

Chapter 8: Intermediate housing: summary

Interest and relevance

- The intermediate sector is a growing part of the housing mix and helps to meet the needs of those households who are often a low priority for social rented housing, but who are unable to access market housing.
- This chapter looks at households registered with the local HomeBuy agent and those who have recently moved into this tenure.
- Data about the costs of shared ownership are used in the analysis of affordability. Data about the number of equity loan sales and shared ownership re-sales are used in the calculation of affordable need.

Headline messages

- Some 1,024 households are registered with the local HomeBuy agent (Orbit). Around a third are resident in Cambridge. By work place, more than a third work in Cambridge.
- Households tend to be smaller with either one or two adults (see Table 2 and Table 13). Most move from either the private rented sector or from living with family/friends.
- The average income for applicant households is £25,000, which is around £13,800 lower than the average income for all households in the sub-region as a whole (see Fig 1).
- The average total value of the intermediate homes sold in the sub-region as a whole is £151,170 (see Table 7).
- Two bedroom properties are the most common size sold, followed by 3 beds.
- In the sub-region as a whole there were more shared ownership properties sold than equity loan properties in the last three years.

Changes over time

- Since the last iteration of this chapter, the data collection for applicants has changed substantially which makes comparison about this group difficult for things such as household size and structure, current tenure and economic status.
- The number of households purchasing with equity loans decreased between 2008/9 and 2009/10. The exact details of equity loans change quite frequently whereas shared ownership is a more established model. This means that at a local level the number of properties sold with an equity loan can change considerably year on year.

Geographical variation

- Cambridge and South Cambridgeshire (the highest cost areas) have the highest number of applicants. Forest Heath and Fenland have far fewer.
- One bedroom intermediate properties are rarely sold in Fenland. The average market cost of a property in Fenland was just under £70,000 (see Chapter 5 *Property purchase*), which is around 3.5 times the average income of applicant households, i.e. relatively affordable compared to elsewhere in the sub-region for this type of home.

Future monitoring points

- Intermediate products are similar in cost to the affordable rent model. For some households intermediate ownership may be a more attractive option assuming they are able to raise a deposit. With the changes introduction of flexible and fixed term tenures which are shorter than current social rented tenures, shared ownership may become a more attractive option for this group.

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Section 8.1 Introduction

Chapter 8: Intermediate housing

8.1 Introduction

- This chapter looks at demand for intermediate ownership models, who purchases intermediate housing including a profile of households currently living in intermediate tenures.
- As well as intermediate ownership models, there are some intermediate rental schemes, for example intermediate rent and Rent to HomeBuy. As these schemes are no longer being actively promoted this chapter does not include analysis of intermediate rented homes.
- There have been a range of intermediate options available in the past five years and the details of various schemes (particularly shared equity arrangements) change quite regularly. This chapter therefore focuses on broad types of intermediate ownership such as shared ownership (SO) and shared equity (SE).
- Intermediate tenures form part of the affordable housing mix and are a more appropriate solution for some households than social rent or market purchase/rent. Therefore analysis is included in the SHMA as part of understanding the current housing mix and estimating the future need for affordable housing.
- Intermediate applications data is taken from the HomeBuy agent register (Orbit) as of the end of the February 2010.
- CORE (COntinuous REcording) is the main source of data about current residents of intermediate homes, and three years worth of data is used, covering 2007/8 to 2009/10.
- Tables containing data use in the calculation of affordability in Chapter 13 *Identifying affordable housing need* are highlighted in pale yellow. Data which feeds directly into the affordable need calculation is highlighted in bright yellow.

Section 8.2 Facts and figures

8.2 Facts and figures

8.2.1 Intermediate housing applicants

As of February 2010 there were 1,024 households registering an interest in intermediate tenures with the Homebuy Agent, Orbit, as shown in Table 1.

