



Shared ownership housing

Westminster Hall, Tuesday 14 July 2015 (4.30pm)

Debate initiated by **Iain Stewart**

This pack provides general background material relating to the subject of the debate.

Compiler: Alex Adcock, extn: 6283

More detailed information and advice can be provided by our subject specialists and statisticians.

Subject specialist: Wendy Wilson, extn: 5615

Statistician: Richard Cracknell, extn: 4632

Contents

A	Shared ownership - background	1
B	PQs	9
C	Further reading	11

The House of Commons Library prepares Debate Packs for non-legislative debates in the Chamber and Westminster Hall other than half-hour adjournment debates. Most such debates will be covered by a pack but the Library does not guarantee this in every case. Due to copyright restrictions these packs are provided for use in relation to parliamentary proceedings only. Debate Packs are available on the intranet at: <http://hcl1.hclibrary.parliament.uk/parliament/debatepacks.asp>.

A Shared ownership - background

There isn't one shared ownership scheme. There are various schemes but they share the common feature of allowing an individual to take out a mortgage on an initial share of the property (between 25% and 75%). They then pay rent on the proportion owned by the housing association and mortgage repayments on their share, with the option to buy more shares in the property later (known as 'staircasing'). Most shared ownership schemes are developed and run by housing associations.

Shared ownership is a model to help first-time buyers who couldn't otherwise afford to buy a home. To be eligible a household usually has to earn £60,000 or less per year (with higher thresholds for London – see the [Government's eligibility criteria](#) for more information).

The Affordable Homes Programme 2015-18 is making £1.7bn in capital grant funding available outside of London for the delivery of affordable housing, including affordable home ownership (shared ownership). The Homes and Communities Agency's prospectus contains the following information for prospective bidders:

Affordable home ownership (shared ownership) has a role to play in helping first time buyers who may be excluded from purchasing a home by affordability or deposit constraints. The Homes and Communities Agency will consider proposals from providers which include affordable home ownership (shared ownership) as part of the overall mix where such schemes have the support of the local authority and fit with the local housing market. For the purposes of the 2015-18 programme, bids will be considered for affordable home ownership where the form of affordable home ownership is shared ownership as described in the [Affordable Housing Capital Funding Guide](#).

207. Bids that only include proposals for affordable home ownership, with no Affordable Rent within the overall proposal, will not be considered.

208. Further guidance on shared ownership is available in the [Affordable Housing Capital Funding Guide](#).

209. For the purposes of bidding for the 2015-18 Affordable Homes Programme, funding will be made available, subject to assessment, for shared ownership. This may include variant forms of shared ownership known as Home Ownership for people with Long term Disabilities and Older Persons Shared Ownership. Both are described in the [Affordable Housing Capital Funding Guide](#). No other alternative home ownership models will be considered for funding under the 2015-18 Affordable Homes Programme.¹

The main advantages and disadvantages of the shared ownership model are set out below. The Council of Mortgage lenders has produced a '[Shared Ownership – Pros and Cons](#)' graphic:

¹ HCA, [Affordable Homes Programme 2015 to 2018: prospectus](#)

Shared Ownership

Pros

- ✓ Accessible to lower-income households
- ✓ Additional shares can be bought from landlord
- ✓ Potentially cheaper than renting
- ✓ Can be sold at anytime
- ✓ Rent on landlord's share usually below market rates
- ✓ Benefit of increased value of the share purchased

Cons

- ✗ Do not own house outright
- ✗ Restricted to specific properties
- ✗ Valuation fees payable when buying shares
- ✗ Rent still paid to landlord; usually restrictions on renting out
- ✗ 100% of maintenance costs must be paid
- ✗ Restrictions on sale; limited re-sale market for shared ownership properties

Advantages

The main advantage of shared ownership is that it allows a route home ownership for low and middle income families who couldn't otherwise afford a home.

The National Housing Federation released regional statistics on shared ownership as part of its [Shared Ownership Week 2013](#). Its South West figures show that (at that time):

- Combined shared ownership rent and mortgage costs average £546 per month, compared to £830 monthly mortgage repayments for a first-time buyer, and £659 for monthly private rent.
- The average shared ownership deposit needed is £13,065 (for a 43% share), compared to £32,209 for the average first-time buyer deposit.
- Shared ownership buyers have an average income of £22,800 compared to the £51,170 income needed to afford a mortgage on the average South West house price.

A 2013 study by the Resolution Foundation, [One foot on the ladder](#), also highlighted the difference in deposits between shared ownership and standard ownership homes:

Tenure		Percentage of local authorities in which time to save (for a deposit) is 10 years or more		
		One bed	Two beds	Three beds
Standard Ownership	Large deposit (10%)	47	67	79
	Small deposit (5%)	5	10	17
Shared Ownership	Starter (25% share)	1	2	2
	Advanced (50% share)	5	10	17

As shared ownership properties usually involve a housing association owning the freehold, the rent paid by the tenant is normally below market rate.

