Exploring Shared Ownership Markets outside London and the South East

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About the Author

Dr Alison Wallace has been a Research Fellow with the Centre for Housing Policy since 2001, working on a range of projects relating to low income homeownership. Previously a social housing practitioner, she completed her doctoral research into the cultural economy of local housing markets in 2007. Alison was made a Churchill Fellow in 2016 for work on homeownership education.

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Executive Summary

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.
- **This executive summary provides an overview of the study findings, with more detailed summaries provided at the beginning of each empirical chapter and data tables in the appendices.**

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'. (see p.14-15 and 61 for methods.)

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 duel income households, stretched affordability in regions of London and the South, but this was much less apparent in the Midlands and Northern regions (see p.18.)

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. (see p.19-21.)

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. (see p.23-25.)

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. (see p.21-23.)

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. While over half of shared owners enter the sector as single adults, almost half remain single over time (notably in the Northern regions) with implications for household incomes and support. 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 (see p.26-29.)

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. (see p.32-33).

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. (see p.36-39.)

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. (see p.34-36.)

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. (see p.40-41.)

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. (see.40-41.)

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. (see p.42-43.)

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. (see p.45-47.)

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 these areas. (see p.47-49.)

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. (see p.49-50.)

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. (see.p.51-52.)

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 intelligence and alternative institutional priorities. (see p.55-58.)

Chapter 1: Introduction

Introduction

For many decades housing policy has encompassed measures to help people overcome barriers to homeownership and, arguably, in recent years the tenure has attracted greater emphasis. House price growth has in some locations far outstripped that of individual or household earnings limiting access to homeownership for many households, to the extent that the politics of homeownership have become increasingly important. Concerns about younger cohorts being priced out of homeownership have led to a focus on intergenerational inequalities (Resolution Foundation, 2018) and the weaknesses of the private rented sector (Rugg and Rhodes, 2018). Certainly, there has been a decline in the proportion of younger cohorts in homeownership (MHCLG, 2018) and therefore in the proportion who own equity (Arundel, 2017). Inequalities also arise as each new cohort of homeowners are drawn increasingly from professional occupations and people with lower-grade employment are being squeezed out of the tenure (Wallace et al., 2018).

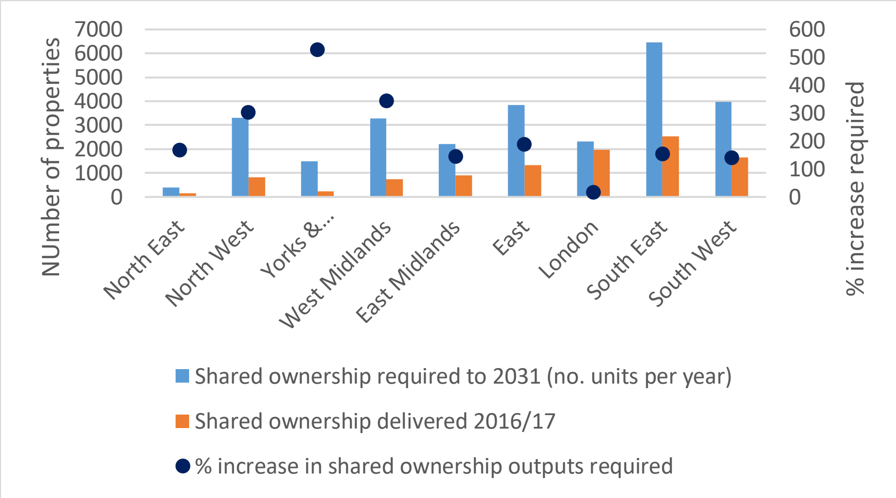
Many products are therefore aimed to support access to homeownership by helping people to save for deposits through matched savings schemes (Help to Buy ISA), providing equity loans to purchase new build homes (Help to Buy equity loans), offering and extending discounts to social tenants to buy their homes (Enhanced and Voluntary Right to Buy), providing options to buy at a later date on intermediate rental products (Rent to Buy/Rent to Own options) and, enduring through these ever rebranded products, has been shared ownership, characterised as a part rent-part buy product sold to provide access to leasehold ownership but based upon an assured tenancy (Cowan et al., 2015).

New analysis of household projections and housing need for Crisis and the National Housing Federation calls for 25,000 new shared ownership homes per year across Britain by 2031 (Stephens et al., 2018; Bramley et al, 2018). This work notes that while new shared ownership development should be skewed towards high pressured markets of the South-East, London, near-London and the ‘Greater south-east’, comparing the regional targets with actual outputs indicates that there are significant shortfalls of shared ownership homes being completed in some regions, notably Yorkshire and Humber, the North West and West Midlands (Figure 1.1).

Calls for the sector to expand and go mainstream have to account for regional housing market variation, possibly drawing in different households with different requirements. There is a sense that some tight housing markets have unambiguous needs for intermediate housing products including support to own, but in other regions or locations these pressures are less keenly felt and the scope to develop affordable homeownership products less clear cut. In such circumstances a greater range of individual and organisational responses may be anticipated but remain under-explored.

This mixed method study contributes towards this knowledge gap by establishing the circumstances of new and existing shared owners and first time buyers across different housing markets, and exploring their views and attitudes, together with those of providers towards the expansion of shared ownership outside of the core market of London and its hinterland.   This study examined these issues across three case study areas to strengthen the evidence base that informs policy and practice development in national and emerging markets.

Figure 1.1: Target annual shared ownership requirement by 2031 and actual completions 2016/17 by region



Source: Bramley et al. (2018); CORE Sales

Background

Calls for a reformed housing system include an increase in new housing supply (Wilson and Barton, 2018), a safer and more secure private rented sector (Rugg and Rhodes, 2018) and a step-change in the delivery of social housing (CIH, 2018). Constrained access to safe, secure and affordable homes via these routes fuels demand for homeownership but is beyond the means of many households

Narratives of the housing crisis are dominated by London and South-East (Baxter and Murphy, 2017; Heywood, 2015) and yet many other areas of the country also face affordability pressures, albeit generally not of the intensity of London. Furthermore, spatial priorities vary from how to secure new housing supply, to other locations with limited demand and the need for renewal (Ferrari, 2018). Shared ownership plays different roles in different places, with higher income duel earners using shared ownership in some areas, while in other locations the sector provides the entry point to ownership for those on lower incomes (Baxter and Murphy, 2017). Low value areas limit the development of shared ownership models in some areas as build costs exceed sale prices and the product competes with other affordable options available (Heywood, 2015). Shared ownership may also be a permanent rather than transitional tenure in some locations (Heywood, 2015), with implications for providers' business models. These uncertainties require more detailed market research to underpin the sector's growth.

Popular and policy discourse around shared ownership places it as a product to meet the needs of first time buyers to 'get a foot on the property ladder'. The ability to do so is typically characterised as a relationship between earnings and house prices (Sinn and Davies, 2017; Baxter and Murphy, 2017), which although important are supplemented by additional variables. The potential to purchase a home is dependent on household earnings, access to capital in the form of a mortgage, and a deposit (which may be saved, gifted or inherited) and the sufficiency of these relative to the local housing market. Critically these important influences are also overlaid with emotional impulses, the cultural choices and sentiment that shapes the properties and places where the household are able and willing to live (Munro and Smith, 2008). Studies also show that for some the housing system can be a treadmill rather than ladder (Croucher et al., 2018). For example, churn within the housing system means that almost as many households leave homeownership for rented homes annually (163,000 in 2016/17) as move from private renting to homeownership (182,000) (MCHLG, 2018). The path to ownership and shared ownership in particular can be one of upward trajectories from parental home or renting to ownership when young but also one about moves into and out of ownership or up *and* down any notional 'ladder' (JRF, 2007; Hay, 2015). Moreover, frameworks for housing research frequently use tenure to aid analysis but this may tell us only part of the story, as differences between people, earnings, place and time are often greater than those observed within tenure alone and the actions of institutional players are critically important to any housing outcomes (Murie and Williams, 2015).

Expanding the shared ownership sector beyond its traditional locations, therefore, requires additional consideration of the composition of that demand, competition from other affordable housing or open market homes, awareness of shared ownership in areas with little history of the product, as well as the institutional responses.

Savills (2016) found that demand for shared ownership was weaker in the North except for areas that included high cost rural markets and Manchester. This may be due to the fact that in some areas shared ownership competes with full ownership (Heywood, 2016). However, affordable properties and/or neighbourhoods may offer different attributes to shared ownership developments so it is unclear what trade offs people are willing to make. Areas of the North comprise outdated housing supply (NHC, 2016) and some have positioned new homes including shared ownership – offering affordable new modern homes - as important in increasing graduate retention that would support economic growth (Homes for the North, 2016a and 2016b). Indeed, shared ownership has been used to retain higher earners in areas of regeneration in Scotland (McKee, 2010). So low demand for the product expressed by income- house price ratios alone may not tell the full story.

Shared ownership may also compete with other homeownership products, such as Rent to Buy or Help to Buy, in some locations. There has been significant take up of Help to Buy Equity Loans in areas of the North, Midlands and South-West (MHCLG Statistics Help to Buy Tables). Walker (2016), nevertheless, found that the 'affordable homeownership' market is segmented with different products pitching at different price points. It is unclear, however, how prospective buyers appraise these factors and their options across broad market areas.

The take up and shape of shared ownership in different places may also relate to the product itself. A growing body of work identifies a series of issues that could improve shared ownership including product promotion, mobility out of or within the sector, provider management, resales, repairing responsibilities and improvements (Davis and Sinn, 2016; Cowan et al., 2015; Heywood, 2016; Wallace, 2008; Clarke and Heywood, 2012). Ability to move on and/or staircase is an important issue and highly influenced by the specificities of the local housing market. While much evidence clearly translates across place, it is unclear how the balance of these issues relates to shared ownership experiences in different housing markets.

The awareness of shared ownership also varies by region, age and income (Sinn and Davis, 2016). The greatest interest in using the product was lowest in the Midlands and highest in the South-East; and nationally, younger age groups were those who knew the least about the product and there were concerns that a lack of choice of properties and locations were an important barrier to entry for people considering the sector (ibid.).

Lastly, there are implications for lowering the threshold to homeownership in some markets. There is limited and uncertain evidence about the risk of mortgage arrears among shared owners (Clarke et al., 2016). However, lowering the threshold to ownership in terms of extending its reach down the income scale in some markets could be problematic as there is a distinct social gradient to the incidence of mortgage arrears with those on the lowest incomes having twice the rate of default than the highest income groups (Wallace et al., 2018; DCLG, 2016). Lower income households may also have fewer options to trade up or out of shared ownership so may require different support over time.

Clearly, there are risks and opportunities for expanding the hybrid tenure but identifying differences and similarities and exploring how key players in the market – first time buyers, shared owner purchasers, associations and local authorities – appraise these risks and opportunities will make an important contribution to filling a gap in the evidence-base.

Research aims and objectives

The overarching aim is to strengthen our knowledge of this small but policy important housing sector, increasing our understanding of the regional circumstances and experiences of shared owners, the sentiments of new buyers towards the different housing opportunities available and how associations and local authorities consider the risks and opportunities in expanding shared ownership in different markets.

The specific research questions are set out below:

1. What are the housing and 'socio-demographic' circumstances of new and existing shared owners in different regions in comparison to first time buyers?
2. How do shared owner experiences differ in contrasting housing markets?
3. What sources of information do new buyers in contrasting housing markets draw upon to inform their purchase?
4. What trade offs do they make in contrasting housing markets between employment, place, property and affordability and where does shared ownership fit into their home-buying decision making?
5. How do housing professionals appraise the opportunities and constraints for the burgeoning shared ownership market in their area?

Research methods

These questions were addressed by using a mixed method approaching utilising both quantitative data and qualitative data explained in greater detail in Appendix 1. Housing is a devolved function of government and so the data analysis and fieldwork will be confined to England only.

The quantitative data analysis drew upon CORE Sales data, to identify the circumstances about new shared ownership sales, and included only straight shared ownership sales not schemes designed for the elderly or other variants. The Family Resources Survey was used to explore the circumstances of existing shared owners. Supporting data tables are included in Appendix 2.

The qualitative data included 31 in-depth interviews with first time buyers and shared owners across three case study locations, broadly defined as the Bristol, Birmingham and Leeds city regions. In addition there were three focus groups with housing providers from local authorities and housing associations in each city and four individual interviews, comprising data from 19 housing professionals

Structure of report

The next chapter (Chapter 2) explores the quantitative data analysis demonstrating the regional differences in shared ownership sales over time and contrasts the circumstances of new and existing shared owners across the regions. This is followed by Chapter 3 which examines the views and experiences of first time buyers and recent shared ownership purchasers in the Bristol, Birmingham and Leeds city region areas. It provides an overview of the decisions made and processes they undertook to look for a home and/or achieve their purchase. Chapter 4 outlines how housing professionals in the three wider city region areas identify the opportunities and barriers to shared ownership expansion. The report concludes with Chapter 5 which discusses the implications of the findings for the burgeoning sector.

Chapter 2: Regional variance in shared ownership markets

Summary

- 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 duel income households stretched affordability in regions of London and the south, but less so in the Midlands and the North.
- Shared ownership sales represented nine percent of 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 market. New shared ownership sales increased since the low of 2009/10 in most regions, but have been largely stagnant in Yorkshire and Humber and the North East.
- 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.
- Shared ownership clearly 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. 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 than in the Southern regions. Buyers in the lower value regions did not necessarily buy larger shares of their homes, however, Northern regions comprised the largest proportions of initial equity stakes purchased at or below 25 percent *and* at 50 percent and above. With marginal differences in shared owners' incomes between the Northern regions – the North West and Yorkshire and Humber at least – this suggests an institutional or operational rather than market affect influencing equity outcomes.
- Comparing data for new and existing shared owners indicates that a portion of these households' circumstances change over time, as 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. Single households remain almost half of existing owners with implications for long term support. Length of residence was mixed across the country but was generally shorter in Southern regions than in the Northern regions and shared owners in the North and London more frequently reported their housing costs to be a burden or struggle than shared owners in the South and the Midlands.

Introduction

This chapter draws upon quantitative analysis of several key datasets to examine regional differences in shared ownership sales and the characteristics of new and existing shared owners. Regional analysis shows that shared ownership is meeting the contrasting needs of very different market segments in different locations with new purchasers in lower value areas comprising greater volumes of older and lower-income former homeowners compared to younger first time buyers in higher value areas. Additional data are provided in Appendix 2.

Regional housing markets

As banks rebuilt their balance sheets after the financial crisis of 2008 lending criteria relaxed, albeit on a prudent basis. Consequently, first time buyers returned to the market in greater volumes in all regions but proportionately to a lesser extent in London and the South East. While lending volumes to first time buyers increased by over 80 percent during the period 2008 to 2016 in East Midlands, South West and North West, the volume of first time buyers increased by only 62 percent and 44 percent in the South East and London respectively (Financial Conduct Authority Regional Analysis Statistics). The limited growth in London and the South East is indicative of divergent regional housing markets. It is well documented but worth restating in the context of talking about access to homeownership that lower decile house prices (entry level for first time buyers) to median earnings ratios have increased substantially particularly in London from 8.4 in 2008 to 14.0 by 2017 but remained broadly the same for the North West (5.6), Yorkshire and Humber side (5.6 and 5.7 respectively) and declined from 5.5 to 4.7 in the North East during this period. Even dual income households saw little relief from affordability issues in some regions with the lowest decile house price to two gross median earnings exceeding 4 for the whole period from 2008 onwards in London, and from 2014 in the South East and from 2015 in the East and South West, indicating that even these duel income households were likely to struggle to obtain loans to purchase homes in these areas.

Comparing wage growth to house price growth between the years 2008 to 2017 further demonstrates regional housing market disparities. In the North East gross earnings rose by 19.4 percent and house prices rose only by 0.5 percent, while in London earnings rose by 12.5 percent but house prices by 86.3 percent.

However, affordability ratios provide an incomplete picture as homeownership has fallen in all regions, not just in regions with higher house prices. Resolution Foundation analysis of the Labour Force Survey shows the decline of the tenure in the ten years to 2017 ranging from 12 percent in London and the West Midlands, 10 percent in the North West, and was lowest in the East of England (four percent) and the South West (4.5 percent) (Resolution Foundation, 2017).

Additional constraints on new buyers arise from lenders' deposit requirements for reasonably priced loans. Loan to values for first time buyers were averaging at around 82 percent in June 2018 requiring 18 percent deposits (UK Finance, 2018). FCA data shows there was a 65 percent rise in the value of deposits used by first time buyers in the South East between 2007 and 2016, and 62 percent in London, representing 2.2 and 3.8 times the median earnings in 2016 respectively. Lower value regions also saw high proportional rises in the value of deposits required, although these were lower in absolute values with the North East seeing increases in deposits required of 54 percent and in Yorkshire and Humber 37 percent, representing 1.1 times the median earnings for those regions in 2016. The lowest deposit of £27,165 used in the North East remains a substantial sum, but the £126,144 used in London is twice the value of the next highest deposits used.

Regional housing markets are therefore seeing a range of pressures in respect of affordability that provides context to discussing the regional differences in the shared ownership market.

