

4.58 Participants were given some basic information about the key features of the scheme and asked for their views on the appeal of new-build properties, the importance of the location of Rent to Own Wales properties, the long-term financial

commitment and the importance of accessing independent financial advice as part of the application process.

- 4.59 The location of the property was a key factor for the majority of participants when considering the suitability of the scheme. Participants talked about the importance of the property's proximity to their workplace, and more generally, transport infrastructure.

"I think because if you're going to own your own home at some stage, you need to have a job and you need to be able to work your way up that ladder to afford your own home. So I suppose as well, when I said that proximity to work is very important to where I live..."

Participant, Newport

- 4.60 For those with children, proximity to schools or to a school in which their children were already settled was more important than proximity to work. Parents were mindful of unsettling children outside of the typical educational transitions from primary to secondary school provision. For one parent, the availability of choice to access Welsh medium education was an important influence on the location of any property she chose to access through the scheme.

NP: And so if there was Welsh medium provision locally, would that influence where you chose to live?

P: Yeah yeah, probably because one of things I've always - not regretted - but always wished I had was to be bilingual and I'm not. So I've always said that when I do have children I'd love to send them to a Welsh school just so that they have an opportunity to that I never had.

Participant, Newport

- 4.61 The need to be close to family and friends was an important factor for some. It was considered important not only to maintain a social and supportive network but to provide and receive support to care for other members of the family, such as children. One older participant described the complex interplay between the factors that would influence her decision to access the scheme.

"I couldn't compromise on being near to the business and the family because on my days off I look after the grandchildren so I've got to take into account, not just where I live, but I live close to my daughter and son."

Participant, Torfaen

4.62 Much like views on the Help to Buy scheme, there were mixed views on the scheme being exclusive to new-build properties. Participants valued highly the importance of choice in order to select the type and location of property that best fitted with the needs and aspirations they have for their families. Participants tended to express strong views and preferences for and against new-build properties. Those who were more positive about new-build properties highlighted benefits with regards to their energy efficiency, guarantees on fittings and appliances and contemporary look and feel.

“That I think is good because you know with new builds they tend to come with a guarantee on the property and they are all obviously very fuel efficient and things.”

Participant, Carmarthenshire

4.63 For some purchasing a new-build offered the advantage of being able to have input into the design and fittings of the property:

“New builds have got nice character and you can see it before it’s finished.”

Participant, Torfaen

4.64 Participants who were sceptical about new-build properties continued to express concerns about value for money. New-build properties were perceived to be more expensive in comparison to the market rate on older properties, less spacious and limited in regards to access to outdoor space and parking and lacking in quality, *integrity and character compared to older properties.*

“My only concern with what you just said is that it would be a new-build because I know there’s a quality problem with new-builds at the moment.”

Participant, Newport

4.65 The issue of regulation and quality control of new-build property development was shared among a number of participants who questioned whether the scheme couldn’t also be made available on older properties.

“My only issue is how regulated the home builds are [...] we’re constantly hearing horror stories about people moving into these properties and they’re sub-standard and what not. I don’t know why they can’t bring it in on older properties too. Maybe that would be a good idea.”

Participant, Powys

4.66 Less common was the view that new-build properties can be characterless and not in keeping with a property that some participants had aspirations to buy.

“But they tend to be a bit characterless, a bit I don’t know I’ve got some friends who live in new-build houses and I’m never that wowed by them to be honest.”

Participant, Powys

4.67 In the context of discussions about Rent to Own Wales, many highlighted the importance of the location and the community in which the new-build properties would be situated.

“... like the new housing estates that are built these days, all houses are like just crammed in, they try to fit as many houses into a little space as possible you know what I mean [Yeah] it’s hard to navigate your way around there and you don’t get a lot of space yourself[...].”

Participant, Carmarthenshire

4.68 Participants articulated the importance of the environment in which new-builds are located. For some, this appeared to be rooted in a desire for personal space, privacy and a property that could be considered to be in-keeping with the area.

