

Sales of intermediate housing, including homes for key workers

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Chapter 20. Sales of intermediate housing, including homes for key workers

20.1 Introduction

The 'intermediate' housing sector relates to what appears to be a growing void between income levels and house prices.

In the Strategic Housing Market Assessment guidance, affordable housing is defined as housing that includes "social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices
- Include provision for the home to remain at an affordable price for future eligible households or if these restrictions are lifted for the subsidy to be recycled for alternative affordable housing provision."

Intermediate affordable housing is then defined as "housing at prices and rents above those of social rent but below market price or rents and which meet the criteria for affordable housing set out above."

While the guidance sets a framework to understand and respond to the market, the data set out in Chapter 21, *Current affordability and income*, shows that in Cambridgeshire, entry-level private rents are usually cheaper to access than shared ownership. This focuses attention on the affordability of intermediate tenures and the huge gap between affordable rented accommodation and all other tenures.

This chapter aims to define what is included, trace the development locally and provide a detailed analysis of the current 'aggregate' register of applicants for shared ownership or intermediate rented dwellings. Chapter 20 then continues by analysing recent completed purchases under the Open Market HomeBuy programme, derived from CORE records. The two chapters show there is a growing affordability issue for many current applicants.

Chapter 19 defined what is included, traced development locally and provided a detailed analysis of the current 'aggregate' register of applicants for shared ownership or intermediate rented dwellings. This chapter analyses recent completed purchases under the HomeBuy programme, derived from CORE records. The two chapters together show there is a growing affordability issue for many current applicants.

20.2 Intermediate Housing – who has been housed

This section analyses CORE information on households who have purchased a shared ownership or open market 'HomeBuy' property recently. The data covers the year 2005/06 as the last full year for which complete records are available. It excludes 'Right to Buy', 'Right to Acquire' and outright sales. Shared ownership purchasers generally pay a rent on the share of the home owned by a housing association – typically 2.5% to 4% of the capital each year. Open market 'HomeBuy' purchasers have accessed interest-free loans of up to £50,000 per property – although the regulations changed in April 2006 and are now far less generous. Purchasers are now required to buy a minimum 75% share of a property at the outset.

In the following tables all references to OMHomeBuy and OMBH refer to Open Market HomeBuy.

In total, 222 sales were recorded across the 7 districts in 2005/06. Table 1 and Fig 1 show the breakdown in detail.

Table 1: Shared ownership and OMHomeBuy sales, 2005/06

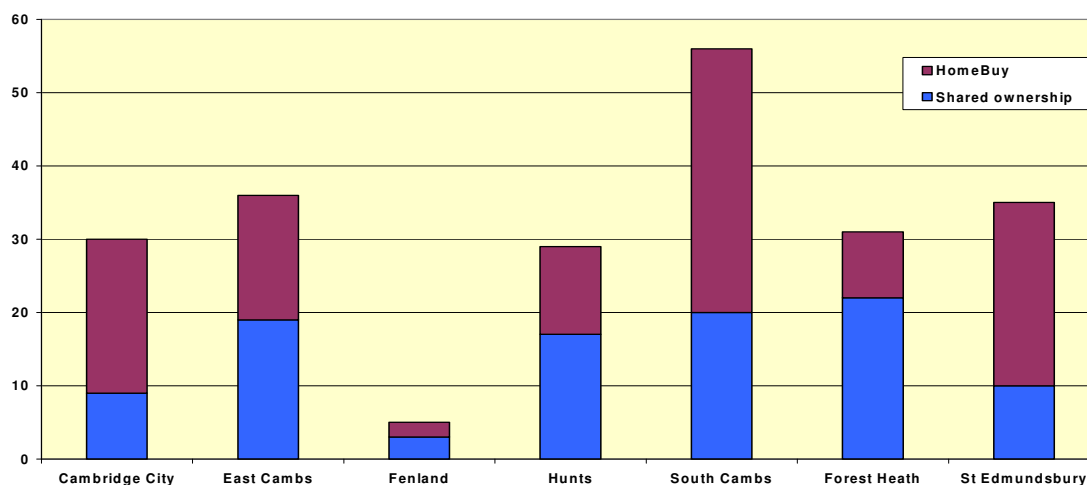
	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Sub-Region
Shared ownership	9	19	3	17	20	22	10	100
OMHomeBuy	21	17	2	12	36	9	25	122
Total sales	30	36	5	29	56	31	35	222
% shared ownership	30.0%	52.8%	60.0%	58.6%	35.7%	71.0%	28.6%	45.0%
% OMHomeBuy	70.0%	47.2%	40.0%	41.4%	64.3%	29.0%	71.4%	55.0%
% of total sales	13.5%	16.2%	2.3%	13.1%	25.2%	14.0%	15.8%	100%

Source: CORE

Table 1 shows that more dwellings were sold in South Cambridgeshire than any other district – 56, one quarter of the total. East Cambridgeshire recorded 36 sales and St Edmundsbury 35, just ahead of Forest Heath, Cambridge City and Huntingdonshire, with around 30 each. Fenland lagged a long way behind with just 5 sales. Just under half of sales, 45%, were of shared ownership properties – almost exclusively newly built (88 of 100). The remaining 122 were 'OMHomeBuy' sales, where key workers receive a Housing Corporation interest-free loan to buy on the open market. The relatively low level of sales in Cambridge City reflects a low new build programme for this tenure in 2005/06.

Fig 1 shows clearly the low level of sales in Fenland. Property prices on the open market in Fenland have been consistently lower than in all other districts in the sub-region so the demand for 'intermediate' housing has been much lower than elsewhere. An important issue is whether the continuing increase in house prices at rates above inflation will at some point make it very difficult for first-time buyers to purchase homes in the district; at that point demand for low cost home ownership may increase steadily.

