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Exploring Shared Ownership Markets outside London and the South East

Executive Summary (January 2019)

Shared ownership homes are found in all English regions but are geographically concentrated in London and the South-East. There are calls to expand and mainstream the provision of this hybrid tenure. This research summary outlines the key findings of research by Dr Alison Wallace at the Centre for Housing Policy and funded by the Cast Foundation into the trade-offs new home buyers make when finding a home and considering shared ownership, as well as explores the factors that help or hinder housing providers in expanding their offer. The full report, including a range of data tables, is available on www.york.ac.uk/chp/.

Key points

- Shared ownership is serving different market segments in different housing markets, with implications for marketing, the potential for staircasing and receipts, long term support and affordability/sustainability.
- In the case study areas, shared ownership was meeting housing demand for homeownership from households who had no or limited family support, were single, had families or precarious employment, were older following relationship breakdown or had held unsustainable housing debt.
- Drivers for the purchase of shared ownership frequently reflected a positive desire for homeownership but also problems within the private rented sector, in terms of limited security of tenure, property conditions, and the value for money when paying high rents. In a more limited fashion, an inability to access, or the stigma associated with, social housing was also a factor.
- While homeownership is associated with a choice of locations and property types, shared owners in all areas – not least in the Bristol region - had limited control over these issues, with implications for the size of the potential market or dissatisfaction further down the line.
- Buyers varied in their attitudes to risk prompting a range of approaches – some minimal, others comprehensive - to appraise themselves of market information and forms of support,. Information about home purchase and shared ownership was often viewed as fragmented and incomplete and new buyers would welcome information about the sequencing of the purchase process and earlier details about shared ownership.
- The research indicated that differing institutional responses to local markets shaped the volume and nature of any new shared ownership supply, including the equity stakes purchased.
- Providers reported a number of barriers to the expansion of shared ownership including land, competition between existing and new local authority, housing association and private providers and market awareness.

Introduction

Research on shared ownership has typically focussed on its functioning in London and the South East where most development is concentrated. Implementing calls for an increase in the supply of shared ownership and for embedding the product into mainstream house buying options requires a greater understanding of the choices and trade-offs homebuyers make in different housing market contexts.

This research examines the variation in sales and the circumstances of shared owners across England, and provides insight into the housing preferences and choices first time buyers and shared owners made in three contrasting housing markets of the broad Bristol, Birmingham and Leeds city regions. The study also examined the views of housing provider's in these areas in respect of the opportunities and challenges they face when considering the shared ownership market. The study was based on secondary analysis of statistical data sets, interviews with first time buyers (including shared owners) and focus groups of local housing providers in the Bristol, Birmingham and Leeds 'city regions'.

Regional variance in shared ownership sales, new and existing shared owners

Proportionately fewer first time buyers returned to the London and South East markets after the financial crisis than in other regions. House price inflation rose rapidly in comparison to earnings and, even for dual income households, stretched affordability in regions of London and the South, but this was less apparent in the Midlands and Northern regions.

Shared ownership sales represented one in 12 first time buyer purchases in London during 2016/17 but only around one percent in the North East, so the sector is of mixed importance to the wider housing market. In most regions, new shared ownership sales increased since the low of 2009/10, but have been largely stagnant in Yorkshire and Humber and the North East.

Shared ownership serves different socio-demographic groups across the regions with the South East, South West and West Midlands having younger profiles compared to older applicants in the North East, Yorkshire and Humber and the West Midlands. New entrants to shared ownership in the Northern regions were also more often in the lower income quintiles than those in the Southern regions. While 72 percent of new shared owners in London in 2016/17 were in the top two income quintiles, less than 10 percent of new entrants in the Northern regions were in these higher income groups. Moreover, around a quarter of new shared owners in the North West and North East had been previous homeowners compared to less than one percent in London.

Shared owners of the North and Midlands more frequently bought homes of greater value than other first time buyers and home-movers, compared to shared owners in the Southern regions. Buyers in the lower value regions did not necessarily buy larger shares of their homes, however, with Northern regions comprising the largest proportions of initial equity stakes purchased at or below 25 percent *and* at 50 percent and above. Marginal differences in shared owners' incomes between the Northern regions – the North West and Yorkshire and Humber at least – suggests an institutional or operational rather than market affect influencing equity outcomes.

Comparing data for new and existing shared owners shows a greater proportion of existing shared owners had higher incomes, were less frequently single adult households and more frequently had children than new entrants to the sector, again with regional variations. Length of shared ownership residence in Southern regions was generally shorter than in the Northern regions and shared owners in the North and London more frequently reported their housing costs a burden or struggle than shared owners in the South and the Midlands. While over half of shared owners enter the sector as single adults, almost half remain single over time, with implications for household incomes and support.

First time buyers and shared owners across the case study areas

Open market buyers in the different case study areas had similar impulses to purchase a home, focussed largely on the economics and weaknesses associated with the private rented sector and for a minority limited access to or an unwillingness to enter social housing.

New open market home buyers in the West Yorkshire area had significantly more choice than those in the Bristol area but shared owners in all three case study areas had very limited choice of property or location. Intense competition for shared ownership properties was felt especially in the Bristol area where people made some compromised choices to get a property. In all three areas, but more so in Birmingham and West Yorkshire, a portion of households entered shared ownership to get a better quality home and location than they could otherwise afford.

Open market buyers had their choices extended due to family assistance and/or inheritance and by having no children and higher and/or more secure earnings. It was notable that affordability, even for shared owners, was often only achieved by extending the mortgage debt burden well into when people were aged 60 years old or more.

New homebuyers had different attitudes to risk and consequently looked for a different range of information. Many found information on the home buying process and shared ownership lacked detail or was fragmented, and would welcome greater detail about the sequencing of home buying events. Some shared owners were happy with the information provided, although it was variable, but would have liked greater detail, provided earlier and appreciated face to face discussions.

Notably entry to shared ownership was frequently serendipitous and rested on word of mouth or property portals to alert people to the product's existence. Property roadshows were appreciated by shared owners in the Bristol region.

New shared owners had been in residence a limited period, but while most were either hugely satisfied or at least content with their new homes, the post-purchase experience of shared ownership raised issues with defects, how to facilitate mobility within the sector, staircasing and the imbalance of housing association- shared owner relationship. Some of these issues were expressed most clearly in the Bristol region as rising house prices and an intense demand for homes limited the ability to increase a person's equity stakes or secure another shared ownership home.

Providers views of local shared ownership markets

All regions include diverse local housing markets with contrasting characteristics and providers found that shared ownership was successful in the higher value locations. Only in Bristol did providers report that land values and market pressures were such that formerly less desirable and weaker locations were now subject to development that included shared ownership. In the wider conurbations of Birmingham and Leeds providers found neighbourhoods where shared ownership remained unviable. However, in Birmingham, providers anticipated that several lower value locations had the potential to take greater development but currently remained under served by private developers and housing associations.

Enthusiasm for the product was greatest among staff from housing providers in the Bristol focus group and lowest in the Leeds focus group, but the Midlands and Yorkshire providers all included local authorities who wanted to enter the shared ownership market and associations that wanted to expand their offer. A West Yorkshire based association was undertaking successful shared ownership development but in the higher value or buoyant markets adjacent to the Leeds city region. Stakeholders reported that local housing association boards were risk averse and with more sophisticated market information there was potential to grow the product locally. The limited

availability of grant in less pressured markets may inhibit the penetration of shared ownership into other areas.

Providers identified competition for land as problematic in Bristol and Birmingham, although possibly a more acute situation in the wider Bristol area as some values in the Birmingham area left sites challenging to develop except in higher value outer lying districts. But risk was also apparent from competition between shared ownership providers (including new private players) and some associations had targeted certain geographic or market segments to reduce this risk.

Providers considered public awareness of the product to be universally poor and undertook extensive marketing either themselves or via local estate agents. There were mixed experiences of the Help to Buy agents' roles in terms of local promotion, generating leads, providing data and the processes involved in customers and staff registering applications and properties.

Conclusions

While the size of shared ownership markets may vary with affordability pressures, the presence of high value areas within each region, the use of the sector for purposes other than first time homeownership, and the avoidance of otherwise affordable housing and places that might require significant renewal, extends the scope for the sector in places outside of the core London and South East markets. Shared owner profiles differ between regions- with indications that Northern shared owners were largely older and less affluent and longer in residence than their Southern counterparts - with implications for providers in terms of marketing, long term support (with sustaining the tenure, with repair costs, moving or staircasing for example) and expectations of receipts. Greater proportions of existing shared owners had higher incomes, households with children and slightly fewer single earner households, yet almost half of existing shared owners remain single adult households again with implications for long term support. There was some regional variation which may be a function of the type of homes built attracting more single or family households. New buyers' largely recognised trade offs with the structure of the product and the ability to purchase an equity stake in a decent, secure and affordable home, although affordability was largely only achieved at the expense of long mortgage terms. Barriers to expanding the sector in other regions include a mix of product awareness, land availability, viability in low value areas, competition between providers, market

Centre for Housing Policy, University of York

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Cast Foundation

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intelligence and alternative institutional priorities.