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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.

Affordable housing provides a gateway into the housing market for many first-time buyers

67% of affordable housing sales accounted for by first time buyers
79% of affordable housing sales are for new houses

Government sponsored schemes are helping potential buyers to access the housing market by reducing the costs of buying a property. Halifax has looked at the typical profile of someone buying a home under 'affordable' housing schemes as well as the type of properties bought and compared them with the market as a whole.

Profile of properties bought under affordable schemes

The average price paid for properties purchased under shared ownership, shared equity and other low cost house purchase schemes is 12% lower than the average for all houses, at £161,839¹. The highest average price paid using these schemes is in London (£243,841) whilst the lowest is in the North East (£132,684).

Regionally, the biggest difference between the average price paid under low cost house purchase schemes and buying without such assistance is in London where the average price paid is almost one fifth lower (£243,841 against £298,972).

Properties bought under affordable housing schemes are typically smaller than a typical property with an average of 4.4 rooms not including kitchens and bathroom/toilets. This is almost one room smaller than the 5.2 average for all houses. The difference in size partly reflects the fact that 42% of affordable housing buyers are single adults, which is significantly higher than their 29%² share of all households in the UK.

Nearly three in ten homes bought under affordable housing schemes are flats. This is nearly double the proportion of all home sales accounted for by flats. 79% of properties bought under affordable home ownership arrangements are newly built properties.

16% of all affordable housing transactions in 2011 were in the South East (16%) followed by Scotland (15%), North West (11%) and the South West (10%). London accounted for 5%.

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Profile of homebuyers

More than two-thirds (67%) of those purchasing a home under affordable housing schemes are first-time buyers. This is more than double the proportion of all those buying a home with a mortgage (30%).

The average age of buyers is 32. Almost a half (49%) are in the age band 20 to 29 with a further 31% between the ages of 30 to 39. In contrast, only a quarter of all house buyers are aged 20 to 29. These schemes are, therefore, enabling more young people to get onto the housing ladder.

The average gross annual income of an affordable home buyer is £26,704. The average income of those buying under these schemes is 6%³ lower than that for all buyers (£28,524). Regionally, the average income of buyers under these schemes varies from £41,947 in London to £22,660 in Yorkshire and the Humber.

Martin Ellis, housing economist at Halifax, commented:

“Affordable home ownership schemes offer a cheaper alternative to buying a home but with the flexibility of allowing the occupiers to increase their share over time. This has particularly been true for first-time buyers who account for the largest share of the market. Of all the various low cost home purchase schemes, those under the builders' own shared equity schemes and FirstBuy umbrella have proved to be the most popular.

“Whilst shared equity and other affordable housing schemes have historically performed strongly, new schemes such as the government's New Buy initiative will also play a role in meeting demand and helping to support first-time buyers.”

Editors' Notes:

¹ 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 from the Land Registry for the period 12 months December 2011.

² ONS 2012

³ This compares average earnings of affordable home buyers against those in the overall market.

Definition of Affordable Housing

In this review, affordable housing is housing provided to eligible households whose needs are not met by the market. It includes shared ownership and shared equity loans and other low cost homes for sale.

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Low cost Homeownership Schemes sponsored by the Government

Shared ownership and shared equity are different options for LCHO. With an equity loan, you buy your home with at least 75 per cent of the cost met by a mortgage and savings (deposit). The remaining cost of the home if on the FirstBuy scheme is paid for jointly by the house builder and the government or if this is taken on a house builders own scheme, solely by the house builder. On a FirstBuy the government and the house builder will then receive the same percentage share of your home's price when you sell it of the market value at the time of sale.

Through a **shared ownership scheme** you pay for a share of between 25 per cent and 75 per cent of the home's value. The housing association owns the remaining share of the value of your home on which you pay rent. Shared ownership properties are always leasehold homes, usually 99 years.

Two particular schemes including Low-cost home ownership schemes for newly built homes and an Equity Loan Scheme have been introduced.

For Low-cost home ownership schemes for newly built homes please refer to:

http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG_4001347

For an explanation of how shared equity schemes operate, please refer to:

http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG_171504

For further details on the FirstBuy scheme please see:

http://www.direct.gov.uk/en/NI1/Newsroom/DG_197938

List of HomeBuy products is on the HCA site at

<http://www.homesandcommunities.co.uk/ourwork/affordable-home-ownership>

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