



Not for broadcast or publication before 00:01 Hrs on Monday 22nd August 2011

This review of Affordable Housing looks at the recent trends in the low cost home ownership sector in England since 2007/08. Data is gathered from Tenant Services Authority CORE (TSA, COntinuous REcording) database and the Communities and Local Government. CORE only records sales data from providers registered with the Tenant Services Authority. **For more details of CORE and Low Cost Home Ownership schemes please refer to Editors' Notes.**

LOW COST HOME OWNERSHIP SCHEMES INTEGRAL TO HOUSING MARKET, SAY HALIFAX

Low Cost Home Ownership Schemes (LCHO) have faced significant challenges since the recession, but are a vital part of the housing market, a new review of affordable housing by Halifax demonstrates.

Since 2007/08 there have been almost 45,000¹ new homes built under various LCHO schemes. In 2009/10 new LCHO homes represented around 13% of total private enterprise and Housing Association sales – an increase from the 8% recorded in 2006/07 before the financial crisis began.

Low Cost Home Ownership (LCHO), which includes such schemes as shared equity and shared ownership, has been promoted by past and present governments as a means to enter into home ownership for families and individuals who cannot afford to purchase on the open market without assistance. The Halifax review shows that **shared ownership and shared equity** are by far the most popular LCHO schemes for buyers, accounting for 87%² of total sector transactions – up from 79% in 2007/08.

Since the start of the recession many of the schemes have been designed as an incentive for house builders to invest in new home provision as well as to help buyers with affordability. While seven out of ten LCHO buyers are in full-time employment, average annual gross earnings stood at just £23,502 for LCHO buyers in 2009/10. The average age of the buyer is 36, up from 34 in 2007/08.

Recession Challenges

Low Cost Home Ownership schemes are nonetheless operating in a challenging environment. Total housing transactions in England have fallen by 41% in the two years to 2009/10 and this has impacted LCHOs too. The sector has suffered since the financial crisis began in 2007 with the number of LCHO transactions recorded by providers registered with the Tenant Services Authority falling by 44% (2009/10) over the period since 2007/08.

Nitesh Patel, housing economist at Halifax, commented:

"The Low Cost Home Ownership sector is small, but it is very important as it brings together builders, buyers, mortgage lenders and the government in helping some buyers onto the housing ladder.

"The sector has not been immune to the difficulties of an uncertain housing market, and there is still much work to do. However, schemes such as FirstBuy should have a positive impact, and we support efforts such as these to ensure that affordable housing is more readily available."

LCHO schemes include: New Build HomeBuy, a shared ownership option which offers new homes for sale on a part buy/part rent basis; HomeBuy Direct, a shared equity scheme which helps the purchaser

buy a selected newly built property with the assistance of an equity loan; with FirstBuy, the government's recent housing initiative announced in the latest budget, an equity loan funding of up to 20% of the purchase price is provided by the Homes and Communities Agency and a housebuilder, with purchasers being required to raise funding (a mortgage plus deposit) of at least 80% of the purchase price.

Notes: ¹ Communities and Local Government: Affordable Housing Supply October 2009; and Housing Statistics Housebuilding, Permanent Dwelling Completions. The new built figures are a combination of LCHO new builds in public sector and by private developers with a S106 agreement and with and without a public grant.