Fig 1: Total shared ownership and OMHomeBuy sales 2005-06



Source: CORE

20.3 Previous Tenure

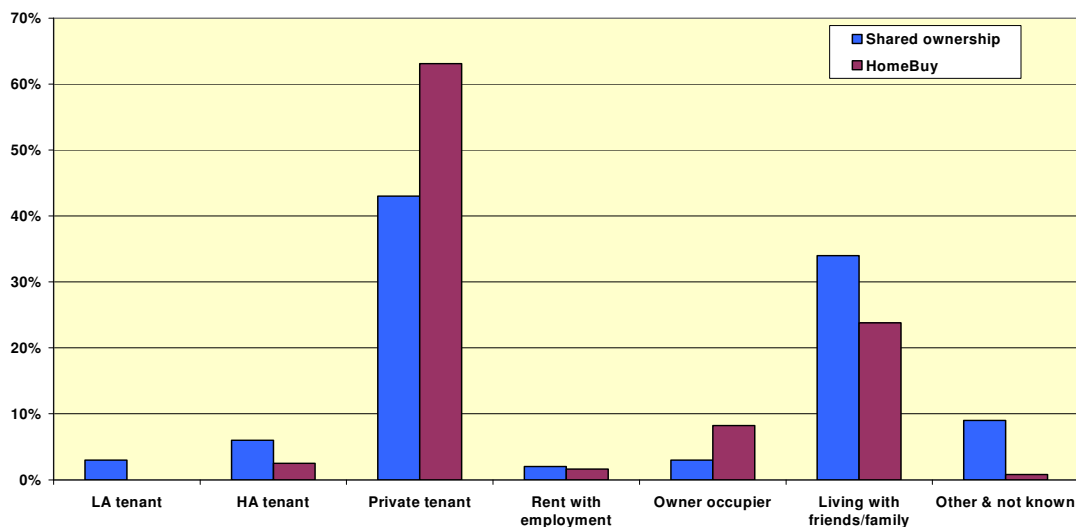
Table 2 and Fig 2 provide a breakdown of the previous tenure of households purchasing low cost homes in 2005-06. The profile is shown separately for shared ownership and OMHomeBuy purchasers. In both cases just two tenures dominate: private rental and living with friends or family. The percentage of purchasers who were previously local authority or housing association tenants was very low, at 9% for shared ownership and just 2.5% for OMHomeBuy purchasers.

Table 2: Previous Tenure of Purchasers: Shared Ownership and OMHomeBuy, Cambridge sub-region Districts, 2005-06

	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Sub-regional total	% of sub-region
Shared ownership									
LA tenant	0	0	0	1	1	0	1	3	3%
RSL tenant	0	2	0	1	1	2	0	6	6%
Private tenant	2	8	3	9	8	10	3	43	43%
Rent with employment	0	0	0	0	0	2	0	2	2%
Owner occupier	1	1	0	0	1	0	0	3	3%
Living with friends/ family	4	8	0	5	7	8	2	34	34%
Temporary housing	0	0	0	1	0	0	0	1	1%
Other/ not known	2	0	0	0	2	0	4	8	8%
Shared ownership subtotal	9	19	3	17	20	22	10	100	100%
OMHomeBuy									
LA tenant	0	0	0	0	0	0	0	0	0%
RSL tenant	1	0	0	0	2	0	0	3	2.5%
Private tenant	17	8	1	8	25	6	12	77	63.1%
Rent with employment	1	0	0	1	0	0	0	2	1.6%
Owner occupier	0	5	0	1	3	0	1	10	8.2%
Living with friends/ family	2	3	1	2	6	3	12	29	23.8%
Other/ not known	0	1	0	0	0	0	0	1	0.8%
OMHomeBuy subtotal	21	17	2	12	36	9	25	122	100%
Total	30	36	5	29	56	31	35	222	

Source: CORE

Fig 2: Previous tenure (%) of shared ownership and OMHomeBuy completions (2005-06)



Source: CORE

Relatively more households buying a shared ownership property formerly lived with family of friends – 34% as compared with 24% of OMHomeBuy purchasers. In contrast a higher 63% of OMHomeBuy households were formerly private tenants as compared with 43% of shared ownership buyers. There were very few households previously renting from an employer, living in temporary accommodation or owner-occupiers. Table 2 shows some differences at a district level, but with relatively small numbers it is difficult to discern the extent to which the market differs from one area to another.

20.4 Family Type

Table 3 and Fig 3 compare the family types buying low cost homes in the year 2005-06. The Table provides a detailed breakdown by family size, whereas the Figure shows a summary by broad type. Again, the 'Open Market HomeBuy' market is considered along side shared ownership sales.

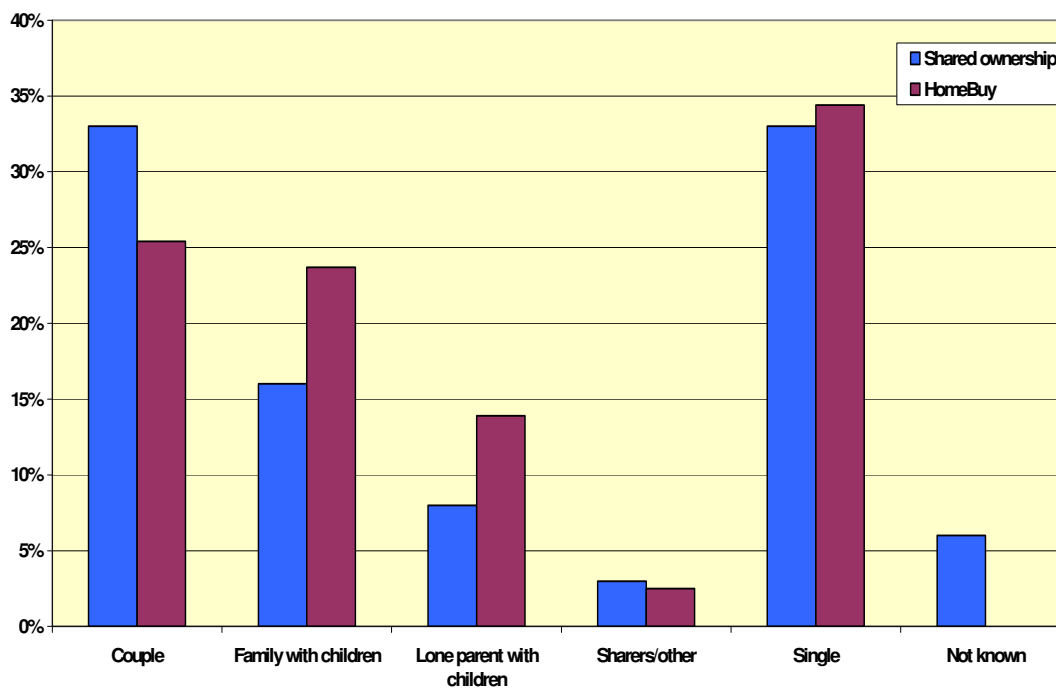
Table 3: Family Types of Purchasers of Shared Ownership & OMHomeBuy Housing, 2005-06