“For me personally – I mean, some people love new-builds – but for me personally I think they’re a bit clinical and boxy. Like I say I have seen new-builds recently that certainly aren’t like that. [Location] is a heritage town. They’ve been built to fit in with the environment and they are really nice.”

Participant, Torfaen

Affordability

4.69 Irrespective of participants’ general views on Rent to Own Wales, many had further questions about the affordability of the scheme. The importance of settling on a monthly payment that is competitive in relation to local market rate and the mix of housing supply was an important factor in attracting individuals to access the scheme. The supply of property in the local area was also a factor for some who noted that they felt able to secure better value for money in areas where there were perceived to be a higher number of older properties available for purchase at a rate that was felt to be significantly lower than a new-build property for purchase or indeed the average market rate for a rental property.

“I’d just like to [know] what the agreed market rate is, so for instance at the moment, my rent for a two bedroomed house is set at four hundred pounds a month. Now, if the market rate [for a new-build] was eight-hundred and fifty pounds, that is way above my league man [...]”

Participant, RCT

- 4.70 Where participants were content and felt settled in a particular location, they were more likely to consider the quality of the property they currently rented against the quality of the property they felt able to purchase locally. Participants who described being close to suitable schools for children or close to family and friends were more likely to be wedded to a particular location.
- 4.71 Many spoke about the benefits of a spacious property, with access to outdoor space such as a garden or public green spaces and ample parking. A smaller number spoke about the outlook of the property and its situation which were felt to contribute to the value participants gained through renting in a particular location. Those who felt they already benefited from some of these aspects as a result of their current rental arrangement were more likely to make a direct value for money comparison between a prospective property offered through the scheme and their current rental property as a factor in any decision to access Rent to Own Wales.

“I would weigh up where the property was, not just the area but what the outlook was and then weigh up the cost of that compared to what I’m paying now. There would be lots of factors, including how close to was to family and friends.”

Participant, Torfaen

- 4.72 Participants also stressed the importance of being able to access a property that they could consider affordable in relation to their monthly income and expenditure. Given the number of participants who spoke about the difficulties they face saving and the extent to which accruing a deposit is a barrier to home ownership, it is perhaps unsurprising that the financial margin which may make the difference between individuals accessing a suitable property on the Rent to Own Wales scheme or remaining in a rental property which may be considered its equivalent or better, in terms of its features and location, may be small.

4.73 The value that participants place on achieving peace of mind and a quality of life was also an important factor for some when weighing up the affordability of the scheme. Some mentioned the importance of being able to access a Rent to Own Wales property at a monthly rate which would enable them to achieve a quality of life in the short-term, particularly to enjoy spending quality time with children.

Long-term commitment

4.74 Participants had different considerations when assessing the long-term commitment required of the Rent to Own Wales scheme. Generally participants across all age groups asked a number of questions about the long-term affordability of the scheme. The majority expressed a desire for choice, flexibility or the ability to transfer their commitment from one property or location to other that might prove more suitable following a change to their personal circumstances.

4.75 It is important to note that many participants described that they faced difficulties undertaking activities which require some long-term planning and stable financial circumstances, such as saving for long-term goals or commitments. Some spoke about how they experience setbacks to their plans to save for a mortgage when needing to meet the financial demands of unforeseen events or short-term commitments such as making repairs to vehicle, meeting the needs of children or attending a family wedding. A smaller number spoke about being in precarious employment or receiving a low income through state benefit or a fledgling business. As such, it may be important to consider that participants' ability to think long-term about their personal circumstances may be affected by participants' current financial circumstances. Younger participants tended to express fewer long-term considerations about the affordability or the suitability of Rent to Own Wales. Those that did, described how their priorities and needs may change as a result of an expanding family or aspirations at work.

“It sounds pretty good but the fact that your entering in, basically, to a contract you know you might find out – well, circumstances change, you could move into a two bedroomed property and have another kid and need another bedroom [...]”

