

Dataspring

Low Cost Home Ownership in different housing markets

**Youngha Cho
Christine M E Whitehead**

March 2006

Low Cost Home Ownership in different housing markets?

Summary

Introduction

- The most important proactive policy to assist households into homeownership continues to be the Right to Buy which has helped almost two million council tenants to purchase their own homes.
- Low cost homeownership schemes (LCHO) aim to make available additional housing for those unable to afford to buy wholly from their own resources.
- Shared ownership (SO) and Homebuy both aim to help social tenants and those on the housing waiting list to achieve partial, and ultimately, full homeownership, based on new build or market housing. The Starter Home Initiative and Key Worker Living policies have been more closely targeted but are based on similar principles.
- All of these LCHO initiatives are both relatively small scale and quite tightly constrained in order to ensure that benefits go to those who both can achieve sustainable homeownership and who cannot do so without assistance.
- A further objective in some circumstances is to vacate social housing so that it becomes available for those in greater need. It is therefore important to understand in some detail exactly who is able to benefit from the different schemes and whether the outcomes are consistent with government objectives.

The Spatial Pattern of LCHO Sales

- Over most of the last decade SO has dominated the LCHO market. Homebuy has been quite limited although funding has been increasing and increasingly concentrated on the more specific employment related initiatives.
- The vast majority of SO sales have occurred in London and the South and that proportion has been growing since 2000. Homebuy is even more directed at London and the South although the proportion in the Midlands has lately been growing. If SHI/KWL is included the extent of concentration in pressure areas is even greater.

Who are the purchasers?

- The most important group buying SO are single adults, followed by couples.

- The proportion of family households has fallen very significantly over the period especially in the North.
- Except in the North, where there are anyway very small numbers, almost all purchasers are economically active. Moreover over a third (i.e. a significant majority of those with at least two adults in the household) have two or more workers.
- Homebuy purchasers are far more likely to be family households, although again the proportion is falling. Outside the South a significant proportion are single parents. The proportion of BME households is also higher. Almost all are economically active but the proportion of 2+ workers is lower outside the South.

What do they buy?

- The majority of SO dwellings have been houses but the proportion of flats is growing rapidly and now accounts for nearly 50% of sales.
- The majority of units purchased are two bedroom homes, although the proportion of one bedroom units is growing. Homebuy dwellings are very different – far more likely to be houses even in the South, with a significant majority being three+ bedrooms.
- The proportion of SO purchasers who were social tenants immediately before purchase has fallen rapidly and now accounts for around 12% of buyers. Private tenants and living with friends and family dominates.
- The majority of Homebuy purchasers in 1999 came from the social sector. However the proportion is now much lower with more coming from the private rented sector or from living with friends and family. Homebuy purchasers are also far more likely to have been on the waiting list than SO purchasers.

House Prices

- The values of properties bought in London and the South are around 50% higher than in the rest of the country and have been rising more rapidly. In 2004 they were more than double the values in 1995 – as compared to 80% higher in the Midlands and 50% in the North.
- Homebuy properties are cheaper than SO in the South but the relationship elsewhere varies. On average, both are around 20% cheaper than average property prices, except in the North.

Income Profiles

- Median incomes are around 40% higher in London and the South than elsewhere in the country, while the incomes of Homebuy purchasers, although varying across regions and over time, is around 20% higher than for SO purchasers. Their incomes are also very significantly below that of first time buyers perhaps by as much as 30% for shared ownership and 35% for Homebuy purchasers.

Affordability

- The gap between house prices and incomes has increased quite significantly, especially in the South for SO purchasers. The pattern was less clear for Homebuy until 2002.
- Price income ratios have similarly increased over the period although with considerable volatility. At the turn of the century those for Homebuy were around 3.5:1 in all regions. They are now between 4 and 5:1 for SO
- The upward trend is much steeper for SO– from around 4 to between 5 and 6:1.
- SO purchasers have more savings than Homebuy purchasers and those in the South have more than those in the rest of the country. Savings have also been going up over the period. Older households have considerably higher savings.
- Residual income calculations (what people have left to spend after housing costs) suggest that those in the South have a higher capacity to purchase other goods and services than in the Midlands and the North. On average Homebuy purchasers have around 20% more residual income than SO purchasers.
- More detailed analysis by household type suggests that couple and two adult family households have significantly more residual income than lone parents and particularly single person households.
- SO and Homebuy clearly play very different roles with respect to income and property type. SO perhaps have lower incomes and obtain less housing and Homebuy purchasers are less stretched by their purchase .

1 Introduction

1.1 The objectives of the paper

The UK government has identified the need to concentrate investment, both public and private, in the provision of low-cost homeownership (LCHO) as first time buyers find it more and more difficult to access owner-occupation through traditional open market routes. New initiatives are concerned with increasing the role of private finance through equity mortgages as well as providing a range of shared ownership schemes aimed at key workers and pressure areas. This raises important issues for both private finance institution and government: the institutions are taking on new risks about which they know little, while government wishes to target assistance closely on those who cannot achieve owner-occupation in other ways.

This paper reports on a project looking at how the benefits and risks vary between areas under current schemes. Using secondary data from 1995 – 2004, the paper aims to identify key issues relating to the demand for existing low cost homeownership schemes concentrated on:

- (i) whether the pattern of LCHO sales varies across different types of local housing markets (measured by the extent of pressure in the market and the gap between social housing and market housing costs);
- (ii) the attributes of LCHO purchasers and how they differ between areas; and
- (iii) the extent to which these groups and the dwellings they purchase represent different financial risks by identifying how the LCHO group fits within the local income distribution, and the property values compare to the distribution of the local house prices.

Conclusions will then be drawn about the extent to which schemes are supporting appropriate groups from the point of view of government and financial institutions.

1.2 Policy background

A recurring theme in UK government policy over the last twenty five years has been the objective of increasing the extent of sustainable home ownership, first from the relatively low level of 55% of the 1970s to rates near or above the European average of around 70% (Freeman et al, 1996) - and how raise this proportion still further to perhaps 75%. (Scanlon & Whitehead, 2004; ODPM, 2005).

As a result of both general finance and housing policies and specific initiatives over the last decades the home ownership rate has risen from around 56% in 1980 to almost 70% in the twenty first century (Whitehead, Gibb & Stephens, 2005a). A significant part of this growth has been achieved by policies that have actively helped social tenants to buy their own homes via the Right to

Buy (Munro, Monk & Pawson, 2005) which has transferred nearly 2 million dwellings from social into private ownership.

Another element of this policy has been the development of low-cost homeownership schemes that help tenants and potential Homebuy purchasers to purchase their own homes through shared ownership and other limited subsidy initiatives (Booth and Crook, 1986). These initiatives have over much of the period been relatively small scale and the emphasis has tended to be on traditional shared ownership (Housing Corporation, 2003; Whitehead, Gibb and Stephens, 2005b). However as both the economic environment and housing opportunities have changed the emphasis on this type of approach has grown.

In the late 1990s a new shared equity mortgage product, Homebuy was introduced with some success aimed particularly at those wanting to purchase from the existing market stock. At the same time housing affordability and the public sector recruitment crisis emerged as two critical social problems, especially in the South East. In 2001 the government launched the Starter Homes Initiative (SHI) to help combat the recruitment crisis occurring in the public sector, aiming to help 80,000 key workers buy their first homes in areas where house prices are particularly high, mainly in the South East (ODPM, 2002). This was replaced by the Key Worker Living initiative based on Homebuy principles. In 2005 the government has announced a range of new schemes for sustainable home ownership and identified the need to concentrate investment, both public and private, in the provision of low-cost homeownership (LCHO) scheme. These both consolidate existing approaches and aim to bring in further private sector commitment (ODPM, 2005).

This raises important issues for both private institutions and government. The private institutions are taking on new risks about which they know little, while government wishes to target assistance to those who cannot achieve owner-occupation in other ways.

It is in this policy context that this paper addresses the issues of who has been finding the main established schemes beneficial and therefore the extent to which the new initiatives might help achieve current objectives.

Section 2 of the paper sets out in more detail the economic rationale for the policy and therefore the criteria in which the policy might be judged and the more immediate and practical barriers identified by the Home Ownership Task Force on which current government policy is stated to be based (Housing Corporation, 2003; ODPM, 2005).

The two policies of particular relevance are: -

- Traditional Shared Ownership which has been the most consistent policy initiative since 1980 which will be phased out in favour of New Build Homebuy; and

- Homebuy, which will be replaced by Market Homebuy including an element of private sector finance.

The empirical questions that we address aim to help clarify who are the client groups for these types of initiative; whether these groups are similar for different types of initiative; and therefore what might be the impact of changing their structure. In this context we look particularly at:

- Whether the patterns of the Shared Ownership and Homebuy sales vary across different types of local housing markets (measured by the extent of pressure in the market and the gap between social housing and market housing costs);
- The attributes of the LCHO purchasers and how they differ between areas; and
- The extent to which these groups and the dwellings they purchase represent different financial risks and achieve affordability.

2 Low Cost Home Ownership Schemes: the Objectives

2.1 The Principles

Government housing policy in the UK has concentrated on a number of key issues:

Reducing government expenditure;

Privatisation and deregulation enabling private equity and finance to substitute for public sector funding;

Targeting subsidy on the neediest groups of households;

Meeting housing aspirations and providing choice, particularly with respect to tenure; and

Building a property owning democracy (Whitehead, 1994).

Low cost home ownership initiatives can help address these issues in a direct and coherent fashion:

- First, by targeting social tenants and those on the waiting list who are able to pay more than social rents but not able or prepared on their own to pay full market costs, low cost home ownership initiatives can help reduce government expenditure. Moreover if enabling households to enter owner-occupation increases their savings and asset holdings these households are better able to address variations in income and meet with their own needs as they grow older. Thus it is not just immediate expenditures that are cut but long-term government commitments.
- Second, low cost home ownership initiatives are accompanied by careful discussion with private lenders about the terms and conditions under which finance will be made available. At the same time, the subsidy implicitly provides a safety net for the lenders, reducing the rate to be charged to level similar to those available for better-off homeowners. Risk reduction therefore benefits the potential purchaser by lowering mortgage costs and also increases their incentive to build up their own equity stake.
- Third, if those able to pay more than social rents can be transferred from the social sector rental subsidies can be better targeted on the poorest households. Fourth, over 80% of people questioned in annual surveys undertaken for the Council of Mortgage Lenders, state that they want to be owner-occupiers within 2 years and more than 85% within ten years (CML, various issues) so enabling households to achieve homeownership who otherwise would not be able to do so clearly meets the choice and aspiration agenda, and support the development of a property owning democracy.

It is hardly surprising therefore that a large number of UK government initiatives over the last thirty years have been concentrated on trying to increase sustainable homeownership by limited subsidies targeted specifically at those on the margins of being able to purchase and at those for whom homeownership is most likely to be beneficial. These include existing social

tenants who are regularly employed; potential first-time purchasers unable to purchase because of the high access costs but who should be able to sustain owner-occupation into the future; and older households who missed out earlier on in their lives, but who have had some capacity to save and wish to own.