Shelter's 2013 [Homes for forgotten families](#) report argued for a mainstream shared ownership housing programme, and concluded that shared ownership offers the best prospects for low and middle income families priced out of home ownership.

In December 2014 the Chartered Institute of Housing and Orbit published a report calling on the housing sector, Government and funders to unite to double the supply of shared ownership homes to 30,000 and help address the UK's growing affordability crisis. The [summary](#) and full report, [Shared Ownership 2.0](#), can be found online.

Disadvantages

There are some identified issues with the shared ownership model, particularly:

- Affordability of purchasing additional shares ('staircasing')
- Affordability of properties available for shared ownership
- Availability of mortgages for shared ownership properties
- Ownership status and maintenance charges
- Problems selling shared ownership properties
- Impact on housing market

These are considered in turn below.

Staircasing

A [study by Cambridge Centre for Housing and Planning Research](#) (CCHPR) in 2012 showed a decrease in the number of leaseholders who were staircasing to 100% equity over the previous 10 years:

Year	Shared ownership units owned	Staircasing to 100% (or maximum share allowed)	Staircasing to 100% as proportion of all shared owners
2001-02	90,839	3,856	4.2%
2002-03	87,468	4,560	5.2%
2003-04	89,880	3,764	4.2%
2004-05	96,566	3,259	3.4%
2005-06	101,732	2,402	2.4%
2006-07	107,587	3,466	3.2%
2007-08	121,680	2,231	1.8%
2008-09	133,583	1,162	0.9%
2009-10	139,741	1,851	1.3%
2010-11	144,733	1,357	0.9%

Source: RSR 2001-11 via Dataspring and TSA

The study cited a number of possible reasons for this, including the requirement to obtain a professional valuation of the property at each staircasing request. Not only does this involve legal and valuation fees, but in areas experiencing rapid house price increases, leaseholders often find purchasing additional shares unaffordable compared to share values at the outset of the agreement.

The report also highlights the impact of rent increases on attempts to staircase up. Although shared ownership rent is fixed at RPI + 0.5% per year, this is often coupled with below inflation wage increases, making it difficult to find the additional income required to purchase more shares.

The report also drew attention to 'downward staircasing', where the housing association will buy back shares if the leaseholder is unable to maintain the current level of ownership due to financial difficulties, although it noted that only 2% of staircasing activity in 2012 was downwards.

Affordability

As well affordability issues related to staircasing, there have also been concerns raised about the affordability of buying an initial share, particularly in London. Green Party London Assembly Member Darren Johnson's 2014 report [Can a nurse get on Boris' property ladder?](#), argued that the majority of shared ownership homes advertised in London were unaffordable for a large number of key workers.

In response to 2014 research on shared ownership costs, which highlighted a shared ownership property in Westminster with a deposit of £150,000, Labour's Tom Copley AM told *Inside Housing* it was "increasingly difficult to justify giving grant to fund shared ownership homes".²

December 2014 saw reports³ of housing associations pulling away from shared ownership developments in prime London boroughs as the level of deposit needed is increasingly out of

² *Inside Housing*, 'London Labour questions government grant for shared ownership', 19 December 2014

³ *Inside Housing*, 'Associations pulling away from shared ownership schemes', 11 December 2014

reach. The table below is based on responses to Freedom of Information requests to the six listed boroughs:

Average income of people nominated to shared ownership			
	2011/12	2012/13	2013/14
Borough			
Islington	£32,816	£34,095	£34,350
Harrow	£27,500	£45,578	Not supplied
Westminster (resale)	£40,954	£41,529	£41,878
Westminster (new build)	£39,557	£36,053	£45,360
Brent	£30,000	£36,000	Not supplied
Wandsworth	£25,579	£26,275	£27,400

Source: Inside Housing research

Mortgages

Concerns over mortgage availability for shared ownership properties were raised by the National Housing Federation (NHF) in their 2009 [evidence to the Treasury Select Committee](#). The NHF also highlighted the higher rates of interest charged on shared ownership mortgages compared to first-time buyer mortgages.

In 2012 a question was put by Tim Farron to the then Housing Minister, Grant Shapps, on mortgage availability:

Tim Farron: To ask the Secretary of State for Communities and Local Government what representations his Department has received from housing associations on provision of credit to those seeking to purchase property under shared ownership schemes from lenders (a) wholly in the private sector and (b) wholly or partly publicly-owned; and what information his Department holds on the level of cash deposits requested by lenders granting mortgages for those participating in shared ownership schemes.

