

A problem shared

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New houses pile up at Fontagarry. Researchers found that shared ownership remains an attractive way for first-time buyers to get a foot on the property ladder, but resales and purchasing rates towards full ownership have not been as common as anticipated. Credit: Captain Gorgeous from Flickr.

A study into the effectiveness of shared ownership schemes, which help first-time buyers get a foot on the property ladder, has found that mobility out of the sector is not as good as hoped.

The report, which was written by researchers at the University of Cambridge for Thames Valley Housing, says that shared ownership remains a popular – and potentially beneficial – way of enabling first-time buyers to find secure and affordable housing in a difficult market.

But it also found that the system is not functioning as well as it might. Resales of shares in properties and “staircasing” – the practice of gradually buying more shares with a view to attaining full ownership – are both limited by structural and systemic problems which housing

associations and policy-makers should address, the report says.

Thames Valley Housing has welcomed the findings as a positive step towards making shared ownership a more attractive and satisfying approach for people trying to break into the housing market.

“Overall it would appear that the shared ownership market has not been any harder hit than the wider housing market during the latest difficulties,” Anna Clarke, co-author of the report, said. “However, mobility out of the shared ownership sector and rates of staircasing are not as high as might be hoped.”

Shared ownership allows people who cannot afford a home the chance to buy a share in a property, while the rest is owned by a housing association. If the shared owner then wants to move, they can sell their share to someone else.

The report, *Understanding the second-hand market for shared ownership properties* was compiled by Clarke and from the University of Cambridge’s Centre for Housing and Planning Research, and consultant Andrew Heywood. The full document can be downloaded from the Centre website: www.cchpr.landecon.cam.ac.uk/output.asp?OutputID=275

Clarke and Heywood carried out an extensive survey of 52 housing associations with significant shared ownership stock across England to collect data on resales and staircasing activity. They also ran focus groups with shared owners and mortgage lenders.

Their findings suggest that resales of shares within the sector have never really taken off. Since 2004/5, the percentage of total shared ownership stock resold every year has never exceeded 2.3%. That is not too far behind the comparable figure for housing stock available on the open

market, although the percentage of open market stock resold every year was significantly higher before the 2008 crash and subsequent recession.

In spite of this, the researchers found that some shared owners who would like to resell their shares find the system restrictive in a number of ways. Although many aspire to owning a full share in their home, the overall gulf between the incomes of shared owners and the cost of homes is wide, making this unlikely.

Selling a share in a property is also not always as easy as it could be, the study found. For example, if shared owners find that they want or need to buy another shared ownership property, they are impeded by policies on eligibility, which favour first-time buyers and social tenants, but not existing shared owners. Many shared owners find the up-front costs of trying to sell a share in a home, particularly valuation, off-putting.

Another disincentive is the “nomination period”. Under shared ownership leases, there is a period (usually eight weeks), during which the housing association has the right to market the property to potential buyers. During this period the property is not on the open market. This was found to frustrate many shared owners who felt that housing associations were not doing the job of marketing the property as efficiently as estate agents – although the report found that the approach of housing associations varied quite widely.

Complexities around the way in which mortgage lenders lend to new buyers also mean that shared owners who have improved their properties cannot, in practice, always recoup the full value of the improvement they have made when they sell their share. “This can cause disruption to sales and frustration for sellers,” the report notes.

Staircasing is a surprisingly limited practice, the report found. Of the estimated 145,000 shared ownership properties sold in England, only

27,908 have been staircased to a level of 100% since 2001.

At root, this appears to be the case because many shared owners simply cannot afford to buy their property in full, even on a gradual basis. Beyond this, however, the study suggests that they are deterred by associated costs, like valuation, and need better information about the process to understand the financial costs and potential gains.

The report makes multiple recommendations about how policies and practice relating to the shared ownership sector could be improved to enable more shared owners to move on. These include ensuring shared owners pay a deposit big enough to afford them some protection during a housing market downturn.

The researchers also suggest a review of the minimum level of shares sold, with a view to ensuring that new purchasers are better placed to move to full ownership over time. It adds that measures could be taken to ensure that shared owners looking to move within the sector get the same priority as social tenants.

To improve opportunities for staircasing, the report recommends that housing associations look at the cost effectiveness of contributing towards the cost of staircasing themselves, and that they consider a targeted, individually tailored approach to the process.

Kush Rawal, Assistant Director, Sales and Marketing at Thames Valley [Housing](#), said: “This report proves that shared ownership is still a popular product and properties continue to be in high demand. The findings give us insights that provide a real opportunity for the industry to work together to help our customers realise the opportunities that shared ownership offers. That means making sure that we do what we can to help people who want to own a 100% share of their home, or to sell their share and move on.”

Provided by University of Cambridge

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