In household terms those most likely to benefit from the attributes of owning are those in relationships often with children who want to make a stable home and are unlikely to want to move except to improve their housing conditions if their household circumstances get better (Whitehead, 1979).

In the UK, as in very often market-based economies, the possibility of making capital gains from owner-occupation has been of particular relevance, as has been the fear of being excluded from these gains by not being able to enter owner-occupation. This together with changing social factors which means that many households are remaining single, or going through periods of living alone as a result of family break-up can mean that there are large numbers of single person households who wish to purchase. Such households often find it particularly difficult to access homeownership because they rely on one income and are competing with households with two incomes, often purchasing similar property (Wilcox, 2002; Llewellyn Davis etc. 2003). This is an important issue in terms of government policy, which does not generally see helping younger single person households as a high priority (Whitehead, 1998).

It is clear from this analysis that well-directed low-cost homeownership initiatives should have a number of attributes:-

- (i) They should limit deadweight losses – i.e. they should not provide subsidy to those able to pay for themselves into the longer run;
- (ii) They should concentrate on households where the benefits of owner-occupation are greatest, notable couple and family households but also perhaps those for whom there are labour market reasons for assistance;
- (iii) Those enabled to obtain low-cost homeownership should be able to sustain their position without the need for further assistance in the future – i.e. households should not be helped to buy who at the first adverse variation in their circumstances cannot pay the mortgage as well as meet other commitments.

In addition it can be agreed that low-cost homeownership initiatives should be structured to address issues of who can bear different types of risk most effectively and, on the other hand, perhaps to ensure that government shares in any unexpected capital gains – which tends to suggest a shared equity product rather than for instance a capital grant.

2.2 Barriers Identified by the Task Force

The LCHO task force team identified three key barriers that prevent people becoming homeowners (Housing Corporation, 2003).

First, the affordability gap, which means simply that there is a significant differential between household incomes and house prices. Since incomes vary much less than house prices there is a very marked geographical dimension to the affordability problem that is highly concentrated in particular areas and regions. Therefore current LCHO schemes aim to help people into homeownership by reducing the price of housing.

Second, lack of savings to put down a deposit. In 2002, the average deposit provided by first-time buyers varied between £10,000 in the northern region to £40,000 in London (CML, 2003). Transaction costs such as legal fees and stamp duty can also be a significant outlay. Conversely if the savings and deposit are significant, this clearly helps with overall affordability. The saving gap is therefore closely linked to the affordability gap.

In the 1990s, the government tried a homeowner savings scheme where it contributed to the savings being built up for a deposit. This scheme does not appear to have been evaluated. It does not seem that the pure savings barriers are currently very significant given the availability of 100% mortgages but this ignores the other lump sum costs of buying – stamp duty and legal fees (LCHO Task Force 2003). The team emphasizes that transaction costs are significantly higher in other large EU countries, e.g. 13.8% of purchase price in France, 10.4% Spain, 7.4% Italy and 7.1% Germany compared to just 2% of purchase price in the UK

Third, lack of information and knowledge of risks can act as a barrier if people perceive barriers to be greater than they are in reality. Those people who are well informed may have appreciated the full costs of home ownership and realised that ongoing costs are unsustainable. This should be seen as a positive outcome.

2.3 Risks of homeownership

The UK government has already delivered key aspects of affordable home ownership through high and stable employment and low long-term interest rates. But this could change and sustainability remains a concern. People on lower incomes are generally at higher risk, as it is more difficult for them to accommodate changes. Also homeowners are an increasingly diverse sector with more than half coming from the lowest income quintile (Burrows, JRF, 2003).

Research suggests that around 40% of the total home owning population could have difficulties keeping their homes if they experience significant changes in their personal circumstances such as unemployment, serious illness or relationship breakdown (ODPM, 2003).

An important factor here is that many will not have insurance and sufficient savings to tide them over to help the repayments. A best estimate is that only around 35% of new borrowers have some insurance based cover and although the spread by income is reasonable, we know that take-up falls with age and that couples are more likely to have insurance than single people.

The ODPM evaluation report (2002) confirms that sustainability is a serious issue, and that the risks of financial difficulty are as high in regions with high demand as regions with low demand. There is a body of research (JRF, 2003; Gentle et al, 1994) on mortgage difficulties and possessions, which show that the main triggers for difficulty are dramatic changes in the personal circumstances of homeowners (marital break-up, loss or change of job, illness). There is some regional dimension, insofar as the ability of households to sell depends on the state of the local market and the availability of alternative, more affordable housing.

It is also important to aware of risk of over-indebtedness. The evidence here points to the existence of a minority of households who are paying significant proportions - sometimes more than 90% - of their income on debt repayments. Young households, those on low incomes, large families, and those with a large number of credit commitments all fall into this category.

In the following sections we look at the patterns of low cost homeownership sales since 1995 when details of individual purchasers first became available through CORE (the Continuous Recording System). Section 3 gives an overview of their relative importance; Section 4 concentrates on who purchases what; Section 5 looks at income and Section 6 at different measures of affordability.

3 The Pattern of LCHO sales

Between 1995 and 1999, Shared Ownership (SO) accounted for the greater proportion of LCHO schemes at over 50%, but since 2000, Right to Buy has again taken over with SO, now the second largest. It may also be noted that since 2002 SHI steadily increased its share to 27% (only to be replaced by Key Worker Living).

Table 1: LCHO sales pattern by year and region

Year		RTB etc.*	Shared ownership**	Homebuy	SHI	Outright/ other sales	Total
1995/3Q	No.	3227	5685			102	9014
	%	35.8	63.1			1.1	100.0
1996	No.	1138	10042			1819	12999
	%	8.8	77.3			14.0	100.0
1997	No.	4772	7460			684	12916
	%	36.9	57.8			5.3	100.0
1998	No.	4252	6140			60	10452
	%	40.7	58.7			0.6	100.0
1999	No.	4764	5042	273		202	10281
	%	46.3	49.0	2.7		2.0	100.0
2000	No.	4297	3999	1078		131	9505
	%	45.2	42.1	11.3		1.4	100.0
2001	No.	4767	4169	1016		86	10038
	%	47.5	41.5	10.1		0.9	100.0
2002	No.	6546	4430	881	996	245	13098
	%	50.0	33.8	6.7	7.6	1.9	100.0
2003	No.	9725	5072	1214	2507	107	18625
	%	52.2	27.2	6.5	13.5	0.6	100.0
2004/1Q	No.	2243	1288	305	1401	22	5259
	%	42.7	24.5	5.8	26.6	0.4	100.0

Source: CORE new sales data 1995-2004

* includes Right to Acquire, Preserved Right to Buy, Rent for Mortgage, Voluntary Purchase Grant, Cash Incentive Scheme.

** includes DIY Shared Ownership (SO)¹, SO for people with long term disabilities, SO for the Elderly.

Tables 2 and 3 show the patterns of sales of SO and Homebuy by different regional levels.

Between 1995 and 2003, over 60% of SO sales was in London and the South region, with the remainder being in the Midlands and North. However, since 2003 the proportion in London and the South has increased to 75%, with around 15% for the Midlands and 10% for North.

¹ Applicants choose a property on the open market that a housing association buys outright subsidised by a capital grant. It then sells back a share of the equity to the applicant again of between 25% and 75% with a subsidised rent paid on the unsold equity.

Table 2: Sales of Shared Ownership

Shared ownership					
YEAR		London/South	Midlands	North	Total
1995	No.	3407	1124	1154	5685
	%	59.9	19.8	20.3	100
1996	No.	5915	1767	2341	10023
	%	59.0	17.6	23.4	100
1997	No.	4707	1372	1377	7456
	%	63.1	18.4	18.5	100
1998	No.	4143	1012	985	6140
	%	67.5	16.5	16.0	100
1999	No.	3389	817	836	5042
	%	67.2	16.2	16.6	100
2000	No.	2680	651	668	3999
	%	67.0	16.3	16.7	100
2001	No.	2744	757	668	4169
	%	65.8	18.2	16.0	100
2002	No.	2969	796	665	4430
	%	67.0	18.0	15.0	100
2003	No.	3735	736	601	5072
	%	73.6	14.5	11.8	100
2004	No.	979	192	117	1288
	%	76.0	14.9	9.1	100

Homebuy sales are focused more on pressured areas i.e. London and the South with over 80% being provided for the past five years. It is however evident that since 2002 the proportion in the Midlands has increased at the expense of London and the South.

Table 3: Sales of Homebuy

Homebuy					
YEAR		London/South	Midlands	North	Total
1999	No.	222	27	24	273
	%	81.3	9.9	8.8	100
2000	No.	860	147	71	1078
	%	79.8	13.6	6.6	100
2001	No.	817	150	49	1016
	%	80.4	14.8	4.8	100
2002	No.	722	149	10	881
	%	82.0	16.9	1.1	100
2003	No.	938	257	19	1214
	%	77.3	21.2	1.6	100
2004	No.	232	67	6	305
	%	76.1	22.0	2.0	100

4. Attributes of Shared Ownership and Homebuy purchasers

4.1 Attributes of household

Shared ownership purchasers

For the past 10 years, shared ownership has been characterised by a high proportion of single adult households (35-40%) and couple households (23-27%) in the South and Midlands. Two parent households (around 20% in London/South and 13% in the Midlands) are also significant group. In the North, single adults (23-40%) and couples (13-20%) are the main purchasers and elderly households (20%) are more likely to be benefited from this scheme.

Table 4: Shared owners - household composition

Household type		London/South			Midlands			North		
		95-98	99-2002	2003-2004	95-98	99-02	2003-04	95-98	99-02	2003-2004
Single elder	No	838	790	87	317	227	36	608	598	72
	%	2.9	3.9	2.0	3.8	4.4	4.0	6.7	12.2	10.8
Elderly couple	No	665	291	40	296	176	29	791	546	63
	%	2.3	1.5	0.9	3.5	3.4	3.2	8.8	11.1	9.4
Single adult	No	7464	6488	1540	2202	1834	361	1999	1415	259
	%	25.6	32.4	35.4	26.2	35.6	39.6	22.2	28.8	38.8
Two adults	No	6806	4280	1152	2064	953	210	1862	790	88
	%	23.3	21.4	26.5	24.6	18.5	23.1	20.6	16.1	13.2
1 adult & children	No	3200	2227	347	1092	824	99	1139	550	62
	%	11.0	11.1	8.0	13.0	16.0	10.9	12.6	11.2	9.3
2+ adults & children	No	9066	4532	858	2113	816	116	2156	658	50
	%	31.1	22.6	19.7	25.2	15.8	12.7	23.9	13.4	7.5
Other	No	1116	1403	324	314	326	60	467	351	73
	%	3.8	7.0	7.5	3.7	6.3	6.6	5.2	7.2	10.9
Total	No	29155	20011	4348	8398	5156	911	9022	4908	667
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CORE sales data 1995-2004

In general over 80% are young households (younger than 39 years old). On average those in the North are slightly older than those in London/South and Midlands, comprising 60% of young household group (younger than 39 year-old) and 16-17% of elderly household (over 65 years old).

