DATASPRING
Cambridge Centre for Housing and Planning Research

RSR Briefing Paper 6: Shared Ownership

A Dataspring Briefing Paper on
behalf of the Housing Corporation

Caroline Kiddle, July 2006

Further Information:
Dataspring,
Cambridge Centre for Housing and Planning Research,
University of Cambridge,
19 Silver Street, Cambridge,
CB3 9EP
Tel: 01223 337118
www.dataspring.org.uk

HOUSING CORPORATION
Affordable Homes, Strong Communities

This paper forms part of a series of Briefing Papers presenting the preliminary findings from a 3-year study of data from the annual Regulatory and Statistical Return (RSR) that the majority of social landlords registered with the Housing Corporation are obliged to fill in each year. The overall aim of the project is to understand how the housing association sector has changed since 1989, what has influenced or driven these changes and the implication of this for future housing regulation policy.Each Briefing Paper focuses on a particular theme, linked to the data available in particular parts of the RSR. This paper focuses on shared ownership (SO) units and units in leasehold schemes for the elderly (LSE) between 1995 (when the relevant data was first collected) and 2005.

Introduction

Shared ownership was developed in the 1980s to help people get on the home ownership ladder by allowing them to purchase a share in a property and pay rent to an RSL on the rest. It provided a useful stepping stone for those keen to become owner occupiers at a time when property prices were rising rapidly and mortgage interest rates were high. During this time, Shared Ownership developed as a tenure in its own right. The use of private finance and increases in Housing Corporation investment for shared ownership in the 1990s enabled RSLs to expand in this area of activity. Shared ownership activity is often carried out by subsidiary organisations specifically set up for this purpose, although subsidiaries may often undertake other non-core activities such as the management of temporary accommodation schemes, commercial properties and service provision to other RSLs.

SO programmes are specifically targeted to meet priority needs for social housing by releasing social rented dwellings for re-letting to people in priority need, while at the same time contributing to the building of sustainable communities. In order to facilitate this, low cost home ownership programmes, mainly conventional shared ownership and Do It Yourself Shared Ownership (DIYSO) are targeted not only at existing social housing tenants, but also those households on waiting lists/registers who would otherwise be eligible for direct nomination into the social rented stock.

Shared ownership typically involves RSLs selling a percentage of a dwelling's value to a purchaser on a leasehold basis, generally for a 99 year term. The purchaser arranges a mortgage to cover the percentage acquired and pays rent to cover the loan charges and other expenditure incurred by the RSL. Leases are generally 'full repairing leases', as the purchaser is liable for all the usual repairs and insurance obligations of owner occupation, resulting in minimum management for the RSL. Under most schemes it is possible for the purchaser to acquire further shares in the property; a process known as 'staircasing'. Thus purchasers may eventually become the freeholder or leaseholder (generally of flats). Until full purchase has been achieved, the RSL continues to own a share in the property.

Main Findings

- The number of units in shared ownership increased steadily year on year between 1995 and 2005, from 53,000 to 78,000, an increase of 48%.
- However LSE stock has experienced a 10% decline in numbers during the same period.
- The vast majority of SO units are owned by MF RSLs, although LSVT RSLs are increasing their share.
- The data suggests that SO units are often managed by parent RSLs (those owning no stock) of group structures
- Almost half of all SO units are in the London region and the South East, with the smallest share located in the North East and Merseyside.
- The yearly total of initial SO sales has decreased by 40% between 1999; and 2002 but recovered again in the years to 2005
- The proportion of SO units that were HAG funded has increased while the proportion of LSE units decreased until 2001 before increasing again between 2001 and 2005.
- Most SO units are owned and managed by the same RSL, although this proportion fell from 99%in 1995 to 92% in 2001.
- Less than 1% of SO homes have been reported as repossessed in any year.

Methodology
Findings in this paper are based on analysis of data from the Housing Corporation Registry and from the RSR and its predecessor, the HAR 10/1, between 1989 and 2005.The RSL type categories are provided by the Housing Corporation Registry. Size bands for the RSLs between 1989 and 2001 were derived by summing the numbers of self contained rental units and hostel bedspaces (excluding supported accommodation).

From 2002 onward the structure of the RSR form changed considerably. Data from 2004 onwards is only taken from those RSLs filling in Parts A and B. This will exclude some RSLs who, for example, do not own stock and only fill in Part D that records the provision of other services and activities provided by RSLs that are not included in Parts A and B. The size bands are then derived from the total general needs units and bedspaces owned plus total supported units and bedspaces owned plus total non-social housing owned (in 2002, Part A, column E, line 12 + Part A, column E, line 13 + Part B, column E, line 8). Size 0 denotes those RSLs registered but with no stock, for example the 'parent' RSL of a group structure or those that only manage stock and own none.

