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ANOTHER WAY:

HOW SHARED OWNERSHIP
CAN IMPROVE THE UK
HOUSING MARKET





SHARED OWNERSHIP WILL HELP

A WHOLE GENERATION ACCESS THE HOUSING MARKET

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The housing market in Britain is broken. Up and down the country, homes are unaffordable for vast swathes of the population because of a lack of supply and price rises which have outstripped wage growth.

Eye-watering figures that demonstrate the issue abound. Here is just one: house prices in England and Wales have increased by 259% since 1997, according to the Office for National Statistics. In the same period, earnings have risen by just 68%.

We know that the private rental market is increasingly unaffordable and most tenants do not have long-term security with private landlords usually able to give just two months' notice. There are questions also over the quality of accommodation, particularly in cities such as London.


There is no quick fix to solve the housing crisis. The problem is too large and too complex for any one idea to fix things.

However we believe shared ownership can make a significant difference.

It provides a real opportunity for the millions of people to access affordable housing with the benefit of long-term security. And it could go a long way to tackling the growing wealth gap between the elite and the rest of society.

But to do this we need to challenge the way we currently think about the housing market. There aren't just two options when it comes to choosing the home you live in, there are three, and each should be considered with equal weighting.

Shared ownership is a blend of both traditional home ownership and renting, enabling millions of people that are increasingly marginalised to access affordable housing that provides autonomy, security and social mobility.



NEARLY HALF THINK the Government should be doing more to raise understanding of the benefits of shared ownership as a method of getting on the ladder quicker

And it does not need to be a means to full home ownership – it can provide a sustainable and secure home for those who never want to become owner-occupiers. For many, it may be a lifelong choice that is more suitable and more affordable than either owner-occupation or renting.

It is possible for us to achieve a paradigm shift – just look at the way people buy cars. It wasn't that long ago that most people would own their own vehicle outright but now nine out of 10 private car buyers use personal contract plans.


We believe that if awareness of shared ownership were higher, this would create the circumstances for a boost in supply. As our specially-commissioned research, summarised in this report, shows many people simply don't understand how it works.

This faith in the potential of shared

ownership to help change and improve things is why we produced ***Another way: How shared ownership can improve the UK housing market.*** Importantly, this is a positive and proactive report that seeks to encourage awareness that there is another choice.

I'd like to thank all our contributors to this report for their thought-provoking views and insight.

We believe that shared ownership has the potential to benefit millions of people – and it has a wider appeal than just first-time buyers in their 20s. It gives people more choice and it doesn't just have to be a stepping stone to owner-occupation, for many it could provide a lifelong, affordable home.



“We believe that if awareness of and demand for shared ownership were higher, this would create the circumstances for a boost in supply.”



SHARED OWNERSHIP SHOULD BE FOCUS OF ALTERNATIVE TENURES

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Aside from whether you believe that the Government's white paper set out a solid enough plan to solve the housing crisis, there's a fundamental flaw in the new approach: simply, that it focusses on too many alternative tenure types.

Yes, reliance on traditional open-market sale ownership has done little to solve the housing crisis, but ministers' obsession with developing new products is confusing the average home-buyer.

Going back to basics and focussing on shared ownership, which has proven to be a sustainable and flexible solution over the past 30 years, could provide the public with clarity on how alternative tenures work.

Shared ownership is free from some of the shortcomings that affect other products, such as Help to Buy and Starter Homes. One of shared ownership's core benefits is that it offers a low barrier to entry and can be controlled on a local level to fit the needs of communities – delivering affordability while minimising any impact on the wider market.

Consider the issue at hand. Rising rents and capital values are likely to increase as delivery rates fail to meet the extraordinarily high need for new homes. As a result, affordability isn't going to change without a serious push on a single affordable tenure – one that offers flexibility and is marketed as a mainstream solution.

This would help remove the confusion caused by the mix of tenures. Policymakers would also then be able to focus on initiatives to improve delivery to make meaningful change, rather than creating new products that overlap with one another.