Table 5: Shared owners - age structure

age of hh head		London/South			Midlands			North		
		95-98	99-02	2003-2004	95-98	99-02	2003-2004	95-98	99-02	2003-2004
0-29	No	6771	4947	1920	2168	1418	462	1811	991	259
	%	38.9	36.8	44.2	42.7	39.7	50.8	32.2	30.7	38.8
30-39	No	6393	5183	1579	1550	1104	234	1721	889	162
	%	36.7	38.6	36.3	30.5	30.9	25.7	30.6	27.5	24.3
40-49	No	2480	1940	543	659	506	106	808	406	55
	%	14.2	14.4	12.5	13.0	14.2	11.6	14.4	12.6	8.2
50-64	No	1141	805	189	441	354	59	692	410	77
	%	6.5	6.0	4.3	8.7	9.9	6.5	12.3	12.7	11.5
65+	No	638	562	116	256	193	49	584	536	114
	%	3.7	4.2	2.7	5.0	5.4	5.4	10.4	16.6	17.1
Total	No	17423	13437	4347	5074	3575	910	5616	3232	667
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The majority of shared ownership purchasers are white ethnic (80% in London/South and over 90% in the Midlands and North). The proportion of BME is rather high in London/South at 15% compared to 5-8% in the Midlands and North.

Table 6: Shared owners - ethnicity

Ethnicity		London/South			Midlands			North		
		1995-98	1999-02	2003-04	1995-98	1999-02	2003-04	1995-98	1999-02	2003-04
White	No	9738	10999	3445	2986	3343	845	3187	3154	633
	%	83.2	80.8	79.1	90.9	92.1	92.5	95.4	93.5	94.1
Mixed	No	311	585	175	30	47	13	11	36	9
	%	2.7	4.3	4.0	0.9	1.3	1.4	0.3	1.1	1.3
Asian	No	247	426	133	85	80	17	46	42	4
	%	2.1	3.1	3.1	2.6	2.2	1.9	1.4	1.2	0.6
Black	No	738	1018	414	114	91	32	21	38	9
	%	6.3	7.5	9.5	3.5	2.5	3.5	0.6	1.1	1.3
Chinese/others	No	668	588	187	69	69	7	74	105	18
	%	5.7	4.3	4.3	2.1	1.9	0.8	2.2	3.1	2.7
Total	No	11702	13616	4354	3284	3630	914	3339	3375	673
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Nearly all households are economically active (98% in London/South, 92% in the Midlands). However, 20% of households in the North are retired.

Table 7: Shared owners – employment status

household type		London/South			Midlands			North		
		95-98	99-2002	2003-2004	95-98	99-2002	2003-2004	95-98	99-2002	2003-2004
1 worker	No	9848	9101	2308	2881	2721	558	2815	2111	377
	%	57.0	56.4	54.3	58.2	65.3	63.4	52.2	52.9	57.9
2 workers	No	6498	6039	1815	1638	1091	260	1670	959	133
	%	37.6	37.4	42.7	33.1	26.2	29.5	31.0	24.0	20.4
3 + workers	No	99	78	10	34	4		51	18	1
	%	0.6	0.5	0.2	0.7	0.1		0.9	0.5	0.2
job seeker hh	No	118	34	3	72	23	2	105	7	2
	%	0.7	0.2	0.1	1.5	0.6	0.2	1.9	0.2	0.3
retired hh	No	700	810	118	323	283	60	752	859	138
	%	4.1	5.0	2.8	6.5	6.8	6.8	13.9	21.5	21.2
economically inactive hh	No		82			45			38	
	%		0.5			1.1			1.0	
Total	No	17263	16144	4254	4948	4167	880	5393	3992	651
	%	100	100	100	100	100	100	100	100	100

Homebuy purchasers

Homebuy purchasers are more likely to be family households with children. In general, over 50% are two parents or lone parent family with children and 30% are single or couple households. In the Midlands and North, the proportions of lone parent household are higher (20-30%) than those in London and the South (10%).

Table 8: Homebuy purchasers – household composition

Household type		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
Single elder	No	16	1	2		6	
	%	0.3	0.1	0.2		2.1	
Elderly couple	No	29	6	2	3	2	
	%	0.6	0.5	0.2	0.9	0.7	
Single adult	No	689	234	97	55	32	5
	%	14.9	20.5	11.9	17.4	11.3	20.8
Two adults	No	538	210	87	43	70	2
	%	11.7	18.4	10.6	13.6	24.6	8.3
1 adult & children	No	592	116	174	90	35	7
	%	12.8	10.1	21.3	28.5	12.3	29.2
2+ adults & children	No	2409	481	373	81	132	8
	%	52.2	42.1	45.6	25.6	46.5	33.3
Other	No	344	95	83	44	7	2
	%	7.5	8.3	10.1	13.9	2.5	8.3
Total	No	4617	1143	818	316	284	24
	%	100.0	100.0	100.0	100.0	100.0	100.0

Homebuy purchasers are slightly older than SO purchasers. 70% of households are younger than 39 years old and 25-30% are between 40 and 64 years old. Only few are over 65 years old.

Table 9: Homebuy purchasers – age structure

age of hh head		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
0-29	No	643	316	115	115	34	10
	%	19.2	27.6	18.7	36.5	19.1	41.7
30-39	No	1673	507	273	112	77	6
	%	49.9	44.4	44.5	35.6	43.3	25.0
40-49	No	793	254	169	74	50	4
	%	23.7	22.2	27.5	23.5	28.1	16.7
50-64	No	215	61	53	14	12	4
	%	6.4	5.3	8.6	4.4	6.7	16.7
65+	No	26	5	4		5	
	%	0.8	0.4	0.7		2.8	
Total	No	3350	1143	614	315	178	24
	%	100.0	100.0	100.0	100.0	100.0	100.0

Generally 70% of Homebuy purchasers are from the white ethnic group however, the proportion of BME is higher than that from the SO purchasers (30% in London/South, 20-25% in the Midlands and North).

Table 10: Homebuy purchasers - ethnicity

Ethnicity		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
white	No	2297	808	460	233	137	23
	%	68.9	69.3	74.9	72.8	77.4	95.8
mixed	No	178	47	15	7	3	
	%	5.3	4.0	2.4	2.2	1.7	
Asian	No	143	55	38	13	10	
	%	4.3	4.7	6.2	4.1	5.6	
black	No	542	207	73	55	7	
	%	16.3	17.8	11.9	17.2	4.0	
Chinese/others	No	174	49	28	12	20	1
	%	5.2	4.2	4.6	3.8	11.3	4.2
Total	No	3334	1166	614	320	177	24
	%	100.0	100.0	100.0	100.0	100.0	100.0

Ninety-nine per cent of Homebuy purchasers appear to be working households, there being no difference between regions in this respect.

Table 11: Homebuy purchasers – employment status

New household type		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
1 worker	No	1802	525	413	187	105	15
	%	43.4	45.8	54.5	58.3	44.1	65.2
2 workers	No	2260	602	326	130	128	8
	%	54.4	52.5	43.0	40.5	53.8	34.8
3 + workers	No	60	15	15	3		
	%	1.4	1.3	2.0	0.9		
job seeker hh	No		1				
	%		0.1				
retired hh	No	20	4	3	1	5	
	%	0.5	0.3	0.4	0.3	2.1	
economically inactive hh	No	10		1			
	%	0.2		0.1			
Total	No	4152	1147	758	321	238	23
	%	100	100	100	100	100	100

4.2 Attributes of property purchased

Shared Ownership

The majority of dwellings bought by SO purchasers are detached/semi-detached houses, though there has been reducing popularity since 1999. Nearly half of the dwellings are flat/maisonettes in 2003/04. In the Midlands and North, the majority of dwellings purchased are houses, however the proportion of flats in the North has also increased since 1999 to between 31% and 53%.

Table 12: Shared owners – property type

Property type		London/South			Midlands			North		
		95-98	99-2002	2003-2004	95-98	99-2002	2003-2004	95-98	99-2002	2003-2004
Flat or maisonette	No	8146	8541	2271	488	563	171	999	1586	380
	%	27.1	40.4	48.2	5.7	10.4	18.4	10.7	30.8	52.9
Bedsit	No	58	66	3	6	2		4		1
	%	0.2	0.3	0.1	0.1	0.0		0.0		0.1
House	No	21199	12340	2400	7668	4610	724	7273	3021	275
	%	70.7	58.3	50.9	89.5	85.4	78.0	78.1	58.6	38.3
Bungalow	No	555	200	40	394	222	33	1024	546	62
	%	1.8	0.9	0.8	4.6	4.1	3.6	11.0	10.6	8.6
Other	No	47	12		8			7	1	
	%	0.2	0.1		0.1			0.1	0.0	
Total	No	30005	21159	4714	8564	5397	928	9307	5154	718
	%	100	100	100	100	100	100	100	100	100

In London and the South, a higher proportion of households purchases smaller accommodation (20% are one bedroom) than any other region, though in the North, one-bedroom dwellings have increased to 15% since 1999.

Table 13: Shared owners – Property size

number of bedrooms		London/South			Midlands			North		
		95-98	99-2002	2003-2004	95-98	99-2002	2003-2004	95-98	99-2002	2003-2004
one bedroom	No	2356	2817	1032	123	158	56	180	377	111
	%	13.0	19.6	21.9	2.4	4.2	6.0	3.1	10.8	15.5
two bedroom	No	7665	7641	2571	2511	2323	597	2712	1825	448
	%	42.3	53.0	54.5	48.0	61.7	64.3	46.5	52.2	62.4
three+bedroom	No	8086	3947	1111	2599	1287	275	2935	1296	159
	%	44.7	27.4	23.6	49.7	34.2	29.6	50.4	37.0	22.1
Total	No	18107	14405	4714	5233	3768	928	5827	3498	718
	%	100	100	100	100	100	100	100	100	100

Table 14: Shared owners – previous tenure

previous tenure		London/South			Midlands			North		
		95-98	99-02	2003-2004	95-98	99-02	2003-04	95-98	99-2002	2003-2004
Renting LA	No	3656	1160	169	1305	301	44	1578	305	18
	%	12.3	5.7	3.8	15.4	5.8	4.8	17.2	6.1	2.7
Renting HA	No	4721	1637	384	1443	347	52	1640	306	48
	%	15.8	8.1	8.7	17.0	6.7	5.7	17.9	6.1	7.1
Private tenant	No	9383	7079	1644	1908	1386	229	1837	1186	152
	%	31.5	35.1	37.2	22.4	26.7	25.1	20.0	23.6	22.5
Renting with job	No	443	295	40	97	55	11	129	43	2
	%	1.5	1.5	0.9	1.1	1.1	1.2	1.4	0.9	0.3
Owning or buying	No	2262	2179	277	940	953	144	1645	1542	178
	%	7.6	10.8	6.3	11.1	18.4	15.8	17.9	30.6	26.4
Family or friends	No	8282	7203	1775	2555	2014	409	2123	1542	264
	%	27.8	35.7	40.2	30.1	38.8	44.8	23.1	30.6	39.1
Temporary accommodation	No	378	170	31	110	74	6	123	34	5
	%	1.3	0.8	0.7	1.3	1.4	0.7	1.3	0.7	0.7
Other	No	679	457	98	142	60	18	104	73	8
	%	2.3	2.3	2.2	1.7	1.2	2.0	1.1	1.5	1.2
Total	No	29804	20180	4418	8500	5190	913	9179	5031	675
	%	100	100	100	100	100	100	100	100	100

The majority of SO purchasers come from the private sector. In London and the South, 35-37% come from the private rented sector with 35-40% having previously been living with family/friends. In the Midlands and North, 20-25% came from the private rented sector with relatively higher proportions being previously homeowners (18-30%) compared to those in the London and South. Before 1998, around 30% came from the social sector in the Northern region, but less than 10% come now do so.