	City	East Cams	Fenland	Hunts	South Cams	Forest Heath	St Ed's	Sub-region	% of sub-region
Shared ownership									
Couple	2	6	1	4	8	8	4	33	33%
Family with 1 child	0	2	0	3	3	2	1	11	11%
Family with 2 children	0	2	0	0	1	1	0	4	4%
Family with 3 children	0	0	0	0	0	1	0	1	1%
Lone parent with 1 child	0	0	0	3	3	0	0	6	6%
Lone parent with 2 children	0	0	0	0	1	0	0	1	1%
Lone parent with 3 children	0	0	0	0	1	0	0	1	1%
Several adults/ sharers	1	0	0	1	1	0	0	3	3%

	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Sub-region	% of sub-region
Single	5	9	2	6	1	9	1	33	33%
Not known/other	1	0	0	0	1	0	4	6	6%
Shared ownership sub-total	9	19	3	17	20	22	10	100	100%
OMHomeBuy									
Couple	5	3	1	4	12	2	4	31	25.4%
Family with 1 child	3	0	0	3	6	0	3	15	12.3%
Family with 2 children	4	0	0	1	2	0	5	12	9.8%
Family with 3 children	0	0	0	0	1	0	1	2	1.6%
Lone parent with 1 child	0	2	0	2	3	1	2	10	8.2%
Lone parent with 2 children	0	4	1	0	1	0	0	6	4.9%
Lone parent with 3 children	0	1	0	0	0	0	0	1	0.8%
Several adults/ sharers	2	1	0	0	0	0	0	3	2.5%
Single	7	6	0	2	11	6	10	42	34.4%
HomeBuy sub-total	21	17	2	12	36	9	25	122	100%
Total	30	36	5	29	56	31	35	222	

Source: CORE

Fig 3: Family types of shared ownership and OMHomeBuy completions (2005-6), %



Source: CORE

Table 3 and Fig 3 show that single people constitute around one-third of OMHomeBuy and shared ownership purchasers. Couples account for one-third of shared ownership buyers but a somewhat lower quarter of OMHomeBuy purchasers. There are relatively more family and lone parent purchasers of OMHomeBuy homes – together accounting for 38% of the total. The corresponding percentage of shared ownership completions by families and lone parents with children was 24%.

20.5 Ages of Applicants

This section compares the ages of the first adult recorded as purchasing each property. Table 4 shows that the age profile of buyers differs very little when shared ownership is compared with OMHomeBuy.

In both cases the age group with most purchasers was 20-29, accounting for around 45% of the total. People aged 30-39 accounted for 32% of shared ownership buyers and a slightly higher 39% share of OMHomeBuy purchasers. Around 11%-12% of purchasers were aged 40 to 49. The share of buyers aged 50-59 was a very low 3% to 5%. Only one purchaser was over retirement age.

Table 4: Age of First Named Buyer, Shared Ownership & OMHomeBuy Homes, 2005-06.

	City	East Cams	Fenland	Hunts	South Cams	Forest Heath	St Ed's	Sub-region	% of sub-region
Shared ownership									
Under 20	0	0	0	0	1	0	0	1	1%
20-29	5	14	0	4	6	11	4	44	44%
30-39	2	4	1	11	8	5	1	32	32%
40-49	1	1	1	2	2	4	1	12	12%
50-59	0	0	1	0	2	2	0	5	5%
60 & over	0	0	0	0	0	0	0	0	0%
Not known	1	0	0	0	1	0	4	6	6%
Sub-total	9	19	3	17	20	22	10	100	100%
OMHomeBuy									
20-29	8	8	1	4	20	3	12	56	45.9%
30-39	12	5	1	4	14	4	8	48	39.3%
40-49	1	3	0	4	1	2	2	13	10.7%
50-59	0	1	0	0	1	0	2	4	3.3%
60 & over	0	0	0	0	0	0	1	1	0.8%
Sub-total	21	17	2	12	36	9	25	122	100%
CSR total	30	36	5	29	56	31	35	222	
% of total	13.5%	16.2%	2.3%	13.1%	25.2%	14.0%	15.8%	100%	

Source: CORE

20.6 Key workers

The data shows that of the 100 shared ownership purchasers, 26 were recorded either under the Key Worker Living Programme or a similar scheme, (26%). Of the 122 OMHomeBuy purchasers, 102 were recorded as part of the Key Worker Living Programme, (84%). Table 5 provides a breakdown by district.

Table 5: Key Worker & Other Purchasers, Shared Ownership & Open Market OMHomeBuy Sales, Cambridge sub-region Districts, 2005/06

	Key worker	Non key worker	Total
Shared ownership			
Cambridge City	5	4	9
East Cambridgeshire	12	7	19
Fenland	0	3	3
Huntingdonshire	8	9	17
South Cambridgeshire	1	19	20
Forest Heath	0	22	22
St Edmundsbury	0	10	10
SO Sub-total	26	74	100
OMHomeBuy			
Cambridge City	19	2	21
East Cambridgeshire	17	0	17
Fenland	2	0	2
Huntingdonshire	10	2	12
South Cambridgeshire	34	2	36
Forest Heath	8	1	9
St Edmundsbury	12	13	25
OMHB Sub-total	102	20	122
Total	128	94	222

Source: CORE

20.7 Type of Property Bought

Number of Bedrooms

Table 6 shows the profile of homes purchased in each district by the number of bedrooms. It should be noted that open market 'HomeBuy' restricts households to one 'spare' bedroom.