And the pressure is on to do so. The average age of a first-time buyer is now over 30. As prices rise this will likely increase, creating fresh risks for mortgage providers. We need a concerted effort to increase delivery rates and use robust alternative tenures like shared ownership. Without this, the UK could face a situation where mortgage providers are reluctant to lend to a large number of people.

There are other benefits to shared ownership too. Unlike Help to Buy, which is financed through Government loans, shared ownership uses the borrowing power of housing associations to help more people get on the ladder.

There appears to be increased ambition from housing associations to offer shared ownership as a result of this. As evidenced in our supply analysis report,

A Problem Shared, there are currently 25,000 shared ownership homes on sale or under construction in the UK. Meanwhile, National Housing Group members have an appetite to increase annual delivery of the tenure sevenfold.

Shared ownership could also de-risk schemes when the Help to Buy equity loan ends, helping maintain build rates. This will be critical if we want to avoid delivery rates falling even further below targets. A sustained focus on offering more shared ownership homes will be crucial to the success of solving the housing challenge. Rather than developing new products that can create spikes in the market, we need to see the Government backing a tenure that has already proved it works.

“A sustained focus on offering more shared ownership homes will be crucial to the success of solving the housing challenge.”

*Jennifer Tristram,
Shared ownership customer,
Bristol*





THE PUBLIC NEEDS HELP TO COMPARE THE MARKET

Steve Trusler, Aster Group non-executive director and accommodation sector leader, at Laing O'Rourke

As alluded to by others in this report, there are simply too many tenures for the average home buyer to get to grips with. Because these are offered by different industry organisations, we ask housing customers to do huge amounts of research before they find the right tenure for them.

In the mortgage, pensions and insurance markets there are a wealth of resources online that provide easy comparison between products. A lack of any simple tool to compare different tenure types in housing is fostering a reliance on the traditional open-market sale and rental markets.

Our focus on home ownership is deep-rooted. Not only is an Englishman's house his castle, it's seen as a safe way to create wealth. The reality is people want to buy. When they can't on the open market, however, rent is often seen as the only other option.

Met with different products, offered by different parties, consumers are understandably confused by alternative tenures. The industry should pressure government to create a portal to better collate all of this information and offer simple explanations.

A useful iteration would also see this include details of the number of homes in customers' areas that are due to be built and offered via different tenures in future. And, if it could show suitable products available to buyers based on simple details of their income, what kind of home they're looking to buy and in what area, it would enable the public to make wiser housing decisions.

Naturally, this would be an ambitious project and the sector as a whole would need to commit to it. Although there would be gains to be made – it could act as an effective marketing tool for new developments.

In high demand areas alternative tenures are currently coming into their own because people are faced with the reality of renting for years. Take Hackney, where the average house is approaching half a million pounds, the average earner looking to buy is forced into looking for other options.

But, we can't wait until similar breaking points elsewhere in the country to champion these tenures. They should be positioned as proactive solutions, not last resorts. But to do this, the public needs clarity.

“The industry should pressure government to create a portal to better collate all of this information and offer simple explanations.”



WORKING TOGETHER

TO BOOST SHARED OWNERSHIP

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The question of what can be done to boost shared ownership is not one of buy-in. In my experience, housing associations are positive about the tenure, viewing it as a modern continuation of their social purpose.

Our members recognise that shared ownership offers a solution to the UK's affordability crisis and has the potential to help remedy the longstanding issue of supply.

But there are nevertheless two areas which, if addressed correctly, could take the tenure to the next level.

First, there are the issues of awareness and understanding – both of which vary across Britain. This is not helped by simple things: type 'shared ownership' into Google, for example, and you'll be taken to the Help to Buy website. Some may be left with the impression that shared ownership is a government product and is directly linked to Help to Buy.

Housing associations must therefore work together to improve both awareness and understanding of the product. This includes using their sales and marketing activities to raise its profile and explain to people how the tenure operates.

Work is already in progress. The NHF is liaising with the National Housing Group, which represents more than 75 housing associations, to ensure there is a joined-up approach to promoting shared ownership.