Nearly 80% are first-time buyers in London and the South, whilst only half are first time buyers in the North. In the Midlands, the proportions are somewhere between the two.

Table 15: Shared owners – first time buyers?

First time buyer		London/South			Midlands			North		
		95-98	99-02	2003-2004	95-98	99-02	2003-2004	95-98	99-2002	2003-2004
Yes	No	23426	15092	3569	6183	3461	673	5985	2588	352
	%	78.9	74.4	81.8	72.9	66.7	73.6	65.8	51.4	52.1
No	No	4692	4252	660	1592	1450	213	2394	2074	269
	%	15.8	21.0	15.1	18.8	27.9	23.3	26.3	41.2	39.9
Do not know	No	1567	929	134	705	280	28	722	373	54
	%	5.3	4.6	3.1	8.3	5.4	3.1	7.9	7.4	8.0
Total	No	29685	20273	4363	8480	5191	914	9101	5035	675
	%	100	100	100	100	100	100	100	100	100

Among those who were not previously social tenants, only half were on the LA waiting list in London and the South. The proportion for those in the Midlands and North is much lower (between 14% and 30%).

Table 16: Shared owners- on LA waiting list

Purchaser on LA waiting list		London/South			Midlands			North		
		95-98	99-2002	2003-2004	95-98	99-2002	2003-2004	95-98	99-2002	2003-2004
Yes	No	9405	7849	1840	1664	1146	158	1656	609	87
	%	45.3	46.5	49.7	29.7	25.6	19.8	28.3	14.1	14.5
No	No	8331	7900	1527	2947	2868	552	3307	3187	421
	%	40.2	46.8	41.2	52.5	64.0	69.2	56.5	73.6	70.4
Do not know	No	3012	1148	338	999	464	88	894	533	90
	%	14.5	6.8	9.1	17.8	10.4	11.0	15.3	12.3	15.1
Total	No	20748	16897	3705	5610	4478	798	5857	4329	598
	%	100	100	100	100	100	100	100	100	100

Homebuy purchaser

In general, the majority of dwellings purchased by Homebuy purchasers are detached/semi-detached houses (85-90%). In London and the South, the proportion of flats/maisonettes is higher than that of other regions (14-20%). In the Midlands and North, the proportion of flats recently increased to 8-9%.

Table 17: Homebuy purchasers – property type

Property type		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
Flat or maisonette	No	672	233	34	30	9	2
	%	14.4	19.9	4.1	9.3	3.0	8.0
Bedsit	No	5		1	1		
	%	0.1		0.1	0.3		
House	No	3930	930	776	291	279	23
	%	84.3	79.5	94.3	89.8	92.4	92.0
Bungalow	No	54	7	12	2	14	
	%	1.2	0.6	1.5	0.6	4.6	
Total	No	4661	1170	823	324	302	25
	%	100.0	100.0	100.0	100.0	100.0	100.0

The majority of households (over 90%) buy 2 or more bedroom dwellings without any difference between the regions.

Table 18: Homebuy purchasers – property size

Bedroom		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
one bedroom	No	194	133	12	27	2	
	%	5.7	11.4	1.9	8.3	1.1	
two bedroom	No	827	322	142	78	48	12
	%	24.5	27.6	22.8	24.1	25.5	48.0
three+bedroom	No	2359	711	469	219	138	13
	%	69.8	61.0	75.3	67.6	73.4	52.0
Total	No	3380	1166	623	324	188	25
	%	100	100	100	100	100	100

Over 80% are first time buyers in London/South and the Midlands. A slightly lower proportion is first time buyers (67-69%) in the North.

Table 19: Homebuy purchasers – first time buyers?

First time buyer		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
Yes	No	3853	993	679	280	201	16
	%	83.3	85.0	82.6	86.4	69.3	66.7
No	No	435	115	82	21	23	3
	%	9.4	9.8	10.0	6.5	7.9	12.5
Do not know	No	340	60	61	23	66	5
	%	7.3	5.1	7.4	7.1	22.8	20.8
Total	No	4628	1168	822	324	290	24
	%	100	100	100	100	100	100

Nearly half of those in London/South and Midlands come from the social sector (54% and 52% respectively). In the North the pattern was similar until 2002, but only 20% now come from the social sector with a relatively higher proportions having previously lived with family/friends (41%) and the private rented sector (29%). The proportion of previous homeowners is very low across the region.

Table 20: Homebuy purchasers - previous tenure

Previous tenure		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
Renting LA	No	876	163	116	40	55	1
	%	18.9	14.0	14.3	12.4	19.0	4.2
Renting HA	No	2309	456	500	134	179	4
	%	49.8	39.0	61.6	41.6	61.9	16.7
Private tenant	No	656	265	107	74	32	7
	%	14.2	22.7	13.2	23.0	11.1	29.2
Renting with job	No	51	14	4	2	2	
	%	1.1	1.2	0.5	0.6	0.7	
Owning or buying	No	101	38	26	10	9	1
	%	2.2	3.3	3.2	3.1	3.1	4.2
Family or friends	No	566	196	49	48	10	10
	%	12.2	16.8	6.0	14.9	3.5	41.7
Temporary accommodation	No	28	6	6	1	2	
	%	0.6	0.5	0.7	0.3	0.7	
Other	No	46	30	4	13		1
	%	1.0	2.6	0.5	4.0		4.2
Total	No	4633	1168	812	322	289	24
	%	100	100	100	100	100	100

Among those who were not previously social tenants, nearly all households were on the LA waiting list (between 91% and 100%).

Table 21: Homebuy purchasers – on LA waiting list?

Waiting list		London/South		Midlands		North	
		99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
Yes	No	1319	469	178	124	55	18
	%	94.3	90.7	92.7	92.5	100.0	100.0
No	No	64	39	11	9		
	%	4.6	7.5	5.7	6.7		
Do not know	No	15	9	3	1		
	%	1.1	1.7	1.6	0.7		
Total	No	1398	517	192	134	55	18
	%	100	100	100	100	100	100

4.3 Property Values purchased

Table 22 shows the median values of the properties bought by SO and Homebuy purchasers. The values are constant values at 2003 prices.

The median value of the properties in London and the South was £71,341 in 1995 and £150,250 in 2004, increasing 8.6% on average for the 10-year period. The property values of Londoners and those in the South appear about 50% point higher than those in the Midlands and North. The property values of the Midlands and North regions are very similar at around £55,000 in 1995 and £90,000 in 2003/4. Annual increase ratios are on average 6.7% and 5.5% in the Midland and North respectively.

It is not surprising that Homebuy purchasers in the London and South regions bought 50-60% more expensive properties than those in the Midlands and North at around £91,612 in 1999 and £149,500 in 2004.

It appears that Homebuy purchasers in the London and South purchase slightly cheaper properties (3-14%) than SO purchasers, whilst in the Midlands, Homebuy purchasers purchased more expensive properties (3-5%) than SO buyers until 2001. However, since 2002 SO purchasers are buying higher value properties (3-16%) than Homebuy purchasers. In the North, Homebuy purchasers purchased more expensive properties (2-15%) than SO buyers until 2003.

Table 22: Property value of Shared ownership and Homebuy

Region	Year	Median property value ¹		Homebuy (B)		B/A
		Shared ownership (A)				
London/South	1995	71340.7				
	1996	70238.1	-1.5%			
	1997	73085.8	4.1%			
	1998	79006.8	8.1%			
	1999	86037.5	8.9%	91611.5		1.06
	2000	97161.6	12.9%	92794.8	1.3%	0.96
	2001	107446.8	10.6%	104255.3	12.4%	0.97
	2002	128600.8	19.7%	115226.3	10.5%	0.90
	2003	144000.0	12.0%	123450.0	7.1%	0.86
	2004	150250.0	4.3%	149500.0	21.1%	1.00
	Average increase (9yrs)		8.6%		5.6%	0.96
Midlands	1995	55350.6				
	1996	53511.9	-3.3%			
	1997	54125.3	1.1%			
	1998	55248.3	2.1%			
	1999	57891.8	4.8%	60706.4		1.05
	2000	60043.7	3.7%	63318.8	4.3%	1.05
	2001	64893.6	8.1%	67021.3	5.8%	1.03
	2002	74074.1	14.1%	73045.3	9.0%	0.99
	2003	90000.0	21.5%	83600.0	14.4%	0.93
	2004	99000.0	10.0%	83600.0	0.0%	0.84
	average increase (9yrs)		6.7%		3.6%	0.98
North	1995	57195.6				
	1996	53511.9	-6.4%			
	1997	55104.4	3.0%			
	1998	55304.7	0.4%			
	1999	57395.1	3.8%	58498.9		1.02
	2000	58952.0	2.7%	64410.5	10.1%	1.09
	2001	63776.6	8.2%	73404.3	14.0%	1.15
	2002	70936.2	11.2%	80812.8	10.1%	1.14
	2003	80000.0	12.8%	87000.0	7.7%	1.09
	2004	90000.0	12.5%	80225.0	-7.8%	0.89
	average increase (9yrs)		5.2%		3.6%	1.06

1. Median house values show constant value at 2003 prices.

Table 23 shows the property values of SO and Homebuy purchasers, compared to average property value based on Land Registry transaction data. Between 1999 and 2002, in the London/South and the Midlands, both SO purchasers and Homebuy purchasers bought about 15-20% point cheaper properties than the average property transacted. The differences vary by region and by year.

SO purchasers in the North bought almost similar value of property to those of the Land Registry. However since 2000, Homebuy purchasers in the North have purchased 7-18% percent more expensive properties than the total property transacted.

Table 23: Property value of Shared ownership and Homebuy, compared to average property value transacted.

