



Understanding (Shared) Homeownership

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Hutton Rudby Village Hall

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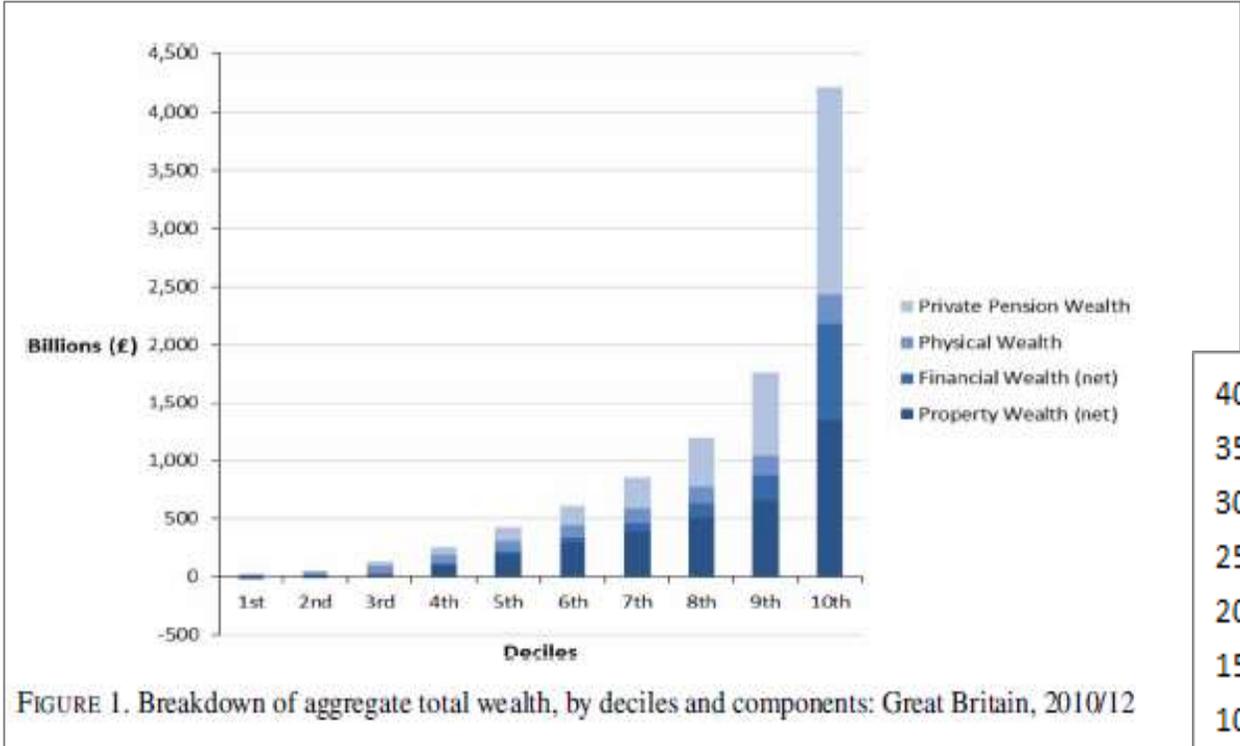
Homeownership- risk and reward

- Asset accumulation
 - Capital gains
 - Paying down debt
- Security of tenure
- Control
- Status/esteem?
- Claims for citizenship, education, voting etc mixed evidence from US mostly