Table 1. Cambridge sub-region intermediate housing applicants by current district of residence and current district of employment, Feb 2010.

| | Residence | | Work | |
|----------------------|--------------|-------------|--------------|-------------|
| | Number | Percentage | Number | Percentage |
| Cambridge | 333 | 33% | 369 | 36% |
| East Cambridgeshire | 81 | 8% | 51 | 5% |
| Fenland | 52 | 5% | 23 | 2% |
| Huntingdonshire | 182 | 18% | 95 | 9% |
| South Cambridgeshire | 204 | 20% | 130 | 13% |
| Forest Heath | 54 | 5% | 24 | 2% |
| St Edmundsbury | 108 | 11% | 64 | 6% |
| Other | 10 | 1% | 117 | 11% |
| Unknown | 0 | 0% | 151 | 15% |
| Total | 1,024 | 100% | 1,024 | 100% |

Source: Orbit HomeBuy Agents

Table 1 shows the total number of households registered by current district of residence and district of employment. A third of households registering for intermediate tenures are currently living in Cambridge and a fifth currently live in South Cambridgeshire. Fewer than 10% of households are currently resident in East Cambridgeshire, Fenland, Forest Heath and outside the sub-region.

More than a third (36%) of household reference persons currently work in Cambridge. For a relatively large proportion (11%) of households on the sub-region intermediate register, the household reference person works outside the sub-region. The most common locations of employment outside the sub-region are Peterborough (28), districts in Suffolk not in the sub-region (17), Hertfordshire (16), London boroughs (15), and Bedfordshire (11).

Table 2 shows information about the current tenure and household size of households on the intermediate register.

Table 2. Number of people per household by district, Feb 2010

| | One | Two | Three | Four | Five or More | Respondents | Average |
|----------------------|-----|-----|-------|------|--------------|-------------|---------|
| Cambridge | 33% | 38% | 16% | 10% | 3% | 234 | 2.1 |
| East Cambridgeshire | 30% | 28% | 17% | 20% | 4% | 46 | 2.4 |
| Fenland | 16% | 47% | 32% | 5% | 0% | 19 | 2.3 |
| Huntingdonshire | 28% | 45% | 15% | 6% | 6% | 82 | 2.2 |
| South Cambridgeshire | 27% | 41% | 19% | 9% | 4% | 133 | 2.2 |
| Forest Heath | 30% | 41% | 19% | 11% | 0% | 27 | 2.1 |

Section 8.2 Facts and figures

| | One | Two | Three | Four | Five or More | Respondents | Average |
|----------------|------------|------------|------------|------------|--------------|-------------|------------|
| St Edmundsbury | 24% | 44% | 24% | 7% | 2% | 55 | 2.2 |
| Other | 38% | 50% | 0% | 13% | 0% | 8 | 1.9 |
| All applicants | 29% | 40% | 18% | 10% | 3% | 604 | 2.2 |

Source: Orbit HomeBuy Agents

Table 2 shows that of the 1,024 households on the intermediate register, 604 provided information about household size. Of those who provided information, 40% were two person households. There is some variation in size by district. Nearly a quarter of applicant households in East Cambridgeshire contain four or more people, compared to between 5% and 13% in the other district. Fenland has a low proportion of single person applicant households.

Table 3 shows the current housing situation of intermediate applicants.

Table 3. Current housing situation of intermediate applicants

| | Private tenant ¹ | Living with family/friends | Owner | Shared owner | Social tenant | Previous owner | On HNR | Applicants |
|-----------------------|-----------------------------|----------------------------|-----------|--------------|---------------|----------------|-----------|--------------|
| Cambridge | 51% | 17% | 5% | 0% | 7% | 2% | 8% | 333 |
| East Cambridgeshire | 31% | 32% | 10% | 1% | 5% | 6% | 9% | 81 |
| Fenland | 21% | 13% | 21% | 2% | 2% | 0% | 6% | 52 |
| Huntingdonshire | 27% | 25% | 10% | 1% | 2% | 6% | 4% | 182 |
| South Cambridgeshire | 30% | 26% | 10% | 1% | 8% | 2% | 10% | 204 |
| Forest Heath | 28% | 11% | 17% | 0% | 2% | 7% | 9% | 54 |
| St Edmundsbury | 33% | 24% | 6% | 1% | 6% | 5% | 4% | 108 |
| Other | 10% | 60% | 0% | 0% | 10% | 10% | 0% | 10 |
| All applicants | 35% | 22% | 9% | 1% | 6% | 4% | 7% | 1,024 |