Region	Year	Median property value			B/C	Land registry*
		shared ownership(A) A/C	Homebuy (B)			Median house price (C)
London/South	1999	86037.5	0.83	91611.5	0.89	103187.1
	2000	97161.6	0.82	92794.8	0.79	117901.2
	2001	107446.8	0.82	104255.3	0.80	130849.7
	2002	128600.8	0.84	115226.3	0.75	153935.2
Midlands	1999	57891.8	0.86	60706.4	0.91	67053.0
	2000	60043.7	0.83	63318.8	0.88	72052.4
	2001	64893.6	0.81	67021.3	0.84	79787.2
	2002	74074.1	0.80	73045.3	0.78	93107.0
North	1999	57395.1	0.98	58498.9	1.00	58682.9
	2000	58952.0	0.98	64410.5	1.07	60387.6
	2001	63776.6	1.02	73404.3	1.18	62393.6
	2002	70936.2	0.99	80812.8	1.12	71845.0

* Source: Dataspring: CCHPR, University of Cambridge

5 Income profiles of Shared Ownership and Homebuy purchasers

5.1 Annual income

Table 24 shows the annual income of SO and Homebuy purchasers for 10 years. The median income of SO purchasers in London (£25,000 in 2004) is 40-65% higher than for the Midlands (£18,020 in 2004) and North (£14,825 in 2004). Their income increases on average by 3.5% between 1995 and 2004, whilst that of the Midlands increases on average by 2.5%. It should be noted that income in the North fluctuates a lot, with a 1.3% average increase.

Table 24: Annual income of SO and Homebuy purchasers

(median, £)

Region	Year	shared ownership(A)		Homebuy(B)		B/A
London/South	1995	18321.0				
	1996	18017.9	-1.7%			
	1997	18097.4	0.4%			
	1998	18758.5	3.7%			
	1999	19374.2	3.3%	25651.2		1.32
	2000	20932.3	8.0%	25109.2	-2.1%	1.20
	2001	21474.5	2.6%	26595.7	5.9%	1.24
	2002	23274.7	8.4%	25720.2	-3.3%	1.11
	2003	23948.5	2.9%	26000.0	1.1%	1.09
	2004	25000.0	4.4%	29860.5	14.8%	1.19
average increase (9yrs)			3.5%		1.7%	1.19
Midlands	1995	14391.1				
	1996	14067.9	-2.2%			
	1997	13921.1	-1.0%			
	1998	14108.4	1.3%			
	1999	13711.9	-2.8%	16807.9		1.23
	2000	14192.1	3.5%	19519.7	16.1%	1.38
	2001	14563.8	2.6%	19617.0	0.5%	1.35
	2002	15366.8	5.5%	19495.9	-0.6%	1.27
	2003	15812.0	2.9%	19056.5	-2.3%	1.21
	2004	18020.0	14.0%	20480.0	7.5%	1.14
average increase (9yrs)			2.5%		2.2%	1.26
North	1995	13210.9				
	1996	13450.0	1.8%			
	1997	12616.6	-6.2%			
	1998	13250.6	5.0%			
	1999	13002.2	-1.9%	17748.3		1.37
	2000	14017.5	7.8%	20626.6	16.2%	1.47
	2001	14047.9	0.2%	18297.9	-11.3%	1.30
	2002	13905.3	-1.0%	23629.1	29.1%	1.70
	2003	14772.5	6.2%	18000.0	-23.8%	1.22
	2004	14825.5	0.4%	20277.5	12.7%	1.37
average increase (9yrs)			1.3%		1.5%	1.40

1. Median annual income shows constant value at 2003 prices.

The median income of Homebuy purchasers in London and the South is also around 40% higher (£29,861 in 2004) than that of the Midlands and North (£20,481, £20,278 respectively).

As shown in the last column, it should be noted that the median income of Homebuy purchasers is generally 20-40% higher than that of SO purchasers. The differences vary between regions. In London and the South, the differences decrease from 32% in 1999 to 9% in 2003. In the Midlands the difference is 26% on average for 6 years whilst in the North the difference is even greater (40% on average).

5.2 Annual income compared to total population

We compared these groups with their counterpart in the total population. SO and Homebuy schemes aim to support mainly working households and first time buyers. Table 25 shows the annual incomes of working and young households whose age group is between 20 and 39 only. This age range encompasses the great majority of first time homebuyers. Regional data on the incomes of working households has been obtained from the Family Expenditure Survey as used by Wilcox for his recent research (JRF, 2003).

Table 25: Regional pattern of shared ownership and home buy purchasers' income – working and young household only
(median, £)

	Annual income	Number		Annual income	Number		Annual income
	shared ownership (A)		A/C	Homebuy(B)		B/C	FES*(C)
London	29743	2491	64.3%	33791	428	73.0%	46288
South East	23715	2304	61.6%	26563	506	69.0%	38478
South West	20367	622	68.7%	22590	314	76.3%	29626
East	24353	305	72.0%	25701	319	76.0%	33819
West Midlands	18309	730	57.5%	22005	231	69.1%	31857
East Midlands	16679	566	56.8%	17895	149	61.0%	29350
North East	17798	70	64.9%	20993	2	76.6%	27405
North West	17626	466	61.6%	19865	13	69.4%	28625
Yorkshire & Humberside	17676	183	63.5%	18822	11	67.6%	27832
Total	23756	7875	69.5%	26078	1973	76.3%	34197

*Incomes of working households: Family Expenditure Survey (2002/03)

Source: Steve Wilcox, 2003

Compared to the income of the average working household, SO and Homebuy purchaser's annual incomes appear lower (on average 30% for SO; 25% for Homebuy purchasers). In particular, SO purchasers in the Midlands earn about 45% less than the average household in the region. Homebuy purchasers in the Midlands also earn less than those in other regions. SO and Homebuy purchasers in London and the South earn 30-35% less than the average household.

Based on this information, we may say that the SO and Homebuy schemes support the appropriate income groups but there is not much variation by region.

6 Affordability

6.1 Trends in property value and income indices

An examination of property values and the incomes of SO and Homebuy purchasers indicates that the gap between the properties bought and incomes has recently increased especially in the pressured areas.

Relative trends in property values and income have been calculated using the first quarter of 1995 as the reference base. Figures 3-5 show the trends of SO purchasers. This 10-year sequence suggests a widening gap between property values and income, especially in London and the South. This indicates property values increase more rapidly than incomes.

As shown in Figure 3, over the 10-year period, the proportional increases in property values in London and the South have exceeded those of annual incomes. There have been indications that since 2002 income increases have tapered off, while property values have continued to rise, exacerbating problems of housing affordability.

In the Midlands, increases in incomes and property values kept at a similar level until the end of 1998, since when property value increases have been outpacing incomes (Figure 4). It should be noted that in the North region, the proportional increases in annual income have exceeded those of house prices till the end of 2001. Since then property values have increased more rapidly than annual income. However, the gap between property value increase and income increase in the North is clearly smaller than that of London/South and the Midlands.

Figure 3: the trends of the gap between property value and income: SO in London/South

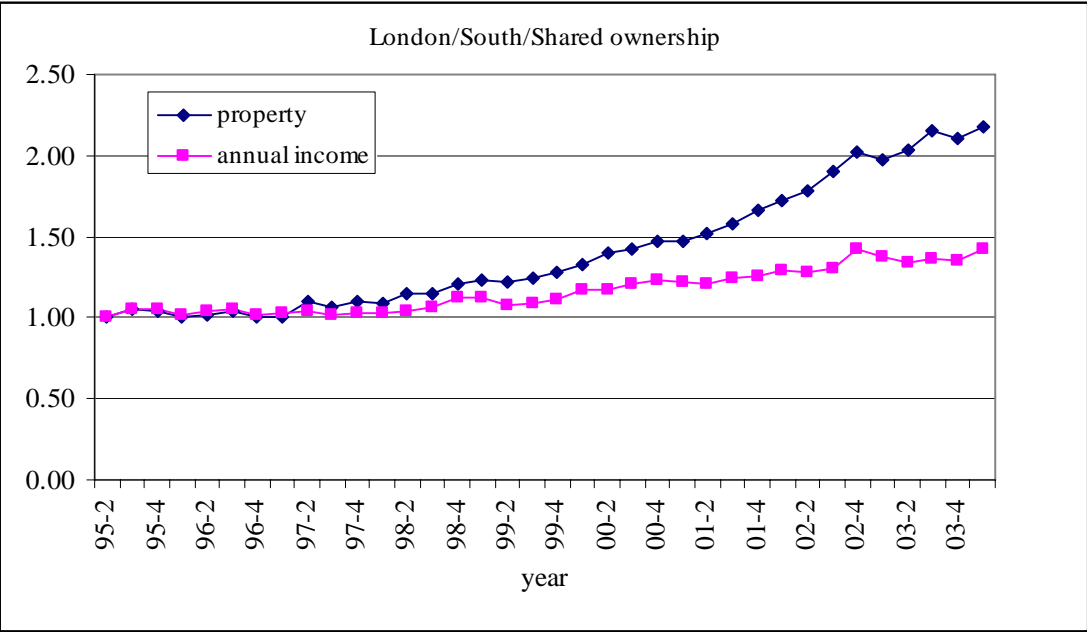


Figure 4: the trends of the gap between property value and income: SO in Midlands

