

UK Social Housing & Shared Ownership

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Beyond our borders webinar 26 May 2021

What we do



- **Transactions – traditional sector and new impact investors**
- **Largest specialist team in the UK – over 30 years experience and established basis for affordable housing investment valuation**
- **All affordable tenures and products**
- **Forward funding, joint ventures and partnerships**
- **Leading advisors to ‘new entrants’ – impact investors, developers, LAs**
- **Specialist registration and regulation expertise**
- **Valuation, funding advisory, property surveying, compliance**

Affordable housing: philanthropy, capitalism and the state



Pre 1900's
Philanthropic
housing to
address slum
housing

No debt



Early 20th
century –
public sector
council
housing

PSBR – on
government
balance sheet



Late 20th
century –
liberalisation
and rise of
Housing
Associations

Pre-88 100% grant
Post -88
Mixed funding model
private finance and
state capital

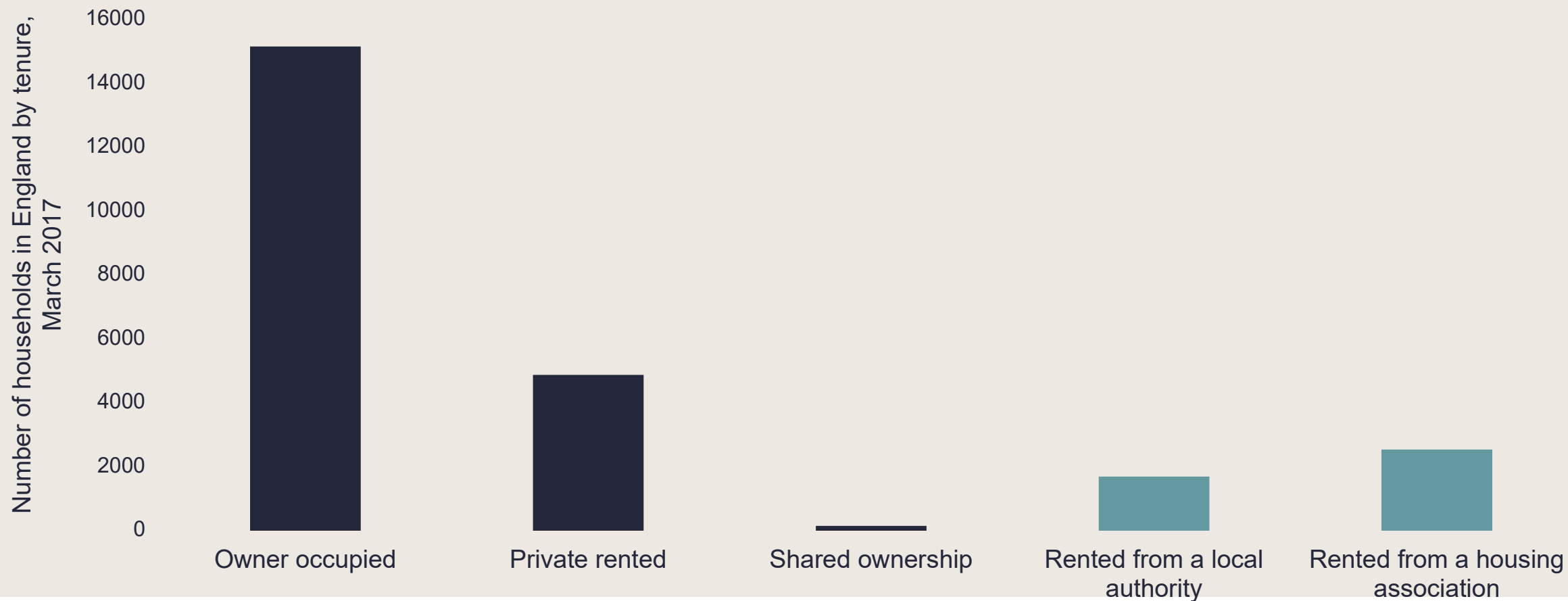


New entrants
and For Profit
sector
emerges

Post GFC
Capital markets
c.£100bn debt - trade sector
New entrants -
New entrants – For Profit RPs

Housing tenures in England

Source: Housing Statistical Release, May 2018





NEW ENTRANTS FOR PROFIT RPs

>50 registered

8470 homes
owned to March 2020
>40,000 by 2022

£4bn capital deployed
in 5 years

£9bn known planned
investment



TRAD RPs

2.7m homes

£20 billion turnover

£76.9 billion debt –
£105m by 2022

51% geared

£7 billion capacity



LOCAL AUTHORITIES

1.6m homes

£8 billion turnover

£26.5 billion debt

26.4% geared

£15bn capacity



Size of the sub-market shortfall

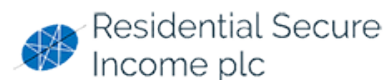
100,000

Households in need of sub-market housing per year.
Almost half of them are in London

Average new affordable homes delivered last ten years

40,000

New entrants



Current political context

Housing supply – key priority

Supply target – 300k per annum

Emphasis on pathways to home ownership

Building safety/ consumer protection – post Grenfell

Zero C 2050

Political volatility:

19 housing ministers since 1997 – average tenure

15 months!