A second area of focus should be improving the customer experience. Demand for shared ownership is strong, particularly in London where the ratio of earnings to house prices is most perverse. This can mean the incentive to improve the tenure is less than it could be.

Housing providers must continue to view shared ownership sales as an opportunity to boost their profiles and build relationships, targeting a

relentless focus on the customer experience.

End-users, or shared owners in this case, are potential champions of the tenure. After all, so many of us rely on the advice of friends and family when taking our first, tentative steps on to the housing ladder.

Above all, we should keep in mind that shared ownership is maturing. And it is in the sector's power to continue to enhance its image and experience.

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PERCEPTION OF SHARED OWNERSHIP: MYTHS & MISCONCEPTIONS ABOUND

YouGov research

We commissioned an exclusive YouGov survey to gauge awareness and understanding of shared ownership. It asked 2,111 British adults across a wide range of ages and economic groups their thoughts on the subject.

Shared ownership can help make buying more affordable when both rents and house prices are rising. Affordability is already reaching a critical point across the country, particularly in areas of high housing demand. By reducing the size of the initial deposit, shared ownership can help people to build equity in property earlier or provide a more secure and affordable option to the rental market

Some 60% of respondents said they had heard of shared ownership and that they knew what it was – but the results reveal that there is much room for improvement in knowledge of even the most basic details.

For example, availability of finance is a major source of confusion, with only half (51%) aware that banks and building societies offer shared ownership mortgages.

60% OF RESPONDENTS said they had heard of shared ownership and that they knew what it was



ONLY HALF of respondents knew that shared ownership does not mean living in your home with another person



JUST OVER HALF were aware that banks and building societies offer shared ownership mortgages



PERCEPTION OF SHARED OWNERSHIP: MYTHS & MISCONCEPTIONS ABOUND

YouGov research

ALMOST ONE IN FOUR

thought that the tenures were only available to those who are already social housing tenants



When it comes to awareness of what makes a person or household eligible for shared ownership tenure, again respondents showed limited understanding. Just 1% knew that, outside of London, the maximum income threshold per household to qualify is £80,000 – the majority either didn't know (42%) or said it would be less than £50,000 (30%).

Almost one in four (23%) thought that shared ownership is only available to those who are already social housing tenants. Staircasing is also poorly understood with only 45% of respondents stating that you can eventually own 100% of the house in the same way as a traditional owner would.

FEWER THAN HALF

of respondents stating that you can eventually own 100% of the house in the same way as a traditional owner would.



Only half of respondents in a second survey of 2,043 British adults knew that shared ownership does not mean living in your home with another person. Worryingly, 18- to 24-year-olds were the most likely to think that this was the case.

With only one in 10 respondents (10%) saying they think buying a house on the open market is affordable for first-time buyers, there is a clear opportunity for shared ownership.

Policymakers also have a role to invest in championing and supporting shared ownership as part of the solution to the affordability crisis with nearly half (44%) of the people asked in our survey believing the Government should be doing more to raise understanding of the benefits of shared ownership as a method of getting on the ladder quicker.

NINE IN TEN
think that houses are
unaffordable for first-time buyers





SHARED OWNERSHIP DOESN'T CONFLICT WITH OUR SOCIAL PURPOSE. IT SUPPORTS IT

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Home ownership is becoming less feasible for a broader cross-section of society. As a result, housing associations could play a bigger role in helping to get more people on the ladder.

There are concerns in the sector that adopting a more proactive approach to ownership-based housing options takes away from the social purpose of housing associations.

Getting people into ownership continues to be crucial. The gap between those who own their homes and those who don't could impact social and economic policy in years to come. Those who have a foot on the ladder and have been able to build up equity in their homes are far more able to cope with financial pressures later in life, such as paying for social care.

It's also our responsibility to cater for the increasing number of people who are caught between renting and owning.

And, against a backdrop of a UK-wide housing crisis, helping this bigger group of people buy homes has as much social value as providing homes for affordable rent.

Like many housing associations, we have had to be pragmatic and review our model since rents were cut and grant funding eroded. This meant rebalancing our approach – we once had a programme made up of 70% affordable rent and 30% low-cost sale options, but we're now flipping this on its head.