Table 6 shows that two-thirds of shared ownership sales were properties with two bedrooms - significantly more than the 46% of OMHomeBuy acquisitions. In contrast almost 40% of OMHomeBuy properties had 3 bedrooms, much higher than the 25% of shared ownership homes. As explained above, there were relatively more families with children purchasing open market HomeBuy homes than shared ownership properties. 13% of OMHomeBuy homes had just one bedroom, a higher percentage than the 5% of shared ownership

properties. There were virtually no sales of homes with 4 or more bedrooms – just 3 of 222 in total.

Table 6: Number of Bedrooms of Shared Ownership & OMHomeBuy Properties Purchased, Cambridge sub-region Districts, 2005-06

	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Sub-region	% of sub-region
Shared Ownership									
1	3	3	0	0	0	0	2	8	8%
2	3	10	2	11	13	21	6	66	66%
3	3	6	1	6	7	0	2	25	25%
4	0	0	0	0	0	1	0	1	1%
SO sub-total	9	19	3	17	20	22	10	100	100%
OMHomeBuy									
1	5	2	0	0	5	0	4	16	13.1%
2	10	7	2	5	14	7	11	56	45.9%
3	6	6	0	7	17	2	10	48	39.3%
4	0	2	0	0	0	0	0	2	1.6%
OMHB sub-total	21	17	2	12	36	9	25	122	100%
Total	30	36	5	29	56	31	35	222	

Source: CORE

This analysis raises the question of whether sufficient 3 bedroom properties are being provided in new build shared ownership schemes – as more households with children buy through open market HomeBuy than through shared ownership. It should be noted that the relative financial attraction of the open market HomeBuy 'product', with a large interest-free loan, might be a critical factor. Changes in the loan available were introduced in April 2006 and greatly reduced the attraction of this product.

Type of Home

Table 7 looks at the types of home purchased under shared ownership and OMHomeBuy arrangements.

The profile of properties purchased is almost identical for the two schemes. Around 80% of sales were of houses and 18% were of flats or maisonettes. The only other properties purchased were a couple of shared ownership bedsit/studios in Cambridge and three OMHomeBuy bungalows. This suggests that the new build shared ownership properties generally meet local needs.

Table 7: Type of Property Purchased under Shared Ownership & OMHomeBuy, Cambridge sub-region Districts, 2005/06

	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Sub-region	% of sub-region
Shared Ownership									
Bedsit	2	0	0	0	0	0	0	2	2%
Flat/maisonette	1	3	0	6	0	5	2	17	17%
House	6	16	3	11	20	17	8	81	81%
Bungalow	0	0	0	0	0	0	0	0	0%
SO sub-total	9	19	3	17	20	22	10	100	100%
OMHomeBuy									
Bedsit	0	0	0	0	0	0	0	0	0%
Flat/maisonette	8	3	0	0	6	1	4	22	18%
House	13	13	2	12	30	6	21	97	79.5%
Bungalow	0	1	0	0	0	2	0	3	2.5%
OMHB sub-total	21	17	2	12	36	9	25	122	100%
Total	30	36	5	29	56	31	35	222	

Source: CORE

20.8 Financial issues

This section analyses a range of financial information, including purchase price of property, mortgages taken out and household income. Table 8 provides an overview of the mean property prices, mortgages and gross household income for each district, again broken down to shared ownership and OMHomeBuy purchasers.

Table 8: Key Financial Data Relating to Shared Ownership & OMHomeBuy Sales, 2005-06

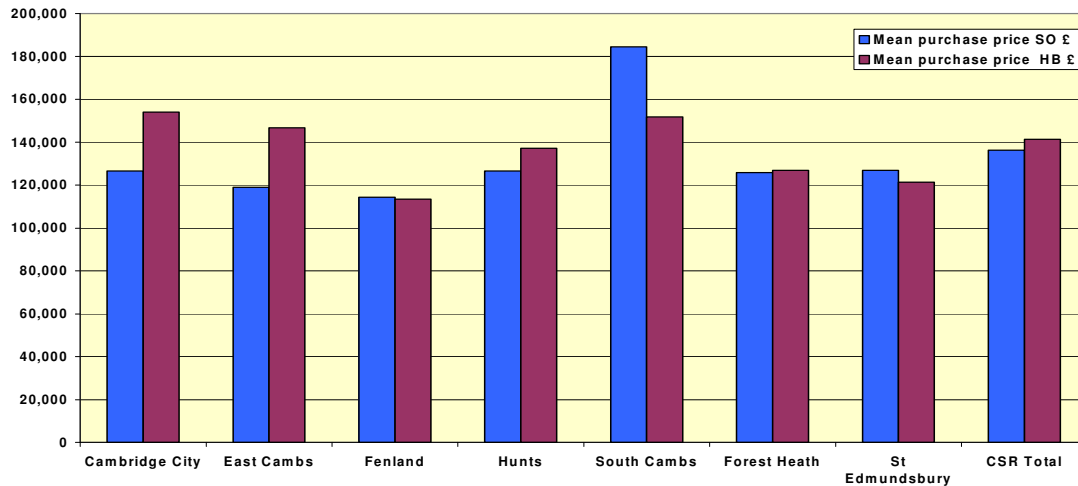
	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Sub-region
Shared Ownership								
Mean purchase price	126,650	118,950	114,350	126,600	184,500	125,850	126,950	136,250
Mean mortgage	64,250	53,850	52,950	54,800	43,000	60,000	47,200	53,450
Mean gross household income	29,550	28,850	14,850	23,900	26,900	25,500	26,000	26,150
OMHomeBuy								
Mean purchase price	154,100	146,700	113,500	137,250	151,850	126,850	121,400	141,350
Mean mortgage	109,300	79,450	86,300	96,450	107,400	81,050	83,650	95,600
Mean gross household income	31,960	24,500	23,550	28,150	31,100	23,000	24,450	28,000

Source: CORE

Figs 4, 5 and 6 compare purchase prices, mortgages and gross household incomes for districts. Looking first at purchase prices, it can be seen that shared ownership properties