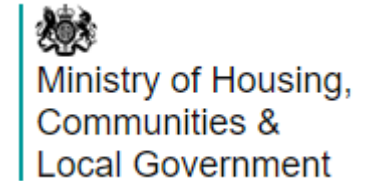
Rent cut 2015

Shared ownership reform 2021



UK Infrastructure – Affordable Housing

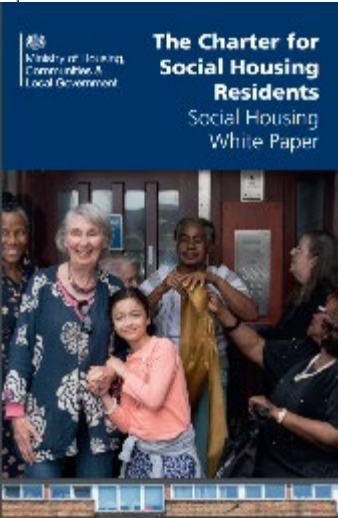
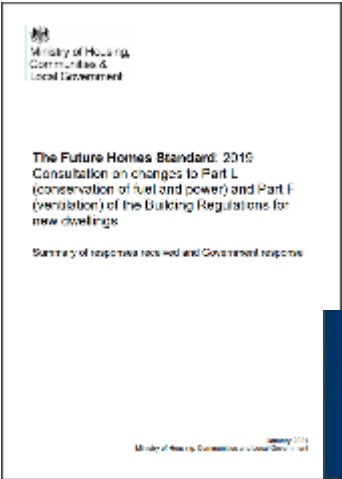
Policy and Funding



National Planning Policy Framework

Local Authority Planning Policy

Regulation and standards



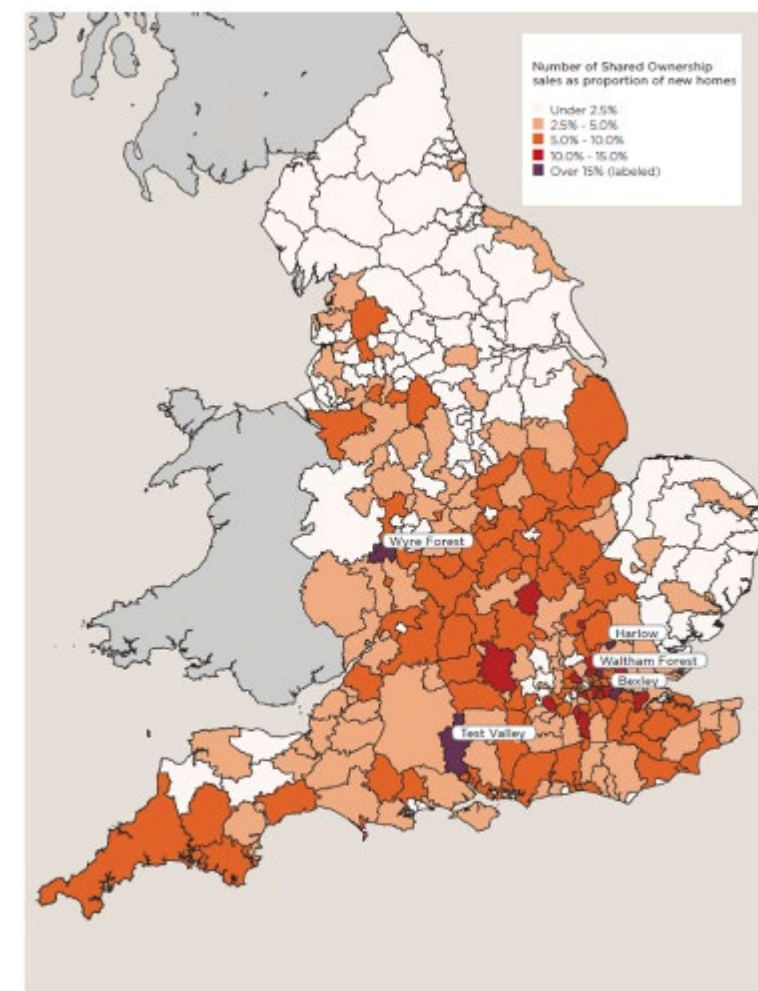
Shared Ownership Overview

Old model shared ownership

Introduced c.1990
 Home ownership for low income / low deposit households
 99 year lease
 RP landlord builds
 Shared owner buys initial 25/50/75% with mortgage/deposit
 Pay rent on unowned equity @ 2.75%
 'Staircases' to full ownership in 10% minimum equity stakes
 Rent increases RPI plus 0.5%
 Shared owner bears 100% repairs and insurance liability irrespective of % owned