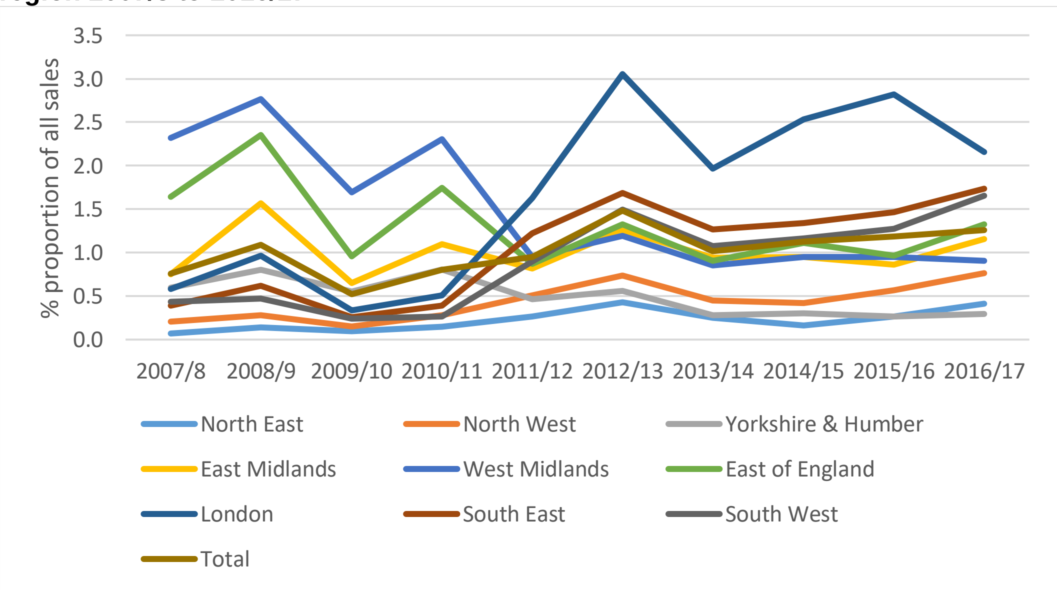
Shared ownership markets

As with the wider market, sales of shared ownership homes declined after the financial crisis 2007/8 reaching a low of 3,304 sales during 2009/10, but rising to a peak of 11,698 sales during 2015/16. Resales comprised around two fifths of the total number of sales, an increase from almost one fifth in 2007/8, with the rest of the market comprised new build homes.

During 2016/17,10,340 shared ownership sales were made mostly to households in the South East, London and the South West, accounting for 60 percent of the total (Table A5). In contrast the North East comprised only 1.4 percent all sales and Yorkshire and Humberside only 2.3 percent. The West Midlands, North West and East Midlands each accounted for between 7-9 percent of the sales. Resales of second hand shared ownership properties comprised substantial proportions of all shared ownership sales in some regions, up to 48 percent in the South East, 41 percent in London and 40 percent in Yorkshire and Humber, compared to only 18 percent in the North East.

Shared ownership, therefore, remains a small part of the housing market accounting for 1.3 percent of all sales in England over £40,000 during 2016/17 (Figure 2.1). This rises to 2.2 percent of all residential sales in London but falls to only 0.3 percent of sales in Yorkshire and Humberside. Over time, the proportion of all sales represented by shared ownership sales has grown slightly except in Yorkshire and Humber, the West Midlands and the East of England where marginal falls have occurred.

Figure 2.1: Shared ownership sales as a proportion of all residential sales over £40,000 by region 2007/8 to 2016/17



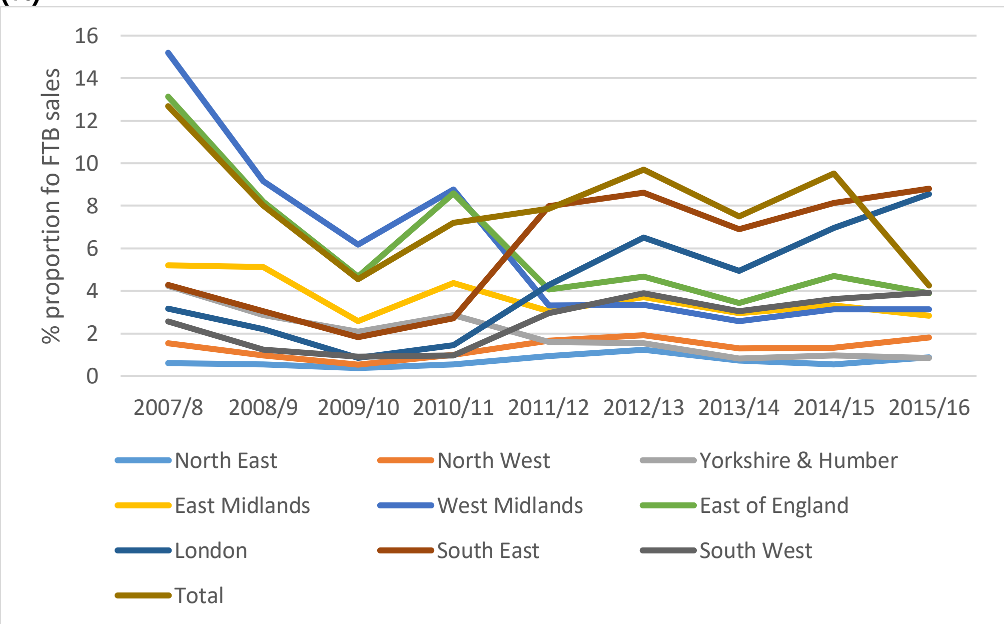
Source: CORE Sales 2016/17; ONS House price Statistics for Small Areas Dataset 6: number of residential sales for administrative area

As a proportion of all first-time buyer sales shared ownership declined from 12.7 percent of all first-time buyer sales in 2007/8 to 4.3 percent by 2016/17, although shared ownership formed around eight or nine percent of first time buyer sales between 2010/11 and 2015/16 (Figure 2.2). Again, however, the national picture masks regional differences with the Northern regions seeing little change and London and the South-East showing marked increases in the proportions of new buyers using shared ownership, comprising 8.8 percent of new buyer sales in both regions by 2016/17.

Figure 2.3 further illustrates the change in sales by region over time. While overall sales may have increased during the period 2007/8 to 2016/17 by 23 percent, new build outputs have declined marginally by seven percent during this time. The regional picture is mixed however, with overall sales increasing in some regions notably the South West (by 218 percent), South East (229 percent), London (121 percent) the North West (171 percent) and the North East, albeit from a very low base (272 percent). In London and the South East, however, new build sales had grown but have recently fallen back and in 2016/17 were below that of 2007/8 (by 24 percent and 42 percent respectively) (see Figure 4). Only in Yorkshire and Humber and the West Midlands had overall and new build sales both declined during the period (by 38 and 14 percent respectively).

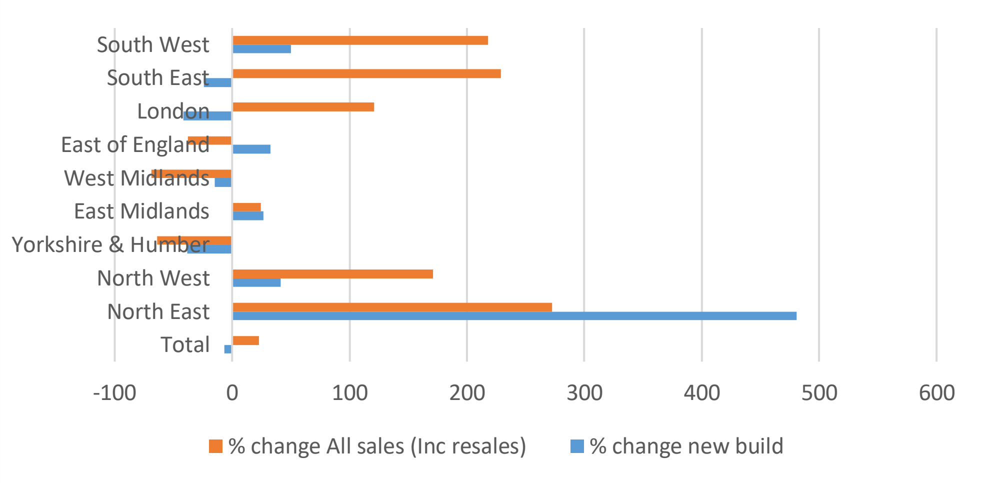
It is unclear to what extent these regional patterns of shared ownership activity reflect market fundamentals in terms of the trajectory of local markets, affordability constraints and local economic factors alone, or are influenced by a range of institutional factors in terms of housing provider responses.

Figure 2.2: Shared ownership sales as a proportion of FTB sales by region 2007/8 to 2016/17 (%)



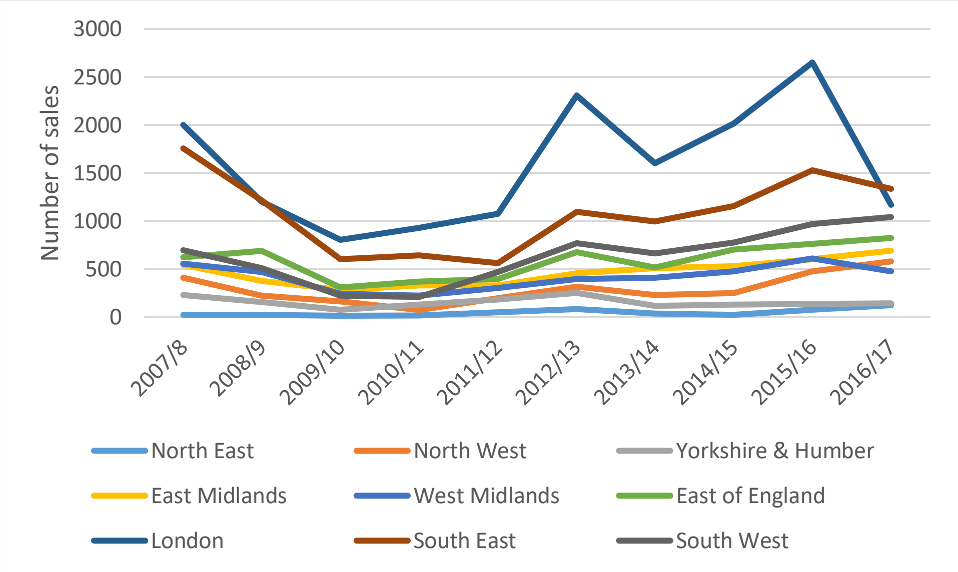
Source: CORE Sales 2016/17; FCA Table 18 Regional Analysis Home purchase loans 2018

Figure 2.3: Percentage change in volume of shared ownership sales 2007/8 to 2016/17 (%)



Source: CORE Sales

Figure 2.4: New build shared ownership sales by region, 2007/8 to 2016/17 (n)



Source: CORE Sales

Characteristics of properties and purchasers by region

Shared ownership properties

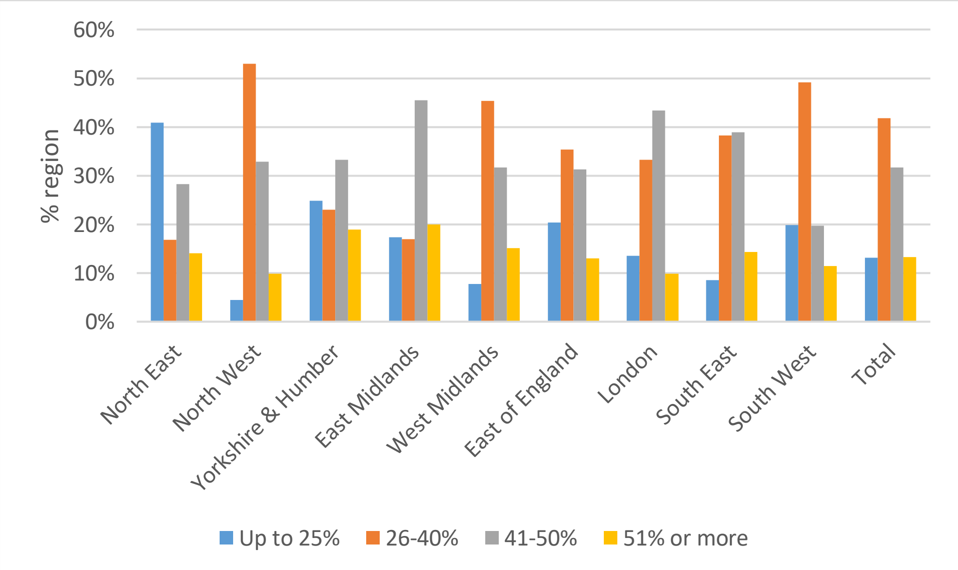
The CORE Sales dataset bands the market value of shared ownership properties sold and Land Registry data does not provide details of bedroom sizes so using simple average house prices in comparison to shared ownership market value is a challenge as the size and mix of the sales may differ. Nonetheless, during 2016/17 first time buyers typically bought properties at between 80-88 percent of the value of all properties sold but in some regions shared ownership homes were clearly of much greater market value than homes typically bought by first time buyers and in many instances above the value of homes bought by average home-movers. This is notably the case in the North East, where we can say that at least 85 percent of the shared ownership homes sold during 2016/17 were valued at figures in excess of homes bought by first time buyers. In the North West and West Midlands between 67 and 68 percent of shared ownership homes were clearly valued above those bought by first time buyers. This trend was less apparent in the East, South East and South West regions (Table A6).[1]

Reflecting regional housing markets the sale of shared ownership flats or apartments was more evident in London and the Southern regions than in the markets of the Midlands and North. Notably bungalows were evident in the North East which may also explain the higher property values of shared ownership homes here in comparison to those of first time buyers. There are, therefore, likely to be regional variety in the impact of issues relating to service changes costs and repair recharges.

Shared ownership finance

Across England during 2016/17, 13 percent of shared owners purchased a 25 percent or lower equity stake in their home, 42 percent bought an equity stake between 26 and 40 percent, 32 percent between 41 and 50 percent, and 13 percent bought an equity stake of over 50 percent (Figure 2.5). Again this differed between regions. The highest value regional housing markets did not necessarily produce purchases of the lowest shares, and a slight skewing towards low value shares was evident in lower value regional housing markets. Indeed, 41 percent of shared ownership sales in the North East were 25 percent or below. And vice versa the highest shares were not consistently found in lower value markets, both the North West and East Midlands had the highest proportions of those who bought 51 percent or more of their home at 19 and 20 percent each.

Figure 2.5: Initial shared ownership equity stake by region 2016/17

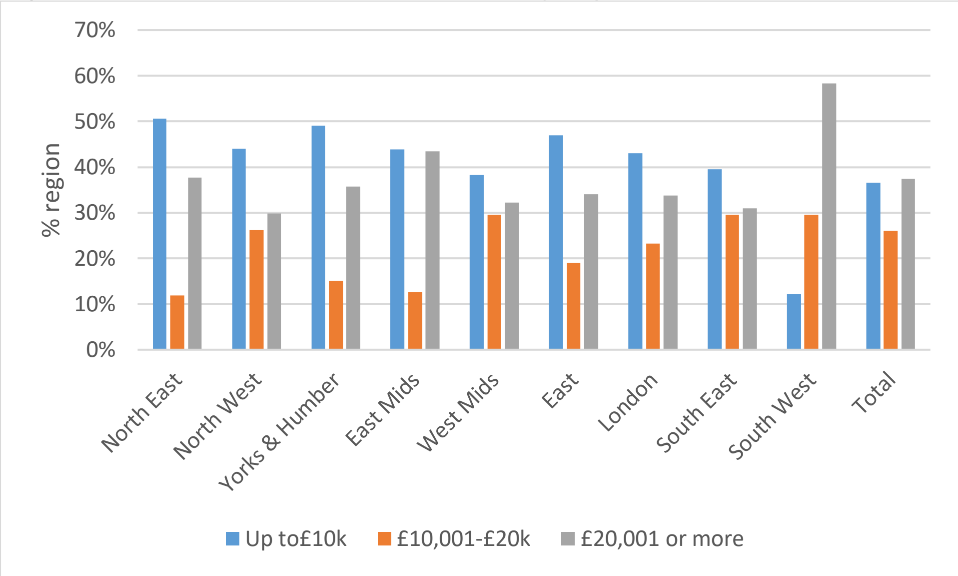


Source: CORE Sales

Figure 2.6 shows that during 2016/17, 37 percent of shared owners' deposits were below £10,000, 32 percent between £10,001 and £20,000 and 26 percent over £20,000 (including 16 percent over £50,000 –*not shown).* Again this varied between regions with 58 percent of shared owners bring deposits of over £20,000 to their purchase in the South West compared to only 30 and 31 percent in the South East and North West.

[1] The market value bandings were capped at £250,000 or over so were insufficiently high to capture the distribution of shared ownership values in London.