Source: Orbit HomeBuy Agents

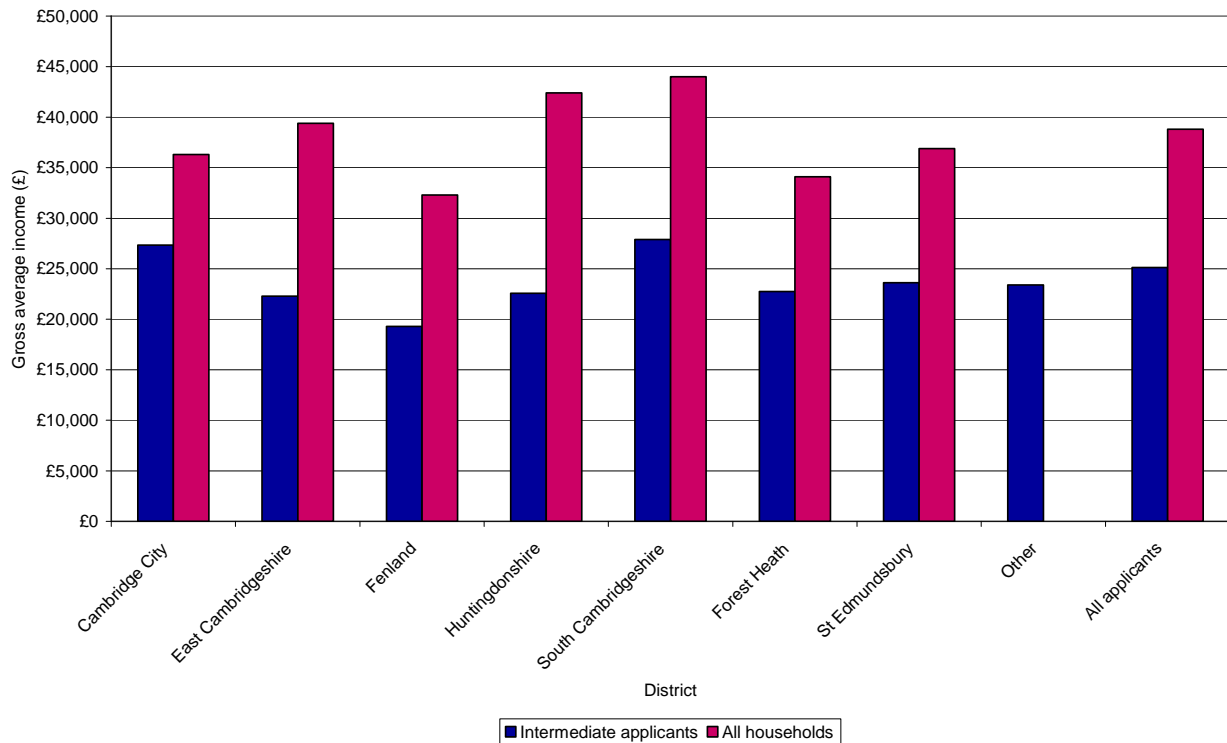
Exact analysis by current tenure is difficult; it is phrased as a multiple choice multiple answer question (“please tick all that apply”) to allow people to provide information about the current tenure of different household members, and to collect further information on whether people have previously owned a home / are registered on the social rented needs register. There are also a lot of applicants who did not provide a response to this question, therefore the total number of applicants is shown, but the total of the rows does not equal 100%.

In the sub-region as a whole, at least 35% of applicant household members currently live in the private rented sector. In Cambridge, more than half of the applicants are current private tenants. The second most common tenure is living with family and friends (at least 22% in the sub-region as a whole). This is consistent with a relatively young age profile. Only 6% of applicants are known to have some or all household members living in the social rented sector (57 applicants out of 1,024). Existing social tenants are a target group for intermediate products, but this suggests a low level of interest from this group.

The next tables and figures look at income and savings data for intermediate applicants:

¹ Includes 10 household members identifying themselves as in tied accommodation

Section 8.2 Facts and figures

Fig 1 Gross average income of intermediate applicants (Feb 2010) and all households (2010)

Source: Orbit HomeBuy Agents and CACI

The gross average income of intermediate applicants and all households is shown in Fig 1 above. The average income of intermediate applicants in the sub-region as a whole is £25,000, which is £13,800 below the figure for all households. Based on 3 times income, this would support a mortgage of around £87,500.

Table 4 shows more detail of income distribution.