New Model Shared Ownership

Introduced 2021
 999 year lease
 Minimum 10% initial equity purchase
 Pay rent on unowned equity @ 2.75% / RPI plus 0.5% annual rent inflation
 1% staircasing
 Landlord covers repairs up to £500 p.a. for first ten years of property life

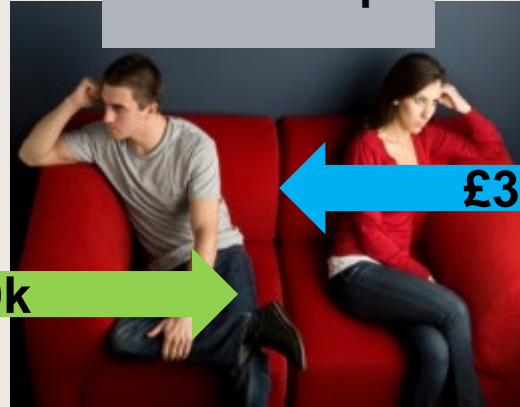


Private Rented Sector

GENERATION RENT

<£30k

Shared ownership



£30-50k



>£50k



Flexible

- Affordable (sharing!) – insecurity of tenure
- Young professional – flexibility
- Relationship breakdown market – limited equity
- Highest growth in over 35s
- Lower incomes/ access to mortgages

Flexible?

- Affordable and secure alternative to PRS -
- Relevant to messy modern life
- Important option for downsizers
- Relationship breakdown market
- Low income / access to cash

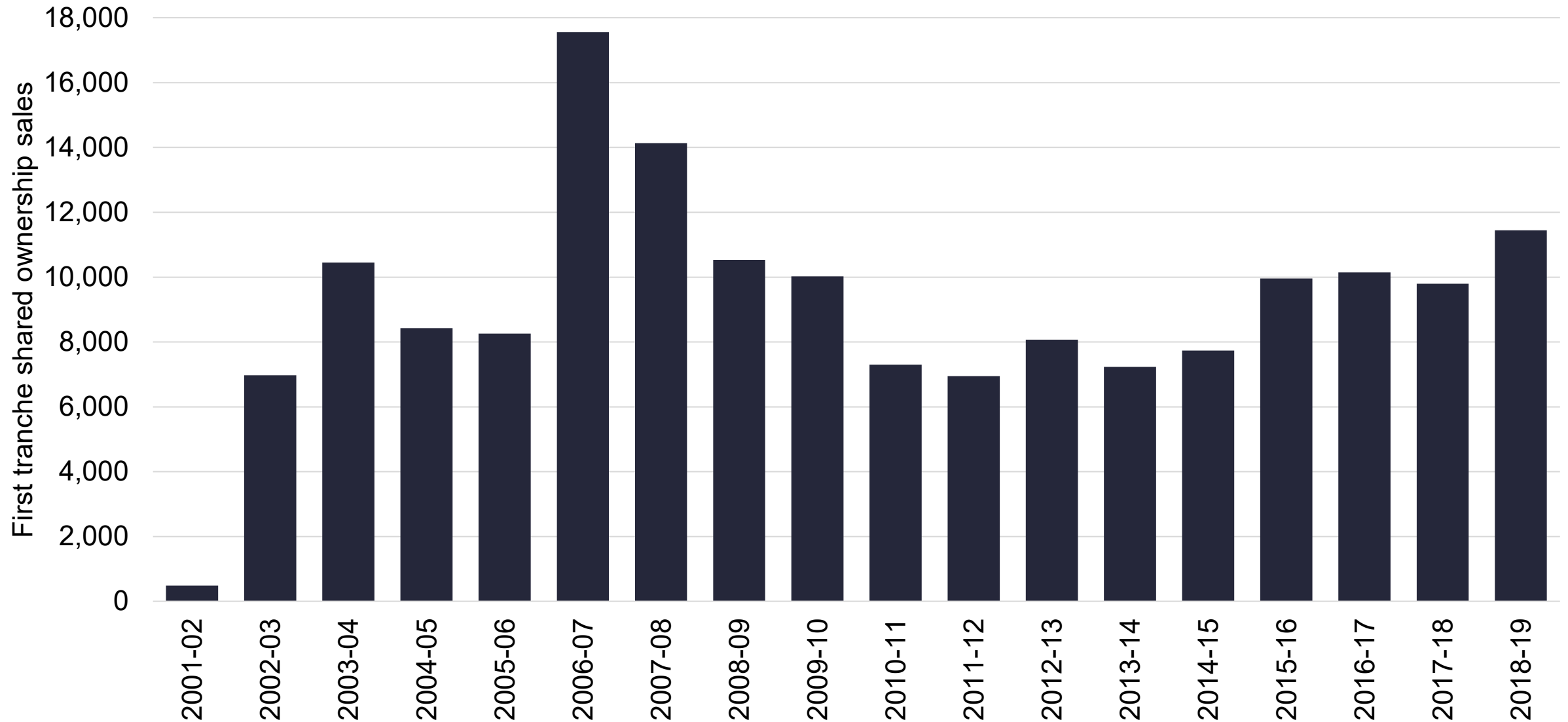
- Restricted access
- First time buyers
- 70% of full value
- Delivered via planning system