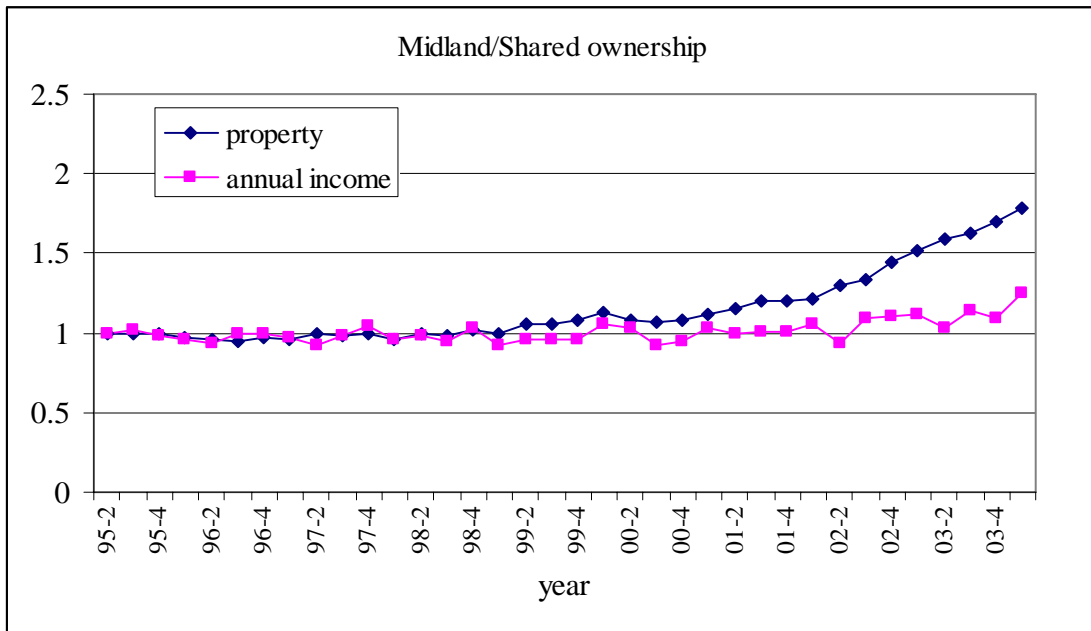
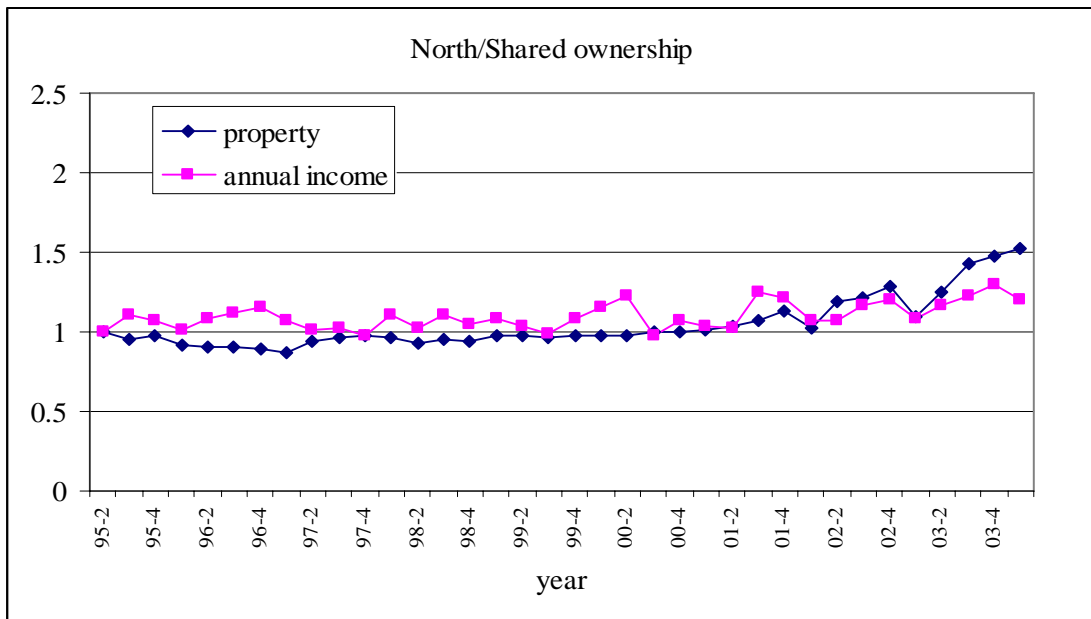


Figure 5: the trends of the gap between property value and income: SO in North



Figures 6-8 show the case of Homebuy purchasers. Relative trends in property values and income have been calculated using the first quarter of 1999 as the reference base. This 6-year sequence suggests the gap between property values and income of Homebuy purchasers is not same as that of the SO. Especially in London/South and the Midlands, income increases were higher than property value increases until mid 2002. Since then property values have increased rapidly, widening the gap. The difference between London/South and the Midlands is that the increases in property values and

income are rather sharper in London (1-2) than the Midlands where the trend is flat (1-1.5).

As shown in Figure 8, the increases in property values and incomes in the North are quite variable over the 6-year period. It should be noted that in the North the increase in property values has exceeded that of incomes. There were two rapid increases in property values in early 2001 and 2002 and another at the end of 2003. Increases in annual income show a similar pattern but property values have been outpacing income, widening the gap between the two.

We have to note that the indices in London and the South are nearly 2 in 2004 whilst those of the Midlands and North are between 1 and 1.5 which means that the increases in property values and income are more rapid in the London and South than in the other regions.

Figure 6: the trends of the gap between property value and income: Homebuy in London/South

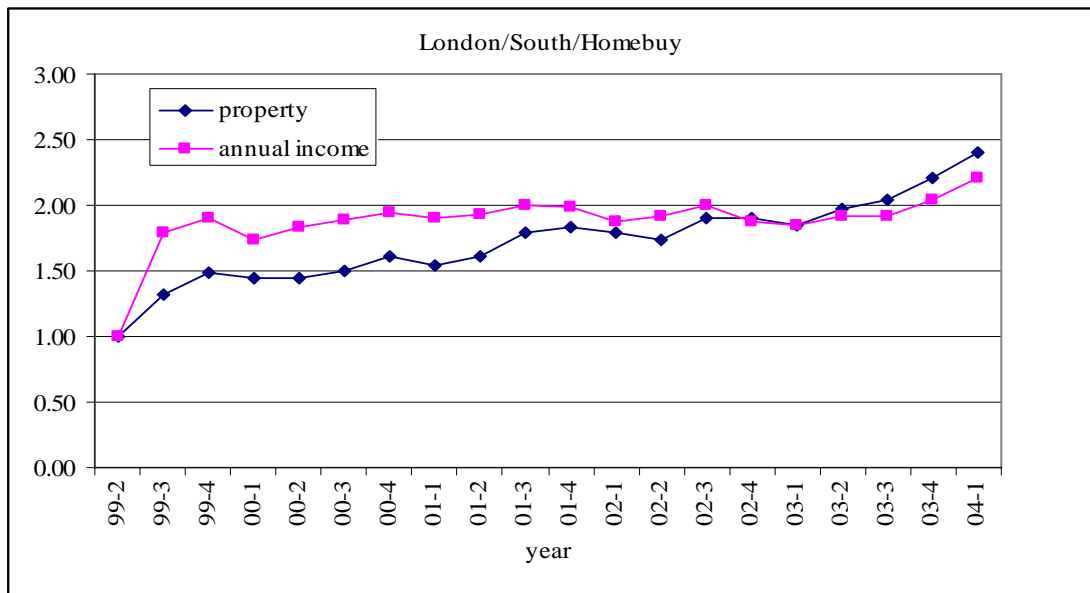


Figure 7: the trends of the gap between property value and income: Homebuy in Midlands

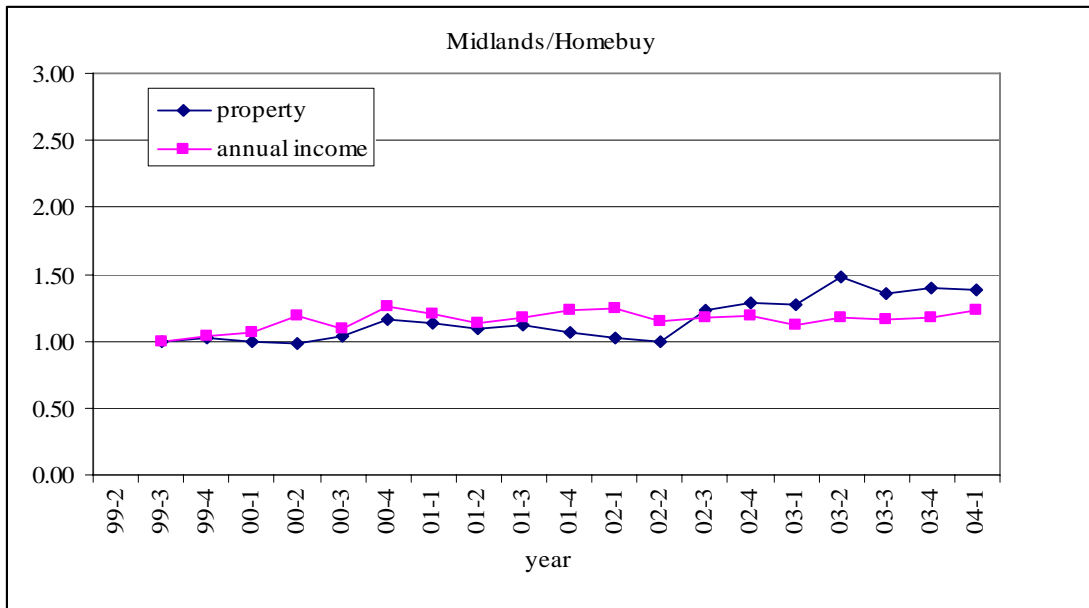
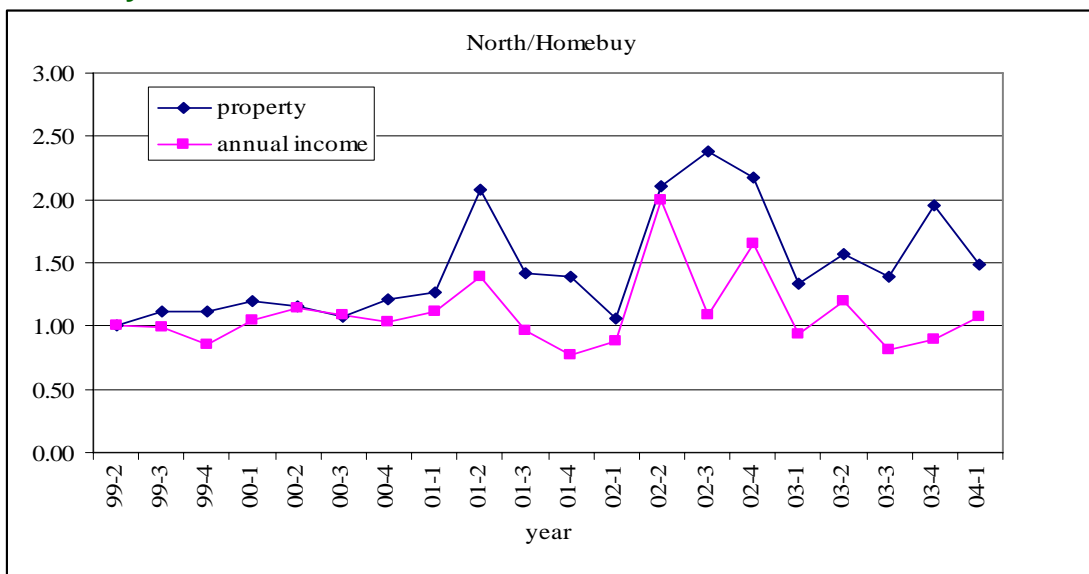


Figure 8: the trends of the gap between property value and income: Homebuy in North



6.2 Affordability measure 1: Price to Income Ratio

As an affordability measure the house price to income ratios (PIR) are calculated for both LCHO purchasers. Figure 9 shows the case of SO purchasers in different regions.

The PIR in London and the South is not surprisingly the highest at between 3.9:1 and 6:1 for the 10-year period. Between 1995 and 1996 the ratios decreased a bit (3.7:1), but since 1997 the ratios have increased to 6:1. The ratios in the Midlands were at a similar level to London/South in 1995 (3.7:1)

and stayed much the same until the end of 1998. After that the ratios increased very rapidly, reaching 5.7:1 in 2004. In the North the ratios varied between 4.3:1 and 3.5:1 until 2001 when then the ratios increased reaching 5.1:1 in 2004.

