

Movement of households in shared-ownership housing in the UK

Findings
Informing change

November 2008

This research examines the ability of people in low-cost shared-ownership housing schemes to move within the sector, and out of it, as their aspirations or needs change.

Key points

- People in shared ownership schemes (shared owners) move less frequently than social or private sector tenants or people buying their home with a mortgage. Some shared owners are able to move on due to improvements in their financial position but many remain unable to afford a mortgage on a whole property.
- New shared owners are frequently single and often female, and existing shared owners include many lone parents and low-income families.
- Shared owners' typical starting investment in their homes has declined from 50 per cent to 40 per cent, with 25 per cent shares now more common.
- For many, shared ownership has become a permanent housing solution. It cannot be regarded as just a 'stepping stone' to full home-ownership since it seems only half of those moving home in the sector move on to full ownership.
- For households unable to buy on the open market, being able to move within the shared-ownership sector is important. This is not always acknowledged or supported by shared ownership providers.
- There is confusion over whether shared-ownership provides affordable market housing or is another form of social housing. Clarification is needed to focus the role of providers in supporting or controlling the ability of shared owners to move on to their next property.

The research

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Background

Low-cost home-ownership initiatives are a key element of housing policy across the UK, as the various shared-ownership (part-rent, part-buy) and shared-equity (part-mortgage, part-equity loan) schemes widen access to home-ownership to those on low to moderate incomes.

This study looks specifically at shared-ownership schemes, which are viewed as a 'foot on the housing ladder' or a 'stepping stone' to full home-ownership.

Research has not previously been conducted into people's ability to move (mobility) within the sector. The aims of this study were to find out if shared owners are able to move on when their housing aspirations or needs change, and in what circumstances they are able to achieve their ambitions to move into full home-ownership by taking on a mortgage, an option that was previously beyond their reach.

Supporting access to home-ownership through the expansion of shared-equity or shared-ownership schemes is a policy ambition across the UK. Developing the low-cost home-ownership sector meets government objectives in encouraging people to acquire their own assets, as well as meeting deep-seated support for home-ownership amongst the public. Although the value of the housing market is in decline, it is likely that shared-ownership and shared-equity products will be an enduring feature of housing policy in the foreseeable future, as they create opportunities to widen access to the perceived benefits of owner-occupation amongst lower-income households. Shared-ownership sales have also become an important element of housing association business plans as profits gained are used to subsidise social rented housing.

Introduction

There is little information on the ability of people to move within the shared-ownership sector. Shared ownership has been regarded as a transitional stage on the way to full home-ownership, but for many shared owners it has become a permanent alternative housing solution to renting and owning. Mobility is important for households to be able to fulfil their changing needs or aspirations, to change jobs and to provide opportunities for new households to get a foot on the housing ladder, even in pressured housing markets.

As shared ownership has attracted substantial investment in recent times, it was timely to consider the longer-term prospects for shared owners.

Shared ownership and mobility

Shared owners often occupy a weak position in the housing market as they are less well off than other first-time buyers and their investment in the market is significantly less. Shared owners are less likely to have well-paid professional jobs and they earn lower wages than other first-time buyers. The properties shared owners purchase are also smaller, with less scope for expansion. Shared owners' homes, in most regions, are valued below those bought by other first-time buyers and the proportion of the homes bought by shared owners has fallen from 50 per cent to 40 per cent. Single households, particularly women, are increasingly common amongst shared owners, and the type of properties offered has shifted increasingly from houses to flats. In two of the case study areas, black and ethnic minority households were over-represented.

The evidence suggests that only 3–5 per cent of shared owners are able to move on to another property. Reasons for wanting to move include seeking larger accommodation or a better neighbourhood and family reasons – to start a family or to be nearer parents. Although shared owners aspire to move on to full home-ownership, it seems that when they do move, not all achieve this goal. Half of the people identified in this study moved to full home-ownership, but others moved to private renting or another shared-ownership property, and even social renting. A third of the shared owners surveyed wanted to move but had not done so because they could not afford it.

Opportunities for and difficulties in moving to full home-ownership

The research identified a number of factors that enabled or prevented shared owners from moving on to full home-ownership. These centred on the circumstances of the household and the local housing market, but also included ways in which low-cost home-ownership providers supported and helped people to move on.

Some shared owners were unable to move on to the open market as they wanted to live in high-cost housing markets, for reasons of family and employment, as well as lifestyle, and they were unable to increase their mortgage borrowing. Some shared owners in low-cost housing markets were similarly constrained by being unable to find inexpensive areas to move to. Other shared owners were able to move on to the open

market by increasing their household income, most commonly by getting jobs in professional occupations with higher wages, or by a single person becoming a couple. Not all single people, however, anticipated ever living with someone else and sharing their housing costs. Another factor that prevented shared owners from taking on additional mortgage borrowing was their age. Several were past retirement age or had too few years left prior to retirement to take on a mortgage at an affordable level.