First Homes

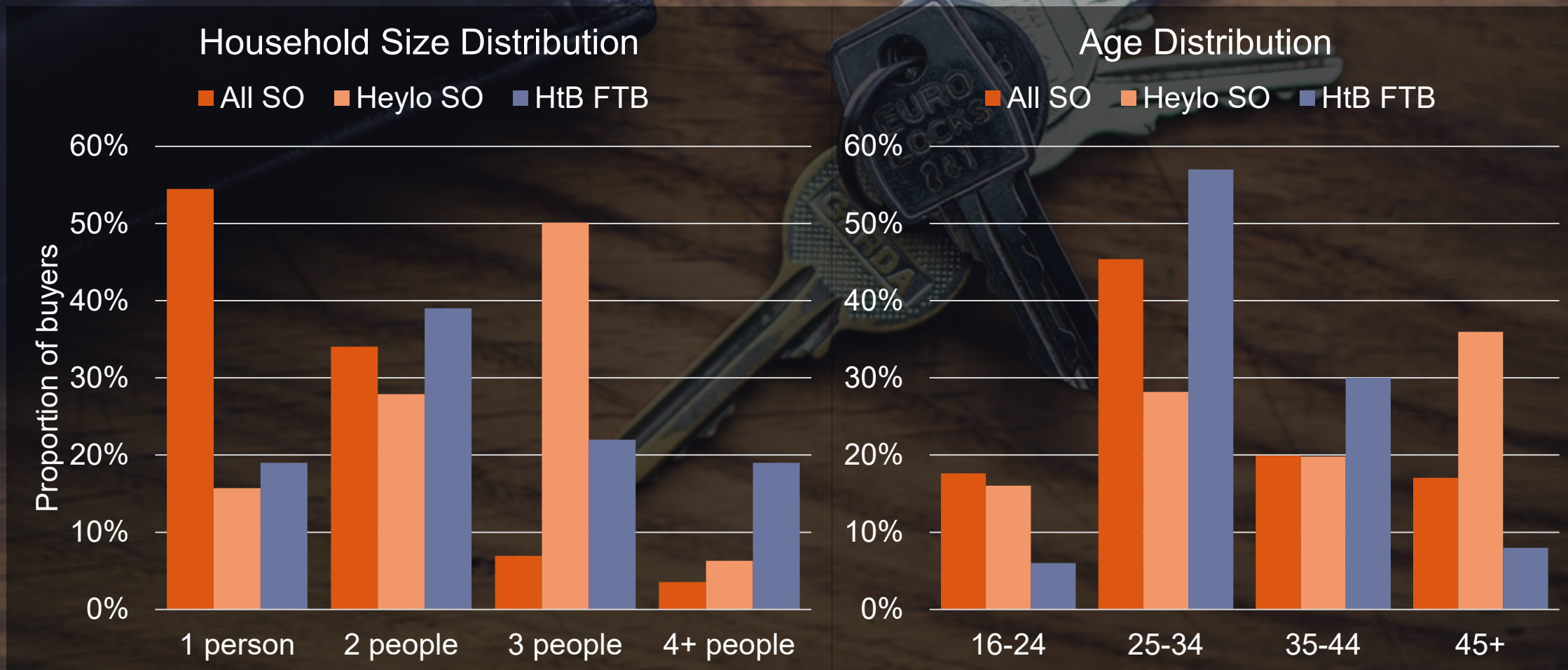
- Tenure of choice for the better off
- Help to Buy very important (gets over the deposit barrier)
- First time buyers, second time movers, downsizers
- Best mortgage rates for the equity rich