Grant Shapps: My Department is not aware of any recent representations from housing associations of the kind described.

Decisions concerning the pricing and availability of mortgages and loans, including loan-to-value ratios, remain commercial decisions for the boards of the individual banks and building societies.

There are currently over 20 lenders, both wholly in the private sector or partly publicly-owned, supporting shared ownership. The current average level of cash deposit requested by lenders is generally 10% of the share being purchased.⁴

Ownership status

Although those living in shared ownership properties are nominally buying shares in that property, they are also required to maintain their rent payments. This has led some commentators such as Giles Peaker, of the Nearly Legal Housing Law website, to dispute whether it really is 'shared ownership' at all.

Peaker points to the case of Rebecca Richardson, who bought 50% of a Midland Heart property for £29,950, paying rent on the remaining 50%. When Richardson fell into rent arrears, Midland Heart sought a possession order, which they were granted. This meant she was evicted but had no right to the return of the £29,950.⁵

Should leaseholders get into financial difficulties, it is worth noting that the Homes and Communities Agency's [shared ownership model leases](#) do not allow for sub-letting, therefore removing a potential source of income.

Maintenance charges

As leaseholders shared owners are responsible for all repairs and upkeep of the property, as well as service charges:

Ian Austin (Dudley North). Asked on: 20 October 2014

To ask the Secretary of State for Communities and Local Government, what steps his Department is taking to ensure that part-owners do not face above-inflation increases to service charges under shared ownership schemes.

Brandon Lewis. Answered on: 27 October 2014

Shared owners have a full repairing lease and are financially responsible for all maintenance charges and outgoings, in the same way as any other leaseholder or homeowner.

The Government has no power to intervene in how housing associations, which are private, non-profit making organisations, carry out their maintenance or repair works. However, the Landlord and Tenant Act 1985 requires that service charges are only payable where the costs incurred are reasonable.⁶

Selling shared ownership properties

The [CCHPR report](#) also highlighted difficulties when leaseholders look to move to different shared ownership properties:

Many shared owners are unable to afford to move into full ownership, but wish or need to move for other reasons, such as for work or to accommodate a growing family. Under the government eligibility and priority criteria existing shared owners are likely to be ineligible and/or not a priority group for access to other shared ownership homes.

⁴ [PQ 102063 \[Shared Ownership Schemes\], 27 March 2012](#)

⁵ *The Guardian*, 'The hidden dangers of shared ownership', 3 September 2013

⁶ [WPQ 211086 \[Shared Ownership Schemes\], 27 October 2014](#)

The survey confirmed that less than 1% of shared ownership sales were to those already in the sector.

Issues of ownership again become prevalent during the sell-on process. Although leaseholders pay 100% of costs for any improvements, the benefit to the sale value is divided between the housing association and the leaseholder dependent on their respective equity shares.

Additionally, many shared ownership agreements give the housing association a right of pre-emption to buy the property back, even if the leaseholder has staircased to 100% of the property value.

Impact on housing market

Concerns have been raised that ‘subsidised’ housing schemes such as shared ownership artificially inflate house prices if unaccompanied by an overall increase in housing supply.

An inquiry into low cost home ownership assistance by the Public Accounts Committee published in March 2007, *A foot on the ladder*, acknowledged the potential impact of subsidised shared ownership schemes on the market and recommended improved Government modelling, particularly focused on local markets.

In response, the Department for Communities and Local Government said there was no evidence that low cost home ownership assistance was increasing demand in property “hot spots” but agreed that there was value in understanding the impact of these schemes on local property prices.⁷

Government action

In response to some of the concerns identified with the process of selling shared ownership properties the [2014 Autumn Statement](#) contained the following proposal:

1.140 The government will also consult on options for streamlining the process for selling on shared ownership properties, and will work with housing associations, lenders and the regulator to identify and lift barriers to extending shared ownership.

Between 31 January and 28 February 2015, the Coalition Government consulted on proposed rule changes aimed at reducing bureaucracy and removing barriers to shared ownership.⁸ The proposals would allow shared home owners to put their home on the open market at the same time as offering the housing provider first refusal, in order to reduce delays in the selling process. Furthermore, shared home owners who have bought their property outright would no longer be obliged to give the housing provider first refusal.

A [summary of responses](#) to the consultation process was published in March 2015.⁹ The Government announced that changes would be made to the model lease used by the HCA from April 2015 and that a further review would be carried out in summer 2015:

As confirmed in the Budget on 18 March 2015, the Homes and Communities Agency will amend the model leases and guidance for future shared ownership properties to remove the Pre-emption right following 100% staircasing and amend guidance to

⁷ Cm 7077, May 2007, p44

⁸ DCLG, [Proposals to streamline the resale of shared ownership properties](#), 2015

⁹ DCLG, [Proposals to streamline the resale of shared ownership properties - consultation: summary of responses](#), March 2015

recommend providers remove the Pre-emption right following 100% staircasing, for existing shared ownership leases.