Table 4. Income distribution and mortgage supportable by current district of residence, intermediate applicants (Feb 2010)

| Income | Mortgage supportable (3 times income) | Cambridge | East Cambs | Fenland | Hunts | South Cambs | Forest Heath | St Ed's | Other | Sub-region |
|------------------|---------------------------------------|-----------|------------|---------|-------|-------------|--------------|---------|-------|------------|
| Less than £5,000 | Up to £17,500 | 0.6% | 0% | 2% | 2% | 0.5% | 4% | 0% | 0% | 1% |
| £5,000-£9,999 | £17,501-£34,999 | 1% | 7% | 0% | 3% | 2% | 8% | 3% | 0% | 2% |
| £10,000-£14,999 | £35,000-£52,499 | 8% | 11% | 26% | 11% | 5% | 8% | 4% | 11% | 9% |
| £15,000-£19,999 | £52,500-£69,999 | 10% | 18% | 24% | 24% | 16% | 12% | 17% | 33% | 16% |
| £20,000-£24,999 | £70,000-£87,499 | 23% | 25% | 15% | 19% | 23% | 18% | 20% | 11% | 21% |
| £25,000-£29,999 | £87,500-£104,999 | 14% | 8% | 17% | 15% | 10% | 12% | 18% | 0% | 13% |
| £30,000-£34,999 | £105,000-£122,499 | 14% | 14% | 9% | 9% | 14% | 14% | 15% | 11% | 13% |

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| Income | Mortgage supportable (3 times income) | Cambridge | East Cambs | Fenland | Hunts | South Cambs | Forest Heath | St Ed's | Other | Sub-region |
|-----------------|---------------------------------------|-----------|------------|---------|-------|-------------|--------------|---------|-------|-------------|
| £35,000-£39,999 | £122,500-£139,999 | 9% | 5% | 2% | 9% | 15% | 20% | 13% | 11% | 11% |
| £40,000-£44,999 | £140,000-£157,499 | 7% | 5% | 2% | 4% | 4% | 2% | 4% | 22% | 5% |
| £45,000-£49,999 | £157,500-£174,999 | 5% | 5% | 0% | 4% | 5% | 2% | 2% | 0% | 4% |
| £50,000-£54,999 | £175,000-£192,499 | 5% | 1% | 0% | 0% | 3% | 0% | 3% | 0% | 2% |
| £55,000-£59,999 | £192,500-£209,999 | 1% | 0% | 2% | 0% | 2% | 0% | 0% | 0% | 1% |
| £60,000+ | £210,000+ | 1% | 0% | 0% | 0.6% | 2% | 0% | 0% | 0% | 0.7% |
| Total | | 310 | 73 | 46 | 170 | 198 | 50 | 94 | 9 | 950 |

Source: Orbit HomeBuy Agents

Table 4 shows income distribution of intermediate applicants by current district of residence, and the level of mortgage supportable based on 3 times income. Of the 1,024 applicants, 950 provided information about incomes. In the sub-region as a whole 21% of applicant households have an income of between £20,000 and £24,999, and would be able to support a mortgage of between £70,000 and £87,499.