Home ownership

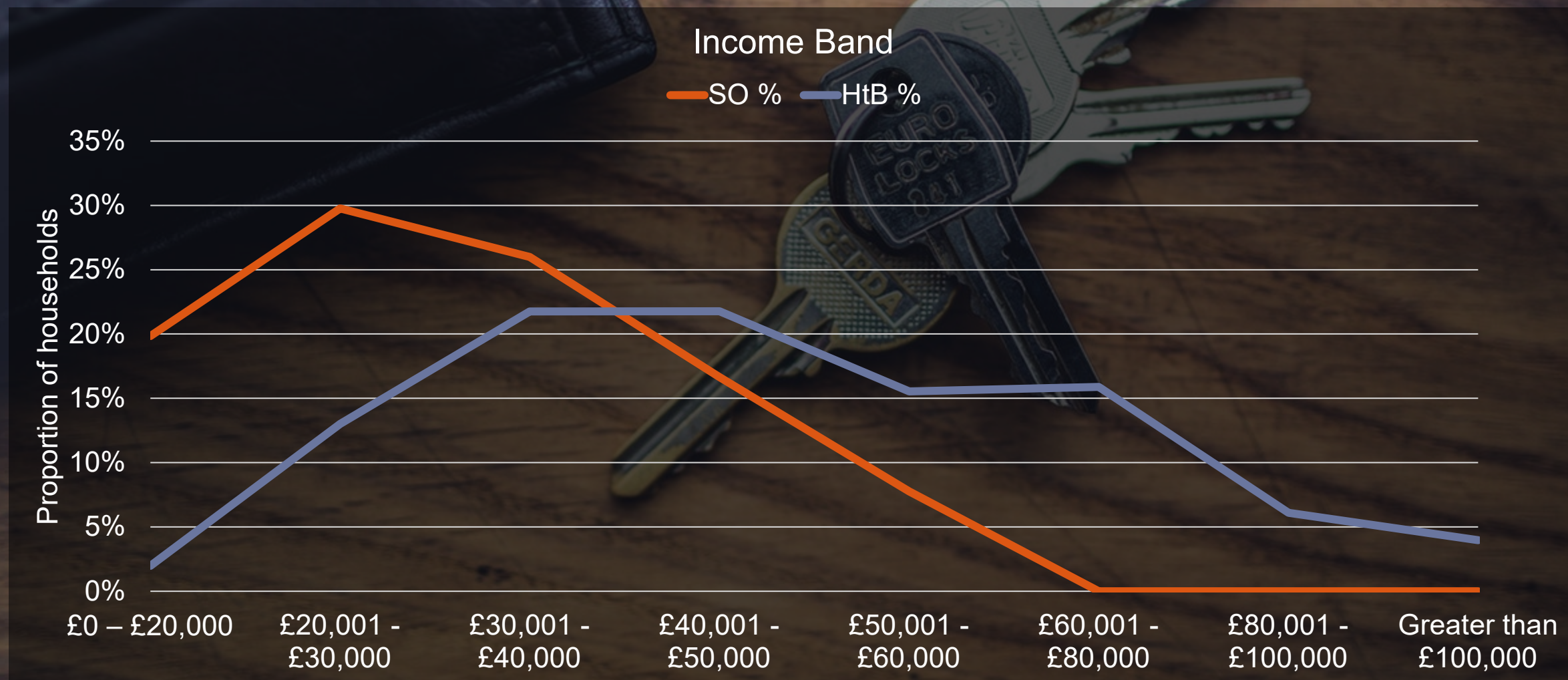
Shared ownership sales are rising and stock is growing



