

A PROBLEM SHARED

BOOSTING THE
SUPPLY OF SHARED
OWNERSHIP HOUSING
IN LONDON



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INTRODUCTION

Shared ownership is a type of housing that allows the purchaser to buy a share of a property, whilst paying rent on the part that they do not own, usually to a housing association or a local council. Having purchased an initial share, people can then buy further shares as they go along- a process known as 'staircasing'.

Shared ownership offers the opportunity for those who aspire to home ownership to gain a foot on the housing ladder, especially if they are unable to purchase a property on the open market. It is a form of 'intermediate' housing, targeted at those who do not qualify for social housing, but would not be in a position to purchase a home at full cost. For many people in this position, the alternative would be private renting, making it very difficult to save for a sufficient deposit to buy their own home. By contrast, under shared ownership, they are able to gain equity in their home and benefit from the uplift in the property's value.

A recent report by 'Inside Housing' found that shared ownership is generally successful in helping those on lower incomes. According to a survey of 43 housing associations, 19 of which are based in London and the South East, the average income of a shared ownership buyer is £30,347, which is 25% lower than the average first time buyer income of £41,000.¹

By comparison, traditional home ownership in London is in decline due to rising house prices and a lack of supply, with just 50% of homes in London owner occupied. Shared ownership and other low cost options can offer a real opportunity to help broaden home ownership in London, especially those on low and middle incomes.

Given this potential, an increase in supply of shared ownership homes would have clear benefits for Londoners and London's wider housing market. It would ensure that the opportunities for home ownership are spread as widely as possible to those who would not otherwise be able to reach the ladder. It would boost overall housing supply, benefitting London's wider housing market and construction sector. It would also improve the shared ownership tenure itself by creating a more self-sustaining market; for example by creating a larger resale market, providing that any constraints preventing this can be dealt with.

The previous mayoralty under Boris Johnson saw a significant emphasis on low cost home ownership, including shared ownership schemes, through the First Steps programme. The number of such homes was expanded, with over 27,000 built between 2008 and 2016.² It is important that this legacy is continued and built upon. The current Mayor, Sadiq Khan, pledged support for new 'part-buy part-rent' homes in his election manifesto³. However, while this sentiment is certainly welcome, there is currently very little detail on how this will be achieved, or what the scale of the Mayor's ambitions will be in this area.

There are a number of ways in which the Mayor should act to boost shared ownership in London.

1. <http://www.insidehousing.co.uk/shared-ownership-2/7015633.article>
2. https://www.london.gov.uk/sites/default/files/affordable_housing_starts_and_completions_-_end_of_july_2016.pdf
3. http://www.sadiq.london/homes_for_londoners_manifesto

A TARGET FOR 10,000 SHARED OWNERSHIP HOMES PER YEAR

The Mayor should set a fixed minimum target for the delivery of new shared ownership homes per year. Such a target, included within the London Plan and the Mayor's Housing Strategy, would ensure that affordable housing funds could be directed appropriately, and provide strategic guidance and direction for local planning authorities and housing associations across London. Such a target could also be monitored through the London Plan's annual monitoring reports, which would enable the public accurately to judge whether sufficient numbers of shared ownership homes were being built. The GLA's latest Strategic Housing Market Assessment (SHMA) found that London needs 9,902 intermediate homes a year⁴. This suggests that an appropriate target could be 10,000 new shared ownership homes a year.

A LONDON RIGHT TO SHARED OWNERSHIP

According to Shelter, 43% of social housing tenants aspire to own their own home, and just 44% of tenants would prefer to remain in social housing in the long term⁵. Whilst Right to Buy offers an attractive route to full home ownership for many of these tenants, the circumstances of other tenants may suit a more gradual approach to home ownership. A London right to shared ownership could offer an alternative option, giving tenants the option to purchase a share of their home from their local council or housing association and to staircase into full ownership. It would provide capital to councils and housing associations to invest in new homes, whilst providing social housing tenants with a path towards home ownership. Tenants who had lived in their homes for a minimum period, such as 2 or 3 years, could be given the opportunity to purchase a lower initial share, such as 10%, rather than the current 25%, which can be prohibitive for those with lower incomes. Such an arrangement would best be co-ordinated on a voluntary basis with councils and housing associations, which the Mayor would be uniquely placed to broker.

NEW SOURCES OF INVESTMENT AND SUPPLY

Shared ownership could potentially offer an attractive form of investment for long term investors: for example, institutional investors such as pension funds, or sovereign wealth funds. This would offer a new source of capital to fund the construction of new shared ownership homes, boosting overall supply in the housing market, as well as providing stable and long term investment into this tenure. According to Savills, for investors this could provide a new asset class, a secure income stream, a steady level of receipts from staircasing, and could potentially be less risky than other forms of housing investment such as the private rented sector. Savills estimates that a typical investment in shared ownership could provide an 8% rate of return on a portfolio of 100 homes.⁶ For similar reasons, whilst shared ownership is currently only offered through housing associations, it could be advantageous for private developers to enter this market and provide shared ownership homes directly.⁷ Such an arrangement would provide another source of supply

4. [The London Strategic Housing Market Assessment 2013 \(SHMA\)](#), GLA, 2014, p2

5. [Homes for forgotten families](#), Shelter, 2013, pp9-10

6. <http://www.insidehousing.co.uk/shared-ownership-2/7015633.article>

7. Ibid

in addition to the capacity of housing associations to deliver shared ownership homes. This is again an area where the Mayor could help to co-ordinate this new investment and supply, particularly on GLA or TfL-owned land.

INVESTMENT FROM SALES OF HIGH VALUE COUNCIL HOMES

The latest reforms to Right to Buy include a provision for the sale of high value council homes when they become vacant. The new Housing and Planning Act includes a 'two for one' provision for London, where each home sold should be replaced by at least two new affordable homes⁸. This creates a potential source of new investment in shared ownership homes. London boroughs could potentially agree to allocate a certain proportion of these homes to shared ownership provision, perhaps as many as 50%. The Mayor should hold discussions with London boroughs to explore the possibility of such an approach.

RECOMMENDATIONS

RECOMMENDATION #1 - The Mayor should set a minimum target of at least 10,000 shared ownership homes per year to be delivered across London.

RECOMMENDATION #2 - The number of shared homes delivered per year should be specifically monitored in the London Plan's annual monitoring reports.

RECOMMENDATION #3 - The Mayor should work with London boroughs and housing associations to establish a London Right to Shared Ownership for affordable housing tenants.

RECOMMENDATION #4 - The Mayor and housing providers should work with institutional investors, private developers and others to seek new sources of investment and supply for the shared ownership housing tenure.

RECOMMENDATION #5 - The Mayor should work with London boroughs to ensure that a suitable proportion of replacement homes from the sale of vacant high value council homes, under the Housing and Planning Act's new 'two for one' rule, are shared ownership homes.

8. [Housing and Planning Act 2016: Explanatory Notes](#), p39



FEEDBACK

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