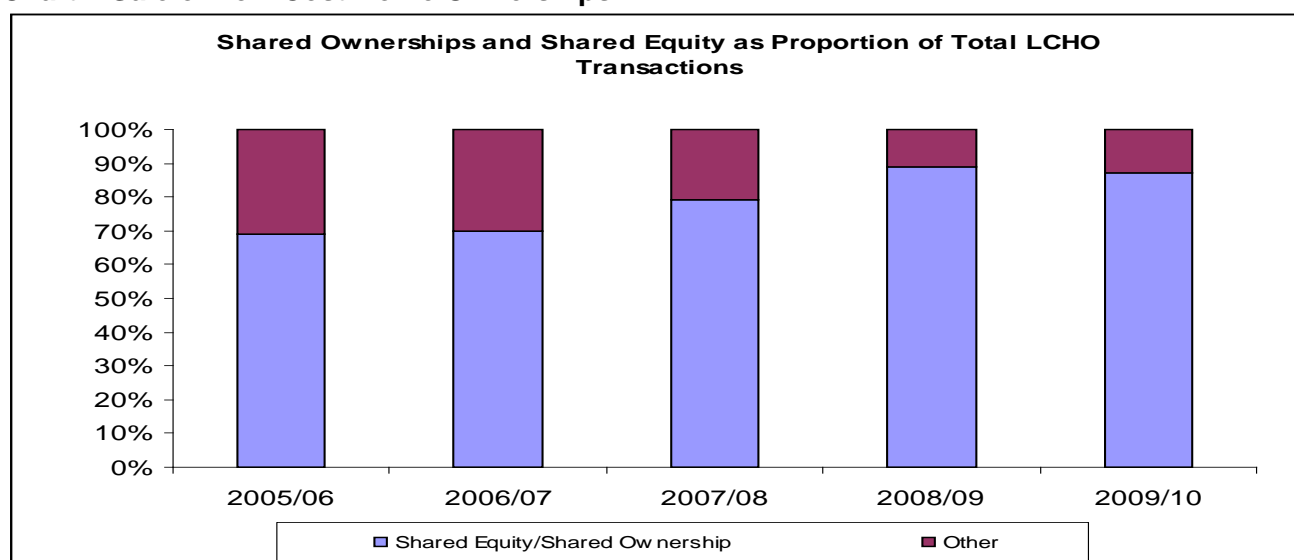
² The other LCHO products are Right to Acquire, Right to Buy and other outright sales.

Additional Key Facts

Despite the fall in transactions, prices remained unchanged on average during the same period. However, the two regions with the largest share of LCHO transactions have seen average prices become more affordable. Whilst the average price is 2% lower in London at £212,701, in the South East the average price of £157,803 in 2009/10 is 9% below the level in 2007/09. In both cases that represents an improvement in affordability of 3-4% against open market transactions.

In 2009/10 London and the South East accounted for over half (51%) of all LCHO transactions in England. This is not surprising given the higher average house prices in these regions. A further 23% of sales were in the East and the South West. The concentration of LCHO transactions in London and the South East has increased since 2007/08 when the proportion was 46%.

Chart 1 Sale of Low Cost Home Ownerships



Source: Tenant Services Authority - CORE (covers only sales by providers registered with the TSA)

Table 1 Key Household Characteristics for LCHO Sales

	2006/07	2007/08	2008/09	2009/10
Average gross household income ^a	£17,938	£21,111	£24,282	£23,502
Average Price of Sales	£143,820	£158,375	£167,304	£160,672
Average Age	34	34	35	36
Average Equity ^b	49%	46%	42%	39%
Average monthly rent on a shared ownership property	£200	£212	£227	£243

Source: Tenant Services Authority CORE and estimates by Halifax

Note: ^a Average income is the gross annual income of the head of the household including benefits except housing and council tax, and excluding income from investments.

^b Average equity is the percentage of property held by the occupier at the time of purchase

Editors' Notes:

Data sources:

Statistical Release 2009/10 CORE- COntinuous REcording of lettings and sales; an interactive database for sales, average price, incomes, and other transactions related data. CORE only records from providers registered with the Tenant Services Authority and above a certain size threshold (e.g. 250 properties; though smaller and unregistered providers are encouraged to submit).

Communities and Local Government: Affordable Housing Supply October 2009; and Housing Statistics - Housebuilding, Permanent Dwelling Completions.

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 70 per cent of the cost met by a mortgage and savings (deposit). The remaining cost of the home is paid for by the government and the house builder through an equity loan. The loan is called an equity loan because its value changes based on how much your home is worth. This means the amount you owe will rise and fall with the value of your home. The home's title will be in your name, which means you can sell your home at any time. The government and the house builder will then get the same share of your home's price when you sell it of the market value at the time of sale.

The **shared ownership scheme** can help you buy a home if you can't afford to buy one on the open market. Through the 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. You will then pay rent on the landlord's share. The rent is up to 3 per cent of the share's value. Shared ownership properties are always leasehold homes. This means you own them for a fixed period of time, usually 99 years. When you buy your home, you become the owner of the lease. The housing association will grant you a lease for the fixed period, which also sets out your rights and responsibilities, and those of the landlord.

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>

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance."

Ends

Press Office Contacts:

Press Office: 0207 356 2374

Emma Partridge Tel: 01902 325 180 Mobile: 07824 471 951

Nick Osborne Tel: 0207 356 1714 Mobile: 07872 819 065

For further information please contact

Helpline No: 08456 045404

Email: housingeconomics@lloydsbanking.com

ISDN facilities are available for broadcast media interviews