



Government Plans New Home Ownership Model to Tackle the Housing Crisis

AUTHOR / KEY CONTACT



Deena Blake
Associate

✉ Deena.Blake@LA-law.com
☎ 01202 702624

Despite widespread consensus on the existence of the problem, there remains no agreement as to a solution for the housing crisis.

There is also inconsistency in what is meant by a 'housing crisis.' For some, it is a fall in home ownership, which fell from its peak of 70.5% in 2003 to 63.1% in 2016. For others, it is rising homelessness and a private rental sector that is not built for purpose.

For years, the root of the problem has been cited as a lack of supply. This was first set out in the [Barker Review](#) (2004) and most recently in the [Government's 2017 housing white paper](#). The reasoning is that a lack of supply has caused a lack of affordability, the figures certainly support this. UK average house prices rose by 161% in real terms between the middle of 1996 and the end of 2018. Over the same period, they rose by 292% in London. House prices are currently at a multiple of around 8 times median household income whereas in 1996 they were at 4.5.

A report published this month by the [Tony Blair Institute for Global Change](#) challenges this stance. It asserts that the UK's housing crisis is not caused by a lack of supply and 300,000 new homes a year would not make a significant impact on house prices and rents. It states that meeting the Government's new build target would only cut house prices by around 10% over 20 years. Instead, it asserts that low mortgage rates (e.g. falling from 8% to around 2% today) and global economics, particularly international demand to purchase property in London, are the real reasons for the rise in house prices. It adds that increasing housing supply is likely to lead to a rise in the number of empty homes rather than boost levels of ownership.

The solution, the report asserts, is thus one of affordability.

Yesterday, the Government announced a package of measures to help tackle the housing crisis. It proposes to:

1. Close the Help to Buy loophole so owners can take out a 35-year mortgage.
2. Reform the planning system to boost housing delivery and make home ownership more affordable.

3. Review a new national model for shared ownership to make it easier for people to buy more of their own home.

Help to Buy owners currently face difficulties and uncertainty if they want a mortgage with a term of more than 25 years. It is hoped that the change will give people the choice to spread their borrowing over a longer period and thereby reduce their monthly mortgage payments. However, there is a concern that it could lead to increased prices and cost more in the long term.

The new shared ownership model is designed to:

- Allow shared owners to purchase shares in their property in as little as 1% increments, in order to make it easier for people to increase the level of ownership until their property is owned outright. This is a process known as 'staircasing'. At present, shared owners must buy an increased share in 10% increments, which can be as much as £45,000 per time.
- Give shared owners more control over the sales process. It is hoped that this will make it easier for people to sell their homes and thereby increase housing mobility.
- Ensure that there is one preferred national model for shared ownership. The aim is to make it easier for people to obtain a mortgage and thereby help more young people to get onto the housing ladder.

Housing Secretary Robert Jenrick has said that the new national model for shared ownership is to help people on lower incomes get onto the housing ladder and the National Housing Federation has already publicly welcomed the news. However, not everyone supports the changes.

Labour has termed the new model as "tinkering" and said that it does not tackle the lack of new affordable housing. Further, Shelter has referred to it as "another complicated housing scheme" that is "woefully inadequate when this country is facing the current housing emergency." Indeed, the Home Owners Alliance estimates that it costs about £2,000 to buy an additional tranche of equity on top of the cost of the share itself because of the costs of valuing the property, conveyancing, stamp duty land tax and rearranging mortgages.

Whatever the causes and the solutions, the housing crisis remains a multi-factored and emotive issue.

The Government is holding a consultation to seek views on the new national model for shared ownership. The consultation closes 29 September 2019.