Figure 2.6: New shared owners' deposits by region, 2016/17

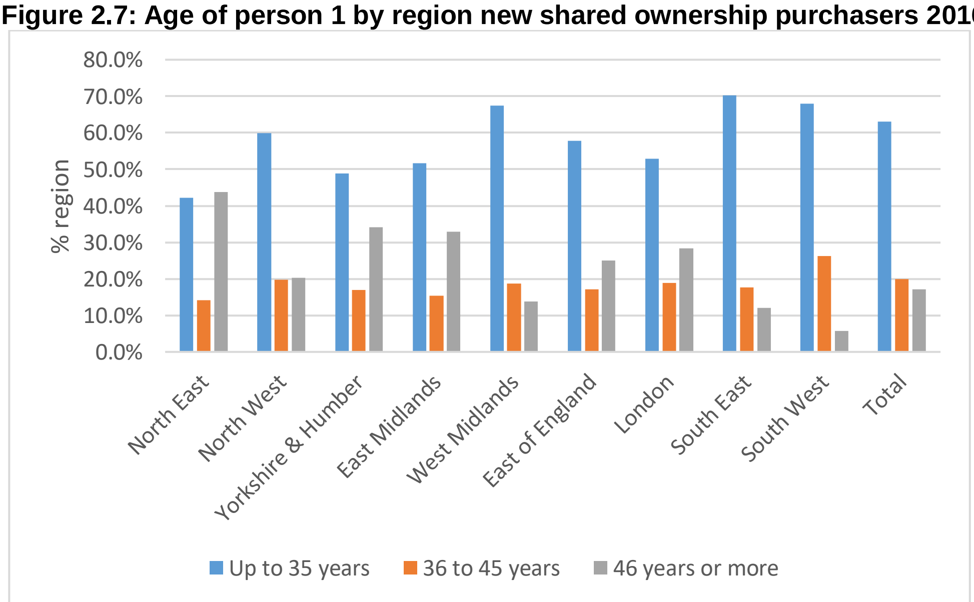


Source: CORE Sales

Characteristics of new shared owners

During 2016/17, 63 percent of first applicants for shared ownership purchases were below the age of 35 years old, 19 percent were between 36 and 45 years old and 17 percent were aged over 46 years old (Figure 2.7). Again regional differences were apparent indicating that the product was serving different markets in different locations. Indeed, in the North East 44 percent of first applicant shared owners were over 46 years old compared to only six percent in the South West. In contrast, 70 percent of sales in the South East were made where the first applicant was aged under 35 years old but 42 percent in the North East. First applicants in the North East, Yorkshire and Humber and the East Midlands had older age profiles than the South East, South West and the West Midlands.

Figure 2.7: Age of person 1 by region new shared ownership purchasers 2016/17

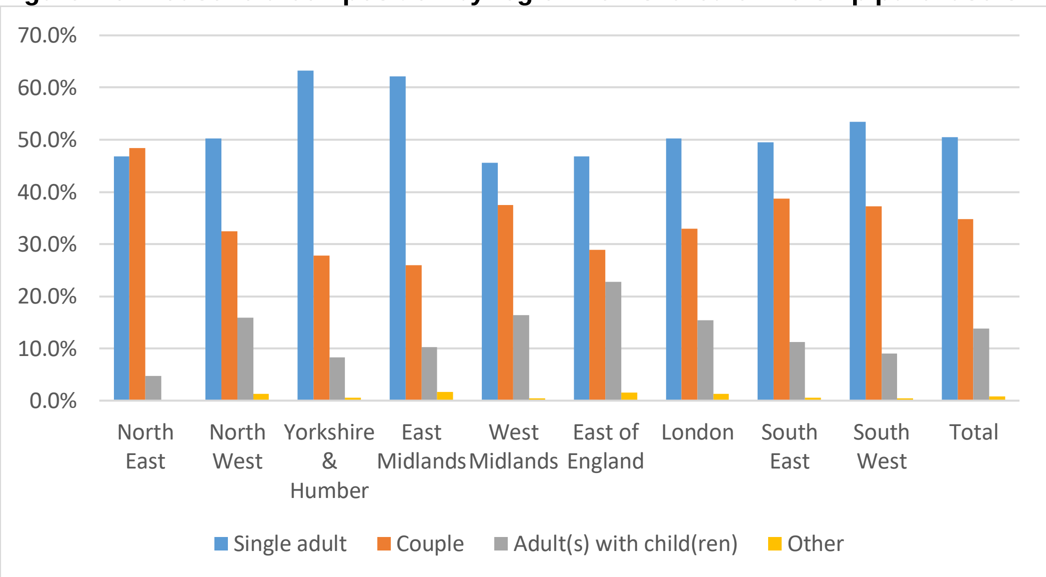


Source: CORE Sales

The types of household also varies by region (Figure 2.8). A total of 51 percent of shared ownership sales in 2016/17 were made to single adult households, ranging from 63 percent and 62 percent of sales in Yorkshire and Humber and in the East Midlands respectively, to only 46 percent in the West Midlands. Although London is the highest value region, still 50 percent of sales went to single households with single incomes. The next most common household type were couples without children and these formed 35 percent of sales during 2016/17. The region with the highest proportion of couples without children was the North East (48 percent) and Yorkshire and Humber the lowest (26 percent). Households with children comprised 14 percent of all shared ownership sales but ranged from 23 percent in the East to only five percent in the North East.

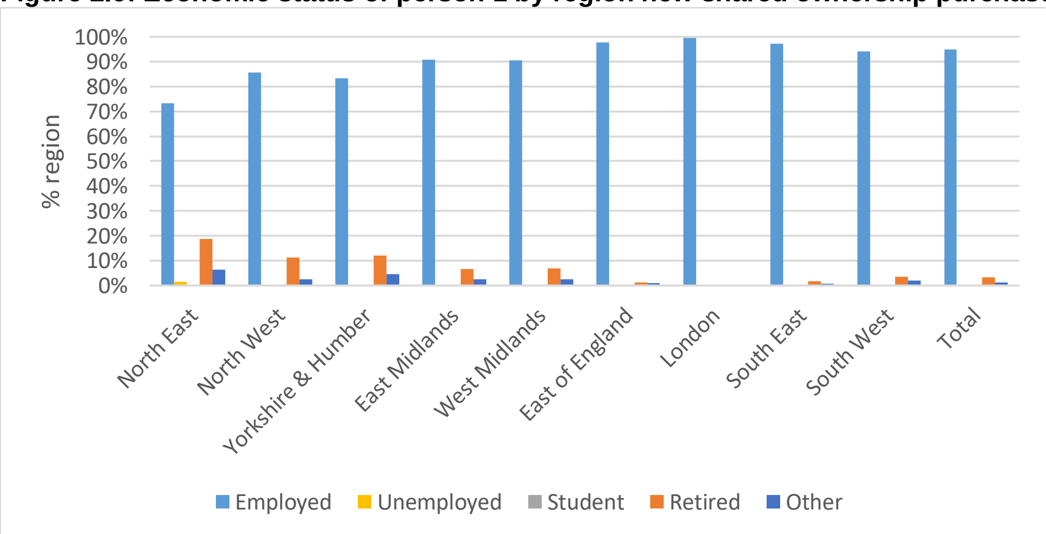
While almost all new sales were made to first applicants who were employed (95 percent), this again differs markedly across the regions with almost all of first applicants being employed in London compared to 73 percent in the North East and 83 percent in Yorkshire and Humber (Figure 2.9). The proportion of new sales made to retired first applicants is greatest in the regions of the North and the Midlands with 19 percent in the North East and only 0.2 percent in London.

Figure 2.8: Household composition by region new shared ownership purchasers 2016/17



Source: CORE Sales

Figure 2.9: Economic status of person 1 by region new shared ownership purchasers 2016/17



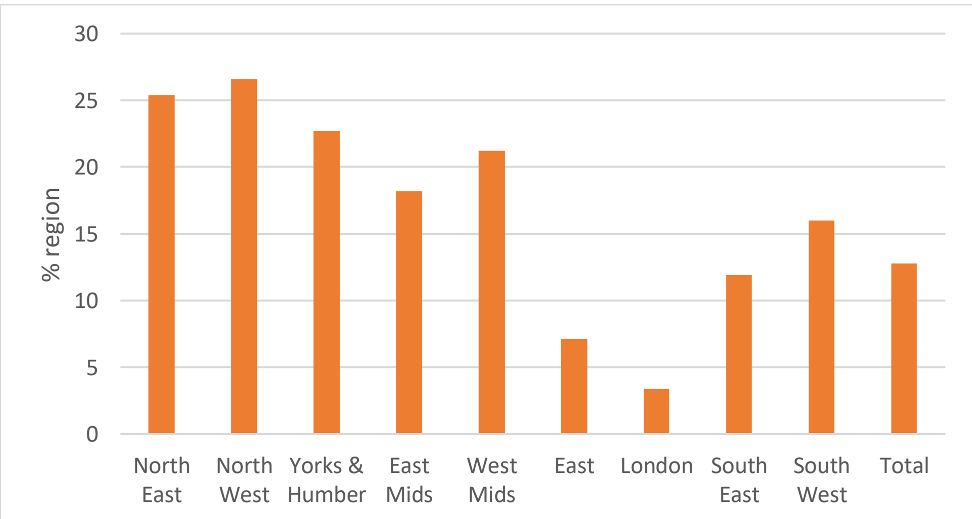
Source: CORE Sales

CORE data provides details of applicants' incomes so we can construct household income where there are one or two incomes and gauge how these individual and household incomes compare with median annual earnings and household incomes (Table A11). In all regions except London, shared owners' median household incomes during 2016/17 were below that of all median household incomes where members were below the age of 60 years old. In London, shared owners' household incomes represented 112 percent of median household incomes of those under the age of 60 years old, in contrast to Yorkshire and Humber where shared owners' household incomes were only 66 percent of median household incomes of people aged under 60 years old. The Family Resources Survey was used to band the full range of household incomes into five equal portions (quintiles) to compare the distribution of shared owners' household incomes to that of the general population. While 74 percent of shared owners who bought during 2016/17 in the North East had household incomes in the bottom two income quintiles, 72 percent of London shared owners had household incomes in the top two income quintiles. Less than ten percent of shared owners in the Northern or Midlands regions had incomes in the top two income quintiles.

As mentioned these household incomes have not been equivalised to reflect that any income goes further without children. Household incomes between households with and without children are similar but slightly lower for those with children. Two adult new shared owner households had an average £40,389 annual household income compared to two adults with children who had £38,111, indicating that those with children are likely to be much more greatly financially constrained than similar households without children. So financial constraints alter by household type but also region, as lone parents in shared ownership in the North East had a median household income of only £15,800 compared to £35,904 in London.

Often characterised as a sector that serves first time buyers exclusively, some regions have relatively high proportions of new shared owners who have previously been owner-occupiers (Figure 2.10). In London, only three percent of new sales were made to buyers who had previously owned property compared to 27 in the North West and 25 in the North East, again reflecting that shared ownership is serving different market segments in different locations.

Figure 2.10: New shared owners who have previously been owner occupiers by region, 2016/17



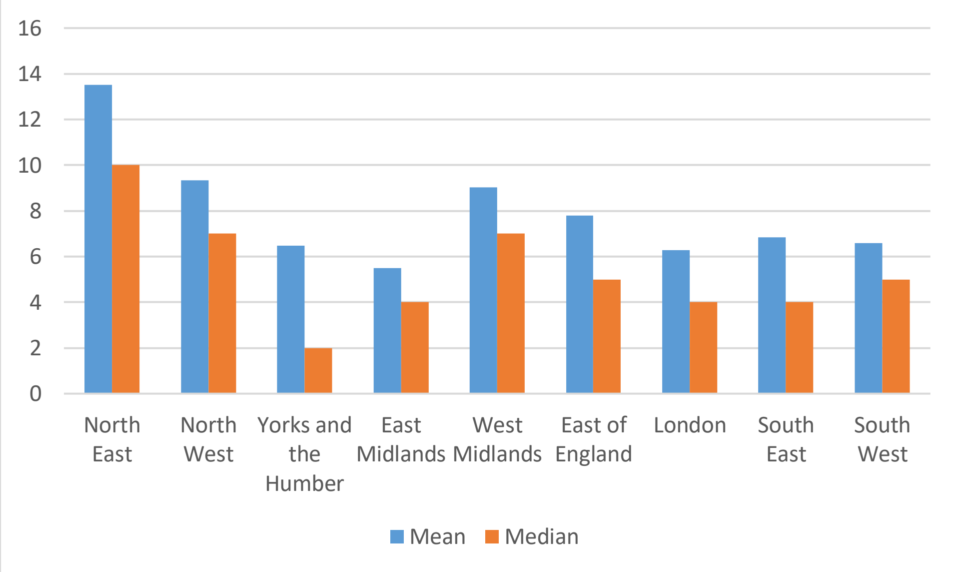
Source: CORE Sales

Comparison between new entrants and existing shared owners

The FRS sample represents the existing stock of shared owners and this section outlines differences between length of residence, incomes, household composition and whether their housing costs have been a burden or not.

As the FRS data is pooled across five years, the length of residence for each shared owner was calculated by deducting the year they moved into their home from the year the survey was undertaken. Across the UK, existing shared owners had lived in their homes for a mean average of seven years and a median average of five years. By region this varied from a median of 10 years in the North East to a median of two years in Yorkshire and Humber (Figure 2.11).

Figure 2.11: Average years lived in shared ownership home by region (years)

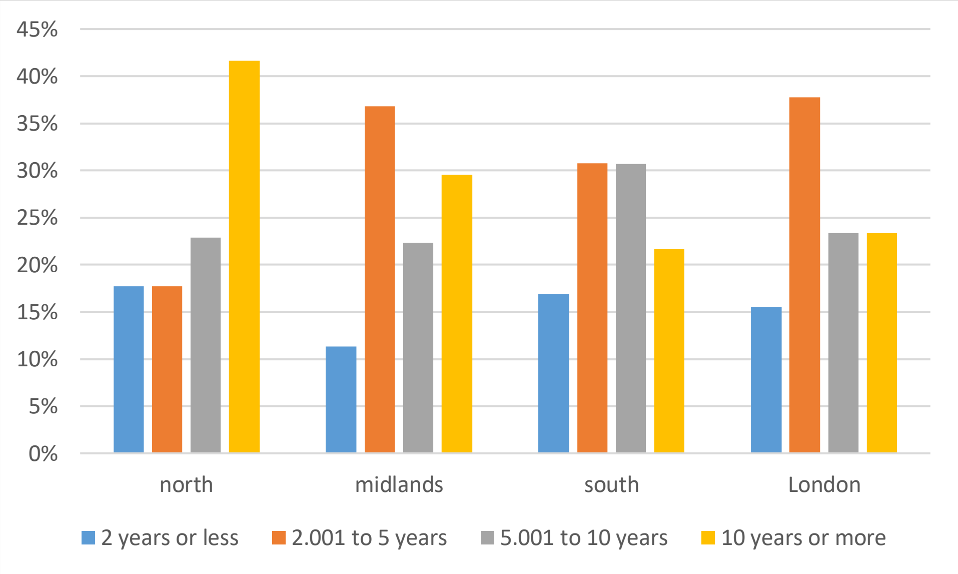


Source: FRS (2012-2016)

However, averages mask other regional differences where all the Northern regions have the greatest proportion of shared owners who have lived in their homes ten years or more (41.7 percent) and the highest proportion of shared owners who have lived in their homes two years or less (17.7 percent) (Figure 2.12). London has the highest proportion of shared owners who have been resident for between 2 and 5 years (37.8 percent), and the South the highest proportion between 5 and 10 years (30.7 percent). Broad regions are used to ensure statistical significance, that the findings are not just due to chance, but while this analysis reflects both the transitional *and* permanent nature of shared ownership for a range of owners, it masks differences within the broad regions and may also reflect the changes in the distribution of new shared ownership development over time.

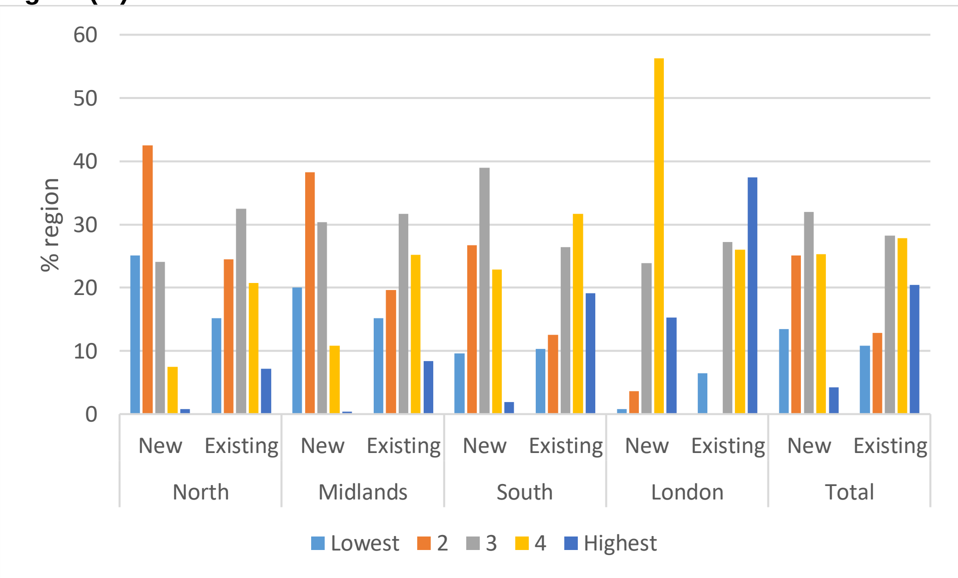
In all regions the distribution of household incomes of existing shared owners across these income quintiles skews higher than for new entrants, indicating that, either shared ownership is now appealing to people on lower incomes than in the past, or, as might be expected, in aggregate shared owners' household incomes rise during their time in shared ownership (Figure 2.13). For example, in the Northern regions 67.5 percent of new entrants were in the bottom two income quintiles compared to 39.6 percent of existing shared owners. However, London was the only region where existing owners were less represented in the higher income groups compared to new entrants (71.6 percent and 63.4 percent respectively). Furthermore, more existing shared owners were in the lowest income quintile (6.5 percent) in London than new entrants (0.8 percent). Tis is possibly an indication that rising house prices elevated income thresholds for new entrants, in comparison to people who bought some time ago who may represent a pool of long-standing low-income households in London's shared ownership sector.