Participant, Carmarthenshire

4.76 Older participants, perhaps with the benefit of hindsight, were more likely to articulate the perceived challenges assessing the long-term affordability of the scheme. Many spoke about the difficulties of being able to forecast changes to their personal and professional circumstances which might impact their ability to sustain a long-term commitment on a Rent to Own Wales property. Given individuals' concerns about the long-term affordability of the scheme, it is perhaps unsurprising that a number spoke about the precarious nature of the economy and the labour market. These concerns appeared to be more pronounced in comparatively low-wage economies and rural areas, where there are fewer employment opportunities or less *resilient economies*.

“Well for one you have to know the ins and outs but it is knowing – no job is safe nowadays just through illness or being laid off – what would happen in that situation?”

Participant, RCT

4.77 A significant proportion of participants spoke about the impact of an unforeseen life event on their personal circumstances and questioned what flexibility there might be in the Rent to Own Wales scheme to accommodate changes to people's financial status, as a result of temporary changes to their employment or relationship status or long-term, irreversible changes to their household income following a debilitating accident or long-term illness.

“For us I can't see my husband being in work for another 10 years. I think he'd be lucky to last another two [...] I suppose for others it might be a good thing, but personally for myself I don't think it would be and I wouldn't want to take that stress on myself.”

Participant, Carmarthenshire

Location

4.78 Location continued to be an important factor for participants when considering the suitability of Rent to Own Wales. As well as the importance of being close to work and schools, a number mentioned the need to feel part of a community. One participant, who considered their family to be well settled in their current community, commented on the influence it would have on their decision to access Rent to Own Wales.

“I think that which is important to us ‘cause we kind of like, although we’ve not been near for a long long time, we kind of like built up our community, the young boy has his friends here, we’re part of the local community [...] we’d want to stay in this area if it become an option to us.”

Participant, RCT

4.79 The location in which new-build sites were typically seen to be located also prompted mixed views. Whilst those who were largely positive about new-build properties focused on the features and character of new-build properties, those who expressed more negative or mixed views more frequently mentioned the design and character of new-build estates. Those who raised concerns about the design and character of new-build estates expressed views regarding the potential lack of privacy, space and attention to style and character that might be more easily achieved when purchasing an older property. Some felt that new-build estates were often located in areas which were otherwise unappealing to housing developers and buyers.

“Yes and also with these schemes they only run them on a certain proportion of housing and that’s usually in the worse spot because I did look at a couple of places in [location] and I didn’t particularly like the location because they backed straight on to council flats [...] so that was another reason that I wasn’t very interested.”

Participant, Conwy

4.80 Similarly, other participants felt that the Rent to Own Wales scheme ought be available on allocated properties in more rural areas or offered to individuals who are keen to purchase land to build their own homes.

Views on RSLs

4.81 **Awareness and knowledge of the social housing sector and its role in the housing market was generally low among participants of all age groups.** Few participants were aware of the home ownership advice that RSLs offer or had taken the opportunity to access it. Some participants were able to express views and perceptions of registered social landlords and the social housing sector and a small number of participants had had some experience of engaging with the sector, either

for their own purposes or through those of family and friends. Those who had little knowledge or experience were largely positive about the possibility of the scheme being administered through a RSL. One participant felt that individuals may be more likely to benefit from greater protection and security than would be afforded to tenants in the private sector.

“If it’s through the local authority then that would probably be better because the person has more recourse, they have more security. They’d be protected by more legislation than in the private sector.”

Participant, Powys

4.82 Others acknowledged the importance of regulation of the social housing sector to ensure the affordability and suitability of the scheme for potential applicants. There were some concerns raised about the eligibility of the scheme if it were administered by registered social housing providers. A small number of participants raised the question of whether applicants would need to meet a set of priority criteria in order to be considered for the scheme.

NP: And how do you feel about it being administered by a housing association for example?

P: There’s nothing wrong with that – as long as the housing association is regulated properly and all the checks are there[...] But would that mean that the person would have to be a housing register in order to be allocated a property?

Participant, Powys

4.83 Furthermore, a small number of participants also noted the importance of not simply regulating the social housing sector but regulating the PRS in order to ensure that prices and quality remain competitive enough for the Rent to Own Wales scheme to retain its appeal in line with fluctuations in the housing market.