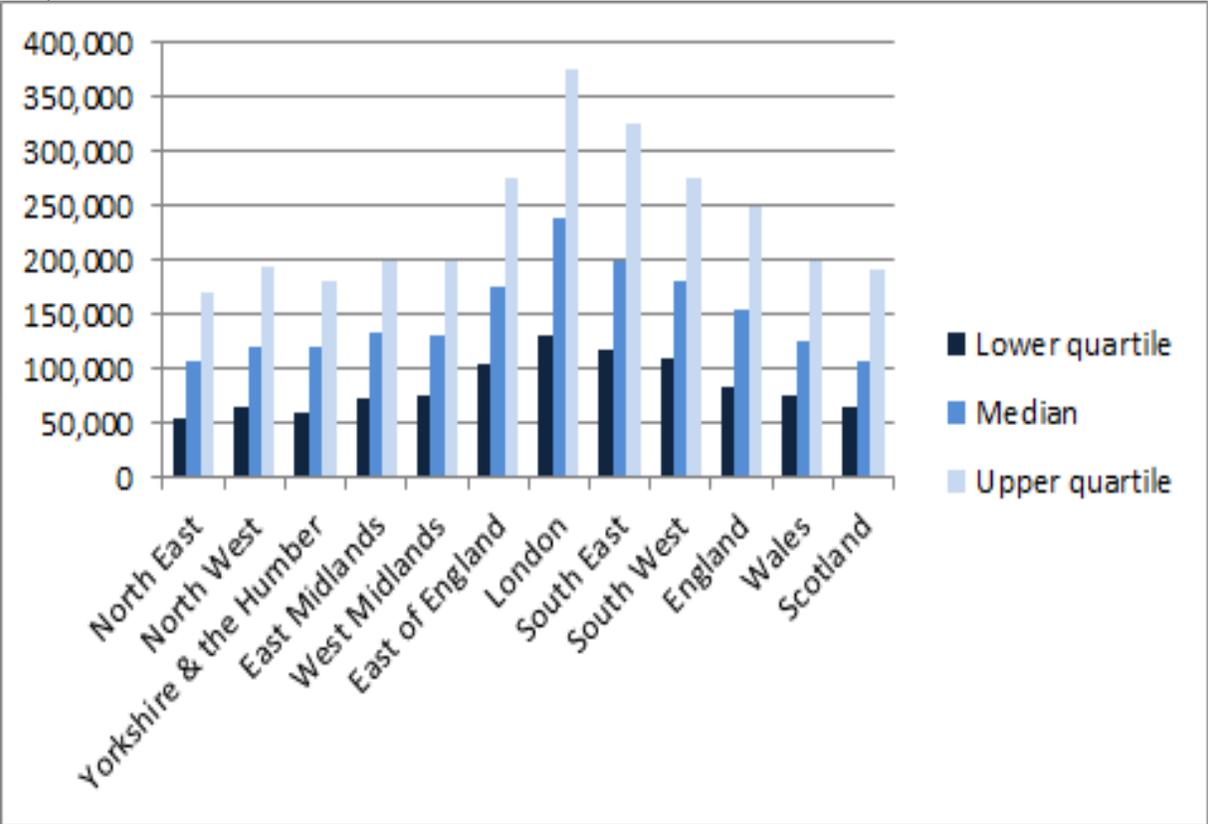
VS

- Repairing costs
- Mortgage arrears and repossession
 - Insecurity
 - Consequences of default
- From collective to individual welfare - trade offs
- Amplifies volatility in housing market/economy

Capital gains?



Source: Montgomerie, J. & Büdenbender, M., 2015.