Figure 2.12: Years lived in shared ownership home by bands and region (%)



Source: FRS 2012-2016

Figure 2.13: New entrants and existing shared owners' household income quintiles by broad region (%)



Source CORE (2016/17) and FRS (2012- 2016) (too few numbers to report)*

Table 2.1 shows the differences in key household composition between the new entrants and existing shared owners, indicating changes over time. There were a higher proportion of households that included children among existing shared owners across all regions, with 12.5 percent of new entrants' households including children compared to 29.9 percent among existing homeowners. This markedly higher proportion of children was not present in the Midlands, however, where the proportions were similar (16.7 percent among new entrants and 18.3 percent among existing owners), but the magnitude of the difference in the South is striking with only 14.3 percent of new entrants having children compared to 40.3

percent of existing owners. It is uncertain what sits behind such findings, but they could plausibly reflect a change in the composition of the stock over time (houses to flats, for example) or reflect a satisfaction with the home as it is or an inability of families to move on.

Table 2.1: New and existing shared owners by key household types by broad region, 2016/17 (%)

	North		Midlands		South		London		Total	
	New	Existing	New	Existing	New	Existing	New	Existing	New	Existing
Children in household	8.0	26.8	16.7	18.3	14.3	40.3	8.5	20.8	12.5	29.9
Age 60 or more	28.3	24.9	14.4	29.6	6.2	10.7	2.2	4.1	10.6	14.0
Single adult households	65.8	54.4	56.0	40.8	52.2	45.7	54.8	45.9	54.7	46.0

Source CORE (2016/17) and FRS (2012- 2016)

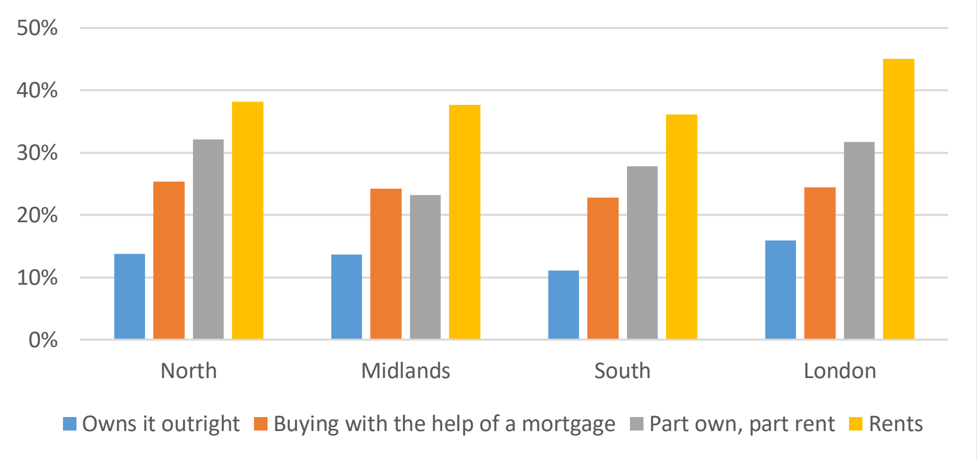
Families have similar if not slightly lower household incomes to other households without children (see Table A12). The presence of children would reduce the financial capacity of a household but increasing the number of adults in the household increases household incomes substantially. The proportion of households that comprise single adults is lower among existing shared owners (46.0 percent compared to 54.7 percent of new entrants) and is relatively consistent across the regions, although higher in the North. This implies that while a majority of new entrants to the sector are single, a proportion of shared owners' circumstances do change and, with career development, would explain some of upward shifts in household incomes observed between new entrants and existing shared owners. Nonetheless, almost half of shared owners remain single or at least live in single adult households with accompanying lower household incomes, ranging from 41 percent in the Midlands to 54 percent in the North. This compares to 18 percent of mortgaged homeowner households being single adult households, ranging from 17 percent in the North to 20 percent in London (not shown). The sector is therefore an important housing tenure for *single* income – and as seen above not necessarily or only *low-income* - households.

The FRS asks people whether they consider their housing costs a burden or a struggle. The regions were split into four broader categories to ensure sufficient numbers to analyse[2]. Across the regions shared owners in the North and London reported that their housing costs were a heavy struggle or burden more frequently than those in the Midlands or the South, possibly due to low incomes in the North and high housing costs in London (Figure 2.14). Only in the Midlands did shared owners report problematic housing costs at a similar rate to mortgaged homeowners.

Single adult households were more frequently long stayers (30.5 percent of single adult households had stayed 10 years or more in shared ownership compared to 23.5 percent of two adult households) and experienced housing costs as a burden or struggle more often (31.9 percent of single adult households described their housing costs as a heavy burden or struggle compared to 23.5 percent of two adult households).

[2] Broad regions comprised North= North East, North West and Yorkshire and Humber; Midlands =West Midlands and East Midlands; South= South East, East and South West; London=London.

Figure 2.14: Housing costs a heavy burden or struggle by tenure and region



Source: FRS (2012- 2016)

Conclusion

Shared ownership comprises a significant proportion of first time buyer sales (nine percent) where affordability pressures are greatest in London and the South East but the sector is currently marginal to regional housing markets in the North. The sector supports the purchases of different households across the regions with an overall tendency for those in the Northern regions to be older, on lower-incomes, more frequently been homeowners before and for a large portion to have been in their homes longer compared to their Southern counterparts.

Shared ownership property values among Northern regions varied with slightly lower values in the North East compared to the North West and Yorkshire and Humber. However, there were marginal differences in household incomes but the initial equity stakes purchased varied significantly, suggesting an institutional rather than market influences on equity outcomes. Shared ownership property values in the North East region exceeded the values of homes purchased by other first time buyers and home movers in those same regions.

Comparing existing shared owners to new entrants demonstrated some differences that plausibly indicate changes in household circumstances over time. Existing shared owners had slightly higher household incomes, more children and a lower proportion of single adult households than new entrants with regional differences. The greatest difference was in the higher rates of children in existing shared owner households in the South (26 percentage points higher) compared to new entrants. The proportion of single adult households was lower for existing owners compared to new entrants, but not markedly so (around eight points lower in most regions but twice that in the Midlands) suggesting that this may only account for a modest change in household incomes skewing higher for existing owners. Despite indicators that shared owners' incomes and households change over time the sector remains important for single households with implications for long term support.

The data analysis in this chapter illustrates the contrasting housing market pressures and the features of new and existing entrants to the shared ownership housing in the wider case study regions. Shared ownership in the South West had higher market values and higher household incomes than in the Midlands and Northern regions, but a higher share of previous homeowners and a slightly higher proportion of single adult households than other regions of the South. The West Midlands had market pressures placed between the

Southern and Northern regions but among new entrants had the lowest proportions of single adult households and the highest proportion of younger first applicants. Shared owners in Yorkshire and Humber had an older age profile, lower household incomes and currently a small market for shared ownership. New build shared ownership outputs had declined in both the West Midlands and Yorkshire and Humber over the last decade, although there had been some recent growth in the West Midlands, but contrasted with growth in the South West.

The next chapters consider the strategies and perceptions of first time buyers and shared owners about their house search and home purchase, and the perceptions of housing providers about growing the sector, in the three case study areas.

Chapter 3: Strategies to achieve home ownership in case study areas

Summary

- 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.
- Open market 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 obtain 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 debt burden well into when people were aged 60 years old or more.
- Across all interviewees new homebuyers evidently had different attitudes to risk and consequently looked for a different range of information. Many found that information on the home buying process and shared ownership lacked detail or was fragmented and would have welcomed more information 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.

Introduction

This chapter reports the findings of the interviews with first time buyers and shared owners in the three case study areas of the Bristol, Birmingham and Leeds broad city regions. It examines why they wanted to buy, how they acquired a deposit and how they accessed the mortgage market, their home buying decisions about property and place and any trade-offs they made. Finally, it explores the interviewees' experiences of looking for and buying a shared ownership home.

Why buy?

Several common themes arose among the open market and shared ownership new homebuyers that led them to want to buy a home, with only slight differences between the case study areas.

Perhaps reflecting a more sober sense of the housing market over the last decade, or perhaps the market realities of many places outside of the South and London, only two interviewees mentioned buying a home as an investment, and one did so only cautiously and had been a previous homeowner. Only one first time buyer in Bristol was explicit about the investment based ambitions to own, partially as a financial benefit and, via his intention to acquire further rental property later in life as a route to working less intensely. Generally, other drivers to own were more important to these new buyers.

Many of the interviewees had previously lived in the private rental sector. While not explicitly viewing homes as investments interviewees also sought to avoid expenditure that they viewed as wasteful. For these new buyers, therefore, private renting did not measure up to homeownership in terms of value for money, or in other words that the services received did not match the costs. Many interviewees questioned the merit of "*paying someone else's mortgage"* when they could have been paying their own, and were concerned about the high cost of private renting, not least in comparison to owning or owning via shared ownership. Paying down a mortgage meant you owned the home outright over time. The economics of homeownership were therefore important.

> *"It's just nice to have something that is ours, as renting is just a waste of money. I don't mean waste of money as we do get a lovely house but I just mean we could be paying a mortgage and owning it after so long." (FTB 7 Leeds)*

Some interviewees simply found the high costs of renting suitable quality accommodation unsustainable, not least for those in the Bristol region or who had children and required larger homes. While many interviewees considered their landlords to have been good, they undertook repairs and were committed to renting long-term, the high costs of private renting as well as the costs of market intermediaries' fees for tenancy renewals, were generally set against the insecurity, lack of control and poor quality of many lets.

> *"It was a nice area, I really liked the area, but the rent was extortionate. I was fortunate that I did actually have a nice landlord but I paid a lot of money, Bristol rents are ridiculous. The rent was considerably more than I pay now." (FTB HtBS 30 Bristol)*

For several interviewees, the actual and perceived insecurity in the private rented sector was critical and they had moved multiple times, including with children.

> *"You're just giving someone money to pay their mortgage which seems a waste but mostly it's about security for me. With landlords you know they can pretty much chuck you out if the wind changes. If you buy nobody can chuck you out." (FTB 3 Coventry)*

One single person In the South West had moved six times in ten years, while a family in West Yorkshire had almost moved annually for reasons that included a landlord that preferred to sell up rather than undertake necessary repairs, a landlord that wanted to return to live in the property and poor housing conditions in other properties. The mother describes why she wanted to buy a home:

> *"Some security for the kids, something to leave them, so we're not paying dead money in rent every month that's going nowhere. We've had so many houses, this is like our tenth house. Just because of renting, trouble with landlords, trouble with properties and things like that. I think this is our tenth house together in the last 1 ½ years." (FTB YH SHO2, Wakefield).*

Some interviewees who were about to buy were resident in the parental home, including some yet to live independently while others had returned home as part of their strategy to save for a deposit. For the reasons above even the ones who were desperate for independence did not consider achieving independence in the private rented sector. The potential for paying high rents for what could be a poor-quality home did not warrant a move from the family home, not least when residing with parents meant that they could save for a deposit. For those who left relationships in owner occupation the period in private renting before buying a shared ownership home was expensive, unsustainable and for some an uncomfortable experience.

Many were prompted to own due to the lack of control over their home in the private rented sector, in terms of decoration, organising repairs and not having to account for problems in the home, and wanted a sense of jurisdiction over their personal living space. Many also wanted pets which rental accommodation sometimes prohibited.

Two interviewees mentioned constrained access to social housing as well as issues in the private rented sector. Both were lone parent families following relationship breakdown in the private rented sector and neither were near the top of the local waiting lists. While access to social renting was difficult the costs of private renting were too high and were eating into their equity, which also disqualified them for assistance with housing benefit. Conversely, the stigma attached to social housing deterred another new buyer who had regularly lost tenancies in the private rented sector from applying for social housing, despite the family having a better chance of being rehoused due to being a less pressured housing market in West Yorkshire rather than the higher pressured housing system of the Bristol area.

> *"No we never wanted to apply for social housing, I think that would have been giving in and we were determined to eventually buy a 'forever home'. Without sounding like a snob I didn't want that for my children, growing up in a council estate, as that's my background and I want better for them." FTB SHO YH2, Wakefield*

Several buyers in Bristol felt pressured to buy a home quickly as market values were racing ahead of their incomes in a way that contrasted with new buyers in the West Yorkshire region who expressed no such pressure, some of whom described being content to bide their time, wait and consider their choices while saving more for a deposit. The Bristol buyers felt that time was not on their side due to low incomes or having children in the context of rising markets. Timing decisions of purchases were, therefore, related to market pressures, but was also associated with wanting to secure a specific property. Two people brought forward shared ownership purchases as they liked specific properties but lacked sufficient funds to complete and had to borrow funds from family or when the repayment of a car loan the following year meant they could have waited and bought a larger equity stake.

Other interviewees also referred to the "*natural*" desire to own, following family patterns of ownership, and it was the "*sensible*" thing to do particularly if they had an inheritance.

New buyers were therefore prompted to buy due to inadequacies in the private rental market in terms of security and costs, and occasionally quality; a desire for a control of their personal space and the lack of stigma relative to social renting. The economics of housing that advantages homeownership over renting was also important. These impulses to buy were similar across the three case study areas. The pressure to bring forward purchases, however, was greater in the Bristol area as they feared that rapidly rising house prices would make homeownership even more unaffordable if they delayed.

Acquiring a deposit and accessing mortgage finance

The interviews were designed to illustrate a range of circumstances rather than be statistically representative. Nonetheless, while half of the interviewees, both open market buyers and shared owners, saved for their own deposits, the six interviewees who had been gifted or inherited their deposits were all open market purchasers. Also nine of the 18 shared owners used equity from previous homes as deposits.[3]

Across this sample there was little regional difference. Shared owners and open market new buyers alike therefore had saved deposits although the value of those savings were considerably different. Several people who bought on the open market had saved for a deposit by staying or returning to the parental home with the specific intention to save money, as they considered the costs of private renting precluded effective saving. Two interviewees stayed for long periods in house shares to minimise rental costs while saving for their deposit. These are strategies that many would not or could not choose, depending on their relations or the location of parents, or indeed their own circumstances and whether they had children and it was practical, for example. Some people were highly focussed on home buying and were strongly motivated to save, even if on a low income or while renting, while some saved at a slower pace. One interviewee who had entered shared ownership acknowledged that she had also wanted to enjoy life while young so had saved less than was theoretically possible.

> *"When we left uni and got our first jobs I don't think we could've afforded it [renting locally] so it made sense to go home anyway, then we saved for this as well. I don't think we'd have been able to save anything or much of our wages." (FTB 16 West Yorks)*
>
> *"I looked at renting on my own instead of the house share but I figured that rent…if I could stay in the house share longer I could get a deposit quicker and so buy quicker. So it was an active financial decision to not rent on my own, like my friends and cousin did." (FTB 4 West Midlands- Aged between 40-50 years old)*

Several interviewees had used the Help to Buy ISAs to boost their deposits but some did not know about it or they were aware too late and inertia meant they did not transfer funds to take advantage of the scheme. Of those who did not use the Help to Buy ISA some were unaware but others were ineligible as they had previously bought. While awareness of this

[3] In 2016/17, 35 percent of first time buyers had financial assistance from family and a further 10 percent had used an inheritance to buy (MCHLG, 2018)

product could be improved it was a welcome rather than necessary addition to funds for the new buyers.

Most interviewees found that once they had a deposit mortgage access was reasonable, although some were initially offered non-conforming loans before finding a mainstream company who would lend. One low-income couple in social renting had saved effectively despite having four children but still found it difficult to get a mortgage to secure a home of a suitable size for their family. They felt disadvantaged in the market place and were looking for shared ownership or were considering the right to acquire and felt their good finances had not been recognised by lenders. It was uncertain if their current landlord participated in the scheme that allows rental payments to be reflected in people's credit scores. Shared owners all had access to loans but from a limited pool of lenders still. Recent changes in the mortgage market relating to the availability of shared ownership loans may not have filtered through to these buyers who had largely bought within the last two years. Some buyers had received advice from brokers about repairing or correcting poor credit scores.