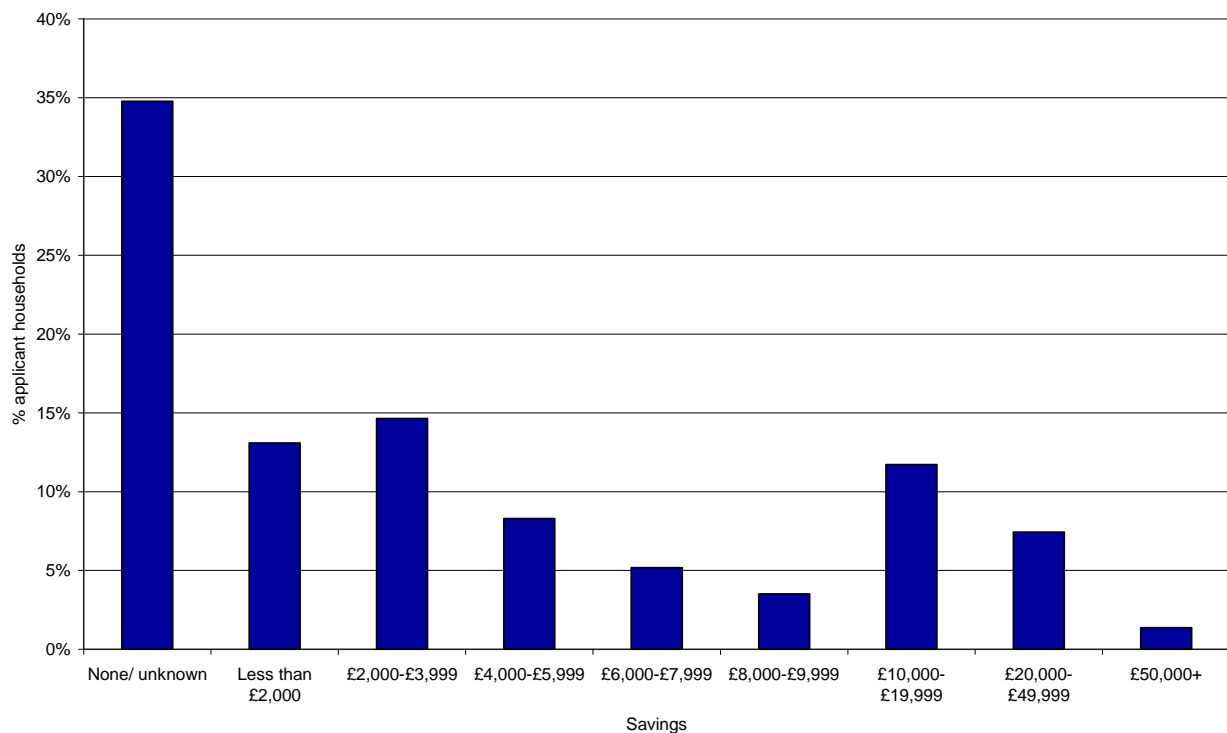
More than half (52%) of applicant households in Fenland have an income below £20,000, compared to 28% for the sub-region as a whole. Around 19% of the applicant households currently resident in Cambridge had a gross household income of more than £40,000 (would be able to support a mortgage of at least £140,000, compared to 13% in the sub-region as a whole.

While there are a few 100% loan-to-value mortgages now available for shared ownership/shared equity purchase, these are quite limited and some level of deposit is generally required.

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Savings data is shown in Fig 2 below

Fig 2 Savings distribution of intermediate applicants, Cambridge –sub-region, Feb 2010



Source: Orbit HomeBuy Agents

Fig 2 shows the savings available to intermediate applicants in the sub-region. 35% of households either had no savings or failed to provide information about savings. Of those who did have savings/ provided information about them, 36% had less than £4,000. A small proportion had more than £50,000 in savings.

8.2.2 Recent intermediate purchasers

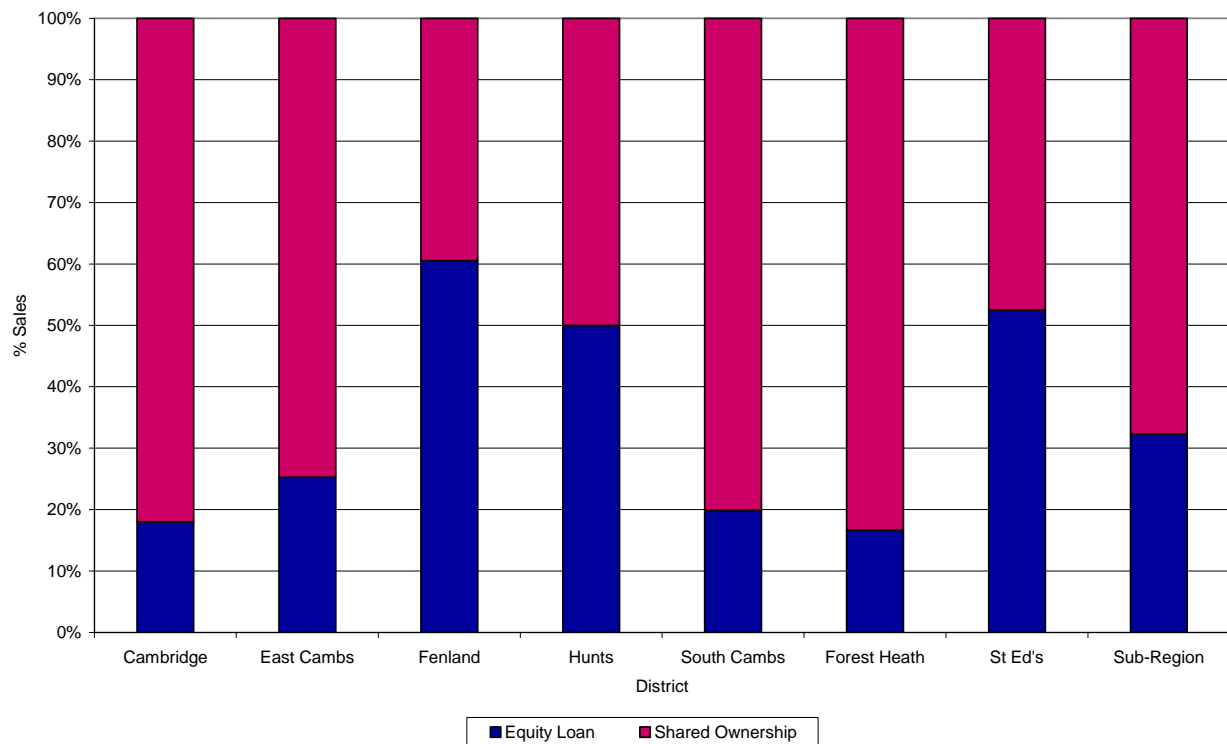
Data about recent intermediate purchasers is taken from CORE. Not all moves are recorded, and in some areas the number of sales is quite low, so in order to increase the amount of data available, the tables below cover the last three financial years (2007/8, 2008/9 and 2009/10). Sales by type and district for each year are shown in Table 12.

