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This review of 'Affordable' Housing looks at the low cost home ownership (LCHO) sector and, in particular, affordable housing schemes covering shared ownerships, shared equity, resale price covenants and other LCHO arrangements. Data is from the Halifax housing database for the period 12 months to April 2013, the CML, the HMRC and the department of Communities and Local Government (CLG)

Affordable housing gives first time buyers a leg up onto the ladder

Two thirds of affordable housing sales accounted for by first time buyers

First-time buyers remain the biggest beneficiaries of affordable housing schemes, accounting for 65% of purchases over the last year, according to Halifax's latest Affordable Housing Review.

This is significantly higher than the 40%¹ of all home purchases made by first-time buyers over the same period. Overall, there were 14,737² purchases of homes made by all buyers under the various shared equity and shared ownership schemes in 2012/13.

The schemes have particularly helped younger buyers, with 40% of all affordable home buyers in the age band 20 to 29; a significantly higher proportion than in the market as a whole where they make up 25% of all housing sales.

However, in spite of the success of affordable housing schemes amongst this group, there is a lack of understanding of the support available to first-time buyers through the Government initiatives such as NewBuy and Help to Buy. Less than a third (30%) of 20-45 year olds have welcomed the initiatives or think they work at encouraging and helping people to get on the property ladder³.

Craig McKinlay, Halifax Mortgage Director, says: "Many of the affordable home ownership schemes available have been designed specifically to help first-time buyers get on the ladder and boost new build sales. They can help people realise their ambitions to become homeowners, whilst also providing the potential to boost levels of housebuilding, which could help to alleviate housing supply issues.

"The recent introduction of the Help to Buy equity scheme may well play an important role in meeting demand by targeting all buyers, not just those buying for the first-time. The Help to Buy mortgage guarantee, to be launched in January 2014, will also extend assistance to buyers looking to purchase existing properties as well as new builds."

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Halifax has looked at the typical profile of someone buying a home under 'affordable' housing schemes which include shared ownership, shared equity and other low cost house purchase arrangements.

Average price of properties bought under affordable homes schemes

The average price paid for properties purchased under the various affordable housing schemes in Britain is £167,955⁴. This is 10% lower than the £185,324⁴ average for all house purchases.

Regionally, the highest average price paid by purchasers using these schemes is in London (£228,560) whilst the lowest is in the North East (£132,483). In London, the average value of a property sold in a scheme is 25% lower than the regional average for all housing transactions.

The average price paid by FTBs using the schemes is £141,245; this is just under the average price paid by all FTBs (£142,839) for all housing. Despite the lack of difference in prices at the UK level, FTBs in London pay an average price under these schemes that is a fifth lower (21%) than the average price paid by all FTBs in the capital (£201,208 against £256,154).

New Build

In the past 5 years many of the schemes under the umbrella of affordable homes have been designed not just to help FTBs purchase homes, but also to stimulate the new build sector. In the year to April 2013, 75%⁴ of properties bought under affordable home ownership arrangements were newly built properties.

Geographical Comparisons

16% of all affordable housing transactions in the 12 months to April 2013 were in the South East followed by Scotland (14%), followed by North West, the South West and West Midlands (10%). These figures mirror the geographical distribution for all housing transactions; for example, 18% of all property sales are in the South East.

Incomes

The average gross annual income of an affordable home buyer is £28,350⁵. The average income of those buying under these schemes is £4,344 (13%) lower than the average earnings for those

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in full time employment (£32,694⁶). Regionally, the average income of buyers under these schemes varies from £46,721 in London to £24,518 in North West.

ENDS

Notes to editors:

- Lloyds Banking Group has committed £6.5bn to support over 60,000 first time buyers get on the property ladder and is well on its way to exceeding this target.
- The Group helped one in four first-time buyers in 2012; helping more than 55,000 people buy their first homes. We approve nine out of ten first time buyer applications through Halifax.
- To date, Halifax has helped approximately 1900 buyers' purchase through NewBuy, representing 1 in 3 of all applications and completions on the scheme.

¹ Council of Mortgage Lender for house purchases in year to March 2013

² This includes purchases under Affordable Home Ownership schemes in Table 1012 in <https://www.gov.uk/government/statistical-data-sets/affordable-housing-starts-and-completions-funded-by-the-hca-and-the-gla-2012-to-2013>

³ Findings from Halifax's 2013 Generation Rent Report

⁴ Affordable housing sales to new build sales and crude average price data from the Halifax House Price database. The prices used are simple arithmetic ('crude') averages. These prices are not standardised and therefore can be affected by changes in the sample from period to period. Data is for the period 12 months April 2013.

⁵ Based on income of main applicant on the mortgage form

⁶ This compares average earnings of affordable home buyers against those in full time employment. Data is from the Halifax and the ONS.

Definition of Affordable Housing

This review of 'Affordable' Housing looks at the low cost home ownership (LCHO) sector and, in particular, affordable housing schemes covering shared ownerships, shared equity, resale price covenants and other LCHO arrangements.

It is not concerned with affordable housing in the social rented sector, which provides accommodation to eligible households whose needs are not met by the market.

Lenders would still process mortgages under these schemes with regards to affordability and creditworthiness of customers.

Low cost Homeownership Schemes sponsored by the Government

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For residents in England there are various Government led schemes to provide potential buyers with financial assistance for home ownership.

There are 4 types of scheme:

- Help To Buy equity loans
- shared ownership
- NewBuy
- Help To Buy mortgage guarantees - available from January 2014

Help To Buy equity loans

With a Help To Buy equity loan (this has replaced FirstBuy), you buy your newly built home with at least 75% of the cost met by a mortgage and a deposit of at least 5% of the purchase price. The rest is paid for by the government through an equity loan.

Help To Buy equity loans are open to both first-time buyers and home movers on new-build homes worth up to £600,000. You won't be able to sub-let your home.

Further details see <https://www.gov.uk/affordable-home-ownership-schemes/help-to-buy-equity-loans>

Shared ownership schemes

Shared ownership schemes are provided through housing associations. You buy a share of your home (between 25% and 75% of the home's value) and pay rent on the remaining share. Buyers will need to take out a mortgage to pay for their share of the home's purchase price. In addition, shared ownership properties are always leasehold.

Further details see <https://www.gov.uk/affordable-home-ownership-schemes/shared-ownership-schemes>

NewBuy

NewBuy lets you buy a newly built home with a minimum deposit of 5% of the purchase price.

Further details see <https://www.gov.uk/affordable-home-ownership-schemes/newbuy>

Help To Buy mortgage guarantee

A Help To Buy mortgage guarantee lets you buy a newly built home or an existing property with a minimum deposit of 5% of the purchase price.

Help To Buy mortgage guarantees will be open to both first-time buyers and home movers. You won't be able to get a Help To Buy mortgage guarantee if you're planning on renting out the property.

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Help To Buy mortgage guarantee scheme is due to start in January 2014.

Further details see <https://www.gov.uk/affordable-home-ownership-schemes/help-to-buy-mortgage-guarantees>

MI New Homes Scheme in Scotland

For Scottish residents the MI New Home scheme allows creditworthy borrowers to access 90 to 95 per cent 'loan to value' mortgages from participating lenders to buy new-build homes in Scotland, with a maximum sales price of £250,000. For further details see <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/BuyingSelling/minewhome/details>

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