Figure 9: Price to Income ratio of Shared Ownership purchaser

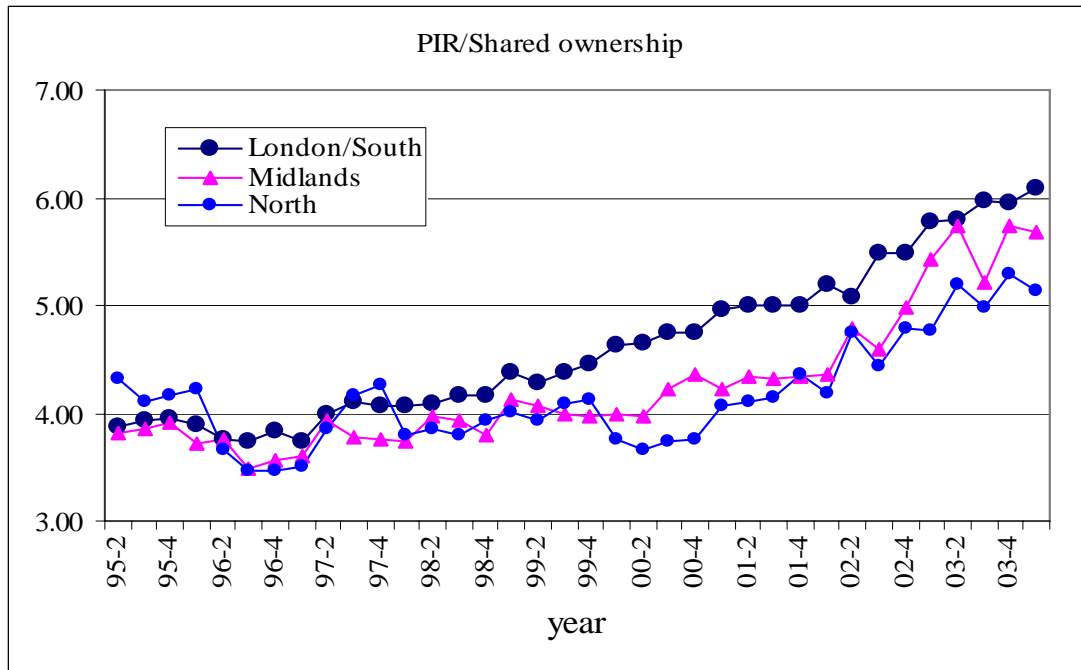
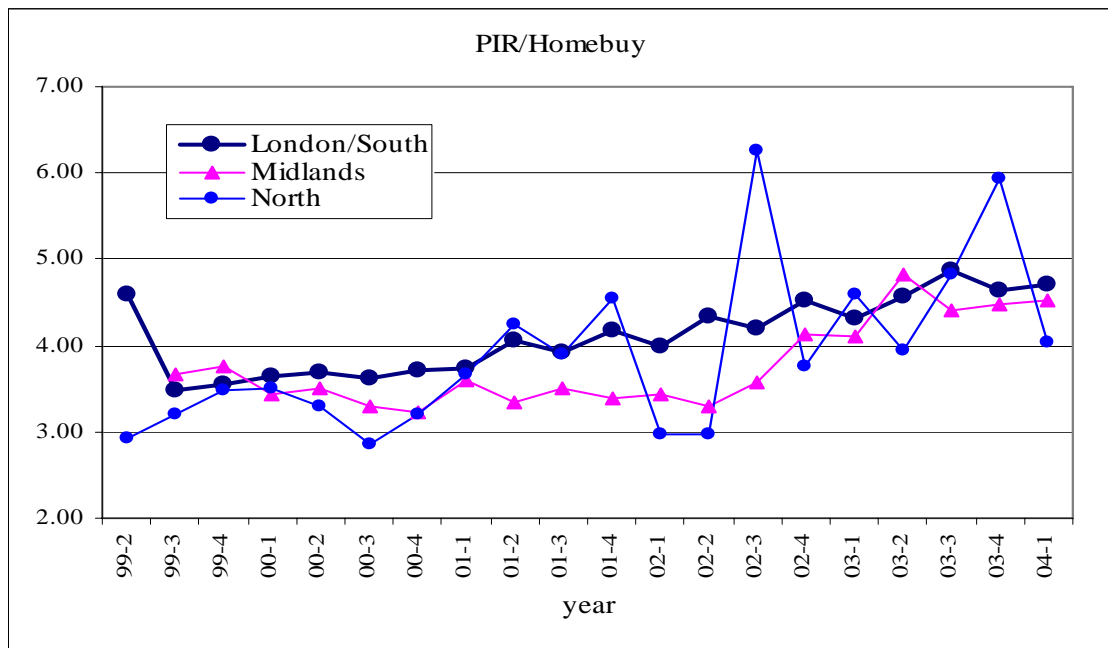


Figure 10 shows the case of Homebuy purchasers. The ratio of Homebuy purchasers in London/South and the Midlands shifted between 3.5:1 and 4.7:1, reading higher in London/South than the Midlands.

Like SO the ratio of Homebuy purchasers in the North fluctuated widely. In 2001 and at certain times in 2003 and 2004 the ratios appeared higher than those for London. This implies that property value increase are much more variant in the North, especially since 2000, threatening the affordability of those who want to purchase their own homes.

Figure 10: Price to Income ratio of Homebuy purchaser



6.3 Affordability measure 2: Saving

It is difficult to investigate the scale of the savings gap, partly because the data on savings in surveys is often poor and partly because households making their first house purchase often have access to a range of cash sources for deposits, from families, for example, that are not easy to quantify before embarking on home ownership.

Luckily CORE sales data include a question on the total savings of purchasers before any deposit is paid. We can use this as a potential barrier to home ownership. Table 26 shows the savings of SO and Homebuy purchasers used to buy their home. The data shows the cases of working households only.

**Table 26: Total savings of purchaser before any deposit is paid
Working household only** (median, £)

Working hh		London/South		Midlands		North		Total	
		Median	No.	Median	No.	Median	No.	Median	No.
		Saving		saving		saving		saving	
Shared	95-98	1785.7	1328	902.9	324	892.9	298	1636.9	19515
			3		9		3		
Ownership	99-2002	3532.0	9871	2659.6	211	2850.7	175	3292.2	13737
					6		0		
(A)	2003-2004	4500.0	3917	3000.0	726	3000.0	482	4000.0	5125
Homebuy	99-2002	3191.5	2375	1637.6	428	2207.5	124	3086.4	2927
(B)	2003-2004	3500.0	1030	1500.0	311	2250.0	22	3000.0	1363
B/A	99-2002	0.90		0.61		0.77		0.94	
	2003-2004	0.78		0.50		0.75		0.75	

It appears that generally speaking SO purchasers have slightly more savings than Homebuy purchasers across the different regions (6-25%) and that their

savings have steadily increased. Those in London have the highest savings (£4,500 in 2003/4) and those in Midlands and North are reasonably similar (£3,000 in 2003/4). The savings of Homebuy purchasers in London and the South are the largest (£3,500 in 2003/4), followed by those in the North (£2,250 in 2003/4).

Table 27 shows the savings of SO working households compared to retired household. As seen in the table retired households have about 12 times more savings than working households. This is not surprising as retired households don't have regular income from work and tend to spend as large a deposit as possible when they buy their home. Saving patterns tend to vary across the regions, those in London having the largest savings (£85,000 in 2003/4) for home buying which is about 55% higher than those in the Midlands and North where savings were £55,000 on average in 2003/4. This is around 65 % of the property value on average.

If people had more savings for homebuying, it would mean their monthly housing costs (mortgage) is reduced and so the affordability of paying housing costs becomes more secure.

Table 27: Total savings of shared ownership purchaser before any deposit is paid - Working household vs. retired household (median, £)

Shared ownership		London/South		Midlands		North		Total	
		Median	No.	Median	No.	Median	No.	Median	No.
		saving		saving		Saving		saving	
working hh	95-98	1785.7	1328	902.9	3249	892.9	2983	1636.9	1951
(A)	99-2002	3532.0	9871	2659.6	2116	2850.7	1750	3292.2	1373
	2003-2004	4500.0	3917	3000.0	726	3000.0	482	4000.0	5125
retired hh	95-98	16930.0	415	15102.7	242	11070.1	577	13244.8	1234
(B)	99-2002	53806.6	321	35797.9	183	41152.3	499	42553.2	1003
	2003-2004	85000.0	70	57375.0	56	54983.0	127	60000.0	253
	95-98	9.5		16.7		12.4		8.1	
B/A	99-2002	15.2		13.5		14.4		12.9	
	2003-2004	18.9		19.1		18.3		15.0	
	Total	12.7		16.7		15.5		12.1	

6.4 Affordability measure 3: residual income

As a further affordability measure, we use residual monthly income. The residual income is calculated by taking monthly housing costs from net monthly income (excluding housing benefit, council tax benefit and interest from savings). For SO purchasers, housing costs means monthly mortgage and rent paid, whilst for Homebuy purchasers, it includes only the monthly mortgage.

Table 28: Residual incomes of SO and Homebuy purchaser Working household only

(median, £)

	SO		(A)	Homebuy		(B)	
		N	Median		N	Median	B/A
London/South	95-98	704	1097.3				
	99-2002	6458	1023.6	99-2002	1628	1295.0	1.27
	2003-2004	3082	1106.7	2003-2004	790	1324.5	1.20
	Average	10244	1053.0	Average	2418	1303.2	1.24
Midlands	95-98	413	1031.7				
	99-2002	1562	858.4	99-2002	379	1096.4	1.28
	2003-2004	609	889.3	2003-2004	283	1142.2	1.28
	Average	2584	890.3	Average	662	1120.0	1.26
North	95-98	236	1031.9				
	99-2002	1064	892.3	99-2002	94	1150.7	1.29
	2003-2004	360	841.4	2003-2004	21	1097.1	1.30
	Average	1660	905.8	Average	115	1141.3	1.26

For SO purchasers, those in the London/South regions have the highest residual monthly incomes (£1,053 in 2003/4), followed by those in the North (£906 in 2003/4) and Midlands (£890 in 2003/4). It also appears that the residual income of Homebuy purchasers in the London and South is about 20% higher (£1303 in 2003/4) than those of the Midlands and North (£1,120 and £1,141 respectively). It is noteworthy that Homebuy purchasers' residual income is around 20% higher than that of SO purchasers across the region and years as seen in Table 29.

Table 29: Residual income of Shared ownership purchaser

(median, £)

	Working household			Retired household		
		N	Median		N	Median
London/South	95-98	704	1097.3	95-98	66	808.8
	99-2002	6458	1023.6	99-2002	12	751.0
	2003-2004	3082	1106.7	2003-2004	3	867.4
	Average	10244	1053.0	Average	81	799.2
Midlands	95-98	413	1031.7	95-98	54	925.8
	99-2002	1562	858.4	99-2002	15	1025.6
	2003-2004	609	889.3	2003-2004	2	1356.2
	Average	2584	890.3	Average	71	985.6
North	95-98	236	1031.9	95-98	113	802.3
	99-2002	1064	892.3	99-2002	28	785.7
	2003-2004	360	841.4	2003-2004	3	679.3
	Average	1660	905.8	Average	144	780.7

Table 29 shows the residual income of SO purchasers over the 10 year period since 1995 for working households and retired household compared. It is not surprising that working households have around 25% higher residual income than retired households in the London and South regions and that have 16% higher income in the North. In the Midlands retired households are around 10-12% better off than working households, especially after 1999. However, we have to note that the number in the sample is fairly low.