In total there are records of 857 sales in this period.

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Fig 3 shows the type of sales recorded in each district.

Fig 3 Intermediate sales by type and district, 2007/8-2009/10, Cambridge Sub-Region



Source: CORE Sales 2007/8 to 2009/10

Fig 3 shows the proportion of equity loan and shared ownership sales in each district from 2007/8 to 2009/10. Overall, shared ownership is a more popular product, but in Fenland, Huntingdonshire and St Edmundsbury, there were more equity loan sales. However, the number of equity loan sales has reduced as fewer schemes are currently available than previously (see Table 12)

Of the shared ownership properties most are new build, but re-sales are occasionally available. Data for re-sales is shown below.

Table 5. Shared ownership re-sales, 2007/8 to 2009/10 by district

| | 2007/8 | | 2008/9 | | 2009/10 | |
|----------------------|-----------------|-----------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | Number re-sales | % of shared ownership sales | Number re-sales | % shared ownership sales | Number re-sales | % shared ownership sales |
| Cambridge | 4 | 6% | 5 | 7% | 6 | 17% |
| East Cambridgeshire | 4 | 29% | 5 | 31% | 8 | 20% |
| Fenland | 1 | 33% | 1 | 20% | | 0% |
| Huntingdonshire | 5 | 15% | 5 | 19% | 2 | 4% |
| South Cambridgeshire | 8 | 29% | 8 | 20% | 12 | 20% |
| Forest Heath | 0 | 0% | 3 | 27% | 1 | 5% |
| St Edmundsbury | 4 | 25% | 4 | 25% | 2 | 33% |
| Sub-Region | 26 | 15% | 31 | 16% | 31 | 14% |