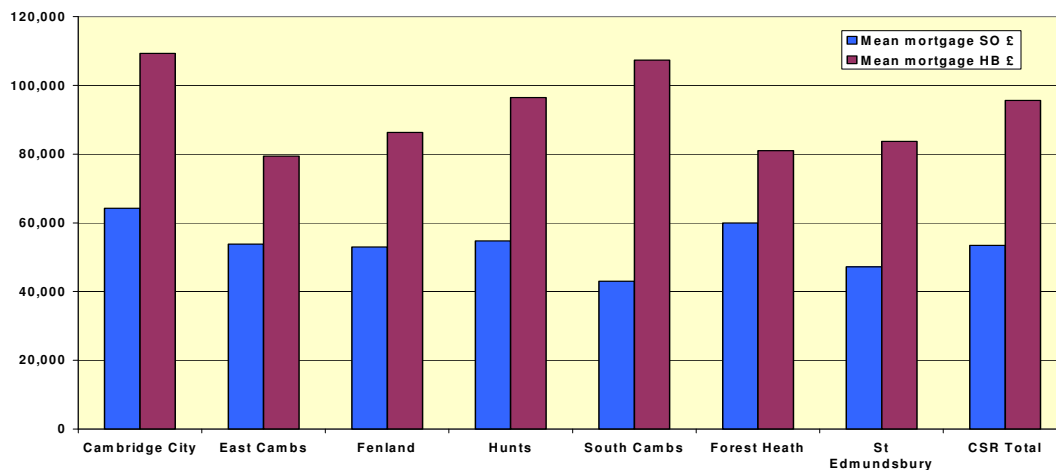
were considerably more expensive in South Cambridgeshire, on average, at £184,500. The range across other districts was quite narrow, stretching from £114,350 in Fenland to just under £127,000 in St Edmundsbury. The mean purchase price of OMHomeBuy properties showed a somewhat different pattern, with highest prices in Cambridge City, (£154,100). However, the lowest price was again in Fenland, at £113,500. Fig 4 shows that in Cambridge City, East Cambridgeshire and South Cambridgeshire there is a significant difference between 'shared ownership' and 'Open Market HomeBuy' property prices. In other districts there is little difference.

Fig 4: Mean purchase price of shared ownership and OMHomeBuy (2005/6)



Source: CORE

Fig 5: Comparison of mean mortgages for shared ownership and OMHomeBuy purchasers (2005/6)

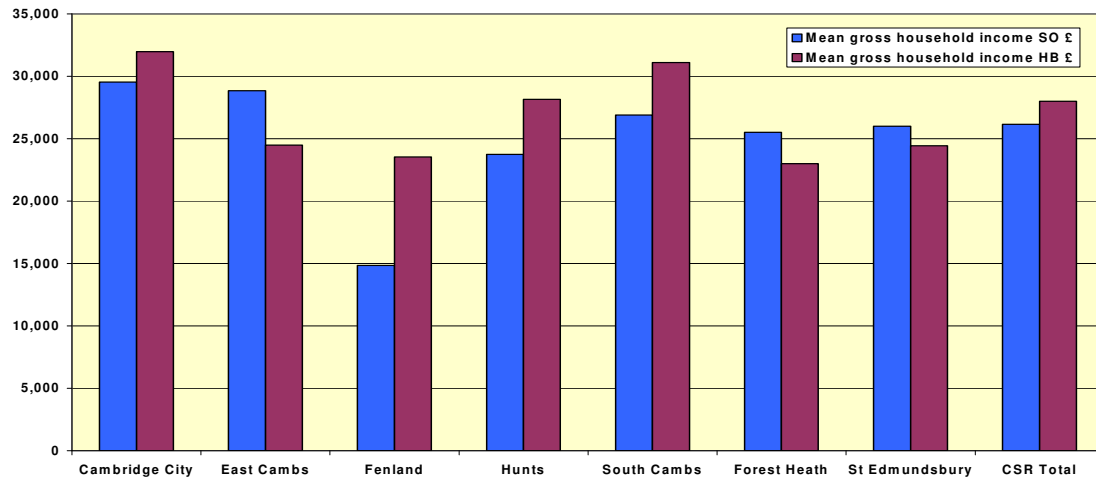


Source: CORE

Fig 5 shows that there are very marked differences in the size of mortgage taken out by shared ownership as opposed to OMHomeBuy purchasers. The mean mortgage of OMHomeBuy purchasers is in all districts much higher than that of shared owners. Shared owners, however, will normally be paying a rent for the portion of their home that they do not own. This is typically between 2.5% to 4% on the remaining equity share. It is somewhat

surprising that it is the district with the highest shared ownership property prices that has purchasers with the lowest mean mortgage – South Cambridgeshire, (just £43,000). This district has the joint highest mean mortgage for OMHomeBuy purchasers - £107,400, almost as high as Cambridge City's OMHomeBuy mortgage mean of £109,300.

Fig 6: Comparison of gross household incomes for shared ownership and OMHomeBuy purchasers (2005/6)



Source: CORE

Fig 6 compares the mean gross household incomes of purchasers in 2005-06. As has been explained above, the majority of OMHomeBuy purchasers are designated as 'key workers', who generally have higher incomes than other intermediate housing applicants. It is to be expected, therefore, that the OMHomeBuy purchasers will have higher incomes, on average, than shared ownership purchasers. However, differences in family type, particularly the proportion of households with children, can have a major impact on what is 'affordable' for individual households. The Figure shows that this is generally true for the Sub-region as a whole, with the exception of East Cambridgeshire, Forest Heath and St Edmundsbury. In Cambridge City and South Cambridgeshire the mean gross household income of OMHomeBuy purchasers was above £31,000. No other district had a comparable mean income exceeding £28,500.

In Fenland there is a marked difference between the mean household incomes of the two groups of purchasers. OMHomeBuy purchasers had a mean income of £23,550, well above the shared ownership buyers' mean income of just £14,850.

20.9 Mortgage Affordability

The analysis of current applicants for shared ownership looked in detail at the potential mortgage which could be supported, assuming that a lender would normally offer a mortgage of 3 x gross household income. In this section a similar analysis has been carried out – calculating the 'mortgage affordability' of purchasers in 2005/06 on a similar basis. The results are given in Table 9 and in Fig 7.

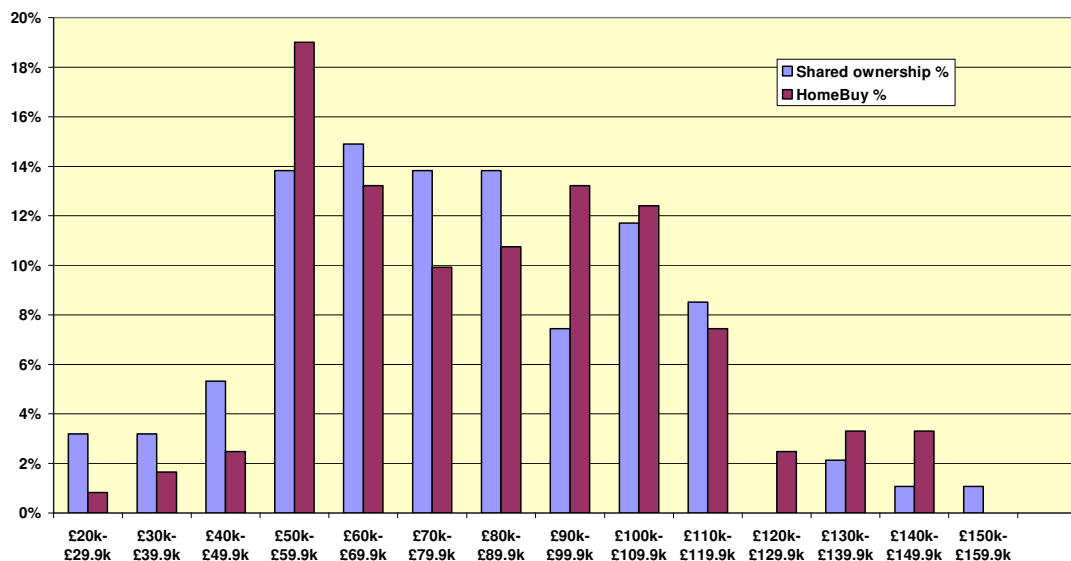
Table 9: Mortgage 'Affordability' of Shared Ownership and OMHomeBuy Purchasers, 2005-06 by £10,000 bands, (mortgage of 3 x gross household income)

Mortgage band £'000	City	East Cams	Fenland	Hunts	South Cams	Forest Heath	St Ed's	Sub- region	% of sub- total
Shared ownership									
£20-29.9K	0	0	0	0	2	1	0	3	3.2%
£30-39.9K	0	0	1	1	0	1	0	3	3.2%
£40-49.9K	0	1	0	2	1	1	0	5	5.3%
£50-59.9K	1	2	2	2	0	3	3	13	13.8%
£60-69.9K	1	5	0	3	2	2	1	14	14.9%
£70-79.9K	3	1	0	2	3	4	0	13	13.8%
£80-89.9K	0	2	0	4	3	3	1	13	13.8%
£90-99.9K	0	1	0	1	1	4	0	7	7.4%
£100-109.9K	1	2	0	1	6	1	0	11	11.7%
£110-119.9K	1	4	0	1	1	1	0	8	8.5%
£120-129.9K	0	0	0	0	0	0	0	0	0.0%
£130-139.9K	0	1	0	0	0	1	0	2	2.1%
£140-149.9K	1	0	0	0	0	0	0	1	1.1%
£150-159.9K	0	0	0	0	0	0	1	1	1.1%
SO Total	8	19	3	17	19	22	6	94	100%
OMHomeBuy									
£20-29.9K	0	0	0	0	0	0	1	1	0.8%
£30-39.9K	0	0	0	0	0	1	1	2	1.7%
£40-49.9K	0	1	0	0	0	0	2	3	2.5%
£50-59.9K	4	6	1	1	4	3	4	23	19.0%
£60-69.9K	0	2	0	2	4	3	5	16	13.2%
£70-79.9K	3	0	0	2	4	0	3	12	9.9%
£80-89.9K	1	3	0	2	4	0	3	13	10.7%
£90-99.9K	5	1	1	1	7	0	1	16	13.2%
£100-109.9K	1	2	0	4	4	1	3	15	12.4%
£110-119.9K	3	1	0	0	3	1	1	9	7.4%
£120-129.9K	1	0	0	0	1	0	1	3	2.5%
£130-139.9K	2	0	0	0	2	0	0	4	3.3%
£140-149.9K	1	0	0	0	3	0	0	4	3.3%
OMHB Total	21	16	2	12	36	9	25	121	100%
Total	29	35	5	29	55	31	31	215	

Source: CORE

It should be noted that a small number of purchasers of shared ownership properties had no income information recorded so these cases have been excluded from the comparison. Table 9 and Fig 7 indicate that there are proportionately more OMHomeBuy purchasers able to afford higher mortgages of over £100,000, with relatively more shared ownership buyers only able to take on a small mortgage. However, differences are not huge.

Fig 7: Comparison of mortgage affordability for shared ownership and OMHomeBuy purchasers (2005/6) (3 x gross income), % of each



Source: CORE

20.10 Family types & finance

It is important to understand if there are distinct differences between family types in terms of income and hence what properties can be purchased. Table 10 provides a summary across the sub-region, showing mean purchase price, gross household income and mortgage for the main family types. Table 11 shows the breakdown by shared ownership and open market HomeBuy.

Table 10: Mean Purchase Price, Gross Household Income & Mortgage for Shared Ownership and OMHomeBuy purchasers, Cambridge sub-region, 2005/06

	Mean purchase price	Mean actual mortgage	Mean gross annual income
Couples	£144,900	£81,500	£33,200
Family with child(ren)	£151,900	£92,200	£31,300
Lone parent with child(ren)	£153,900	£69,800	£21,700
Sharers / other adults	£149,700	£72,200	£26,900
Single	£119,400	£68,500	£21,600
Total	£139,100	£77,000	£27,200

Source: CORE

Table 11: Mean Purchase Price, Mortgage & Gross Household Income for Shared Ownership & Open Market HomeBuy purchasers, Cambridge sub-region, 2005/06

	Mean purchase price		Mean actual mortgage		Mean gross annual income	
	Shared ownership	OM HomeBuy	Shared ownership	OM HomeBuy	Shared ownership	OM HomeBuy
Couples	£144,900	£148,000	£55,100	£109,600	£30,600	£35,900
Family with child(ren)	£149,600	£153,200	£54,700	£112,900	£30,100	£32,000
Lone parent with child(ren)	£161,700	£149,800	£44,800	£83,100	£19,200	£23,100
Sharers / other adults	£131,700	£167,700	£46,800	£97,700	£25,500	£28,300
Single	£114,800	£123,000	£54,000	£80,200	£21,800	£21,500
Total	£136,200	£141,400	£54,000	£95,600	£26,200	£28,000

Source: CORE

Table 10 shows, somewhat surprisingly, that the highest mean purchase price was paid by lone parents with children – almost £154,000. However, apart from single buyers, with an average of purchase price of £119,400, there was not much difference across all other family types. In terms of the mean actual mortgage taken out, families with children were the highest, with £92,200. Single people and lone parents had the lowest mean mortgages of just under £70,000. It should be noted that some purchasers had access to very large deposits which means they are not totally reliant on their income. The analysis shows that couples had the highest average annual incomes, at £33,200, just ahead of families with children, (£31,300). Single purchasers and lone parents had the lowest average incomes, around £21,600.

Table 11 shows that there were some distinct differences between households buying shared ownership as opposed to open market HomeBuy dwellings. Generally speaking the purchase price of open market HomeBuy was higher than that of shared ownership homes for all purchasers except lone parents. Gross household incomes were also generally higher for OMHomeBuy purchasers, apart from single people. But the biggest and most striking difference relates to the mean mortgages taken on. Households buying an open market HomeBuy property have much larger mortgages than those buying a shared ownership home, some £95,600 as compared with £54,000 on average.

As already outlined, open market HomeBuy purchasers do not have to pay rent in addition to their mortgage and this may well influence mortgage lenders to lend a higher sum in terms of income multiples. The average mortgage for open market HomeBuy purchasers is up to four times mean gross household income for every family type. The part deposits have to play requires further research. In some cases it would appear to stem from the sale of a former home – for example, in the case of a number of lone parent applicants.

20.11 Size of Property & Finance

Table 12 compares the average purchase price, actual mortgage and gross household income of shared ownership and open market HomeBuy buyers by number of bedrooms. The analysis covers the entire sub-region.

Table 12: Properties by Bedrooms, mean price, actual mortgage & gross income for Shared Ownership & OMHomeBuy 2005/06

	Mean purchase price		Mean actual mortgage		Mean gross annual income	
	Shared ownership	OM HomeBuy	Shared ownership	OM HomeBuy	Shared ownership	OM HomeBuy
1	£104,700	£113,000	£51,100	£76,000	£23,200	£20,400
2	£130,700	£135,100	£52,300	£91,600	£24,000	£27,000
3	£159,600	£156,300	£61,400	£107,800	£33,900	£31,600
4+	£169,000	£185,000	0	£73,100	£9,100	£26,800
Total	£136,200	£141,400	£54,000	£95,600	£26,200	£28,000

Source: CORE

Generally speaking, open market HomeBuy properties cost more than shared ownership homes, regardless of number of bedrooms. However, shared ownership three-bedroomed homes were more expensive, on average, than HomeBuy properties. In every case, the larger the property the more it cost. However, the actual mortgage taken out did not always reflect size. Amongst shared ownership purchasers the average mortgage varied little between households buying a 1 or 3 bedroomed home; the mortgage taken on for a 1 bed home was the same as for a 2 bed home, on average, (around £51,000). The mean gross household incomes generally increased with the size of home purchased. However, this was not necessarily true for the largest properties. Although very few such homes (4 or more bedrooms) were purchased, some buyers had access to very large capital sums.

It is interesting to note that the actual mortgages made available to households with open market HomeBuy properties were much higher, relative to gross household income, than those for shared ownership buyers. Most shared ownership purchasers took on mortgages of well under 3 times gross income; OMHomeBuy purchasers took on mortgages approaching 4 times income.

20.12 Savings

Most purchasers contributed some savings to help reduce the mortgage taken out or increase the share bought. It is interesting to note that of the 222 buyers 20, almost 10%, contributed £30,000 of savings or more. Of these 9 were shared owners and 11 open market HomeBuy purchasers. It is particularly interesting to note that 4 of the 9 shared ownership households contributing £30,000 or more were lone parents and 6 of the HomeBuy purchasers. Thus 10 of all 25 lone parent purchasers, a very high 40%, had access to relatively large capital sums. It is likely that this reflects the proceeds of a previous property sale in the main. The other family types with large savings included couples (4), families (2), sharers (1) and single (3).

20.13 New regulations for open market HomeBuy from April 2006 & affordability issues

As referred to above, open market HomeBuy has become a much less attractive option since April 2006. Purchasers are now required to buy a minimum 75% share of a property – and incomes are restricted, in total, to £60,000. KHE were allocated funds for applicants to purchase 49 open market HomeBuy dwellings in the Cambridge housing sub-region in 2006/07 yet did not reach this quota, with some funds rolling over to 2007/08; this compares with 122 open market HomeBuy units sold in 2005/06 under the former much less onerous

funding requirements. It remains to be seen whether the 88 units allocated for open market HomeBuy in 2007/08 sell. KHE consider that the product is no longer realistically available for single people or most first time buyers. For example, in Cambridge City where the lower quartile house price now exceeds £165,000, an open market HomeBuy purchaser would need to find a deposit and/or mortgage to cover £123,750. Without capital, an income of around £41,000 or more is needed. The analysis of applicants' incomes in the first part of this report shows that, across the sub-region as a whole, only 7% can afford to raise a mortgage of this size based on their current annual household income.