The sector is diverse and increasing shared ownership provision isn't necessarily something that every housing association can or should aim for. However, it should only ever be strategy – not ideology – that stops them putting it at the heart of their development plans.

“Against a backdrop of a UK-wide housing crisis, helping this bigger group of people buy homes has as much social value as providing homes for affordable rent.”

CASE STUDY: SHARED OWNERSHIP PROVIDES THE ANSWER FOR WEYMOUTH COUPLE

Charlotte Barnes & Tom Wilmore

“Once I understood that we’d have as much freedom to make changes and personalise the house as we’d get with a traditional mortgage, shared ownership seemed like a much better option than throwing all our savings at something that wasn’t really what we wanted.” - Tom Wilmore



Charlotte Barnes and Tom Wilmore have been together for six years. The couple wanted to take their first step on the housing ladder and buy their own home. But with high prices around Weymouth, they struggled to find the right home for them within their budget on the open market.

Initially planning to pursue a traditional mortgage, Charlotte (23) and Tom (24) found that they were limited to properties worth under £160,000 in an area where the average property price is £210,000.

After chancing upon a three-bedroom terrace just five minutes’ walk from Weymouth town centre at an open house one weekend, the couple bought a 40% share of the £260,000 property with a deposit of only £5,299 through Aster Group’s shared ownership scheme.

Charlotte said: “It’s so difficult to get a mortgage for a house in Weymouth and on our income we could only really get one on a property at the bottom end of the scale – and we would still have needed to pull together a £16,000 deposit. For something we really wanted, it would’ve been more like £21,000.”

Shared ownership meant Charlotte and Tom could focus on the features they wanted in their house rather than simply what they could afford. The result was a new home that they are making their own while building up equity.

THE MAXIMUM INCOME threshold per household to qualify is £80,000 – the majority either didn’t know or guessed it would be less than £50,000





WE KNOW SHARED OWNERSHIP WORKS, NOW IT'S TIME TO SHOUT ABOUT IT

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The shared ownership market has come a very long way in the last few years.

Seeking a shared ownership mortgage once meant going to a specialist provider. Today, while not every lender has entered the market, deals are now offered by several major high-street brands including Halifax, Leeds, Woolwich, TSB and Santander.

Of all of the shared ownership applicants we see at TMP, six out of 10 have their mortgage approved – so availability of finance is no longer the bottleneck it once was.

The big barrier that does remain is one of awareness in the market.

It's well known that there is a large group of people for whom saving up a big enough deposit to get on the housing ladder via the traditional route is an unachievable goal, and shared ownership is an ideal product for many of those in this situation.

And it's not just first-time buyers who can benefit. Shared ownership can also be a good option for those who feel trapped in an existing property. If more existing homeowners were to embrace the model, this would free up more much-needed properties for first-time buyers.

It also bridges a big gap in the mortgage market that has emerged following the Mortgage Market Review of 2014. Because the new rules made the criteria for getting a loan much more complex, many people who would previously have been eligible

are now being refused. People with children and those nearing retirement age have been particularly badly affected by this.

With such a wide range of potential customers, it's amazing that shared ownership isn't a much more popular choice.

So what needs to happen for it to become mainstream? I believe it's simply a question of marketing.

The huge popularity of the Help to Buy scheme was thanks in large part to the aggressive promotion of deals by housing developers and the government. It was advertised in the pages of every newspaper, via TV and radio and plastered on hoardings outside every new-build development in the country.

It's time for the government to promote shared ownership in the same way – fully and wholeheartedly. When this happens, the market of buyers it would create would no doubtlessly be accommodated by developers and mortgage lenders alike.

“With such a wide range of potential customers, it's amazing that shared ownership isn't a much more popular choice.”

*William & Julie Cadwell,
Shared ownership customers,
Cornwall*





SHARED OWNERSHIP

LET'S CHANGE THE NARRATIVE

Amy Nettleton,

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Our group CEO Bjorn Howard opened this report by highlighting statistics which paint a stark picture of the UK's housing market.