Access to borrowing was harder in cases where the person or their partner were self-employed, on a zero-hours contract or whose incomes relied heavily on commission. Seven of the interviewees were in this position, five of which were on low-incomes (c. £15,000). One low-income earner on a zero-hour contract borrowed with a partner for an open market property in West Yorkshire after demonstrating they had achieved that income over a full year, and two others were higher earners one whose age precluded him from borrowing affordably and prudently so used shared ownership and another was a higher earner who bought a more modestly priced home on the open market. For the others, their partner's income was excluded as they could not demonstrate earnings over a sustained period. One couple strategised to buy earlier with shared ownership rather than wait for the partner's self-employed earnings to be considered as they had children and needed a family home quickly, while another bought a larger property with an inheritance for their deposit and relied on income from lodgers to make mortgage payments. In some cases, equity from the family home, a partner's stable income and family assistance meant that self-employed or insecurely employed people were still able to purchase, although some only via shared ownership.

Most interviewees relied on mortgage brokers to navigate the mortgage market having done some research online themselves first. Some people found that multiple and/or potentially insecure sources of income were harder for the lender's simple online calculators to cope with and in these circumstances a broker had been valuable. When problems occurred in the buying process regarding valuations, delays, or changed lending terms the brokers were also welcomed to smooth the process and reduce anxieties. Brokers were also an important source of market information about the buying process. However, some interviewees ceded comprehension of mortgage matters to the expert broker as they found understanding the complexities of the finances a challenge. Others had invested significant time in trying to understand the mortgage market and were cautious of acting on the information. They had not made any offers on property, unnerved by the weight of the decision making.

Notably, achieving homeownership affordably was by the extension of mortgage debt into later life. For people who proffered this information, most mortgage terms exceeded 30 years, ranging from 25 to 38 years meaning their first loans would be repaid when borrowers would be aged between 55 and 69 years old[4]. Of the 13 loans that interviewees provided the details about, only 3 were for terms below 30 years and seven loans would be repaid when the borrowers were 65 years old or more. Some borrowers explicitly rejected long loan terms and wanted to be mortgage free in a reasonable time, but some people reported that longer terms were accepted as they anticipated working late in life anyway and/or that their circumstances may change in the future, in terms of wages or having a partner, and they could re-mortgage to reduce the mortgage term. Brokers reportedly recommended the use of long loans to make purchases affordable and occasionally brokers had advised that borrowers could overpay to reduce the mortgage term and avoid the pressure to meet the otherwise contractual higher payments, providing some payment flexibility. However, where people intended to overpay they had not yet instituted the higher payments, and carrying the risk of them not ever doing so.

For these interviewees, key issues that influenced their ability to secure an open market or shared ownership purchase related to the presence of two reasonably paid earners, secure employment, no children and/or the presence of a family gift or inheritance. For people using shared ownership as a flexible tenure to reduce exposure to the market following relationship breakdown an additional issue was age, with too few years left to take out an affordable and prudent mortgage. Affordability was often achieved only by extending the debt burden into later life, even for shared owners. The ability to save, acquire a deposit through gifts or inheritance and obtain a mortgage differed little between the case study areas, although some buyers in some parts of West Yorkshire required significantly smaller deposits.

Choices about property and place

Property choices

The price ceiling and the extent of any house search area influenced the property choices available to the new buyers. For many, especially shared owners, there was very limited choice of properties available. Shared owners frequently only considered a single property compared to some first time buyers, particularly in West Yorkshire, who had viewed many homes before making offers to buy. Some shared owners waited for single development opportunities to be built and felt incredibly lucky to have been selected to buy a home, with one person waiting up to five years after having repeatedly failed to be allocated a property despite making multiple bids. Some shared owners were ambivalent about this lack of choice of properties and felt that their homes met all their preferences anyway, but for a minority the lack of home choice was problematic.

> *"I looked constantly for three months, I went to 20 viewings a week for three months. There were lots of lovely houses but they just didn't feel right." (FTB2 West Yorkshire)*
>
> *"I either accept this one [shared ownership property] which was the only new build I've been accepted for or then I carry on waiting and so I thought I'm just going to have to buy this. The price was good as well and I was happy with the price but I just had to go with it. […] I went round a good few resales ones and I really liked them but just wasn't successful on that…over*

[4] During 2016/17, a total of 52 percent of first time buyers took out mortgages with a term of 30 years or more (MCHLG, 2018).

a four or five year period I applied for about 12. That's why I took it, I thought I can't seriously wait another five years." (FTB HtBS 2 Bristol - Did not like his shared ownership home)

Several marginal open market buyers noted that they had been competing for property with private landlords or developers, who seemed to have advance access to view homes and were able to act quickly to secure the properties. One purchaser in Leeds felt a new local HMO licensing scheme had dampened landlord demand and he was able to purchase a property that had been converted into flats that he returned to a single home.

The new buyers interviewed tended to prefer houses rather than flats, although three interviewees had purchased shared ownership city centre flats in Bristol, Gloucester and Leeds as they enjoyed proximity to central amenities, and for one in Bristol it was a rejection of the opportunities available in new suburban developments. However, houses held appeal as, if transport links were good, many suggested that they were looking for space and a long-term home with the prospect of starting families or home businesses. A significant minority also expressed a preference for a garden so that they could keep a dog or for entertaining and gardening.

Distinct preferences for both older properties and new build were evident among the interviews, although no new builds were purchased by the open market first time buyers only by the shared owners and the one new purchaser who used the Help to Buy scheme. Some open market buyers expressed preferences for older properties as they were less expensive, they appreciated the space, the ability to renovate the home and add value, mistrusted some of the leasehold and service charge arrangements of new build properties and were concerned about problems with defects. One social housing tenant also noted that new shared ownership homes had smaller space standards than her current social housing property.

"We did [consider new builds] but they were just so astronomically expensive. They were selling two bed flats for £180,000 and the houses were, detached and semi-detached, were £350,000 plus. Even with Help to Buy it was too much, well out of our price range…they're just too far beyond what we can afford" (FTB 12 Bristol)

For those who did buy new build homes via shared ownership several expressed their preference for new build homes anyway, and the opportunity to have such a home at an affordable price without the need to spend additional funds on refurbishment, carpets or white goods was part of the appeal. Some felt they did not have the time to attend to the work required if they had bought a lower value 'doer upper' and the opportunity to style a blank canvas was also attractive. Others were more sanguine and liked their home but would have preferred an older property but recognised the shared ownership home met their present needs.

"I'm not going to have the stress and strain of having to decorate it and buy carpets because its brand new." (FTB SHO WM3)

"…changed the way I think about housing. A few years ago I might have wanted oldy worldy character but now I want a stable sustainable space and we wanted to be safe. I'm more focussed on making a home where we end up, where it feels like home, rather than buying a dream." (FTB HtBS 32 Bristol - Bought shared ownership following relationship breakdown)

Locational choices

Location was of critical importance to many interviewees especially those with children who wished to remain near current schools, confining their search to a small area, although others were less constrained.

> *"[It's a] a high price area and we felt chained to schools and things like that. The kind of house we'd like, we need would be £150-160,000 at least in this area, so there's no other option really. […] Something round here for that sort of price would be boarded up, with no interior! Or like a one bedroom flat above a shop or something." (FTB SHO YH 2 West Yorkshire)*

Some shared owners in Bristol made locational compromises due to market pressures and accepted that the opportunities to purchase such homes were often in regenerating neighbourhoods or the suburbs, neither of which were always viewed positively. One lone parent recounted her choice of areas for shared ownership and lamented that while her development was good and had a strong community feel the area and local secondary school were poor, but that her current location was still preferable to another shared ownership site she had visited

> *""There's not massively [much of a choice of shared ownership homes]. There was another development further down the road. In Bristol there's this place called Hartcliffe which is one of the most deprived places actually in the country, and there was a development there, but I thought I'm just not prepared to put my child there, I would rather have carried on renting and stuff. The place I bought is a little bit better than that place, it's got a bit more money pumped into it." (FTB HtB30 Bristol - will not send son to local secondary school where she lives)*

Others looking for shared ownership in Bristol noted that the locations of some new suburban developments were large residential sites with little vibrancy. Consequently, one felt lucky to have bought a city centre apartment, and one person had considered a private open market shared ownership scheme so that they had a greater choice of location, but was nervous of entering into a relationship with a for-profit agency not sponsored by the government.

However, across the three case study locations shared ownership was used to avoid poor quality homes and neighbourhoods that were otherwise affordable.

> *"As much as it was open market and I could have afforded it at £130K 1) the area wasn't nice and 2) the houses were a little bit dated so I knew that I'd have to do a little bit of renovation work and that was going to cost a little bit more as well.". (FTB SHO WM 3 Nuneaton)*

> *"There was the option of a second hand flat as at £120,000 the only housing options were in derelict areas to a degree, and they weren't areas that I was comfortable or happy to live in. And even flats, the amount of space or lack of space for £120 is tiny, minimal. I looked at a couple and that was just out of a bit of intrigue and to assure myself to say 'yeah I really don't want this'. By doing that it helped me decide that yes, shared ownership." (FTB HtBS 25 Bristol)*

Some buyers compromised on property or location, or were willing to do so, to avoid having to use an affordable homeownership product. One buyer in Coventry bought one of the absolute cheapest studio flats that needed renovation work in a block with no sinking fund and a management company with a poor reputation with an inheritance. This is despite being disabled and possibly qualifying for benefits to pay a shared ownership rent as she wanted to retain control and avoid engagement with both the housing association and the benefits system. Another would have moved to Wales to seek a suitable affordable location rather than take up shared ownership in Bristol. Others were just willing to wait longer in the parental home until they saved a sufficient deposit.

Interviewees had preferences for older homes as well as new builds, but the latter were often seen as expensive and in a limited range of locations. Through new build shared owners obtained secure affordable quality homes often in more desirable places. While shared ownership helped some remain in high value locations, for some with constrained options about search areas due to schools or support the limited availability of the product meant shared ownership could not satisfy their needs.

Views on shared ownership

Many shared owners were satisfied with their purchase as the property was affordable and met their preferences, and felt that they could not have got an affordable secure good quality property with the potential to become a full owner otherwise. These interviewees did not feel compromised in anyway.

> *"It were just the affordability and it was the kind of house that I wanted and it was the only way I was going to get it in this area." (FTB SHO YH 2 West Yorkshire)*

The opportunity to buy a shared ownership home was considered a lifeline for some purchasers, notably those with pressing reasons to move after problematic debt or relationship breakdown. Occasionally, the property may not have been ideal but it worked for them in the circumstances they were in.

> *"They've been absolutely brilliant [the HA]. Without the help of shared ownership I would still be stuck in rented hell which was awful." (FTB SHO WM 1 Birmingham)*

> *"For me it was pretty perfect as I needed to get out quickly and I could afford it, and I've not found any problems." (FTB HtBS SHO, Gloucester)*

> *"For me it's somewhat uncomfortable as we don't really own the whole house and I would prefer to own all of it, but foresee buying the rest of the property, but that would involve more legal fees and stamp duty and a lot of other things. It's a good product 'right here right now' and my wife says 'it's the best worst decision' for us at that time." (SHO YH 5, West Yorkshire)*

For many first time buyers, even some with very low incomes and who were marginal to the housing market, found the structure of the product unappealing. Interviewees raised issues about shared ownership that they saw as problematic such as the costs and ability to staircase in the future, resale restrictions, seeking permission for improvements, control over issues relating to leasehold, the exclusive design of developments that leaves shared owners side-lined physically and in respect of resident's meetings, and the imbalance of the repairing responsibilities. All items rehearsed in previous shared ownership research.

> *"It just seemed like a London thing – if that makes sense – where someone says 'Ok if you want to buy a property in London, where everything costs a fortune, you've got to have all these weird compromises'. It doesn't seem like a sensible way to buy something to me." (FTB 3 Coventry)*

> *"It felt like you bought part of the house but you didn't really own the whole house ever, so it didn't appeal to me that it was never my home until I owned 100%." (FTB 12 Bristol)*

> *"One of my colleagues bought their flat through shared ownership and hadn't been able to staircase it which meant that they'd been living there for 15 years even though they wanted to move out after five." (FTB 17 Bristol)*

However, acceptance of what some viewed as an imperfect product structure was influenced by the person's household income relative to the local housing market and the choices that flow from that. If households could afford to avoid engaging with the product they frequently did, although some as described found using shared ownership offered them better homes and locations than they could otherwise afford. Other shared owners were content and/or reconciled themselves to the trade-offs required. Shared owners who were otherwise pleased with their home were cognisant of the perceived weaknesses in the product, but would still recommend the product to others and had done so already.

Awareness of shared ownership

Many new buyers felt shared ownership was poorly publicised. Property portals such as Rightmove and Zoopla were important formal channels for becoming aware of shared ownership allowing people to "*stumble*" on the product. These portals were a prime source of awareness when none had previously existed as they incorporated shared ownership into the wider housing market. These websites were, however, incomplete and prospective purchasers often had to work at identifying the full range of local properties available. The sites were, however, an important jumping point from which buyers then found the Help to Buy agent and/or local housing associations, and their respective websites. Many prospective purchasers also looked on local authority websites but found little information or signposting. One new buyer in West Yorkshire found information about shared ownership on a local authority site that was perfunctory, provided little detail or photographs of the properties and the contact telephone number for another organisation did not work. However, becoming aware of the product via property portals was dependent on the shared ownership locations being captured by the person's individual search criteria.

Word of mouth among family, friends and work colleagues was another important source of information about the product and, via working in the trade or public agencies, provided insight into opportunities on specific new developments. Many interviewees described the fierce competition for shared ownership properties and the informal prior notification had been important to allow people to register their early interest in properties and/or sites. Others had made applications to buy shared ownership properties after chance sightings of site hoardings or notices in a house window.

Once people had become aware of shared ownership as a product there was no one source of information, rather interviewees used Google to identify a range of relevant resources including the Help to Buy agents, housing association and other property sites with information such as those provided by lenders and the wider media. In the Bristol area, several of the interviewees cited the Help to Buy roadshows as important and popular sources of information, which were not mentioned in West Yorkshire or the West Midlands.

> *"I found the shows were good as you could actually speak to some of the developers and they could explain more. I found online [resources] varying, what I found online. There was not like one website that I could go to, just dipping in and out of different ones kind of, to put the picture together." FTB HtBS 30 Bristol*

Several first-time buyers, including shared owners, wanted more information about the buying process, and the order in which events occur and when monies must be in place, but a single source of information was absent. Some buyers undertook more comprehensive research than others so felt well informed of the details and costs of buying on the open market. This was also the case for many shared owners who felt informed about staircasing, repairs and improvements and sales prior to completion; others undertook only rudimentary research; and some were aware information was out there but had not considered it. Gauging whether the information resources were sufficient for new buyers of open market and shared ownership purchasers is dependent on buyer's attitudes to risk. To address the needs of all buyers, providers could be required to provide a minimum set of standard information at critical points during the process.

In respect of shared ownership, websites - including those of housing associations - presented information in varied ways and depth, which people sometimes found confusing. Even when expressing interest in properties, associations did not always release all the necessary information about the product or scheme until well into the process when time, emotion and money had been expended on the property. Some would have welcomed greater information and time spent going through key information in person sooner, although one person felt slightly overwhelmed by the information received. There were mixed experiences of solicitors contributing to people's due diligence in terms of understanding the shared ownership product, with few interviewees reporting that solicitors took time to explain the details of the lease. One person signed up to the Homeowner's Alliance to obtain independent advice about shared ownership that he felt the housing association was unable to provide. Martin Lewis' *moneysavingexpert* website was also mentioned by interviewees *not* recruited via their forums as it offered impartial advice and some people read the forums and were reflective about the content about shared ownership and how it might apply to their circumstances, including those who went on to buy a shared ownership home.

Half of the shared owners interviewed were previous homeowners and these households varied in age and circumstances. Some were young and middle-aged lone parents, some 'empty nesters' and two households in West Yorkshire bought into shared ownership after unsustainable debt. These latter households were an older couple who moved to be near their adult children and their families, and a young family. Clearer marketing to different types of households may improve awareness of the potential of the product.

> *"Maybe it's not broken down simply enough, although it could be me, me getting confused. But I do feel that it's not clear exactly how it works, especially for my situation." (FTB HtBS 26 Bristol)*

> *"I would like people to know the option, it's not just for young people". (SHIO YH3 West Yorkshire)*

Clearly in all regions, knowledge of shared ownership had often been serendipitous, relying heavily on property portals or word of mouth. Once aware of shared ownership many felt able to access enough information about the product to support their buying decision, while others felt that information was fragmented and varied in detail.

Shared ownership buying process

The allocation or award of the opportunity to buy a shared ownership home seemed opaque. People reported that they had been allocated the property as it had been 'first come- first served', whoever had registered their interest first or replied to an email during the working day. One Bristol buyer had assumed they had persistently missed out on opportunities to purchase to families due to being single but in the West Midlands another had been allocated a three bedroom property without children. Some had thought their public service 'key worker' status might have helped. In one case the housing association had left the decision to the estate agent who asked for sealed bids over the asking price, and although one buyer was aware hers was not the highest she had been allocated the property:

Some rationalised that this competition mimicked the private market so could be expected and in all locations the purchasers regularly reported feeling lucky due to a reported high demand for shared ownership properties, especially in the Bristol region.