In fact the outlook is only slightly brighter for applicants looking for a shared-ownership home, especially in Cambridge City. In order to purchase a 50% share of a new dwelling with a value of £165,000 a household requires an annual income of around £27,300. Only 37% of all applicants currently accepted by KHE have incomes of this size or higher.

20.14 Previous District of Residence

Table 13 provides a breakdown of the previous district of residence of shared ownership and OMHomeBuy buyers by the district of purchase. The Table shows a considerable amount of movement as between districts amongst OMHomeBuy purchasers. For example, whereas 51 OMHomeBuy purchasers previously lived in Cambridge City, only 21 actually bought a home there. A high 23 moved to South Cambridgeshire. In contrast just 10 OMHomeBuy purchasers previously lived in East Cambridgeshire, yet 17 bought properties there. Just one OMHomeBuy purchaser lived in Forest Heath district formerly yet 9 households bought a property there. There was generally much less movement amongst shared ownership buyers, probably because many will have applied for housing to their local authority. (A much lower percentage of OMHomeBuy purchasers were registered on their local council's 'needs register' as compared with share ownership buyers). The prime exception relates to East Cambridgeshire. Only 7 shared ownership buyers previously lived in East Cambridgeshire although 19 households actually bought there; most of the non-local households moved from Cambridge City and South Cambridgeshire.

Table 13: District of Purchase by Previous District of Residence, Shared Ownership & OMHomeBuy Purchasers, Cambridge sub-region Districts, 2005-06

Previous District	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Total
Shared ownership								
Cambridge City	4	6	0	1	0	1	0	12
East Cambs	1	5	0	0	0	1	0	7
Fenland	0	0	3	0	0	0	0	3
Hunts	0	1	0	14	1	0	0	16
South Cambs	1	5	0	1	18	0	0	25
Forest Heath	1	1	0	0	0	19	0	21
St Ed's	0	0	0	0	0	1	5	6
Other/not known	2	1	0	1	1	0	5	10
SO sub-total	9	19	3	17	20	22	10	100
OMHomebuy								
Cambridge City	17	6	0	4	23	0	1	51
East Cambs	0	6	0	0	2	2	0	10
Fenland	0	0	1	0	0	0	0	1
Hunts	1	0	1	7	1	0	1	11

Previous District	City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Ed's	Total
South Cambs	3	1	0	0	8	1	0	13
Forest Heath	0	0	0	0	0	0	1	1
St Ed's	0	0	0	0	0	2	13	15
Other/not known	0	4	0	1	2	4	9	20
OMHB sub-total	21	17	2	12	36	9	25	122
Total	30	36	5	29	56	31	35	222

Source: CORE

20.15 Family Type by Number of Bedrooms

Table 14: Broad Family Types by Size of Property Purchased (Bedrooms); Shared Ownership & Open Market HomeBuy, Cambridge sub-region, 2005/06

	Number of bedrooms				
	1	2	3	4	Total
Shared ownership					
Couples	1	23	9	0	33
Family	0	5	10	1	16
Lone parent	0	7	2	0	9
Sharers / other adults	0	2	1	0	3
Single	7	25	1	0	33
Not known	0	4	2	0	6
SO sub total	8	66	25	1	100
OMHomeBuy					
Couples	2	19	10	0	31
Family with child(ren)	0	5	24	0	29
Lone parent with child(ren)	0	5	10	2	17
Sharers / other adults	0	2	1	0	3
Single	14	25	3	0	42
OMHB sub total	16	56	48	2	122
Total	24	122	73	3	222

Source: CORE

Table 14 provides a summary breakdown across the whole sub-region of the sizes of property purchased by different family types. It shows that both lone parents and families buying through open market HomeBuy were more likely to purchase 3 bedroomed homes than shared ownership purchasers. In contrast, relatively more single people buying through OMHomeBuy were likely to acquire a 1 bedroom home. As has already been shown, HomeBuy properties were generally slightly higher priced than shared ownership homes, except for 3 bedroomed dwellings.

20.16 Issues arising from the analysis of low cost home purchasers

- When purchasers have had considerable flexibility as to where and what type of property they can buy, as under open market 'HomeBuy', they selected houses for preference; a significant proportion selected 3 bedroomed properties – probably because a larger percentage had children (and two incomes).
- Shared ownership new build provided relatively few 3 bedroomed homes in the Cambridge sub-region.
- Open market HomeBuy purchasers selected homes in South Cambridgeshire, East Cambridgeshire, Huntingdonshire & Forest Heath in preference to Cambridge City, possibly because the price per square metre is lower outside the City.
- There were very few either shared ownership or OMHomeBuy sales in Fenland.
- Open market HomeBuy constituted 55% of all low cost home ownership sales handled by housing associations in 2005/06, (excluding Right to Buy).
- Single people and couples accounted for almost two-thirds of shared ownership buyers but a slightly lower share of open market HomeBuy purchasers; there were relatively more families and lone parents with children buying under 'HomeBuy' (38% of all, as compared with 24% of shared ownership purchasers).
- The vast majority of purchasers had either rented privately or lived with family or friends; there were very few households who were previously local authority or housing association tenants.
- The average mortgage taken out by open market HomeBuy purchasers was considerably higher than that taken out by shared ownership buyers, both in absolute terms and as calculated as a multiple of gross household income. This may reflect reduced outgoings as no rent is charged and therefore a greater willingness of lenders to offer higher mortgages relative to income.
- The average purchase prices of open market HomeBuy dwellings were generally slightly higher than those of shared ownership properties for almost all size homes.
- Average incomes of open market HomeBuy purchasers were generally higher than those of shared ownership buyers, apart from single people, which were very similar.
- ® Further work is required on the role of deposits in helping to finance low cost home purchase.
- The change in regulations relating to open market HomeBuy in April 2006 have had a significant impact on the intermediate market, greatly reducing the demand for this product. There is a growing affordability gap emerging.
- Only 37% of the sub-region's shared ownership applicants and 7% of open market HomeBuy applicants can currently afford to buy a lower quartile-priced dwelling in Cambridge City – unless they have access to additional capital. Although there are more opportunities in other districts, the rapid increase in house prices relative to earnings means that the intermediate market is not affordable for many would-be purchasers.