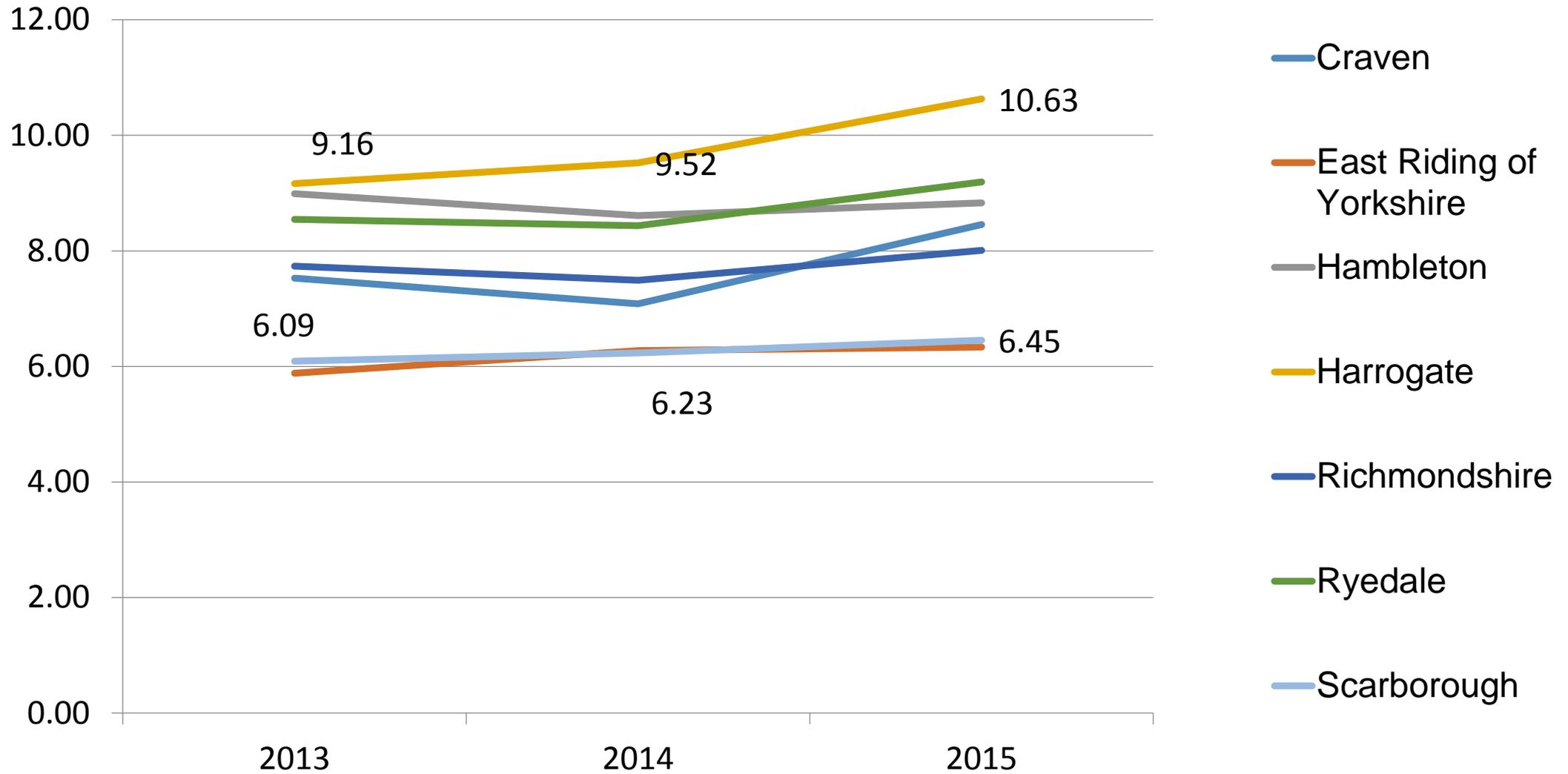


Source: ONS

Arrears and repossession risks

- Arrears and repossessions reduced since crisis- low rates, govt support, lender forbearance, lower unemployment
- Official statistics underestimate home loss due to mortgage arrears (Ford et al. 2010)
- Risks evident across income spectrum but social gradient (lowest quintile 9% in arrears /Highest less than 1%)(EHS, 2014)
- Half of poor households are homeowners (Burrows, 2000; DWP, 2015)
- Disconnect between modern labour markets and 25 year mortgage based on stable income stream (Ford et al.)
- Evidence of adverse impacts of repossessions- mental and physical health; dislocation children; route for poverty women (Nettleton,1998/9; Pevalin, 2009; Gathergood, 2012)
- Response to 2008/9 crisis was to limit damage to individuals and market
- Safety nets for homeowners now undermined- no MRS, SMI and UC changes

Ratio of median house price to median earnings, 2013-2015



Help to Buy Equity loan

- Estimated that HtB added up to 14% more homes to new housing supply
- Equity loans helped households outside of London and Southeast.
- 43% couldn't afford same or similar property new or existing suggesting that half would have!
- Subsidy helped 60% buy bigger better and sooner.
- Wages similar median incomes to other FTBs but smaller deposits.
- Two-fifths of houses wouldn't have got built without this stimulus.
- No evidence of price inflation, as most sales in places seen small rises- although could have mitigated further falls or stabilised market.
- Lenders concerned about consumer understanding but half say understand it very well.