> *"It's woken me up to how few homes there are given how many people are in similar situations, it's so competitive." (FTB HtBS 32 Bristol)*

One West Yorkshire shared owner felt that the process had been "*uncomfortable*" and *"stressful"* as their circumstances were more unusual. As previous homeowners, additional enquiries were made to ensure that they met the eligibility requirements.

Some shared owners experienced swift completions, one only one month after seeing the property, but others had experienced delays due to problems with the build being completed, legal issues relating to the site or general drawn out conveyancing with issues relating to slow solicitors, challenging buyers of previous homes or changed mortgage terms and deposit requirements. Many of the issues are reflected in open market conveyancing and did not appear tied to shared ownership. Most spoke highly of the housing association staff who supported them through the sale but one shared ownership transaction was slowed due to the association handling the sale on behalf of the local authority and decisions had to be continuously referred back to the local authority.

Post-purchase experiences of shared ownership

Most shared owners had little contact with their housing associations post-purchase and were pleased with their new home.

> *"I'm quite lucky, the housing association I'm with is quite hands off, in a good way. […] [I'm] now having the freedom to do stuff to the house, like it feels like my own." (SHO HtBs 32, Bristol)*

Shared owners were also largely satisfied with the finances post-purchase and found their homes were affordable and broadly calculated that housing costs rarely exceeded a third of their net income. Increases in service charges were noted that caused some concern but shared ownership was proving favourable on costs (and quality) for many compared to renting, although as mentioned affordability was often achieved at the expense of extending the debt burden, and none of the interviewees had lived in the shared ownership longer than four years, so their finances had yet to be tested. .

New shared owners contacted the housing association most frequently about defects. Perhaps reflecting the wider UK housebuilding industry, the quality of the new builds varied. Some shared owners had none or only very minor defects that were quickly remedied, while others had more serious and protracted concerns including insecure bannister rails, poor mislaid patios, waterlogged gardens, exposed wires and plasterboard holes in cupboards. One person had a boiler condemned, his ceiling taken down and all his plumbing replaced after 28 visits, necessitating many days off work. Interviewees affected, therefore, reported frustration at the apparent inability of the housing association to deal with the defects, or get the contracting firms to undertake the repairs.

> *"Suddenly it seems its ok for things to be wrong. If I bought a TV and there were loads of things wrong with it I'd take it back, but it's different for houses." (SHO YH 4 West Yorkshire)*

Several shared owners discussed their future plans to move or staircase, as their circumstances had changed, with job promotion, new partners or because they now disliked their present home. The housing associations had provided the relevant clear information about how to sell the property, buy additional shares or to move within the shared ownership sector, but a number of issues proved problematic.

Staircasing was an important aspect that held the promise of full ownership when people were buying their initial stake. The market in Bristol, however, had pulled further away from them with one home having increased in value by £70,000 in only 18 months, making future staircasing challenging without any significant change in financial circumstances.

Most shared owners were in new build properties and accepted that the repairing responsibilities fell wholly on them, some suggested this was easier to organise rather than rely on others, but some reflected on the imbalance in the relationship. Shared owners were also uneasy about the costs and fees associated with staircasing or improvements which indicated an unevenness in the rewards and responsibilities of the product. One person was asked for repeated fees of £25 for permission for various improvements which seemed petty.

> *"It's all very much on me to do it all and pay for it all, which is a bit, well its just the way it is I guess, but yeah I think it's a bit much that they kind of reap the rewards…because they'll obviously get half of whatever it's sold for, so if it went up in value they kind of get half of that without having to pay for any of the valuation or admin fees or stuff like that." (SHO HtBS 16, Gloucester)*

> *"Probably just the fact that it's still a little bit like renting. We have to ask permission for certain things and you still do feel like it's not yours in a way. But yeah you're sort of left with any repair costs yourself, see what I mean? If you've got a leak its up to you to fix it kind of thing. If we want to put in a garden shed or anything we've got to ask them if we can, just that kind of thing. I think there could be a little more give and take, definitely. Seeing you're paying your rent to them, I think they could chip in a little bit more." (SHO YH 2, West Yorkshire)*

Obstacles to moving within the sector were also a challenge. New buyers were comfortable with the processes in the abstract but one Bristol owner encountered sustained problems trying to sell and buy another shared ownership home simultaneously. Buyers would not wait until a new shared ownership opportunity became available for him, involving wasted time on his and the buyer's part, as well as a series of lost valuation fees. And yet the housing association would not agree for him to find a new shared ownership property first, then sell his home, despite freeing up another resale opportunity for someone else. Conversely a housing association in the less pressured markets of the Midlands held a completed shared ownership property empty for 6 months for a person to realise their home equity from a long and difficult divorce.

> *"They [the housing association] just say well you can sell up completely and then move into rented and then just wait until another property comes up but I really don't want to do that as that's taking myself backwards. I'd have to pay all that mortgage back with penalties and then I'm worried if I do that I'll be stuck in rented and I'll be back to square one if you like, which I tried to avoid in the first place. So for me it's extremely hard to move." (SHO HtBS 2, Bristol)*

Conclusions

Impulses to buy were universal across the case study areas although the timing of that decision was brought forward in the Bristol area as new buyers felt pressured by rapidly inflating house prices. Homeownership was preferred above private renting as it was viewed as cost effective, secure and quality home. Social housing was not sought at all, was unattainable in a reasonable time period or was avoided due to stigma.

Open market buyers strategised to save for a deposit to different degrees, some were highly motivated reducing expenditure and/or staying with parents, while others had been gifted or inherited funds they could put towards a deposit. Shared owners had lower savings, no access to family gifts or inheritances and had frequently been homeowners before with equity from their previous home. Mortgage finance was available but affordability was frequently secured only by increasing the debt burden into later life, even in shared ownership. Having minimal savings, children, low paid and/or insecure employment limited access to the open market for those without family assistance.

While open market buyers, notably in the Midlands or the North, had time and a greater choice of property on their side, shared owners in all three case study areas had a limited choice of property and felt pressure to identify homes available and make quick applications, especially in the Bristol area.

First time buyers found a range of information online to support their home buying but some favoured a central repository of information that led people through the processes involved. Few shared owners had prior knowledge about shared ownership prior to their purchase but had primarily become aware through property portals and word of mouth. Once they knew of the product's existence then a range of sources of information informed their decisions to buy while some found sufficient information others found it to be fragmented and occasionally lacked detail.

Chapter 4: Provider views of local shared ownership markets

Summary

- 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 including shared ownership. In the wider conurbations of Birmingham and Leeds providers found neighbourhoods where shared ownership remained unviable.
- In Birmingham providers anticipated that several lower value locations had the potential to take greater development but currently remained under served by developers and housing associations.
- Enthusiasm for the product was greatest among providers in the Bristol focus group and lowest in the Leeds focus group, but the Midlands and Yorkshire providers included local authorities who wanted to enter the shared ownership market and associations that wanted to expand their offer. Stakeholders reported that local housing association boards were risk averse in the North but with more sophisticated market information there was potential to grow the product locally. Limited grant availability going forward may inhibit the market penetration of shared ownership in these areas.
- Providers in Bristol and Birmingham identified land competition as problematic, 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. The market turn among housing providers could produce a crowded sector as risk was also apparent from competition between current and emerging for-profit providers, with some associations carving out certain geographic or market segments in mitigation.
- 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.

Introduction

This chapter provides an overview of the housing providers' views expressed in the case study focus groups and associated interviews. It reports on provider views of their local markets and current and future market pressures and how this influences development. The opportunities and challenges faced in considering how shared ownership fits with providers' local plans and priorities is outlined.

Diverse housing markets

All three case study areas included diverse local housing markets with higher and lower value neighbourhoods, but overall housing market pressures meant the market for shared ownership was potentially deeper and wider in the Bristol region than in the Midlands and Yorkshire. Each region, however, contained towns with higher values where affordability pressures were evident. While the wider Bristol sub-region had less expensive areas within the city and in surrounding towns, property and land values did not challenge the delivery for shared ownership, as was the case in some areas of the West Midlands and West Yorkshire.

Providers discussed the significant inward migration from London to the Bristol/Bath areas, and the subsequent displacement of some local housing demand to areas that until recently had held less appeal within the city, as well as to surrounding towns within the wider sub-region. Land values and commercial competition for land in Bristol city centre was significant and so increasingly lower value areas in the city were the site of regeneration and investment by large housebuilders and housing associations. There was a shared ownership offer on these sites and in surrounding towns that were feeling the spill-over effects from Bristol, although providers reported that some schemes in places like Weston Super Mare were still harder to sell. Focus group attendees noted that the region does have infrastructure weaknesses with poor transport links and congested roads that caused problems for widening out the areas of development as commuting back into the city could be a challenge.

Birmingham was witnessing investment from HS2, large employer relocations, the Commonwealth Games and the city centre was said to be booming but was considered more suited to Build for Rent than shared ownership. The Birmingham focus group noted the higher cost areas of the region, Solihull and Sutton Coldfield, for example, were prime areas with potential for shared ownership but other lower value places, unlike in the Bristol area, were not yet seeing development. Sandwell, for example, was a district where it was reportedly hard to attract housing association investment, where although priorities were for social rent - around 60 percent of waiting list applicants were reported to be on benefits - there was a requirement for new sites to be in mixed tenure communities. Providers at the focus group thought such locations held future potential for development as they were well placed for transport to city centre employment so could take affordable homeownership products as higher prices ripple from the city and other high price districts. However, currently there was an absence of activity by large developers or housing associations and the local authority was reportedly looking to lead development albeit not for shared ownership.

Yorkshire providers were drawn from the Leeds city region and reported that market and shared ownership development activity was focussed in more buoyant or higher value locations such as Harrogate, Craven or Wakefield rather than Bradford or similarly lower value neighbourhoods. Shared ownership sites were not considered viable for low value locations in this region. In contrast to the other case study areas, the focus group discussion did not report significant pressure in Leeds or surrounding towns nor anticipate such pressures arising from future investment in the region. Nonetheless, there were important locations where affordability pressures or opportunities for growth were apparent.

> *"We have core development areas where we know sites stack up financially for us. That's the driving factor for us. Where we're going to get best value for our buck, south and east of the*

region [parts of West Yorkshire, North Yorkshire and East Yorkshire}." West Yorkshire housing provider Leeds focus group

"The biggest challenge for us is making shared ownership stack up in terms of viability and I think that's a Yorkshire wide issue." West Yorkshire housing provider, Leeds focus group

Subsequent to the focus groups taking place Homes England confirmed that 80 percent of future grant funding will be confined to developments in local authorities with the greatest affordability pressures[5]. Consequently, limited access to grant funding is likely to constrain providers' ability to increase shared ownership outputs across much of the Leeds city region, significant parts of the Birmingham city region and some districts adjacent to Bristol absent providers' own funds (see Appendix 3).

Appetite and opportunities for shared ownership

An appetite for involvement in shared ownership among providers existed across the three case study areas but was clearly stronger in regions with more pressured housing markets. Provider views of housing priorities in various locations fed into some ambivalent views of shared ownership notably in Leeds which was wholly absent in the Bristol discussion. This of course could reflect the composition of the small groups but was also indicative of market differences.

West Yorkshire providers had varying degrees of involvement in shared ownership, some local authorities were happy to have it but did not actively ensure it was delivered locally as priorities were elsewhere. Other providers had well advanced programmes of delivering shared ownership in the region, while others had modest involvement in the sector, at least in this region, and others were looking to expand their offer. Diverse housing market experiences meant that the spatial focus of some associations and providers impacted on their perceptions of the potential for shared ownership in the market.

One West Yorkshire housing provider was successfully developing shared ownership outside of the main conurbations in mid to high-value parts of West Yorkshire and adjacent areas of North and East Yorkshire. They had made an ambitious bid for Shared Ownership and Affordable Homes Programme (SOAHP) funding but were achieving their targets effectively. Motivations were prompted by grant opportunities and opportunities for cross-subsidy but satisfying needs was also important. For one stakeholder with involvement in Yorkshire markets, such achievements of this association demonstrated untapped potential for shared ownership in the region especially in these lower value but buoyant markets of Wakefield, Doncaster, Selby as well as the more obvious high pressured markets of Harrogate, North Leeds and York. As outlined in Chapter 2, shared ownership outputs had fallen after the financial crisis of 2008/9 and not recovered. Two stakeholders indicated that there were local institutional barriers and a limited appetite for risk at Board level meant that some housing agencies in West Yorkshire were only now beginning to discuss shared ownership development. Some providers also questioned to what extent needs, and whose needs, were being met.

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[5] https://www.gov.uk/government/publications/geographical-targeting-across-5-housing-programme-funds/geographical-targeting-across-5-housing-programme-funds

“Our priority is affordable housing and increasing the numbers of our affordable housing, and even that has been a challenge in [City name], in getting the annual numbers up.” West Yorkshire Housing provider, Leeds focus group.

“It’s not that there’s not enough housing in the north, there are lots of houses which need modernising, it’s more refurbishment than new. […] Generally agree around the priorities, certainly the priorities for [name of HA] in the north are around social rent not shared ownership. It’s really areas like Harrogate and York where we are, but again not massively investing in terms of shared ownership development. The vast majority of our programme is in the south and the east.” Multi-regional housing provider, Leeds focus group.

“If you’re in a low value area and you wanted to move from renting to buy you could buy anyway. It’s back to whether you want the shiny new thing again.” West Yorkshire Housing provider, Leeds focus group.

A West Yorkshire housing provider noted that the most common reason for people to be turned away from shared ownership was that they could afford to buy anyway. Providers used the Homes England calculators to determine if the person would require a loan of between 2.5 and 4.5 their income multiples and if they had 25 percent of their salary in savings, in relation to the cost of the specific new build property. How associations compared affordability to alternative local housing market opportunities was mixed and unclear.

In the Midlands associations were enthusiastic about shared ownership but local authorities reported mixed involvement in the sector. Some developing local authority providers wanted to enter the market for shared ownership but were exploring how best to do this, one had found shared ownership did not sit well with Housing Revenue Account rules, and another had opted for alternative affordable homeownership products such as Help to Buy or discounted sale instead. Another local authority had overcome these challenges and had developed shared ownership where the marketing and management was undertaken by a local housing association. Housing associations had active development programmes involving shared ownership in a range of markets, although one found greater traction in the East Midlands. In the Birmingham focus group providers largely agreed that shared ownership was meeting needs that Help to Buy was not, although Help to Buy was proving lucrative for those providers that used it to cross-subsidise social rented homes. However, like in the Leeds city region, shared ownership was unevenly distributed across the area. The region was seen as offering opportunities, if not now certainly in the near future, but shared ownership was again currently concentrated in higher value places and was being driven by the availability of grant and opportunities for the surpluses generated to be used to cross-subsidise other activities. In some places low shares were offered to meet low-income household’s needs but occasionally the finances were not competitive for the buyers and in comparison to other products.

“Shared ownership has a role but has suffered recently. In the first half of last year [there was] only one shared ownership completion in Birmingham. And in the previous year [there was] just 29. Tells you that there are substantial issues against shared ownership. One reason is viability issues with developers reducing s106s, the other ones is that the city centre development and RSLs are reluctant to get involved. And also I think that Birmingham scares a few people off shared ownership, not sure if the housing market stacks up.” West Midlands housing provider Birmingham focus group

"If you go to north Solihull [it] has very few shared ownership mostly rented, but if you go to where land is allocated in the green belt and that's what Solihull mostly does rather than redevelopment, then it really does stack up." West Midlands housing provider, Birmingham focus group

"I find when we do the calculations the rent and mortgage are more than for the help to buy so we have to do a lot of negotiations around that as well. Sometimes you think shared ownership would be the winner but sometimes its not it's the developer whose the winner. Sometimes the rent and mortgage is higher than what somebody would be paying [for an open market home]." West Midlands Provider, Birmingham focus group

In Bristol the housing providers were universally pursuing shared ownership wherever possible and saw it as meeting a tangible need in local housing markets. The discussion centred around upward pressures on house prices from London inward migration, causing ripple effects outside of the city to surrounding towns and villages. There were few qualifications in terms of the unambiguous purpose of the product locally, or in terms of sites although higher value areas were preferred but land availability limited. Associations seemed to be entering the shared ownership markets slightly differently to reduce competition, for example, with some favouring rural locations and others regeneration sites.

There had been some concern about Bristol city centre developments being possibly mis-targeted as they saw a series of people rapidly staircasing to 100 percent shortly after purchase. But associations all witnessed high demand including from families and older people who had experienced relationship breakdown with pressing needs that could not be satisfied by the market and young newly formed households, occasionally under 25 years old who had family gifts or inheritances behind them.

"…and they have to start again, but we're giving them a solution as they're not having to start all over again. […] Yes they feel a failure as they can't keep the house and keep the kids secure as the housing market has gone absolutely insane and then we're coming along with shared ownership and we get a lot of thank yous." South West housing provider, Bristol focus group.

Shared ownership development was apparent among providers in all three locations but some providers expressed greater reticence in the Leeds and Birmingham focus group than in the Bristol one. While some providers in Yorkshire were operating in the sector successfully, some were looking to expand into it and some were uncertain. In Birmingham greater activity was apparent across the region with some local authorities wishing to enter the market, but some key locations had little shared ownership development and priorities in some locations lay elsewhere. In Bristol, providers considered shared ownership to have an unambiguous role to meet local housing need.

