

A Rising Number Of Home Buyers Move To Shared Ownership, Is It The Right Step?

What makes an affordable home product good? Does it serve a purpose in tackling the issues faced by home buyers?

To answer that we need to look at the core issues:

- 1. Rising property values, outstripping income levels**
- 2. Capital input required**

In essence, these two common barriers can be summed up with:

- a. I can't afford to buy in my area**
- b. I can't save enough deposit and pay my rent**

Platform Home Ownership and Metro Finance have partnered up to look at the ever-growing popularity of Shared Ownership, what it means for affordable housing and how Shared Ownership mortgages have changed in recent years.

We often hear the phrase 'Affordable Homes', but what does it actually mean?

It doesn't mean, everyone will be able to afford every affordable home described this way. It simply means the property is 'more' affordable than it would be as an 'Open Market sale'

Shared Ownership is a unique Affordable Home Product, I once compared it to 'Elasticated Jeans'...The jeans come as one pair, but have the ability to fit multiple waist sizes, because they're stretchy!

Whereas Shared Ownership makes it possible for one property to have 65 different prices! The Share size is tailored to your affordability, based on a shared between 10% and 75% initial purchase - you can rise to 100% later, should your lease allow it.

There's no doubt that Shared Ownership is now an established fixture on the housing landscape but how does the tenure offer a route to home ownership different to the traditional outright, route?

Using the UK average property price of £256,000, with Shared Ownership the price you buy at can range from £25,600 through to £192,000 and anything in between - dependent on the most you can afford. In other words, total flexibility to adjust according to income affordability.

This is just one of the reasons why Shared Ownership has grown so much in 2021 - house prices rising beyond reach for many, Shared Ownership effectively has the ability to change those prices. Bringing them back into reach.

In 2021 Metro have seen a 55% growth in the number of Shared Ownership mortgages offers, compared to 2020. Or compared to 2019 (none Covid), a 40% growth.

But... this only tackles the first barrier 'I can't afford to buy in my area'. What about the other barrier 'I can't save enough deposit and pay my rent'?

Shared Ownership once again is unique, just as the Share sizes can adjust to meet your income affordability - so can the deposit requirement.

For example, your income might allow you to buy a 75% share, but your deposit might only be enough for a 25% share. This would mean your deposit level is the deciding factor when determining the share size.

Using the average UK house price again, of £256,000, to purchase on the open market you would need a deposit of £12,800 minimum. Whereas Shared Ownership, the 5% is calculated against the share size, so a 25% share would require a £3200 deposit.

PURCHASE TYPE	DEPOSIT SIZE	APPROX INCOME REQUIRED
Open Market	£12,800	£55,000
25% Share	£3,200	£24,000
40% Share	£5,120	£27,000
60% Share	£7,680	£33,000

Whilst it doesn't take away the deposit totally, it's certainly far easier to save £3200 than £12,800. The equivalent of saving £266 per month for a year OR not having the daily £2.50 Cappuccino for just over 3 years.

Combining these two key benefits of Shared Ownership, lower income requirements and lower deposit requirements into real numbers below. It really brings to light, why Shared Ownership just keeps growing. And you might be thinking Shared Ownership is just for newbuild properties, you may prefer resales or older properties.

This month of the largest Shared Ownership mortgage lender, Leeds Building Society reported a rise in the purchase of Shared Ownership resales from 16% of buyers in 2019, to 25% in 2021 i.e 25% of all SO buyers purchased resale.

This also demonstrates the increase in the total number of Shared Ownership units available in the market, the increase in new build over the years, gradually turning to resale.

We also see increased lender numbers involved, today there are roughly 28 active lenders, of which around 15 offer 95% mortgages. Nearly all the High Street lenders are involved alongside lots of Building Societies. Giving a fast array of mortgages, around 300 products in total, enough to satisfy many different options and walks of life.



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