“Well some of them do and some of them don’t. I went to Llandudno and I just happened to be passing [rental agency] offices and went in there and explained at the time – now this was about two years ago that I wasn’t a hundred per cent happy where I was living and they said they would come back to me and they never did.”

Participant, Conwy

4.84 Those who had some knowledge and experience of the social housing sector expressed some mixed views about registered social landlords. One participant commented that, despite her knowledge of the social housing sector, she did not consider it a route to gain home ownership advice because she considered the role of sector to deliver support and advice for vulnerable populations with particular housing priorities and needs.

“I always think [the social housing sector is] about homelessness and prevention of homelessness when they’re giving that advice and I know it’s not but that would be my view of it. And I suppose the other part of it would be that I would be talking about my personal circumstances to possibly somebody I knew quite well so I wouldn’t be comfortable with that.”

Participant, Torfaen

4.85 Principal among the concerns that participants raised about registered social landlords was the perceived tendency for issues relating to the quality and maintenance of social housing to go unchecked and unresolved. Participants described circumstances where social landlords could be difficult to contact to report problems, difficult to negotiate good relationships with and slow or sometimes unresponsive to rectifying problems. Some identified a need for social landlords to take a more positive approach to engaging with their tenants, noting that social landlords could be more approachable and accommodating.

“I know they are pricey [...] and my cousin has had bad experiences with social landlords ... but my cousin – I dunno why she’s had that experience but I know [...] she had really bad damp in her house and leaking from her roof [...]”

Participant, RCT

4.86 Others had concerns about instances of anti-social behaviour and the perceived impact that anti-social behaviour might have on tenants’ safety and wellbeing if left unaddressed or mismanaged.

“It’s not so much for me but I know some of my neighbours in bungalows weren’t happy at all. And then if I’d see kids out kicking a ball, I’d get anxious because I’d think of my neighbours.”

Participant, Torfaen

Marketing the Scheme

4.87 Participants offered a range of suggestions on how the Rent to Own Wales scheme might best be marketed. The majority were quick to mention online marketing methods such as the sharing of information to popular social media platforms such as Facebook. However, a number offered suggestions for more targeted marketing such as popular housing search engines, Zoopla and RightMove. Others mentioned money saving or money management websites such as Money Saving Expert and those of providers within the free advice sector such as Citizens Advice and the Credit Union.

4.88 One participant, who suggested advertising the scheme through the register for social landlords, noted that it may be important to be mindful of the perceptions some may have about the purpose of registered social landlords. It was felt that some may disregard information about a scheme for which they may be eligible on the basis of perceptions they might hold about whom social housing is intended to support.

“I think through things like social media. Umm but also through the register for social landlords themselves but get them to bear in mind that if it comes from an RSL it looks like it’s for a certain group of people, if that makes sense? Some people have got perceptions about RSLs so I think some people may look at it and think oh that’s not for me.”

Participant, Torfaen

4.89 Younger participants also mentioned social media marketing in large numbers but also mentioned more traditional media, such as the local free newspaper or radio advertising. For some, the local newspaper was a more effective method of marketing than online material with which they felt overburdened. For others, the most effective form of advertising to catch their awareness were advertising boards at new-build sites.

“Like I said the only times we’ve ever known anything about this is through massive signs next to new-builds or through the radio. You know we don’t really look at junk mail that comes through the letterbox. It just goes straight in the bin.”

Participant, Newport

- 4.90 Family and friends were often a rich source of information about the process purchasing a property and participants who aspired to buy their own homes frequently talked about gaining insight and advice as a result of a family member or work colleague who had recently undergone the same process.
- 4.91 One participant commented on the perceived lack of information available to people in particular communities and suggested that a more tailored and proactive approach be taken to make people aware of the scheme.

“Get it out there, I mean, not being funny, it’s great in cities that Cardiff and this that and the other, but in the Valleys there’s not a lot of info – I don’t know, maybe organise some meetings, get people round talking on the doorstep, for people who want to listen, y’know get it out there, get it in leaflets through the door that’s not just ‘you can own your own property’ and talk to the public about it.”

Participant, RCT

- 4.92 On a more general point with regards to how to penetrate the consciousness of particular target groups, one participant touched upon the difficulties of marketing a long-term commitment to younger potential applicants for the Rent to Own Wales scheme. Consistent with the comments some participants were quick to make with regards to the benefit of maintaining a healthy credit history, he reflected on the importance of having the foresight to know what to put in place early in order to plan for future purchases. The importance of educating individuals about what steps need to be taken early in order to realise their long-term aspirations may be a key factor in encouraging people to consider investing in the Rent to Own Wales scheme.

NP: If we were going to advertise this scheme to your younger self, how would you do that?

The biggest barrier is the ten year thing is the biggest barrier isn’t it, because the younger me didn’t realise how quickly the next ten years was going to go. So, if you say well invest in this thing for ten years and then you’ll end up with a deposit, that doesn’t necessarily sound that attractive...

Participant, Powys

4.93 Participants across all age groups were largely in agreement about how they would prefer to access advice and support to take up the Rent to Own Wales scheme. **The majority expressed that they would prefer to receive information in person from an adviser which would allow them the opportunity to ask questions and clarify information.** Invariably, participants were keen to receive some follow-up information in a written format to aid them in making a considered decision, often with the input of family members. Participants expressed different preferences for information by e-mail or through the post.

“I suppose face-to face. I mean, internet to begin with but actually having a discussion with somebody is actually the best in terms of making a decision.”

Participant, Powys

4.94 Participants were most keen to receive additional information about the eligibility criteria and terms and conditions of Rent to Own Wales and all welcomed the opportunity to access independent financial advice in advance of making a decision about taking up an offer. Some made practical suggestions regarding the information that would be useful to include in any information pack. The majority were keen to understand how best to calculate the long-term affordability of the scheme for them at present and in the event of changing personal circumstances over time.

“Umm knowing how much and so having examples of prices and things like that and so... so it'll go like here you are, here's a four bed roomed house, you pay this amount, this is what goes for that, this is what goes into your savings so then you know [what the] forecast is [for] five years is how much you will have after ten years [...].”

Participant, RCT

4.95 All stressed the importance of having access to information that would allow them to weigh up the pros and cons of accessing the scheme. It was important that information was impartial and would allow them to make an accurate forecast of their ability to sustain a commitment on a property over time. Participants also wished to have more information about the options available to them should their circumstances change and the likely consequences of these changes on their ability to retain or transfer an arrangement on a Rent to Own Wales property.

“With buying a house, it’s all about money isn’t it so it depends on how much, when it is, how much goes towards and how much the house will cost and ...It’s dependent on so many factors.”

Participant, Conwy

- 4.96 Older participants were particularly conscious about what safeguards there might be in place to provide them with choice and flexibility, should they fall ill or pass away during the timeframe of the agreement. Some were keen to know whether there might be options to transfer their commitment under the Rent to Own Wales scheme to another member of the family.
- 4.97 The following section summarises the key findings and proposes a set of recommendations to guide the policy team in shaping the terms and conditions of the offer.

5. Conclusions and Recommendations

- 5.1 The research offers in-depth qualitative insight into the views and experiences of private rental tenants on home purchase. The main findings are summarised below and reflect the views and perspectives of people across a range of age groups and income brackets.
- 5.2 **The majority of participants had aspirations to purchase their own homes.** The majority of individuals across all age groups, irrespective of their previous experience of home ownership or contentment with their current rental property expressed a desire to own their own home. Home ownership was considered to be desirable firstly to afford tenants the long-term security and stability that many did not consider achievable in the PRS and secondly as an investment to benefit future family members.
- 5.3 **Tenants opted to rent as a consequence of an inability to pursue home ownership rather than a preference for renting.** Individuals' decisions relating to their current rental circumstances were shaped by difficulties saving for a deposit on a home or by an unforeseen but significant life event which had impacted their personal circumstances, such as the breakdown of a relationship or the loss of a job.
- 5.4 **Tenants' rental decisions were influenced by the perceived value and affordability of rental property and by the proximity of the rental property to their place of work.** Participants described making decisions based on their assessment of the location of the property, rather than their views of the properties features. The majority of participants identified the proximity of their rental property to family and friends or its location within a valued local community among its advantages.
- 5.5 **Participants identified the most common barriers to home ownership as difficulties saving for a deposit, their perceived investment potential and the impact of an unforeseen life event on their income or needs.** Younger participants were more likely to describe facing difficulties saving for a deposit whereas older participants more commonly described facing perceived barriers accessing finance associated with their age or experiencing a significant life event which had altered their financial status or needs, such as the breakdown of a relationship, loss of a job or onset of an illness or disability. Participants with higher

household income tended to describe facing barriers associated with a poor or limited credit history, though a lack of awareness regarding the importance of maintaining a healthy credit was evident across all age and income groups.

- 5.6 **Assistance from friends and family was proving a suitable means for some to overcome a poor or limited credit history to get on the property ladder.** Some participants described establishing arrangements with family members or trusted friends who had successfully taken out a mortgage in their name on which participants met the monthly repayment commitment. This method was allowing those who did not meet the lending criteria of traditional lenders owing to a poor or limited credit history to effectively rent property below the local market rate.
- 5.7 **Participants accessed general information and advice about home ownership and mortgages through a range of sources, principal among them being online web and social media platforms, their local bank and friends and family.** Those who aspired to own their own home in the short-term explained that they frequently carried out their own research online, followed by enquiries with their local bank or seeking advice from family and friends.
- 5.8 **Participants' awareness of current support schemes to enable home purchase was shaped by their readiness to buy.** Among the schemes mentioned, participants were most commonly aware of the Help to Buy ISA product and more generally, the Help to Buy brand.
- 5.9 **Participants across all age groups were generally positive about the scheme and recognised the barriers it is intended to address.** Younger participants most frequently mentioned the benefit of accessing the scheme without the need for a deposit and the potential of utilising their track record in the PRS as a means of demonstrating their ability to manage the long-term financial commitment.
- 5.10 **If they were to take up an offer of housing under the scheme, participants cited the need for clear and detailed advice prior to a formal agreement, which would give advice on repayments and overall affordability.** This was felt important in order that potential applicants fully understood the terms and conditions of the scheme, and could make an informed decision on whether it was the right choice for them and their families.

5.11 **It was felt that a varied approach to marketing would be beneficial in order to reach as wide an audience as possible.** Respondents cited both traditional and newer forms of marketing as beneficial in communicating the key terms of the scheme to the public, including TV, radio, social media and public engagement events in different locations throughout Wales.

5.12 Based on these findings, a set of recommendations are made regarding the marketing and terms and conditions of the scheme. These take into account the dominant views and themes arising from the interviews.

1. Any marketing or subsequent material provided to potential applicants should outline the key features of Rent to Own Wales and distinguish between this scheme and others available in Wales. Whilst some were informed about the various home purchase schemes and their key features, there was some confusion about the key terms of each scheme, and whether the offer in question was a Wales specific or UK wide scheme, as in the case of Help to Buy Wales, which on some occasions was confused with the English version of the scheme. Clear explanation of the key differences between schemes, with examples of situations in which an individual might choose to take up a scheme would help initial decision making about whether to apply.

2. Any marketing campaign should consider a broad range of media to advertise Rent to Own. Interviewees noted a variety of different means through which an associated communications campaign could potentially market Rent to Own Wales, including traditional methods such as TV and radio, through to social media and face-to-face engagement with communities. Any decisions about marketing should be made bearing in mind the target demographic for the scheme. Any campaign should seek to attract demand but balance the funding available to offer the scheme on 1,000 new builds across Wales, whilst ensuring access to the scheme across local authorities is equitable. .

3. Clear, impartial and independent advice should be provided to potential applicants once they have decided to proceed. Interviewees clearly stated the need for independent advice on key terms and conditions of the scheme, and an assessment of their current financial situation and their long term situation should they decide to enter into an agreement with an RSL. Providing sound projections of repayments and calculations of time taken to save a deposit will provide

important information with which to determine affordability, and ensure due diligence has been applied to each offer made.

4. Information on eligibility and contingency plans regarding the terms of the agreement should be made clear at application. Many interviewees questioned whether their age or financial situation would make them eligible for the offer. They also asked whether any significant change in their life circumstances, such as a divorce, the death of a partner, or an additional person moving into the property would impact on the validity of their rental or shared ownership agreement. Information about such circumstances and how it relates to any rental agreement should be readily available, alongside a directory or independent financial advisors to support them in a resolution.

5. Consider making available, or advertising education in financial literacy for those interested in applying for Rent to Own Wales. Previous research has indicated that those who are more financially literate are more likely to be engaged in making decisions about home purchase, and are educated further through the process of doing so. This research has found similarly that those who are motivated to buy are more informed about their choices. The scheme may want to consider, particularly if younger people are the focus of the intervention, provision for basic financial literacy around mortgage and housing options to enable people to better understand their options and engage them with assistance schemes.

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Annex A

Interview Schedule – PRS Tenants

Introductions

- Introduce self – from Welsh Government, doing some work with policy team responsible for the new Rent to Own scheme. Obtained details from your participation in the National Survey.
- We're looking to interview PRS tenants about aspirations to buy and what they think about the scheme.
- Offering £10 gift voucher in exchange for 25-30 minutes of your time;
- Would you like to take part, and if so, what is your preferred language?
- If Welsh is preferred, take details for callback.

(1) Current rental situation and aspirations to buy

1. Tell me about your current rental situation.

PROMPT: The circumstances surrounding your current rental situation; selection criteria for your current rental property (cost, location in relation to work / school / other family); reasons for renting at the present time.

2. Is owning your own home something you would like to do in the near future? Why / why not?

PROMPT:

(1) Explore and distinguish whether interviewee (i) has no aspirations to buy or (ii) wants to buy but is not able to at present, and the reasons for this.

(2) When do you want to/plan to buy? <2 yrs, 2-5 yrs or >5 yrs?

Note: If respondent indicates they have no wish to buy, ask the following question;

Could you tell me a little more about your reasons for not wanting to purchase a home? Do you think that is a view that might change in the future and why / why not?

If they express a strong wish not to buy, then conclude the interview.

3. What are the (i) enablers and (ii) barriers for you of home ownership at present?

PROMPT; saving for a deposit; employment situation/earnings too low to consider purchase; knowing where you want to live; family situation.

(2) Awareness of current support schemes

4. Where would you go for advice/ to research the purchase of your new home?

PROMPT: An independent financial advisor, or other sources? E.g. websites, your bank etc.

5. What is your awareness of schemes which encourage and support individuals to purchase a home in Wales?

PROMPT: Help to Buy, Shared Ownership, Shared Equity – terms and conditions; where interviewee heard about these schemes.

6. Have you considered using any of these schemes to enable you to purchase a home? Why / why not?

PROMPT: If they did consider using but then ending up not doing so – what were the reasons for this?

(3) The Rent to Own Scheme

Interviewer briefly explains the main principles and objectives of the scheme.

7. Would this scheme be suitable for you and your current circumstances, bearing in mind when you would like to purchase a home? Why/why not?

PROMPT: Cover;

- aspirations to buy;
- what type of home you would want to own i.e. new-build;
- location of home re: work/child's school/nursery etc;
- long term financial commitment – is that something you would be comfortable with and is suitable for your needs?
- IFA advice?

8. From your perspective, are there any other issues that the scheme may need to consider to meet your needs or support you in buying your first home?

9. How best would you like to receive advice and support to take up RtO if you felt it would be a suitable scheme for you?

FOLLOW-UP Q: Are you aware that registered social landlords and local authorities provide home ownership advice? Would you be comfortable going to them for home ownership advice?

PROMPT: Would renting out a property from an RSL be something you would consider? - Knowledge and perceptions of RSLs/LA and understanding the role of RSLs.

10. How could we best signpost / advertise the Rent-to-Own to raise awareness?

11. How attractive is this offer in its current form? Is there anything else you would need to encourage you to take up the scheme?