Barriers to expanding shared ownership

A number of factors were identified as barriers to shared ownership expansion in the case studies areas such as land supply, site viability, competition, local demand and public awareness.

Land supply was identified as an issue in the Birmingham and Bristol focus groups as both cities were built out to their boundaries, and suburban development often undertaken in districts adjacent to the main city. As mentioned, in Bristol land values were such that much development was part of neighbourhood regeneration sites in what had until recently been less desirable locations, as well as at the city fringes, often in neighbouring local authority areas. There was much competition for city centre sites, often with other associations but also with commercial as well as residential developers.

In Birmingham, land was a frequently cited constraint on expanding shared ownership but providers concentrated on suburban sites, again frequently in authorities surrounding Birmingham, where even the city Council were reportedly buying strategic sites to develop. Central Birmingham locations were subject to extensive development activity for new apartments but it was thought these sites were more appropriate for Build to Rent or market rent schemes as shared ownership purchasers generally held aspirations for longer term houses. In addition, some housing associations had been burned in the apartment market during the financial crisis 2008/9 with down valuations and poor sales and many were converted to rent to buy as a risk mitigating backstop. Associations were, therefore, nervous of further forays into the apartment market. Land values on other Birmingham brownfield sites were not always attractive or were insufficient to cover full remediation costs. Providers expressed concerns that there was too much competition for what land was readily developable, including with private developers, other associations, local authorities and Homes England. One association reported they had staff with private sector backgrounds who aggressively pursued sites but feared that in aggregate this competition across the sector inflated land values and undermined collective ambitions to meet needs. It seems this is an area where the combined authority will take a leading role to coordinate, prioritise and offer support to bring forward strategic development land on brownfield and green belt sites which may address some of these issues over time[6].

> *"No land! Even in those areas land is expensive. […] Birmingham has really built out to its boundaries, so land available is previously developed industrial land, it's difficult, land assembly is difficult to get hold off, difficult to decontaminate." West Midlands housing provider, Birmingham focus group.*

In Yorkshire, land was not seen as widely problematic except in some high value local authority districts seemingly opposed to any significant growth.

In some locations site viability issues precluded the development of shared ownership in parts of the West Midlands and Yorkshire as the land values were so low the build costs exceed returns and any grant available. But this was not universally the case and providers identified shared ownership as a useful tool to make some sites stack up and provide additional cross subsidy to make sites with social rented properties viable.

> *"Horsforth [higher value area of Leeds] yes, but will it work in Holbeck [lower value area of Leeds]?" West Yorkshire provider, Leeds focus group.*

> *"Where I find it works is greenfields and it works and then it just flies off due to the high values in a rural area" West Midlands housing provider, Birmingham Focus group*

> *"We've generally found though that our shared ownership has worked quite well in high value areas where the disparity of the price is that much bigger than in other areas.." South West provider, Bristol focus group.*

Another threat to the delivery of shared ownership was the reduced volume of section 106 agreements, possibly due to viability assessments. It was unclear whether this was

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[6] https://www.wmca.org.uk/media/1412/wmlc-final-report.pdf

impacting differently in the regions however. Associations in the Birmingham and Bristol focus groups reported associations competing for s.106 agreements with each other and for-profit providers emerging. There were calls for greater collaboration to smooth these processes. However, viability was also contingent on the development model used as it was reported that local authority led development was successful in areas that more commercial models would avoid.

Providers were also deterred from working in some local authority districts if they perceived the local authority staff would be too demanding over future involvement in shared ownership resales, eligibility criteria, and restrictions on equity purchase. Housing providers in all focus groups had experience of developing shared ownership in rural areas, and identified issues with local authorities requiring tight local connections and cascade arrangements. Providers also noted that establishing housing need was challenging in rural parishes as households with needs can make alternative living arrangements while properties are in the development pipeline. Attendees in the Leeds focus group identified local authorities as supportive but passive in respect of shared ownership, where they did not specify in planning agreements the site mix and, when they did, monitoring was limited.

Aside from providers competing for land, they also competed for shared ownership customers. Providers also perceived that shared ownership was in competition with other affordable homeownership products - citing Help to Buy, rent to buy/own, discounted sale and starter homes - making the market crowded and unclear to prospective buyers. New for-profit providers of shared ownership as well as other associations and local authorities also represented emerging competition to local providers, although focus group attendees were not yet aware of the extent of private firms' market penetration. Some developers in Northern areas were also producing inexpensive open market new build homes that meet demand for people to stay in local lower value neighbourhoods. Consequently, mitigating the risks arising from these competitive pressures informed site acquisition choices, the product mix given anticipated completion dates of their own site and that of competitors in the local area, their specifications and marketing strategies. Providers outlined a range of resources that informed their due diligence for appraising demand for specific sites but one stakeholder indicated that private developers had a more sophisticated approach to site acquisition and appraising the development mix than associations.

> *"Housing associations are competing with each other, but perhaps more significantly are the new offers from private providers like Heylo and developers like Gleeson."* Yorkshire stakeholder

There was support for an open market shared ownership product but providers required grant funding to make these schemes viable. There were reservations in the Bristol focus group as such a product would not contribute to new supply. One stakeholder mentioned some small scale open market shared ownership schemes in the wider Yorkshire area based on purchase and repair. Associations were also wary of assuming some responsibility for properties that were old and/or listed and would require extensive refurbishment and maintenance over time.

Marketing shared ownership

Recent industry reports call for government action to increase national awareness of shared ownership, in line with the promotion and critical awareness of the buying public with Help to Buy equity loans (Aster Group, 2018). Focus group attendees all echoed this sentiment as public awareness of the product was often limited and associations expended a lot of effort in trying to promote sites and the product simultaneously, although were not always clear about how best to do this. Marketing strategies were directed by the associations but also involved local estate agents and Help to Buy agents, with mixed success.

Attendees at the Bristol and the Birmingham focus group talked about public understanding of the name ‘shared ownership’. Housing provider staff reported that people often thought shared ownership meant sharing a home with others, and discussed whether ‘part-rent/part-buy’ was a preferred epithet. Some associations mixed these messages – ‘shared ownership’ and ‘part rent- part buy’- in their marketing materials. Associations all deployed mixed marketing strategies emulating that of private developers and estate agents, using show homes, AA route marketing boards to direct people to sites, site hoarding, adverts on public transport and promotional materials.

Housing providers expressed mixed sentiments about the role of Help to Buy agents. Some Help to Buy agents provided few leads for associations, had websites and portals that were apparently difficult to operate, required duplicate data that was already submitted to other agencies and undertook little promotion. In contrast, providers reported that other Help to Buy agents more actively generated leads, provided important market information and undertook more extensive advertising and promotion including holding popular first time buyer roadshows. The system did not necessarily provide local one stop shop services as prospective customers often did not know the agents exited and came directly to the association, had to register interest multiple times and could only register if they had a specific site and/or housing association in mind.

Some providers indicated that shared ownership had suffered by being insufficiently aspirational and being perceived as a ‘social housing’ product rather than another way to buy a house, in the way that Help to Buy was structured. Under Help to Buy equity loans homes are not designated in advance as Help to Buy, but the scheme can be applied to a range of new homes. Some professionals suggested shared ownership could be restructured to operate in this fashion, rather than shared ownership properties being identified at the outset of the development and subject to different specifications to the other open market products, with purchasers offered no choice in tiles, carpets or kitchens, for example, even when purchased off plan. The specification of the shared ownership homes was seen as part and parcel of the local marketing strategies and providers discussed how this might be different within different housing markets although with no firm conclusions. The provision of carpets and white goods may mean that greater equity stakes could be afforded as less savings were required post-purchase. One provider discussed how they, as a national provider, struggled to emulate a successful specification in one region to another as the homes were targeting different types of people.

Conclusion

Providers in the Bristol area clearly had a greater appetite for shared ownership development than in the Leeds area, but even in the North some provders were successfully delivering a large programme of grant funded shared ownership homes or were looking to expand their offer. In the Birmingham region too, providers were looking to expand or enter the sector for the first time, although, as in the Leeds focus group, some providers prioritised social rent. Increased competition from new entrants and an emergent for-profit sector means associations require sophisticated market information to manage risks, but in the North stakeholders indicated that some boards were risk averse.

Development opportunities were skewed towards higher value markets, and only in Bristol was shared ownership offered in lower value regeneration sites due to higher values and significant competition for land. However, some higher value local authority districts did little to facilitate growth so it was harder for providers to serve the intermediate markets.

Public awareness of the shared ownership product was poor and associations had mixed strategies to promote the site but were occasionally uncertain about how best to represent the product. Providers supported moves for national promotion of shared ownership along the lines of Help to Buy and found regional support from Help to Buy Agents to be of variable quality.

Chapter 5: Conclusions

There are calls to expand and mainstream the shared ownership offer across the country and recent research identifies that to meet housing needs by 2031 a step-change in the delivery of shared ownership is required of 25,000 shared ownership homes per year (Bramley et al., 2018; NHF, 2018; Stephens et al., 2018). Bramley's estimates skew target outputs towards London and the South-East but the figures suggest great shortfalls in the numbers of shared ownership homes completed in some regions of the North and Midlands. This report explored shared ownership across different English regions to consider what opportunities and challenges are apparent in expanding the sector. The study provides an overview of differences in sales volumes, and the characteristics of new and existing shared owners; examined the strategies to own and buying decisions of first time buyers and new shared owners in three case study areas of Bristol, Birmingham and Leeds broad city regions; and highlighted housing providers' views of the opportunities and obstacles to expanding shared ownership in these locations. So what are the implications of all this?

Since the early 2000s the rate of homeownership declined across all English regions but has now stabilised, although with fewer new entrants. However, after the financial crisis first-time buyers returned to the market but less so in the high pressured markets of London and the South-East. In these markets of London and the South East shared ownership makes a sizeable contribution representing nine percent of first time buyer sales but has had marginal impact in other areas, forming less than two percent of first-time buyer sales in the northern regions and around four percent in other areas of the South and Midlands. While some providers were sceptical about the hybrid tenure's potential for expansion in the North, others were more confident of scope for additional delivery in higher value areas of the North and the Midlands.

Any expansion has to be premised on an understanding of the role that shared ownership plays in different housing markets. Market pressures obviously vary between and within regions and influence the volume of demand for shared ownership, but shared ownership is also serving different households in different places with implications for marketing, support and management over time. Overall, the profiles of shared owners in the North were older and less affluent than buyers in the South, and often having longer residence in their home. However, even within the Northern regions there were differences with more single adult shared owners in the North West and Yorkshire and Humber and greater proportions of older couples in the North East. Providers, therefore, require granular analysis to capture the nuances and composition of local demand.

The choices households are making are as much about problems in other housing tenures as much as a desire to own, so should a greater supply of secure, decent and affordable private (or social) rented homes be achieved some purchasing decisions may be delayed or even not made. Furthermore, for a portion of buyers at least, shared ownership was also fulfilling desires for better places and properties, as well as tenure. In the near future current market weaknesses are likely to prevail, however, so shared ownership is meeting needs of a portion of households who could not satisfy preferences for security, affordability, decent homes and places in the open market.

Gauging this demand in given places is challenging, however. The presence of family financial assistance, home equity from relationship breakdown, as well as the desire to avoid run down properties or neighbourhoods that were otherwise affordable means that estimating demand for shared ownership must go beyond house price to income ratios for younger cohorts. In the Bristol area it was clear the demand outstripped supply, while providers were clearly successful in the Midlands and the North there was a sense that the opportunities for the sector were more spatially delimited and subject to some institutional reticence. How the opportunities that do exist are realised under a new funding model that favours places with high housing affordability ratios is unclear.

Stakeholders considered non-profit housing providers to often undertake less sophisticated market research than for-profit developers, which is a concern if a greater number of providers enter the sector with limited expertise. This is significant as the turn towards the market and additional competition between providers and new for-profit entrants to the sector means that due diligence to mitigate risks and reassure boards is critical. Backstops of converting properties to rent to buy arrangements in the case of schemes not moving are available but providing guidance to housing providers and boards on undertaking market analysis may increase skills and confidence in this area.

Scaling provision across the regions also requires providers to recognise local competition from other housing associations (whether currently in the local market or not), local authorities, as well as nascent for-profit providers offering open market schemes, alternative s106 arrangements with developers and low cost open market sales in lower value areas. Some providers were bucking regional trends and developing shared ownership successfully, suggesting that there was scope for expansion, but in all regions the market could quickly get crowded indicating providers also needed knowledge of the local pipeline and alternative products. Providers in Bristol and Birmingham identified competition for developable land as another constraint on expansion. Providers could also benefit from greater coordinated development across city regions or the use of the combined authorities to mitigate the downsides of land and product competition as is beginning to happen in the North West.

Recognising the different market segments that are served by regular shared ownership in different locations has repercussions, not least for national or multi-region providers who may have to tailor services accordingly. Providers looking to new markets with extra-care would require additional detailed consideration as it is a slightly different application of the model. For regular shared ownership provision, the long-term management and support, including with down-staircasing, and commitments to repairing responsibilities and any expectation of staircasing receipts over time may need to be reviewed if the sector is to play a permanent rather than transitionary role for a portion of lower-income households.

This study confirmed concerns that public awareness of shared ownership was weak. Several first-time buyers had some superficial awareness of shared ownership but only those who were marginal to the open market considered it in detail, often after stumbling across it. Some buyers were unwilling to accept the imbalance in rewards and responsibilities whereas others were cognisant of the product weaknesses but accepted the trade off to get a secure, affordable decent home that they felt was unavailable elsewhere. For people who explored shared ownership the property portals and word of mouth were significant sources of awareness and information. Housing providers, therefore, had to promote the product and the sites and welcomed national moves to call for enhanced government promotion like that afforded to the Help to Buy equity loan scheme. Local Help to Buy Agents provided some promotional support but provider experiences were mixed indicating Help to Buy Agent roles could also comprise part of a wider review of regional and national marketing.

Several reasons to consider open market shared ownership schemes were apparent to meet tangible needs where search areas were fixed and new build sites absent. For shared owners in small markets who require moves within the sector, open market schemes may overcome mobility issues. Such investment would not increase supply, however, and if ever delivered at scale runs the risk of exerting pressure on prices, not least in higher pressure areas. However, current shared ownership arrangements may draw investment away from areas that require renewal and 'purchase and repair' schemes as part of wider neighbourhood improvements may mean the sector could meet other policy concerns and avoid significant new build premiums.

The shared owners interviewed were new entrants and largely comfortable with their finances, although they had not been tested by any changes in circumstances. The Family Resources Survey showed that shared owners more frequently viewed their housing costs as burdensome, notably in the North possibly due to low incomes, and in London possibly due to high costs. Single households form significant portions of new and existing shared owners and they too more frequently find housing costs burdensome and more remain longer in their homes compared to two adult households. Homes England (HCA, undated) guidance suggests providers could flex affordability and eligibility by using loans of up to 40 years and housing costs of up to 45 percent of net income, beyond typical thresholds for housing affordability. For higher income households such high ratios may not be problematic but a concern for those on lower incomes (often by virtue of being single income households), for all buyers achieving affordability by stretching borrowing to secure access may limit staircasing and/or move to within the sector to larger homes. The quantitative data indicates that only a small portion of shared owners move from single to dual earner households over time, and/or increase the household income in other ways, not least as expenditure also rises as many go on to have children. Combinations of high housing costs, long mortgage terms and lower incomes suggest a range of owners who have limited financial flexibility and may be more of an issue where shared owners are drawn from lower income groups.

Several homebuyers considered their purchase in detail prior to house search and completion but what information existed varied, was not always complete or readily accessible. For other buyers, maybe less risk averse, comprehension was ceded to professionals who played a significant role in conveying information about house buying, shared ownership, mortgages and the conveyancing process. Several interviewees sought greater centralised resources to support home-buying for first time buyers and shared owners, something the Government has consulted about in their review of the home buying process (MHCLG, 2017). The sector may consider, however, the use of standardised key facts documents setting out the principal features of the product and the buying process, with signposts to other resources for all enquiries about shared ownership and sustainability.

Lastly, affordability pressures vary across the country and smaller markets are inevitable in some regions. The study indicated that there is, however, further scope for expansion in all case study areas due to the use of the sector going beyond first time buyers, limited awareness and the desire to avoid affordable neighbourhoods that require housing renewal.

Whether this latter use of the product is acceptable is a normative judgement and is happening in the absence of policy attention on poor private housing in areas of the North (or Midlands) (NHC, 2018). But reforming the product to limit the perceived imbalances between purchaser and provider would further increase the market and securely underpin any expansion beyond the margins of the housing market. In the Bristol area, the interviews indicated that supply lags current demand for shared ownership homes, but there were indications that some buyers marginal to the open market had reservations about the current structures of shared ownership. National expansion of the sector would therefore be assisted by greater volumes of people having confidence in the product.

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Appendix 1 Research Methods

The research questions were addressed by using a mixed method approaching utilising both quantitative data and qualitative data. Housing is a devolved function of government and so the data analysis and fieldwork will be confined to England only.