Most shared owners had made a profit on their share of their home during the recent property market boom, which has now come to an end. Some owners were able to use these profits as a deposit for a full-ownership mortgage, especially if combined with additional income or a move to a less expensive area. However, the profits did not help people move on within their local housing market as the next property they wished to purchase had similarly risen in value. For many shared owners, rising markets prevented them from moving on to full home-ownership as property prices had risen even further out of their reach since their initial purchase. Many shared owners were also unable to increase their investment in their home, to bridge the gap between the value of their current share and open market values, as they could not afford to pay market values to buy more shares in their property. At the time of the fieldwork (summer 2007) demand for shared-ownership properties had not weakened, although the property market had already halted in Northern Ireland, and the slowdown did not appear to have disadvantaged shared-owner households more than other home owners.

Shared-ownership providers have a role to play in supporting mobility amongst shared owners. The major issue is that shared owners have a financial gap to overcome between the value of their current investment in their home and prices on the open market, but very few shared owners take steps to bridge the gap by increasing the shares in their home incrementally. The study found there were few incentives for them to do so. Shared owners would like to be offered discounts on the market value of the unsold portion of their home, making it easier for them to increase their investment in the property.

Many shared owners will remain financially unable to move on to full home-ownership, so being able to move on to another shared-ownership property was important for them. However, not all shared-ownership providers supported shared owners purchasing another shared-ownership home. Even when associations recognised that this service was required, they were not always confident a suitable property or further opportunities would be available. Shared owners did not view a return

to private renting or social housing as attractive options, but did so reluctantly in some instances.

Sales in shared-ownership homes were fragmented, with opportunities and information sometimes difficult to access, even for households already in the sector. The housing associations did not have systems in place to support long-distance moves by shared owners. Resales and, to a lesser degree, shared-ownership opportunities to buy new-build properties are rarely advertised in the 'virtual marketplace' of national home sales websites, which are increasingly important for buyers and sellers in the open market.

Conclusions

The evidence suggests that shared ownership cannot be viewed exclusively as a transitional step towards full home-ownership. Although many successfully achieve full home-ownership, for other shared owners the sector has become another form of permanent housing, offering secure and affordable homes. A significant minority of shared owners are unable to achieve their aspirations of full ownership and also experience difficulties in trying to move within the shared-ownership sector.

A question exists over whether options to move on to another property should be a concern for shared-ownership providers, reflecting a tension between whether shared ownership is market or social housing. It is often marketed as a less expensive route into market housing to meet aspirations and housing demand, then administered and allocated on the basis of social housing, with moves within the shared-ownership sector sometimes only possible on the basis of housing need. Should there be a free trade of shared-ownership homes, within certain eligibility parameters set by the housing associations, or should the trade remain controlled by the providers? This conflict may persist and prove difficult to overcome, but the outcomes for shared owners should be at the heart of any developments in the sector.

Summary of policy and practice recommendations

The research findings suggest some practical ways of improving the shared-ownership sector to enable people to move more easily within and beyond the sector.

- If the policy intention is for the sector to be a bridge to full home-ownership:
 - people in shared-ownership schemes should be encouraged to buy the maximum share they can afford in their homes;
 - providers should avoid offering low shares; and
 - clear incentives should be given to shared owners to increase their investment in their home when they can.
- As key providers, housing associations should assist the movement of shared owners within the sector. Systems could also be developed to enable long-distance moves within the sector.
- The marketing and allocation of shared-ownership homes should be reviewed to ensure the best outcomes for the seller, as well as the housing association. Greater use could be made of national websites to:
 - overcome the fragmented nature of the low-cost home-ownership market;
 - provide a wider audience for resales and new-build opportunities;
 - assist potential buyers with access to and information about the sector; and
 - support long-distance moves.
- Best practice on valuations and the added value of shared owners' home improvements should be fostered to overcome circumstances where the owner is financially disadvantaged when selling their property.

- Options such as equity release in retirement need to be better tailored to long-term residents in shared-ownership properties.
- Data resources in the sector need an urgent overhaul both to inform housing associations' business planning and develop greater understanding of this important policy arena.

About the research

The research was conducted across six case study areas: Glasgow, Belfast, Cardiff/Newport, London, Milton Keynes and Cornwall. Interviews were conducted with housing professionals involved in the shared-ownership market as well as shared owners who were moving or had moved, or who wanted to move but had not yet done so. A survey was conducted of shared owners who had lived in their homes for more than three years or who had expressed an interest in moving or increasing their shares in their home in the last 12 months. A small survey of housing associations was also conducted and all data was supplemented with analysis of statistical and administrative datasets.

Further information

The full report, **Achieving mobility in the intermediate housing market: moving up and moving on?** by Alison Wallace, is published for the Joseph Rowntree Foundation by the Chartered Institute of Housing (ISBN 978-1-905018-70-3, price £16.95). It is available from the Chartered Institute of Housing, Octavia House, Westwood Way, Coventry CV4 8JP, tel: 024 7685 1700, email: pubs@cih.org. (Please add £3 p&p.) You can also download this report free from www.jrf.org.uk.

Published by the Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP. This project is part of the JRF's research and development programme. These findings, however, are those of the authors and not necessarily those of the Foundation. ISSN 0958-3084

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