RSL type code	RSL type description
ALMS	Almshouses
ABBS	Abbeyfields
BME	Black and Minority Ethnic
LSVT WHAS	Large Scale Voluntary Transfer Whole Transfer (All Stock)*
LSVT WHSS	Large Scale Voluntary Transfer Whole Transfer (Some Stock)**
LSVT PART	Large Scale Voluntary Transfer Partial Transfer***
MF	Mixed Funded****

* WHAS refers to LSVT areas where all the stock was transferred and all went to one newly created RSL
** WHSS refers to a whole-stock transfer where stock was divided between more than one new RSL
*** PART refers to an RSL set up to take transfer stock in a district where only some of the stock was transferred to the HA sector.
**** These are all other RSLs that receive mixed funding (i.e. from public and private sources) but are not included in the other six categories

RSL size bands	RSL size description
0 units	
1-50 units	small (1-250 units)
51-100 units	small (1-250 units)
101-250 units	small (1-250 units)
251-1,000 units	medium (251-2,500 units)
1,001-2,500 units	medium (251-2,500 units)
2,501-5,000 units	large (2,501-10,000 units)
5,001-7,500 units	large (2,501-10,000 units)
7,501-10,000 units	large (2,501-10,000 units)
over 10,000 units	very large (> 10,000 units)

In order to analyse the data, two relational databases, one covering the years 1989-2001 and the second running from 2002 onwards (when the approach to data collection adopted by the RSR changed) have been constructed from the individual returns for each year. These are supported by linking tables for selected variables available across both datasets, enabling time series analysis from 1989-2005 for those variables. Further information can be found in the Technical Briefing Paper in this series.

Spatial analysis

Many variables are only available at the national level. However, some key variables are collected at the Local Authority district level and these can then be aggregated up to regional level.[1] Tables and charts will therefore either refer to totals for all RSLs with valid RSR returns (ALL) or just those units in districts within England (ENG).

Data availability

Data on shared ownership housing has been collected in the RSR since 1989, but between 1989 and 1994 the question asked whether the RSL managed the properties. In 1995 the question was changed and asked about those SO and LSE properties in which the RSL still owned part of the equity or retained the freehold. Data on initial sales of LSE units is available from 1989 but the initial sales of SO units is only available from 1999; before that there is only data for initial sales of 'Do It Yourself' SO sales and 'Other' SO sales

Findings

Between 1989 and 1995 the RSR asks for the total number of shared ownership or LSE dwellings managed that had been sold by 31 March that year; from 1995 it asks for the total number of units jointly owned by each RSL at 31 March. In 1996 this is broken down into totals for SO and LSE units. District level totals for ownership of SO and LSE units combined are available from 1995.

[1] Only data for districts that are in England are included. District level data have been harmonised to take account of local authority boundary changes that took place during the 1990s. The regions referred to are Housing Corporation Investment Regions.

Table 1: The numbers of SO units owned by RSL type (ALL)

The number of units in shared ownership increased steadily year on year between 1995 and 2005, from 53,000 to 78,000, an increase of 48%. The vast majority of SO units are owned by MF RSLs, but their share fell from 96% to 90% as the LSVT sector grew and almost doubled their share from 4% to 10%. BME RSLs also increased their share of SO units, but Almshouses and Abbeyfields had no SO units; instead they concentrate on providing LSE units.

Table 2: The numbers of SO units owned by RSL size (ALL)

The data show how the share of SO units has shifted from RSLs in the middle size ranges to the largest two sizes and the smallest between 1995 and 2005. The most striking change is the collapse of the share held by RSLs in the 1,001-2,500 units size band. They were the second biggest owners in 1995 with 21% of all SO units, yet by 2005 their share had diminished to only 8%. By contrast, the two biggest size bands increased their share from 18% to 29%. RSLs in the 51-100 units size band increased their share from 1% to 7% and those with no self-contained general needs rental stock saw their share of SO units reach 14 % in 2005, close to the 1995 level of 15% - following a peak of 24% in 1999.

Table 3: The numbers of LSE units owned by RSL type (ALL)

While SO stock numbers have been increasing, LSE stock has experienced a 10% decline in the same period. There has been considerable variability, with significant increases between 1996 and 1998, and sharp decreases between 2001 and 2004, followed by a modest increase in 2005.