Additionally, the Government will undertake a Review of shared ownership focusing on possible longer term options for change to report to Ministers in the Summer.¹⁰

¹⁰ Ibid, p13

B PQs

Help to Buy Scheme

Asked by: Zeichner, Daniel

To ask the Secretary of State for Communities and Local Government, how many and what proportion of shared ownership applications made through the Help to Buy scheme have required a deposit of more than five per cent.

Answering member: Brandon Lewis

The Help to Buy: Equity Loan scheme cannot be used for shared ownership purchases.

08 Jul 2015 | 5550

Shared Ownership

Asked by: Betts, Mr Clive

To ask the Secretary of State for Communities and Local Government, what steps he is taking to ensure that advance public notice is given to the planned changes to the income eligibility thresholds for shared ownership.

Answering member: Brandon Lewis

There are no current planned changes to the income eligibility thresholds for shared ownership funded by the Homes and Communities Agency across England, excluding London. However, we do keep these matters under review.

The Greater London Authority has committed in the London Plan to update the income thresholds for London on an annual basis through the Annual Monitoring Report. The next Report is due to be published at the end of March 2015. Any changes to the income thresholds will apply from 1 April 2015. All partners will be informed on the updated income thresholds and all public information on shared ownership will be updated accordingly.

25 Feb 2015 | 224734

Shared Ownership

Asked by: Benn, Hilary

To ask the Secretary of State for Communities and Local Government, with reference to paragraph 2.42 of the Autumn Statement 2014, when he plans to launch the consultation on options for streamlining the process for selling on shared ownership properties.

Answering member: Brandon Lewis

We will be seeking views on streamlining the process for selling on shared ownership properties early in 2015.

18 Dec 2014 | 218731

Shared Ownership Schemes

Asked by: Austin, Ian

To ask the Secretary of State for Communities and Local Government, what steps his Department is taking to ensure that part-owners do not face above-inflation increases to service charges under shared ownership schemes.

Answering member: Brandon Lewis

Shared owners have a full repairing lease and are financially responsible for all maintenance charges and outgoings, in the same way as any other leaseholder or homeowner.

The Government has no power to intervene in how housing associations, which are private, non-profit making organisations, carry out their maintenance or repair works. However, the Landlord and Tenant Act 1985 requires that service charges are only payable where the costs incurred are reasonable.

Where they believe that the service charges they are being asked to pay are unreasonable, leaseholders - including those who have purchased under a shared ownership scheme - have a number of statutory rights and protections in respect of those service charges, and the management of their property. These include:

- The right to apply to the First-tier Tribunal (Property Chamber) to determine the liability to pay and reasonableness of service charges.
- The right to write to their landlord to request a written summary of the costs which make up the service charges, and to require the landlord to provide reasonable facilities to inspect the accounts, receipts and other documents supporting the summary.
- Where new or extended services are introduced and where an additional charge may need to be made, landlords are expected to consult appropriately with tenants before introducing these services and associated charges.

Free initial advice and information on leaseholders' rights can be obtained from the Leasehold Advisory Service (LEASE). This is a specialist body, funded by the Department for Communities and Local Government, to provide initial advice and information on a wide range of residential leasehold issues.

27 Oct 2014 | 211086

Shared Ownership

Asked by: Tim Farron

To ask the Secretary of State for Communities and Local Government what steps his Department is taking to identify the barriers which prevent tenants in shared-ownership properties from staircasing up to increase the share of the property that they own.

Answering member: Brandon Lewis

The Government is committed to helping people meet their aspirations to rent or own their own homes through current affordable home ownership schemes, including shared ownership and Help to Buy. Shared ownership continues to be an extremely popular and effective way of helping households who are priced out of the housing market to get on the ladder. We are open to representations on any practical steps that can be taken to promote such schemes.

17 Jul 2014 | 584 c808W

C Further reading

DCLG, [Proposals to streamline the resale of shared ownership properties](#), January 2015

DCLG, [Proposals to streamline the resale of shared ownership properties - consultation: summary of responses](#), March 2015

Chartered Institute of Housing & Orbit, [Shared Ownership 2.0](#), December 2014

Resolution Foundation, [One foot on the ladder](#), 2013

Cambridge Centre for Housing and Planning Research, [Understanding the second hand market in shared ownership properties](#), May 2012

Public Accounts Committee, [A foot on the ladder: low cost home ownership assistance](#), HC 134, March 2007