

Support for home-owners

Briefing from Shelter Scotland, June 2007

The housing market problem

Problems of access to housing have gained a higher profile in recent years. These problems relate to both rented and owner-occupied sectors. Many people aspire to home-ownership and this is becoming problematic. Average house prices have doubled in the last 10 years, with lenders showing first time buyer prices having doubled in only **five** years. While the Lothian housing market area and some rural areas show the greatest strain some of the largest increases in house prices have been in areas not traditionally thought of as property hotspots: for example, in South Lanarkshire.

Current policy responses

For many years, government has recognised the need to provide alternatives to home ownership, both by funding social rented housing and supporting private renting. But there have also been measures to subsidise low cost home ownership schemes, particularly in areas of regeneration characterised by a dominant council-housing sector. Schemes such as homesteading, improvement for sale, GRO-grants for developers and Rural Home Ownership Grants for individuals in designated rural parts of Scotland have all provided access to home ownership for people or in areas where the market does not readily do so. There is also a national Mortgage to Rent scheme to help existing owners who get into financial difficulty.

In the last three years a shared equity scheme, called **Homestake** has been developed to help low-middle income households who wish to buy a new home. Purchasers normally take out a loan for between 60 and 80 per cent of the value of the property, with the remaining equity being held by a local housing association. In most cases, Homestake is available for identified properties provided as part of a specific development but it is also available, in some areas for open market purchase. In the current year it is expected that around 1500 properties will be funded through Homestake.

By far the most significant policy of the last twenty-five years has been **Right to Buy**. Across that period more homes were sold into owner-occupation than were built by the private sector. Further, resales of Right to Buy property tend to be at the lower end of the market and be accessible to younger age groups. Against this, of course, are the very significant losses of rented homes for people who cannot afford home ownership. Around half a million rented homes in Scotland have been sold in this way.

Shelter's view

Shelter supports action to increase the accessibility and affordability of housing. This includes measures to tackle land availability and cost and more effective use of the **planning system** to deliver affordable land. We also believe that a balanced housing market needs to offer genuine choice, which is why we have been pressing for the 2007 Comprehensive Spending Review to commit to **30,000 new affordable rented homes** over the next 3 years.

The new Scottish Executive has also signalled its intention to look at further ways of supporting home-owners. The main policy proposal is to introduce a **Scottish housing support fund**. The details of this have yet to be announced but the proposal seems to revolve around individual purchasers taking out a stake in a property as in Homestake, but the remaining stake then being taken by a partnership of lenders and public grant, delivered through the support fund. This, it appears, would replace the RSL contribution which is a feature of Homestake. The main gain here would be increased volume of equity sharing arrangements – if lenders take out a half share of the residual equity stake then public money could support twice as many approvals. Lenders have signalled willingness to discuss this further and it is also capable of gaining cross-party support. For example, the Scottish Conservatives' proposal for an affordable homes trust is based on a similar partnership model between public purse, individual consumer and private lender. Shelter believes that this new model should be developed and piloted.

Another policy outlined in the SNP manifesto is to provide a **grant to first time buyers** of £2,000. Again, the full details of this have not emerged but, in outline, it has been met with some scepticism, with academics, lenders and house-builders querying whether it is the most cost-effective way of supporting home-ownership. Shelter shares these concerns. We are concerned that most of the money would be spent on providing financial help to those who do not need it (one estimate suggests that for only around 2 per cent of first time buyers would the grant be critical). At the same time it provides little real respite to marginal households: the grant would make little dent in average first time buyer prices of over £100,000; while other costs related to house purchase are readily included in the loan and spread over the repayment period.

The consequence of giving a little subsidy to a lot of people means that some of the impact of the grant will simply be lost in inflation as house prices in the first time buyer market are bid up across the board. The main beneficiaries would then be landowners and existing home-owners. Meanwhile, the cost of a first time-buyers grant would be between £40-£70 million per year (depending on the number of first time buyers) plus set-up and administrative costs. Shelter believes that this amount of money could be used more effectively both to target assistance on marginal home-owners and also to help other people in housing need.

Finally, the new Executive has signalled its intention to bring the Right to Buy more into line with other strategic housing priorities. This is very welcome. Shelter believes that the Right to Buy may still have a role in promoting home-ownership and opening up choice at the lower end of the market in some locations – in regeneration areas for example. Equally, however, there are other areas where further Right to Buy sales act to limit choice and so undermine social diversity. Shelter believes it is right to give landlord bodies greater discretion to decide on the scale, pace and terms of sales.

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