Quantitative data

Analysis of shared owners in the CORE Sales data and the Family Resources Survey were used to identify key characteristics of new shared ownership sales across the regions and of new and existing shared owner's circumstances. Supplementary data was also used from the Land Registry and Financial Conduct Authority to place shared ownership in the context of the wider market.

The analysis of CORE Sales data 2016/17 will provide data about the circumstances of the flow of new people and/or households into the sector across the English regions and includes information on over 10,000 sales during 2016/17. Changes through time were examined by using the CORE Sales data for the period 2007/8 to 2016/17.

The Family Resources Survey includes a 'part rent-part buy' identifier for housing tenure and was used to look at the circumstances of shared owners after their initial purchases to capture the characteristics of the stock of shared owner households, and how this may differ to new entrants captured in CORE data. The Family Resources Survey is a continuous cross-sectional large scale government dataset used by the Department of Work and Pensions to inform social security policy and captures data from over 19,000 households annually. However, as with similar large scale government datasets the number of shared owners are small so the five years of FRS between 2011/12 and 2015/16 were pooled to establish a sample of 499 shared owner households.

The CORE and FRS datasets were obtained from the UK Data Archive under license.

Qualitative data

A total of 31 interviews were undertaken with first time buyers and shared owners across three case study locations, very broadly defined as the Bristol, Birmingham and Leeds city regions. These areas were identified as under studied areas outside London and the South East where much of the previous research on shared ownership has understandably been undertaken (see below). In addition three focus groups (and two telephone interviews) were hosted in the case study cities comprising 17 housing professionals working in housing associations and local authorities in a range of positions relating to housing procurement, development and/or shared ownership sales.

	Bristol, North East Somerset and South Gloucester	Leeds and West Yorkshire	Birmingham and West Midlands	Total
New home buyers	12	10	9	31
First time buyers	*4*	*5*	*4*	*13*
Shared owners	*8*	*5*	*5*	*18*
Focus groups (LA and HA staff)	3 HA 1 L:A	5 HA 1 LA	2 HA 2 LA	14
Staff telephone interviews	1 (National)	2 HA	1 HA	4

New buyers were recruited to the research by sending invitations to participate out via help to buy agents, local housing associations, local authorities and appeals on *moneysavingsexpert.com* forums. The in-depth interviews with new buyers explored their priorities in terms of neighbourhood, property, costs and commuting, for example, when identifying a property to buy, the information resources used to inform their decisions and their awareness and perceptions about where shared ownership and other affordable homeownership options as vehicles to support their purchase fit into these considerations. The interviews with shared owners gauged their experiences of seeking to buy a home in the wider market and their entry into and living in shared ownership. The individual in-depth interviews with new buyers were conducted on the telephone and last around 30-40 minutes and were digitally recorded with permission and notes taken for use in the report.

The housing association and local authority staff focus groups were undertaken to explore their experiences of offering shared ownership in their areas of operation, their perceptions of the risks and opportunities presented by shared ownership in different markets, and their thoughts on the desirability of an expansion of the sector and what facilitates or hinders any uptake across the sector. The discussions were digitally recorded with permission and notes taken for use in the report.

Appendix 2: Data Tables

Table A1: Lowest decile house price to median gross annual earnings ratio by region 2008 to 2017

	North East	North West	Yorks & Humber	West Mids	East Mids	East	London	South East	South West
2008	5.5	5.6	5.6	6.1	5.8	6.8	8.4	7.4	7.5
2009	5.1	5.2	5.3	5.8	5.5	6.4	7.9	6.9	7.2
2010	5.2	5.4	5.5	6.0	5.8	6.9	8.9	7.6	7.7
2011	4.9	5.3	5.3	5.9	5.8	6.9	9.0	7.5	7.6
2012	4.8	5.1	5.3	5.9	5.8	6.9	9.1	7.5	7.6
2013	4.6	5.0	5.1	5.8	5.9	6.8	9.8	7.7	7.5
2014	4.6	5.1	5.3	6.1	6.2	7.4	11.1	8.2	7.7
2015	4.6	5.3	5.5	6.2	6.6	8.0	12.5	8.9	8.1
2016	4.7	5.4	5.6	6.4	7.0	8.6	13.9	9.7	8.5
2017	4.7	5.6	5.7	6.7	7.4	9.2	14.0	10.0	8.7

Source: Land Registry/NOMIS

Table A2: Percentage decline in homeownership by region 20017 to 2017

	North East	North West	Yorks & Humber	East Midlands	West Midlands	East	London	South East	South West
% Change	-7.3	-9.8	-6.0	-6.5	-11.8	-4.4	-12.0	-6.2	-4.5

Source: Resolution Foundation 2018

Table A3: Percentage rise in lowest decile house prices and gross weekly earnings 2008 to 2017

	London	East	South East	South West	East Midlands	West Mids	Yorks & Humber	North West	North East
% change in lowest decile house prices	86.3	55.2	54.2	35.0	28.7	25.3	14.4	13.3	0.5
% change grows weekly earnngs	12.5	15.2	13.7	16.6	14.5	14.9	13.1	14.2	19.4

Source: Land Registry House price index data and NOMIS Annual survey of Hours and Earnings

Table A4: First time buyer's property, deposit and loan values by region, 2007 and 2016

Average (mean) value (£)	North East	North West	Yorks & Humber	West Mids	East Mids	East	London	South East	South West
Deposit value 2007	17,613	20,526	20,688	24,913	22,647	35,456	77,884	39,707	35,731
Deposit value 2016	27,165	29,793	28,244	34,593	33,337	57,242	126,144	65,357	50,526
Property value 2007	116,528	126,993	124,506	136,782	132,251	179,715	286,218	198,317	170,444
Property value 2016	135,167	150,401	144,573	167,471	165,402	255,617	436,759	284,517	219,777
Loan value 2007	98,915	106,468	103,818	111,870	109,604	144,259	208,334	158,610	134,714
Loan value 2016	107,551	119,525	115,681	131,025	129,473	191,148	289,052	210,684	163,595
LTV 2016	80	79	80	78	78	75	66	74	74
% increase loan value	8.7	12.3	11.4	17.1	18.1	32.5	38.7	32.8	21.4
% increase deposit	54.2	45.1	36.5	38.9	47.2	61.4	62.0	64.6	41.4
% increase property	16.0	18.4	16.1	22.4	25.1	42.2	52.6	43.5	28.9
Deposit as multiple median earnings 2007	0.8	0.9	0.9	1.1	1.0	1.4	2.7	1.5	1.6
Deposit as multiple median earnings 2016	1.1	1.1	1.1	1.3	1.3	1.9	3.8	2.2	1.9

Source: FCA Regional Analysis FTB lending 2007-2016 (Table 10) , NOMIS

Table A5: New sales of shared ownership properties by region, 2016/17

	North East	North West	Yorks & Humber	East Mids	West Mids	East	London	South East	South West	Total
All Sales (n)	149	819	235	897	735	1,336	1,974	2,538	1,657	10,368
All sales (%)	1.4%	7.9%	2.3%	8.7%	7.1%	12.9%	19.1%	24.5%	16.0%	100.0%
Resales (n)	27	241	95	207	262	514	807	1207	617	3977
Resale (% region)	18.1%	29.4%	40.4%	23.1%	35.6%	38.5%	40.9%	47.6%	37.2%	38.5%

Source: CORE Sales

Table A6: Property values of new shared ownership sales compared to regional open market average values

	North East	North West	Yorks & Humber	East Mids	West Mids	East	London	South East	South West
Up to £90k	4.0%	5.0%	5.9%	1.9%	1.5%	0.0%	0.0%	0.1%	0.3%
£90,001-£110K	11.4%	5.6%	19.0%	4.7%	3.4%	0.6%	0.1%	0.3%	1.7%
£110,001-£130k	38.9%	21.1%	20.7%	16.9%	10.1%	2.0%	0.2%	1.9%	5.9%
£130,001-£150k	17.4%	27.7%	20.7%	20.4%	18.4%	10.7%	0.2%	4.6%	11.5%
£150,001-£170k	12.1%	19.3%	13.1%	20.4%	20.1%	10.7%	0.4%	6.7%	16.8%
£170,001-£190k	14.1%	7.4%	8.0%	14.3%	14.6%	15.2%	0.7%	8.8%	19.1%
£190,001-£220k	0.0%	9.0%	6.8%	14.3%	13.3%	15.0%	2.1%	16.7%	25.2%
£220,001-£250K	0.0%	2.9%	3.4%	4.2%	8.6%	15.0%	4.7%	20.2%	11.8%
£250,001-£270k	0.0%	0.4%	0.8%	0.8%	4.9%	5.4%	4.5%	11.3%	3.5%
£270,001 or more	2.0%	1.6%	1.7%	2.2%	5.2%	25.4%	87.3%	29.3%	4.2%
Average all sales	£121,858	149,615	149,660	174,956	179,542	275,435	475,442	310,447	238,248
Average FTB sales	£104,707	126,343	128,445	147,160	149,664	230,336	416,903	249,613	196,865
Average mover	£138,605	169,597	166,253	197,714	206,012	309,288	534,948	358,141	267,851
% definitely above average FTB value	84.5	68.3	54.5	56.2	66.7	30.8	-	40.6	19.5
% FTB value of all sales	85.9	84.4	85.8	84.1	83.4	83.6	87.7	80.4	82.6

Source: CORE Sales 2016/17; Land Registry House Price Index March 2017*

Table A7: Initial equity stake by region

	North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total
Up to 25%	40.90%	4.50%	24.80%	17.40%	7.70%	20.30%	13.50%	8.50%	19.80%	13.20%
26-40%	16.80%	52.90%	23.00%	17.00%	45.40%	35.30%	33.30%	38.30%	49.10%	41.80%
41-50%	28.20%	32.80%	33.30%	45.50%	31.70%	31.30%	43.40%	38.90%	19.70%	31.70%
51% or more	14.10%	9.80%	18.90%	20.00%	15.10%	13.00%	9.80%	14.30%	11.40%	13.30%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: CORE Sales

Table A8: Deposit by region

	North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total
£10,000 or below	50.6%	44.0%	49.1%	43.9%	38.3%	46.9%	43.1%	39.5%	12.1%	36.6%
£10,001 to £20,000	11.9%	26.2%	15.1%	12.6%	29.6%	19.0%	23.2%	29.5%	29.6%	32.0%
£20,001 or more	37.7%	29.8%	35.6%	43.4%	32.2%	34.0%	33.8%	30.9%	58.3%	25.5%

Source: CORE Sales

Figure A9: New shared ownership sales by property type and region, 2016/17

	North East	North West	Yorks & Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total
Flat or maisonette	3.4%	18.0%	26.2%	8.9%	11.4%	40.9%	92.2%	49.0%	24.1%	42.4%
Bedsit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
House	86.6%	78.1%	70.9%	89.5%	87.8%	58.9%	7.4%	50.4%	75.4%	56.5%
Bungalow	10.1%	3.4%	3.0%	1.6%	0.8%	0.2%	0.0%	0.3%	0.4%	0.8%
Other	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.1%	0.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
n	**149**	**822**	**237**	**898**	**735**	**1336**	**1974**	**2539**	**1658**	**10348**

Source: CORE Sales

Table A10: New shared owner median incomes and median earnings by region, 2016/17

	North East	North West	Yorks & Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total
Median income person 1 (CORE)	£17,795	£19,000	£19,258	£19,000	£21,000	£24,396	£36,057	£24,598	£20,400	£24,000
Median income person 2 (CORE)	£11,300	£13,761	£11,500	£14,994	£14,000	£17,457	£24,000	£18,000	£15,000	£17,264
Derived median household income (CORE)	£20,814	£21,393	£20,500	£23,059	£24,500	£30,357	£46,254	£31,992	£25,000	£30,500
Median annual earnings (NOMIS)	£26,073	£26,754	£26,120	£26,806	£26,905	£29,895	£34,039	£31,034	£27,404	£28,902
Median household income <60 years (EHS15)	£28,453	£31,264	£30,835	£34,356	£33,404	£39,296	£41,142	£44,317	£37,736	£36,294
SHO median income 1 as % of median individual earnings	**68.2**	**71.0**	**73.7**	**70.9**	**78.1**	**81.6**	**105.9**	**79.3**	**74.4**	**83.0**
SHO median household income as % median household income all households under 60 years old	**73.2**	**68.4**	**66.5**	**67.1**	**73.3**	**77.3**	**112.4**	**72.2**	**66.2**	**84.0**

*Source: CORE Sales 2016/17; NOMIS 2017; *where second applicant exists*

Table A11: New entrants to shared ownership household income, 2016/17, by region and FRS household income quintiles, 2016

	North East	North West	Yorks & Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total
Lowest	44	32.0	31.9	21.4	21.5	8.2	1.6	8.3	16.3	10.8
2	30	38.3	37.5	41.1	34.1	24.5	3.7	22.2	36.3	25.1
3	21	23.3	20.2	28.1	31.8	39.8	23.5	40.3	33.8	33.1
4	6	5.8	8.9	8.9	12.0	24.6	56	27.1	13.2	26.7
Highest	0	0.6	1.6	0.6	0.6	2.9	15.3	2.2	0.4	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CORE Sales and FRS

Table A12: Median household incomes for new entrants to shared ownership by household type, 2016/17

	North East	North West	Yorks & Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total
1 elder	£12,500	£13,000	£10,248	£16,141	£12,000	£15,471	£23,500	£17,095	£13,552	£14,040
2 elders	£21,842	£20,567	£19,047	£21,700	£27,370	£33,007	£31,844	£29,347	£31,628	£24,000
1 adult	£18,319	£20,072	£20,000	£20,108	£22,000	£26,000	£41,000	£26,000	£21,000	£25,750
2 adults	£28,987	£31,654	£37,333	£32,000	£34,000	£39,557	£55,400	£40,000	£34,181	£40,389
1 adult and 1+ children	£15,800	£18,669	£20,000	£20,954	£20,165	£23,234	£35,904	£27,000	£19,905	£22,458
2+ adults and 1+ children	£27,765	£34,325	£32,803	£32,202	£32,500	£40,397	£53,251	£41,000	£31,456	£38,111
Total	£20,814	£21,258	£20,445	£22,969	£24,033	£30,166	£46,202	£31,711	£24,687	£30,359

Source: CORE Sales

Appendix 3: Homes England/ONS Affordability Ratios Case Study Areas

The median house price to median workplace earnings ratio for England was 8.57 in 2017. Homes England have confirmed that 80 percent of grant funding will go to development in local authorities with above average affordability ratios and 20 percent of grant funding will be allocated to those sites in local authorities with below average affordability ratios. The affordability ratios of the regions containing the case study areas are set out below (shaded districts represent those where shared ownership development is eligible for grant funding).

Yorkshire and The Humber	Harrogate	10.36
	Hambleton	9.52
	Ryedale	8.84
	York	8.62
	Craven	7.91
	Richmondshire	7.43
	Selby	6.77
	East Riding of Yorkshire	6.60
	Scarborough	6.37
	Leeds	5.94
	Wakefield	5.78
	North East Lincolnshire	5.77
	Kirklees	5.67
	Sheffield	5.51
	Doncaster	5.21
	Bradford	5.15
	Rotherham	5.13
	Calderdale	5.01
	Barnsley	4.86
	North Lincolnshire	4.82
	Kingston upon Hull, City of	4.58
West Midlands	Malvern Hills	10.63
	Bromsgrove	10.24
	Herefordshire, County of	9.49
	Wychavon	9.36
	Warwick	9.29
	Stratford-on-Avon	9.26
	Lichfield	8.52
	Shropshire	8.39
	Wyre Forest	7.79
	Solihull	7.77
	South Staffordshire	7.72
	Redditch	7.52
	Stafford	7.23

	North Warwickshire	7.12
	Tamworth	6.91
	Rugby	6.75
	Nuneaton and Bedworth	6.72
	Worcester	6.61
	Telford and Wrekin	6.33
	East Staffordshire	6.29
	Cannock Chase	6.23
	Staffordshire Moorlands	6.12
	Dudley	6.09
	Walsall	5.95
	Birmingham	5.59
	Newcastle-under-Lyme	5.49
	Coventry	5.49
	Wolverhampton	5.43
	Sandwell	5.40
	Stoke-on-Trent	4.45
South West	Cotswold	***14.00***
	East Dorset	***13.23***
	Christchurch	13.04
	South Hams	11.91
	West Dorset	11.27
	Bath and North East Somerset	11.10
	Purbeck	11.05
	Teignbridge	10.78
	Mendip	10.17
	West Devon	10.15
	Poole	10.00
	North Devon	9.99
	East Devon	9.84
	Torridge	9.51
	Wiltshire	9.43
	North Dorset	9.09
	Bristol, City of	8.99
	North Somerset	8.99
	Cheltenham	8.98
	Cornwall	8.96
	Sedgemoor	8.87
	Stroud	8.80
	Forest of Dean	8.74
	Bournemouth	8.68
	Mid Devon	8.50
	Exeter	8.45
	Weymouth and Portland	8.31

	South Somerset	8.16
	Taunton Deane	8.13
	South Gloucestershire	7.97
	Tewkesbury	7.92
	Torbay	7.67
	Swindon	7.00
	Gloucester	6.29
	Plymouth	6.03
	Isles of Scilly	:
	West Somerset	: