The Colin Wiles blog

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Staircase to heaven?

As I predicted in my previous blog *Johnson on Housing*, this government's primary housing focus will be on homeownership, making life easier for first time buyers in particular.

The government recently issued a discussion paper titled *Making home ownership affordable*, and one of its primary aims to is to revamp shared ownership.

It proposes a "national model for shared ownership" that will make it easier for shared owners to buy and sell their homes, and to boost "staircasing" – the process by which you buy additional chunks of your property - by allowing owners to buy 1% of the unsold value at a time, instead of the present 10%.

Five years ago I wrote a report for Gateway Housing Association on staircasing. At the launch, then National Housing Federation CEO David Orr described shared ownership as "the tenure that refuses to die". It's always been a kind of twilight tenure, attractive to some, understood by few (some people still think it means sharing your home with others!), and there are still lenders who can't quite grasp how it works.

The principle of shared ownership is sound – a transitional tenure between renting and buying – but it is beset by complicated rules and has been hit by some bad press in recent years: poor construction, steep service charges, a lack of interest by landlords, and a lack of clarity about who it is for.

The concept of staircasing implies that shared owners can fairly swiftly move up and out of the tenure. In fact, a Cambridge University study in 2012 found that shared owners were less mobile than other owners and the costs and complexity of staircasing were major barriers to mobility. If you can't buy bigger portions of your home, then it becomes hard to move on to outright ownership.

My report for Gateway found that those who staircased had an average income of £10,000 more than those who had not, and they also had greater access to savings and inheritances. Obviously, income is a key barrier, but the fees involved in buying extra shares were also identified as a significant obstacle.

At present, every time you staircase you must pay valuation and solicitor fees. So, the key question for the government is: will every 1% purchase require a new valuation and lawyers? If so, it will fail. Or can the process be simplified using an online tool that automatically re-calculates the unsold and sold equity without any fees? Or, if fees are applied, can they be deferred and set as a charge against the future sale of the property?

Providers have a role to play in providing better financial advice and support to their sharing owners, but one of the problems I identified is that they know far less about shared owners than their regular tenants. Properties are sold and then the owners are left to get on with it.

The challenge is to gather more detailed information about who shared owners are, what they aspire to, and how they can receive targeted advice and support. If you knew, for example, that a fixed term mortgage was about to end, you could contact your shared owner with some suitable advice. I think this rarely happens. A while ago I stayed in an Airbnb in Bethnal Green that was a shared ownership property owned by a local housing association (I won't reveal which one). Did the landlord know that it was being illegally sublet? I doubt it.

Meanwhile, it has been revealed that the number of unsold shared ownership homes is higher than at any time in the past decade. There were 7,031 unsold at the end of June, up from 4,641 at the end of June 2018. Half of them were in London and the southeast and 2,133 had been unsold for more than six months. Just four providers accounted for 36% of these and this explains why some of the largest associations have suffered a hit to their finances.

Shared ownership has been around for 40 years (there is some debate who invented it – the late chief executive of Notting Hill, John Coward, is a strong contender, see here) but providers will need to think carefully about investing in this tenure in the future, given that it is vulnerable to the vagaries of the housing market.

There needs to be some serious thinking about how to make the tenure more attractive to buyers and this government discussion paper is a step along the right road. Unfortunately, the press release issued by the MHCLG alongside the discussion paper does not inspire confidence that officials know what they are dealing with. It gives three "case studies", all with the same dodgy maths. Here is one of them:

"£200,000 shared ownership property"

- A family in a £200,000 shared ownership 3-bedroom property could buy an initial 25% stake with a mortgage for £50,000 while paying subsidised rent on the remainder.
- They would then have to save up £15,000 at a time to increase their stake, and decrease their rent – which is beyond the reach of many.
- Under our plans, shared owners would be able to save up 1% at a time – or £2,000."

Can you spot the basic errors? Perhaps all the savvy civil servants are tied up with Brexit? Either way, the government will need to have a clearer focus and a better grasp of the detail if their plan is to succeed.

The consultation on this paper closes on 29 September and the online survey can be found here. Do respond.

About the author

Colin Wiles has worked in affordable housing for almost forty years, for local authorities and housing associations. For the past eight years he has worked as a consultant, working on a range of projects for dozens of clients across the sector. He specialises in governance, service reviews, research and policy work. Colin has written extensively on housing and planning issues for Inside Housing, 24 Housing and The Guardian. He is a co-founder of SHOUT, the Campaign for Social Housing.