Residual income of working household by household type

Having a higher residual income means that homeownership is more affordable for a household, as they retain a larger amount of disposable income after paying housing costs. Nevertheless, we may not conclude that working households are better off than retired households, even though they have a larger residual income, as working households are normally bigger than retired household.

Having considered the size of households, Table 30 shows residual incomes by household type of SO purchasers. We selected working households only. In general, the monthly residual income for all household types decreased between 1995/8 and 1999/02 but increased between 1999/02 and 2003/4. Couple (two adult) households with or without children are recorded as a significantly higher residual income group than single and lone parent households throughout the period. The pattern is very similar across the region. Multi-adult households are better off than single and lone-parent household, taking them to the third highest income group in London and South, but not in other regions.

Table 30: Residual income of working household: Shared ownership by household type
(median, £)

	London/South			Midlands			North		
	95-98	99-2002	2003-2004	95-98	99-2002	2003-2004	95-98	99-2002	2003-2004
shared ownership									
single hh	871.1	768.6	805.5	792.1	655.9	695.1	809.6	736.4	749.1
couple hh	1245.4	1312.7	1405.7	1248.8	1069.1	1159.9	1199.0	1132.5	1324.4
lone-parent hh	842.0	907.5	986.6	893.8	881.9	905.8	822.9	749.2	971.0
two parents hh	1279.9	1221.0	1342.6	1203.6	1077.5	1097.1	1186.8	1131.9	1205.5
multi- adults hh	1177.0	1196.2	1338.2	1119.0	961.5	878.1	1092.6	979.5	935.8
Total	1097.3	1023.6	1106.7	1031.7	858.4	889.3	1031.9	892.3	841.4

Table 31 indicates Homebuy purchasers' residual income by household type. Monthly incomes for all household types increased between the two periods in London/South and Midland but not in the North. It also appears two adult and two parent households are the highest income groups, followed by multi-adults in London/South and Midlands. Single households are consistently recorded as the lowest income group.

Table 31: Residual income of working household: Homebuy purchaser by household type
(median, £)

	London/South		Midlands		North	
	99-2002	2003-2004	99-2002	2003-2004	99-2002	2003-2004
Homebuy						
single hh	828.3	886.0	732.3	755.2	623.1	570.7
couple hh	1368.6	1471.0	1214.6	1354.9	1146.7	1119.2
lone-parent hh	1067.3	1056.9	1008.1	949.0	892.8	988.1
two parents hh	1443.5	1520.0	1277.4	1308.3	1270.9	1388.0
multi- adults hh	1361.1	1426.0	1106.4	1107.2	878.5	679.2
Total	1295.2	1324.5	1096.2	1142.2	1150.7	1097.1

7 Conclusions and Implications

The evidence about the successful purchasers through Shared Ownership and Homebuy schemes suggests that there are significant differences between the two schemes and between different housing markets. Equally there are some important similarities.

First, while the proportions of Shared Ownership in London and the South have risen significantly while those for Homebuy have fallen, the current proportions, at just over 75%, are very similar. Shared Ownership does play a role in the North, but Homebuy has so far not been readily available. The changes announced in 2005 may however modify this by enabling people in less pressured areas to benefit from shared equity.

Second, the household attributes of those willing and able to buy Shared Ownership has changed significantly over time shifting away from family households, especially in London and the South, towards single people. Over 50% of Homebuy purchasers on the other hand are family households. These households are also on average slightly older.

Third, because Shared Ownership has related mainly to new build, and is increasingly provided where affordable housing is required through the planning system the proportion of flats has increased rapidly in London and the South. The size of Shared Ownership units has also declined significantly so that the majority are purchasing two bedrooms or less. The results are therefore very different as compared to those for Homebuy, where the vast majority of units purchased on the market even in London and the South East are houses and the vast majority of dwellings bought have two and often more bedrooms.

The difference between the property values of Shared Ownership and Homebuy schemes and between these and average market prices vary considerably between regions. In general in London, the South and the Midlands low cost home owners are buying dwellings below average prices but this is less obviously the case in the North. Anyway, the 15-20% difference observed, especially with respect to Shared Ownership is quite small, given the comparison is with median house prices unadjusted for size. Overall the picture suggests that low cost home ownership purchasers are by no means buying at the bottom end of the market.

Fourth, the same general pattern appears with respect to incomes. Shared Ownership purchasers in London and the South have incomes 50% plus higher than in the Midlands and the North (a somewhat similar difference to that for the prices of the dwellings they purchase) although it is less for Homebuy purchasers). Moreover Homebuy purchasers have significantly higher incomes than those buying Shared Ownership dwellings.

Comparing the incomes of Shared Ownership purchasers to median incomes in the relevant regions, the figures suggest that purchasers in London, especially Homebuy purchasers, are very much better off than average. In the Midlands and the North however purchasers have below median incomes (although not far below). What is particularly clear is that Homebuy purchasers are considerably better off than those using the Shared Ownership scheme – although that difference is narrowing in London and the South Est.

When the comparison is made with the median incomes of younger working households (those 39 and under) the picture is however very different, with incomes between two thirds and three quarters of the regional averages (even lower for shared ownership in the Midlands and parts of the North).

Looking finally at affordability, the evidence suggests that property values have risen more rapidly than incomes among low cost home owners, although less so in the North and with considerable year on year variation. Price/income ratios for Shared Ownership have risen from around 4:1 to between 5:1 and 6:1 depending on the region; those for Homebuy purchasers are lower at around 4.5:1 – but have also been rising.

The evidence on residual monthly incomes suggests that Homebuy households have incomes available for other needs which are around 20% higher than those for households buying under Shared Ownership and that this proportion is roughly constant across regions. However Shared Ownership purchasers in London and the South have residual income well over 10% higher than those in other regions. Moreover in these two regions, on average, residual incomes have been rising over the last few years.

One reason why residual income have risen over the years is because interest rates have been falling and therefore weekly outgoings, for a given size loan, have been declining quite rapidly. Equally both groups have relatively high savings especially among shared owners and the retired, which further helps to reduce weekly outgoings.

If 'equivalent' incomes are used, the evidence suggests that it is single person households who are getting the most out of low cost homeownership schemes in terms of being able to buy and purchase other necessities; families, single parent families and especially multi-adult households are least able to afford to buy.

Thus the evidence reflects a mixture of supply-side constraints, particularly in terms of the properties available under Shared Ownership schemes, and differential access across regions and schemes.

In terms of regional variation it might be reasonable to argue that in London and the South the schemes are more clearly overcoming affordability constraints; while in the North they are offering a wider range of possibilities, especially perhaps for older households. More generally, Shared Ownership on average appears to be helping those who are less well off, while Homebuy

addresses household aspirations to purchase a house without taking on unsustainable commitments.

In terms of deadweight losses it can be argued that Homebuy may well be helping many who could help themselves – but perhaps for other reasons did not want to take the risks involved without assistance. And, if the relevant comparison is with younger working households, targeting appears more effective. Shared Ownership is differentially helping the single – in part because of other pressures imposed by the government on the types of dwellings made available. Homebuy on the other hand enables greater choice and flexibility and is both generally more popular and used by more traditional family households.

Finally mainly because of falling interest rates overall affordability if anything appears to be increasing, although long-term sustainability obviously continues to depend on continuing high employment rates. What is not so clear is whether both schemes are moving somewhat upmarket as compared to need – a possibility compounded by the restructuring of shared ownership proposed in the 2005 proposals.

The evidence presented here suggests that the shift up to 50% for New Build Homebuy as compared to Shared Ownership may exclude a significant number of family purchasers especially in London and the South. The impact of the proposed 3% ‘interest charge’ on the shared equity element on Shared Ownership is not clear as even subsidised rents which it would replace can reflect a higher rate of return especially outside the South. In terms of Homebuy, the introduction of a 3% charge will clearly worsen affordability – and may well encourage the shift towards purchasing smaller units by smaller households. Certainly the schemes are both less flexible and more complicated than the current options, although they will be open to a wider range of households and areas. What is clearest from the available evidence is that relatively small changes in the terms and conditions, the dwellings available and the economic environment may change the client group quite significantly – and rapidly.

References

Booth P & Crook A (eds) (1986) *Low Cost Home Ownership: an Evaluation of Housing Policy Under the Conservatives*, Aldershot, Gower

Burton, E (2003) Housing for an Urban renaissance: implications for social equity, *Housing Studies*, 18(4) 537-562

DETR (2002) Housing Key Facts, London

Freeman, A, Holmans A. and Whitehead C., "Evaluation of the Impact of Tax and Subsidy Framework on Housing Tenure" *European Mortgage Review*, September 1996

Gentle, G, Dorling, D and Cornford, J. 1994. Negative Equity and British Housing in the 1990s: Cause and Effect, *Urban Studies*, Vol.31, No. 2, pp 181-199

Housing Corporation (2003) *A home of my own, The report of the Government's Low Cost Home Ownerships Task Force*, London, Housing Corporation

Jackson A. (2001), Evaluation of the 'Homebuy' scheme in England, Joseph Rowntree Foundation Research Findings No 751

Joseph Rowntree Foundation (2003), Home-ownership and Poverty in Britain, Research Findings No 113

Joseph Rowntree Foundation (2001), The future for low-cost home-ownership, Research Findings No D51

Malpass, P. and Murie, A. 1994, *Housing Policy and Practice*, 4th Ed. London, Macmillan

ODPM (2002) Fact Sheet for Key workers Starter Homes Initiative

ODPM (2002) Evaluation of the Low Cost Home Ownership Programme, No.169

ODPM (2003) Risk, Homeowners & Safety-Nets: Mortgage Payment Protection Insurance & Beyond, No.202

ODPM (2005) Sustainable Communities: Homes for All, London ODPM

Priemus, H. and Dielemnan, F. (2001), Social housing policy in the European union: past, present and perspectives, *Urban Studies*, 39(2) 191-200

Scanlon & C Whitehead, (2004), International trends in housing tenure and mortgage finance, London Council of Mortgage Lenders

Munro M, Pawson H, Monk S (2005), Theme 4: Widening Choice, Evaluation of English Housing Policy 1975-2000, London ODPM.

Whitehead C (1979), Why Owner occupation? CES Review No 6, May

Whitehead C (1994), Privatising Housing: An Assessment of UK Experience, Housing Policy Debate, vl 4, no 1

Whitehead C (1998), The Benefits of Better Homes, London, Shelter

Whitehead C, Gibb K and Stephens M (2005b), Evaluation of English Housing Policy, Theme 2: Finance and Affordability, London, ODPM

Whitehead C, Gibb K and Stephens M (2005b), Evaluation of English Housing Policy Theme 2 Finance and Affordability - Evaluation of Individual Housing Policies – low cost home ownership, www.odpm.gov.uk.

Wilcox S (2002), 'Can work - can't buy: Local measures of the ability of working households to become home owners', Joseph Rowntree Foundation Research Findings No 573