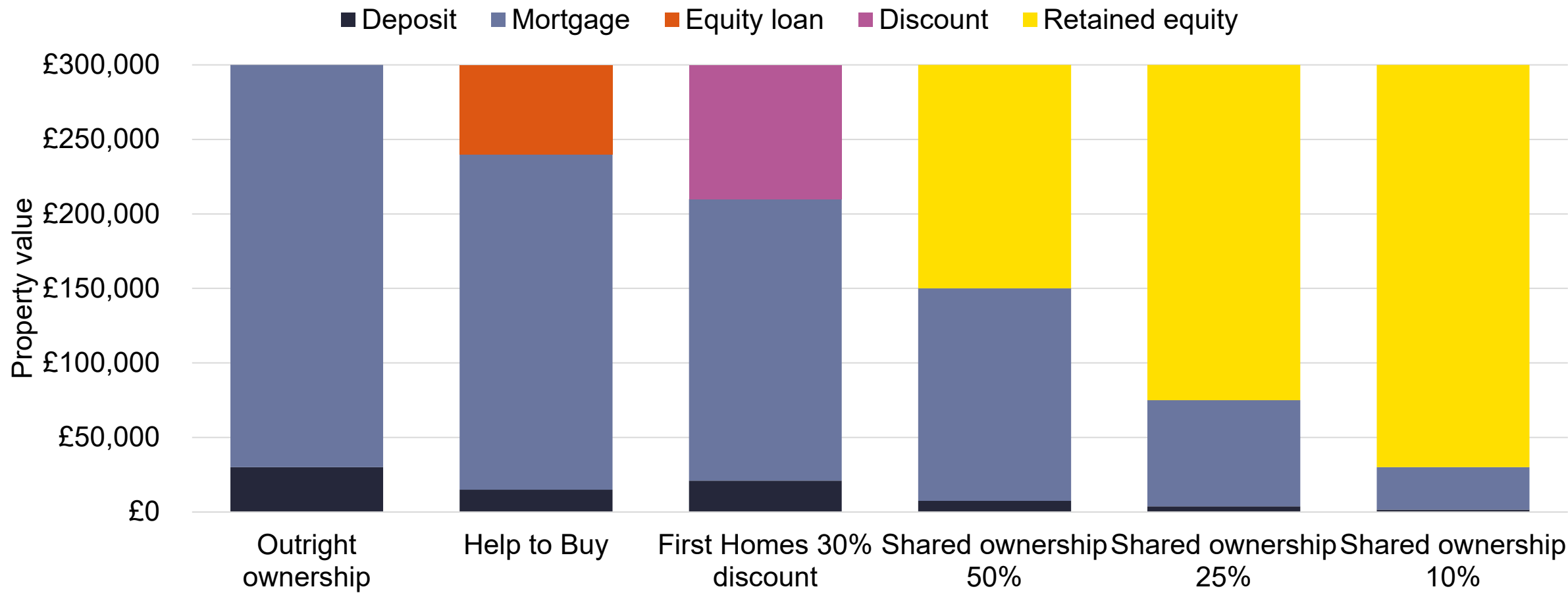
SO residents tend to be younger...but it depends on your marketing



Shared Ownership attracts households in lower income bands

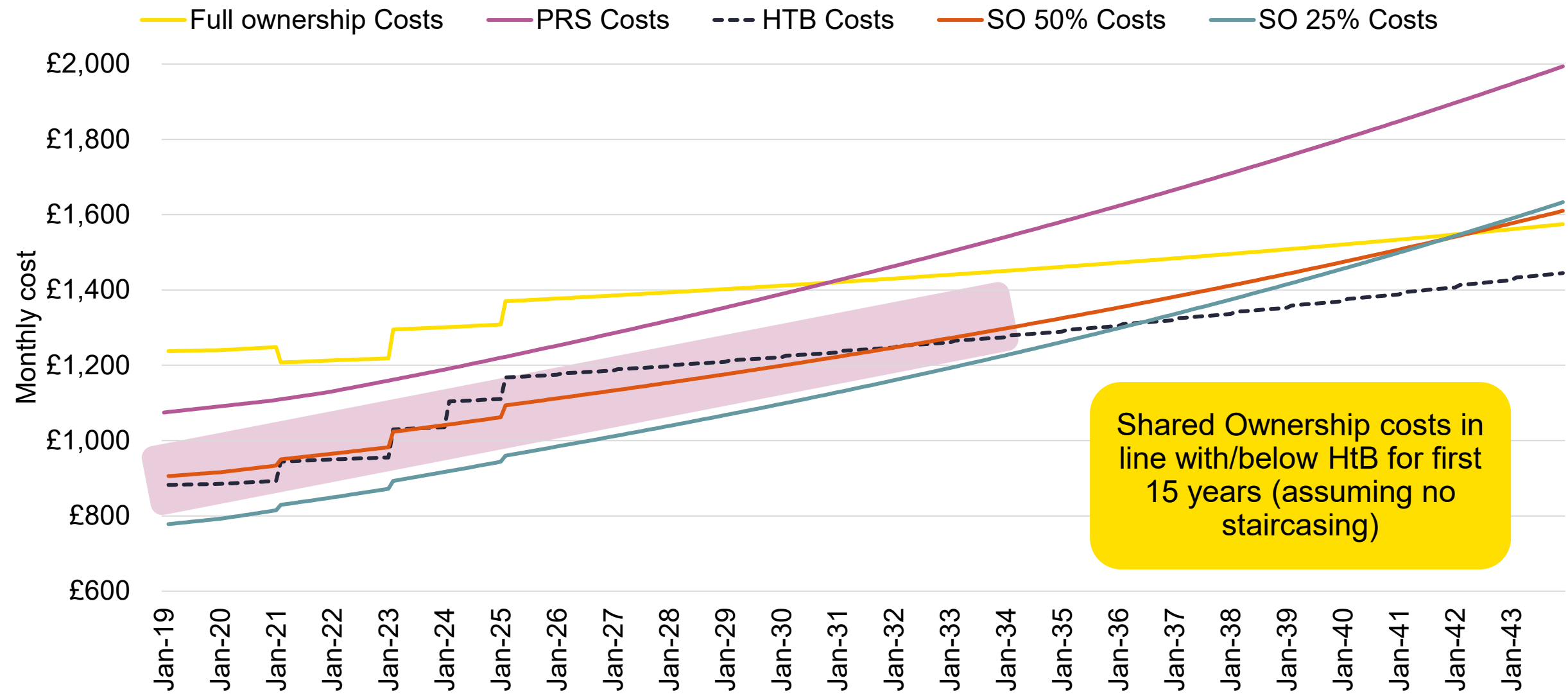


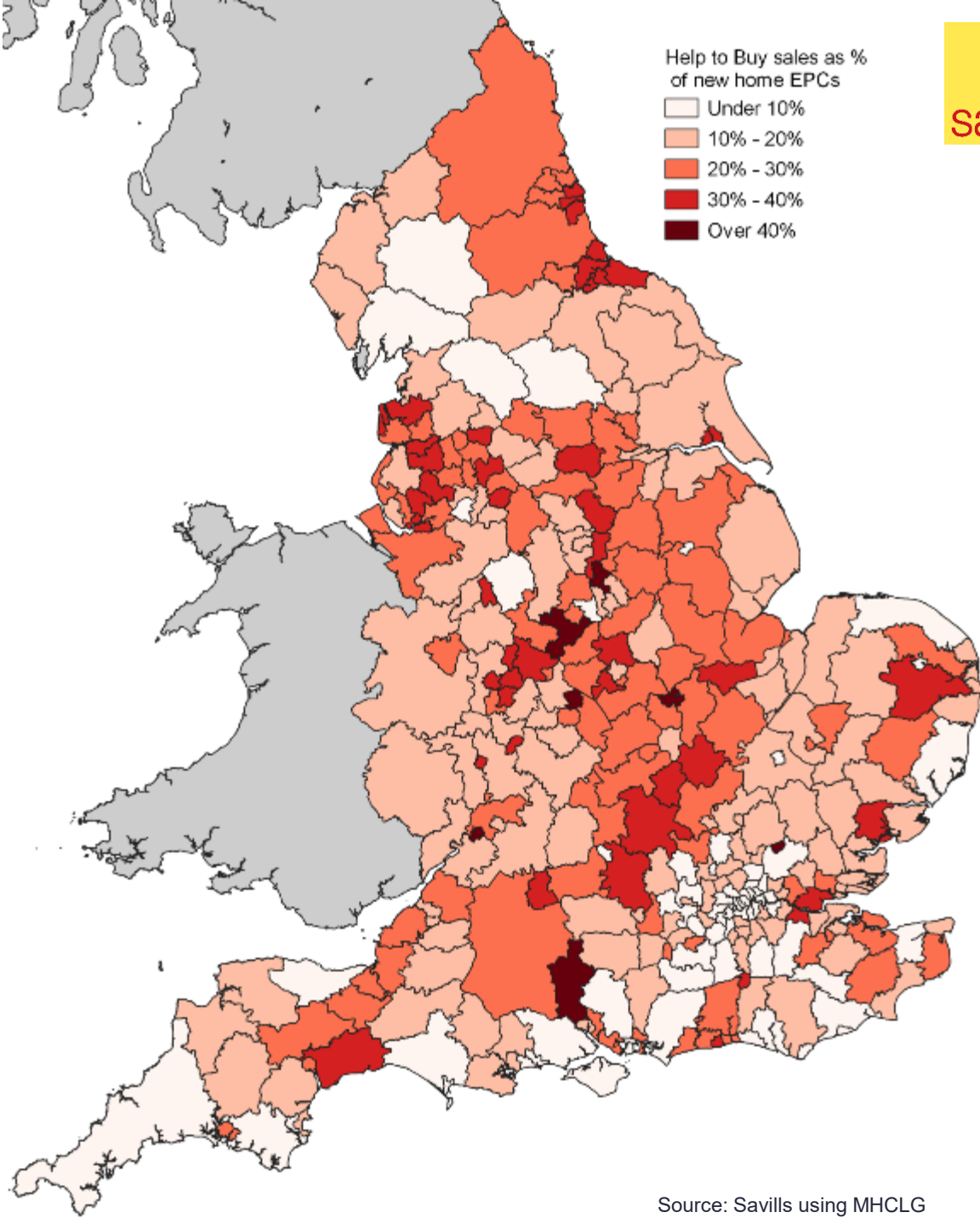
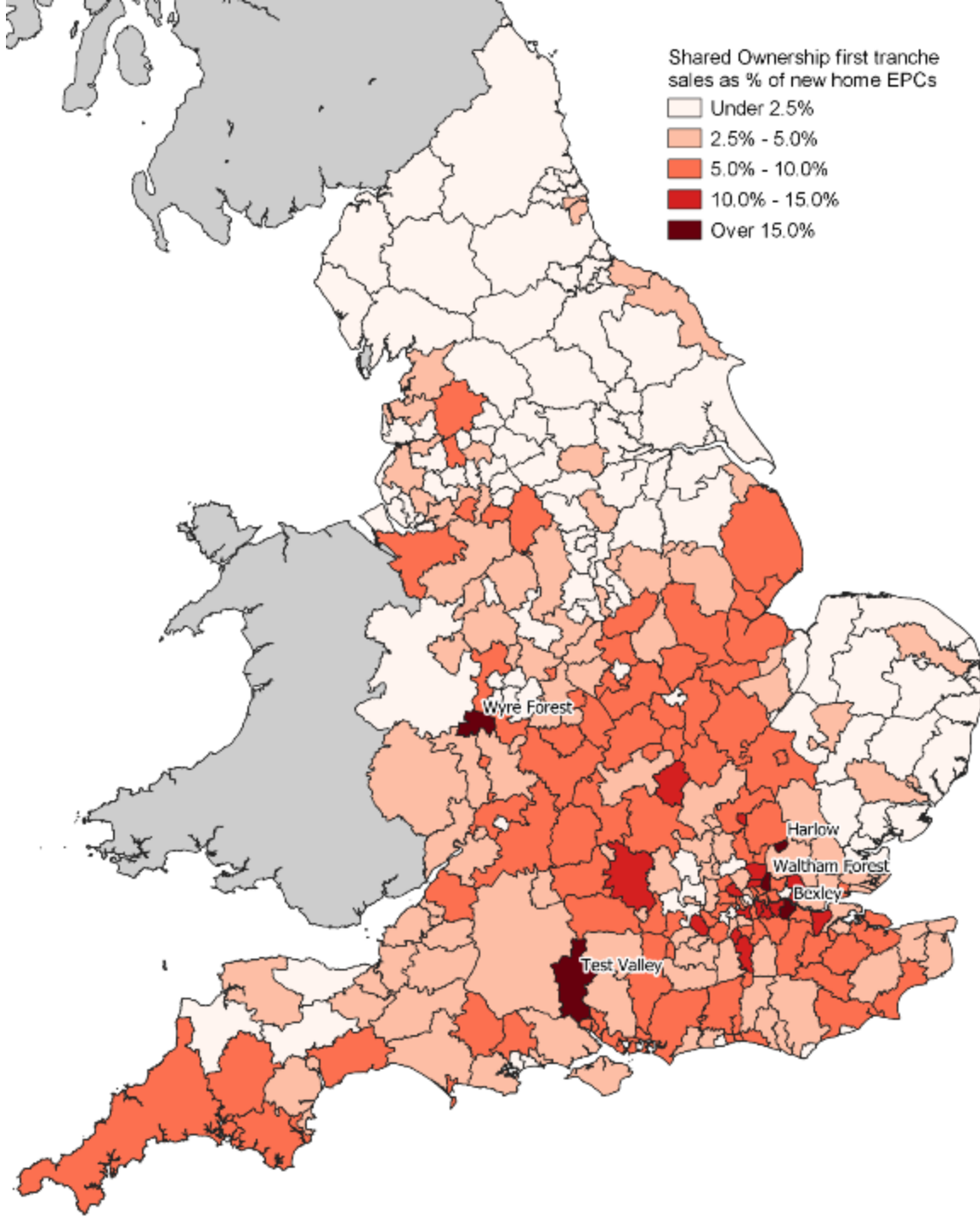
Shared ownership is a more affordable route to home ownership



Min deposit	£30,000	£15,000	£21,000	£7,500	£3,750	£1,500
Min income	£60,000	£50,000	£42,000	£38,600	£31,300	£27,000

Monthly costs for the same property in different tenures





Summary

For Government

Pathway to home ownership

Lower capital grant product

Track record and established in the market place

Complimentary to First Homes and Help to Buy

For landlords

Meeting broad range housing needs

Established as core social housing product

For lenders and investors

Becoming more acceptable as loan security

Primary focus for new market entrants – liability matching

THANK YOU

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