We decided to produce this report because we are passionate about the role shared ownership can play in helping millions of people to have greater choice - going some way to helping solve the housing crisis we have found ourselves in.

Shared ownership isn't the only solution but it shouldn't be an afterthought either – just a normal consideration for renters or buyers. It can transform the way we choose how we buy and live in our homes.

As we said at the outset, this is a positive, forward-looking report that seeks to suggest ways of improving shared ownership. With the help of insight from our expert contributors, we have five recommendations to help create a better market.

1. There should be a sector-wide consensus that shared ownership supports and does not conflict with the ethos of housing associations.

Traditional ownership is not right for everyone and social rent is vital – but we should recognise shared ownership's huge social value, too. It offers the option to scale to full ownership, but it also needs to be communicated as a fantastic permanent choice even for those who don't plan to own all of the equity in their home.

2. Housing associations should work together to raise the profile and understanding of shared ownership.

Shared ownership suffers from a lack of brand awareness. Its reach has been constrained by the shackles of traditional branding, in particular poorly understood language and terminology. We have an opportunity to

re-define the shared ownership brand – resetting the way it is communicated. It shouldn't be seen as a last resort. Instead, we should position it as a choice – an option that is just as suitable, or perhaps even more suitable for some, than traditional homeownership or private rental.

To do this we need to work together via organisations like the National Housing Federation and National Housing Group (NHG) so we can ensure we agree on shared ownership's strengths and benefits, reflecting this in sales and marketing efforts in a clear and simple way that avoids using confusing terms like 'tenure' or 'staircasing'. We can also build consensus on how to improve the customer experience, which is a key tenet of the new shared ownership charter launched by the Chartered Institute of Housing and NHG.

3. The shared ownership application process should be reformed and we also need to make staircasing and porting easier.

The shared ownership application process can be made easier and quicker, but we need a concerted effort by everyone involved in the customer journey to make it better. Housing providers should continue to work with lenders to lessen the barriers to staircasing such as refinancing fees and the ease with which buyers can 'port' their mortgage to another property.

“Our exclusive survey showed only about half of people understand the benefits of shared ownership and 44% think the Government should do more to raise awareness.”

LET'S CHANGE THE NARRATIVE

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4. The government should build the shared ownership brand as it did with Help to Buy.

Our exclusive survey showed only about half of people understand the benefits of shared ownership and 44% think the government should do more to raise awareness. Here, Help to Buy – which was enthusiastically championed by the Government through a national advertising campaign – points the way. The sector must work with policymakers to ensure everything possible is done to enhance the shared ownership brand.

5. The industry and the Government should work together to improve the central portal providing advice to home-seekers.

Steve Trusler of Laing O'Rourke has pointed out that the current online central portal for home-seekers could be improved. Currently, people searching online for shared ownership are directed to the government's Help to Buy website, which also provides advice on shared ownership, and Share to Buy in London. This could be clearer and simpler and offer localised information on the best options based on personal

circumstances. This simplicity is crucial to grow shared ownership, as our research points out. For too long it has been misunderstood and confused with other products.

Let's be clear: agreeing and then implementing these recommendations will not be easy. They involve co-ordination between housing providers, lenders, government and others. But the potential prize – a better understanding of shared ownership, more demand and increased supply – is huge. It must be worth the effort.

We at Aster are ready to do our bit to help create a better and fairer market. We hope others will join us.

“Everyone has a home”



Research conducted by YouGov between 3rd and 8th May 2017. The total sample size was of 2,111 adults, carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Aster Group is working towards its vision of ensuring everyone has a home. Its purpose is to be a housing developer and landlord to benefit society. The not-for-dividend business was established in 1990 and has over £1.5billion worth of assets. Aster plans to develop more than 10,000 homes over the next seven years for open market sale and shared ownership, reinvesting the profits to develop homes for rent. The Group owns and maintains over 28,000 homes and provides services to 75,000 customers. Its corporate social responsibility commitments set out the additional work the business chooses to do. For more information, visit www.aster.co.uk.