(Finlay, Williams and Whitehead, 2016)

Right to Buy

- Evidence that existing RTB subject to:
 - unexpected repair costs;
 - higher repossessions ;
 - less social mix, hierarchy of popularity of neighbourhoods unchanged by RTB.
 - Asset accumulation depending on demographic and location.
- Currently mixed estimates of tenants with both desire and afford to exercise RTB (9-20%), at limit change HO rate 1% (*Cole et al., 2015*)
- vRTB pilots 5% so far, skewed towards northern areas (*Inside Housing*)
- Tenure of replacements critical in considering impacts of RTBe- SHO or Starter Homes increase poverty (displaced PRS) (*Clarke et al., 2015*)
- 40% sales to date recycled into PRS (*Inside Housing*)

Shared ownership - a conundrum!

- Lower satisfaction than other housing tenure **BUT** 91% would recommend to a friend (TSA, 2008)
- Can be used to limit risk in market (Whitehead, 2010) **BUT** HCA allow up to 45% income on housing costs
- Sold as homeownership **BUT** legal status of renting (assured tenancy and long lease)
- Funded by social affordable rent programme **BUT** sold as private housing
- Purchase (minority) share of property **BUT** full repairing obligations fall to purchaser
- Accumulate assets **BUT** cannot use them outside of repairs due to HA and lender mortgage protection clause (MPC)
- Most want to staircase at the outset **BUT** fewer people do
- Sold as stepping stone to homeownership **BUT** permanent tenure for many

5 key words to describe shared ownership



Source: Cowans et al. (2015)

3 perceptions of a hybrid tenure

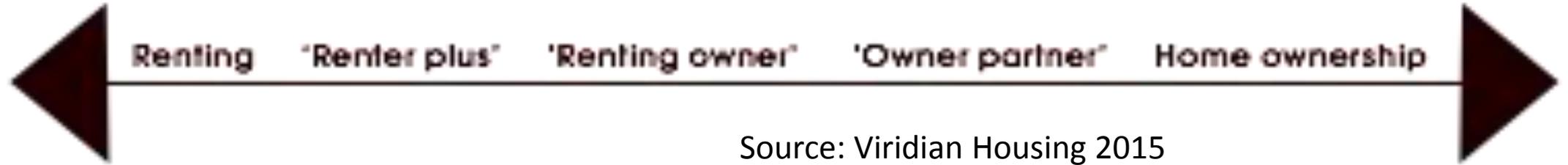
- *“...so, yes, I feel like it because I get a mortgage statement every year and I get to pay the mortgage every month, and, yes, fundamentally it is my space to do what I want.” (Greendale/10)*
- *“I don’t know what I am. I don’t know what they think I am. I think I’m the owner, but I’m also partly a tenant, but I’m a tenant that they don’t really care about. But they’ll look after their real – their tenants, who don’t own their properties. They’ll go and do everything for them. I don’t get anything.” (Fixham/1)*
- *“My biggest issue is I feel as though, and I'm probably over sensitive but I do feel as though there is still stigma attached to anybody who rents or part buy, part rent and I do feel as though they do treat you a bit like an idiot sometimes.” (Greendale /17)*

Customer focus for RPs

- Redraft lease- but little appetite
- Need to rebalance customer service - terms protect providers and lenders often at customer expense
- Accurate marketing- not “literally” like homeownership!
- Don’t rely on solicitors to communicate details of lease
- Repairing obligations- how will you support over long term?
- Defect periods - remaining period of builders’ defects? (5 year guarantee on new TV!)
- Third party managing agents - will you accept leases with no rights for shared owners? Or exercise your rights as head lessee on their behalf?
- Newsletters - Don’t send ones about general needs tenants
- Facilitating movement - how will you help staircasing and mobility?

Supporting a segmented hybrid tenure

Figure 11: The spectrum of shared owner mindsets



Source: Viridian Housing 2015

- BUT not just equity share that's important as attitudes dependent on:
 - household composition
 - labour market position
 - local housing market
 - potential for mobility
- Adapting services to different types of customer and their needs (long short term shared owners)

Conclusions

- Homeownership offers extensive rewards but risks borne unevenly
- While promoting (lower income?) homeownership, government simultaneously undermining already poor UK safety nets
- Dangers in extending homeownership beyond what the mortgage market, labour market and welfare system can bare
- Shared ownership offers stable secure tenure but product plays different role in different markets
- Legal, customer service and vfm weaknesses (over long term) but purchasers avoid stigma and can be 'normal'
- Providers need to tailor product and services to meet changing needs
- Investment in homeownership scrutinised as with other public programs - who benefits, what are the outcomes?