



# Shared Ownership 2.0

## Towards a Fourth Mainstream Tenure

### Summary Report



**We are in the midst of a housing crisis. Home ownership is now a distant dream for increasing numbers of people who face a growing 'affordability gap' as a result of house prices outstripping wages.**

In London, house prices have grown by more than 20 per cent in the last year alone. As a result, the private rented sector has doubled since 2000, and now accounts for 18 per cent of the total UK housing stock. We believe that shared ownership can help fix our broken housing market. With the right policy interventions, shared ownership could increase from around 15,000 new homes a year to 30,000 (or more) by 2020, thereby contributing at least 13 per cent of the 240,000 new homes this

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country needs each year. This report explores the barriers, challenges and policy solutions across the product, brand, and investor and lender confidence to make shared ownership a mainstream tenure and option for many more people. We have analysed a wealth of data, spoken to current and possible future customers and sought the views of key national stakeholders.

Achieving this step change will require a concerted effort from housing associations, private developers, local and central government, lenders, investors and regulators. Creating a more streamlined, consistent and simplified product with increased flexibility for consumers will enable more people to access affordable home ownership.

# SHARED OWNERSHIP

## THE FACTS AND FIGURES



WATCH SHARED OWNER STORIES



Without shared ownership I don't think I would have been able to purchase a house suitable for my family due to my household income not allowing for a large mortgage and no savings.

Simon Sanderson, who served in the Royal Electrical Mechanical Engineers for 13 years

£27,500 is the median income needed to buy a shared ownership home compared to £39,585 on average for an 80% mortgaged home<sup>3</sup>.

£27,500 vs £39,585

Shared ownership is crucial in helping the unprecedented numbers of people in London desperate for good quality low cost housing.

Boris Johnson, Mayor of London



### DEMAND AND SUPPLY



Applications & completions HCA data; and homes sold CORE data, for 2013/14.

55% increase in sale of shared ownership homes from 6,248 in 2009/10 to 9,735 in 2012/13<sup>5</sup>.

SHARED OWNERSHIP SALES INCREASE

6,248 in 2009/10

9,735 in 2012/13

In 2013/14 nearly 5,000 of circa 9,000 people purchasing shared ownership homes came from private rented accommodation – it's the main feeder tenure<sup>4</sup>.

PRIVATE RENTED 5,000

Comparison of average monthly costs for private renting vs shared ownership for England and London<sup>1</sup>:

£784 PRIVATE RENT

£668 SHARED OWNERSHIP

£857 SHARED OWNERSHIP

£1,348 PRIVATE RENT

The number of shared ownership resales more than doubled from 18.1% in 2009/10 to 42.9% in 2011/12<sup>2</sup>.

2009/10

18.1%



2011/12

42.9%

WATCH SHARED OWNER STORIES

# SUMMARY OF RECOMMENDATIONS

## Product

In terms of the product we need to:

- ensure clear and effective communication about the product at the start and through the lifetime of the occupancy.
- support shared owners to move within the tenure (effective and speedy resales, etc.)
- develop services that enable shared owners to plan financially throughout their time in the tenure and make choices that best fit their circumstances, affordability etc.
- develop schemes to help to reduce/ limit increases in additional costs (repairs, service charges) and encourage a diverse range of customers.
- agree shared consistent data collection methodology, to support increased lender and investor confidence. Data to include staircasing activity, arrears levels, and levels of default.
- agree a framework that establishes consistent criteria, and enables movement of shared owners within the tenure, and which minimises use of variable criteria that negatively impacts lender confidence.
- incentivise more shared ownership homes through Local Plans and use of public land.
- work with providers to pilot and then promote schemes that support choice and control, such as Shared Ownership Plus.
- model alternative routes to retaining shared ownership homes as affordable in rural settlements, that will facilitate increased lender engagement and access to mortgages.
- reintroduce DIYSO linked to areas where clear commitment in Local Plans to increasing overall affordable homes provision.
- develop a Voluntary Code of Practice/charter with sector leaders.
- promote good practice in development and service delivery, through awards, publications and events.

## Scale and investment

To increase the scale and diversity of the tenure, and to increase investment we need to:

- consider and review the capital weightings requirements for shared ownership lending so as to level the playing field, as far as possible, between shared ownership lending and that for traditional ownership.
- support the normalisation of shared ownership as a mainstream product, so as to aid the development of a more diverse mortgage market for this type of lending.
- keep current levels of grant funding and support the development of an equity loan model to increase scale.
- widen the scope of data collected through the annual Statistical Data Return, and stipulate the type and format of additional data to be compiled, following sector consultation. (Key areas for lenders and investors are listed under recommendations on the product).
- require Help to Buy agents to streamline the collection of shared ownership data to ensure consistency and comparability and that this is published annually.
- undertake a modelling exercise to establish the impact of equity investment on housing associations' level of returns.

To read the full report go to [www.orbit.org.uk/shared-ownership-report](http://www.orbit.org.uk/shared-ownership-report) or scan here