As with SO stock the vast majority of LSE stock is owned by MF RSLs. The rest is mainly divided between Almshouse RSLs and LSVT RSLs.

Table 4: The numbers of LSE units owned by RSL size (ALL)

While the overall number of LSE units decreased between 1995 and 2005, the three largest size groups all significantly increased their share of LSE units, from 32% to 66%. All smaller size band groups experienced a decline in their share, with the exception of the 51-100 units size band.

Table 5: Regional distribution of SO and LSE stock (ENG)

Overall the number of shared ownership dwellings (SO and LSE) in England increased by 48%, from 65,000 to 96,500 between 1995 and 2005. Regions with above average percentage increases were London (75%), the South East (63%) and the East Midlands (61%). The smallest increase was 12% in the West Midlands.

Almost half of all Shared Ownership and LSE units are in London and the South East. The proportions have changed only slightly over the time period, with London showing the biggest increase (up by 4 percentage points), while West Midlands and the North West decreased their share by 3.4 and 1.2 percentage points respectively.

Table 6: Initial sales of shared ownership dwellings

While the number of SO units in ownership has increased, the rate of initial sales of SO and LSE units has fallen. In the year to 31 March 1999 there were 6,200 SO and LSE initial sales made by RSLs and in 2005 the number was the same, although numbers fell to 3,700 in 2001 before rising again. The vast majority of sales are from stock owned by MF RSLs, although in 2005 LSVT RSLs accounted for 12%.

The most dramatic increase in initial sales occurred in the 51-100 units sizeband, where sales rose from just 79 in 1999 to 612 in 2005.;this represents 10% of initial sales in 2005.

Table 7: The proportion of SO units that are HAG funded

On average, the proportion of Shared Ownership units that are HAG funded has increased by seven percentage points between 1995 and 2005, from 80% to 87%. Until 2001 nearly all BME SO units were HAG funded, but this proportion has dropped dramatically to 62% by 2005 while the proportion of LSVT RSL units receiving HAG funding has increased from 53% to 67%.

Table 8: The proportion of LSE units that are HAG funded

On average, the proportion of LSE units that are HAG funded is lower than that for SO units. The proportion decreased from 59% in 1995 to 53% in 2001 before increasing to 77% in 2005. However, LSE units owned by Almshouses have always been 100% HAG funded.

The dramatic shift in proportions for LSVT units between 2004 and 2005 is influenced by low numbers rather than any shift in policy; only 14 HAG-funded LSE units were recorded in 2004.

Analysis by RSL size shows no clear overall pattern. Again this has to be interpreted in the light of low numbers in some cases. The proportion of HAG funded units increased by 21 percentage points for RSLs in the biggest size category (over 10,000 units), although it fell by 26 percentage points in the next size group (7,501-10,000 units).

Tables 9, 10, 11: SO units owned and managed by the same RSL

The vast majority of both SO and LSE units are owned and managed by the same RSL, but for SO units this proportion has fallen from 99% in 1995 to 89% in 2005. The proportion for LSE units has remained very high at 97%.

Comparing the breakdown by size and type with the corresponding tables for SO and LSE ownership (Tables 2, 3, 4 and 5) shows little variation between patterns of ownership and management between the different categories.

Table 12: Numbers of SO and LSE units repossessed

This question was asked from 1996 onwards but no data are available for 1997. In 1996 the total repossessed is derived from the numbers of SO and LSE units repossessed. From 1998 onwards the repossessions are broken down into those repossessed by the mortgagor and by the RSL.

Overall the number of units repossessed is small (under 1% of all units owned). The data suggests a peak in the number of repossessions in 1999 and 2000 and a decline in numbers since 2001. In line with the changing balance of units between RSL sizebands, the proportion of all repossessions is now concentrated into RSLs with no units, the very small RSLs and the very large RSLs.

Summary

While the numbers of SO and LSE units has increased by nearly half as much again between 1995 and 2005, the number of initial sales of SO and LSE units is almost exactly the same as in 2005 as in 1995.

Almost half of all SO units owned are located in the London region and the South East, an indicator of the pressures on housing stock and house prices in those regions.

The majority of SO units are owned by the MF RSLs, although there is a bigger proportion now owned by the LSVT RSLs, in line with the general increase in LSVT RSL numbers. The exception is the LSVT PART RSLs where no SO units were recorded until 2003.

The proportion of all SO units that are HAG funded has risen from 80% to 87% in the 10 years since 1995. By contrast the proportion of LSE units that are HAG funded has risen from 59% to 77%. All LSE units owned by Abbeyfield RSLs were 100% HAG funded.