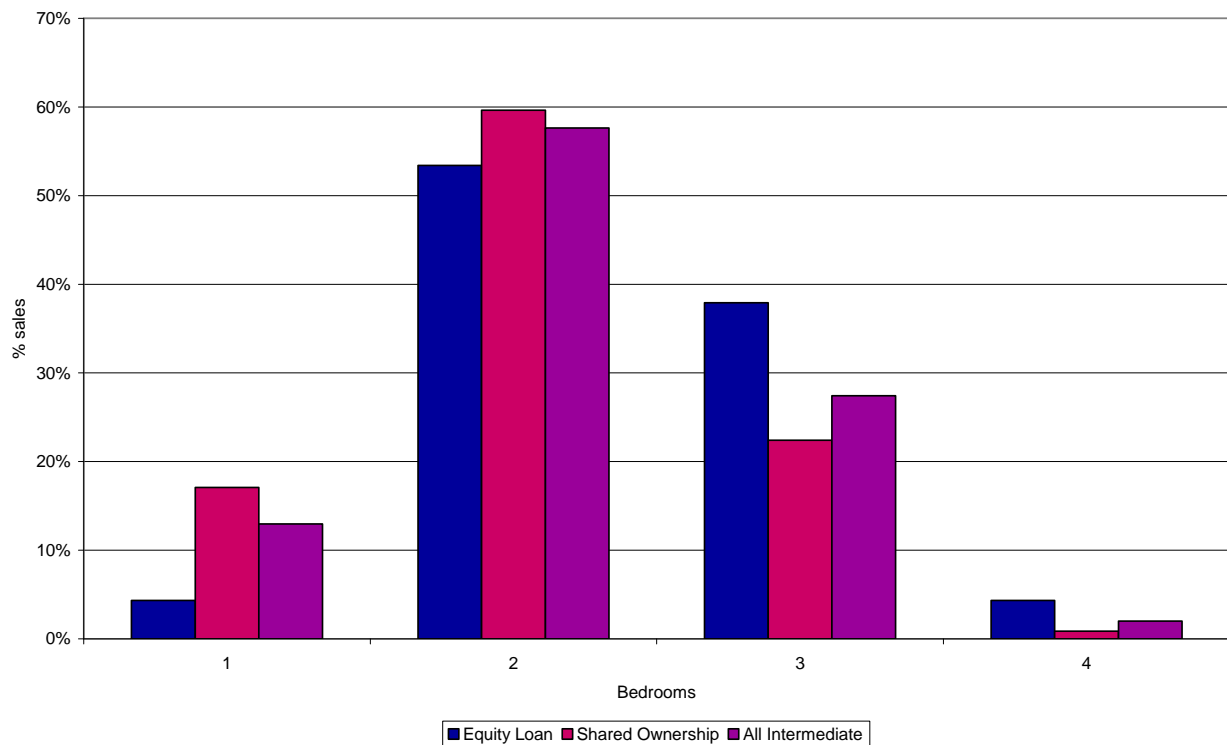
Source: CORE Sales 2007/8 to 2009/10

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Table 5 shows data about shared ownership re-sales in the Cambridge sub-region in the last three years. This data is used in the calculation of affordable need as intermediate tenure re-sales contribute to the overall housing supply figure. In the whole sub-region around 15% of shared ownership sales are re-sales.

Fig 4 shows the size of property purchased by scheme type.

Fig 4 Property size (number of bedrooms) purchased by intermediate scheme type, 2007/8-2009/10, Cambridge sub-region



Source: CORE Sales 2007/8 to 2009/10

The size by number of bedrooms of homes purchased in each scheme is shown above. Two bedroom properties were the most common size purchased over all. There were proportionately more 1 bedroom schemes purchased through shared ownership schemes (17%) than with an equity loan (4%).

The national data compendium 2011 (see link in section 8.4) shows a similar trend nationally, with proportionately more larger properties being bought with equity loans than through shared ownership. There were more three and four bedroom homes purchased with equity loans. By household type, more families with children purchased with an equity loan (see 0), and shared ownership was more common for single people and couples.

The previous tenure of intermediate purchasers is shown in the table below.

Table 6. Previous tenure by district – intermediate purchasers, 2007/8-2009/10

| | Living with family | Owner occupied | Private rented | Social rented | Other | All |
|----------------------|--------------------|----------------|----------------|---------------|-------|-----|
| Cambridge | 51 | 10 | 128 | 9 | 5 | 203 |
| East Cambridgeshire | 35 | 14 | 33 | 6 | 4 | 92 |
| Fenland | 9 | 2 | 22 | 5 | | 38 |
| Huntingdonshire | 81 | 19 | 93 | 10 | 2 | 205 |
| South Cambridgeshire | 55 | 11 | 64 | 9 | 4 | 143 |

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| | Living with family | Owner occupied | Private rented | Social rented | Other | All |
|-----------------------|--------------------|----------------|----------------|---------------|-----------|-------------|
| Forest Heath | 32 | 5 | 14 | 1 | 2 | 54 |
| St Edmundsbury | 34 | 5 | 33 | 3 | 3 | 78 |
| Sub-Region | 297 | 66 | 387 | 43 | 20 | 813 |
| Sub-Region (%) | 37% | 8% | 48% | 5% | 2% | 100% |

Source: CORE Sales 2007/8 to 2009/10

Renting privately is the most common previous tenure in the sub-region as a whole and in all Cambridgeshire districts except East Cambridgeshire. Living with family or friends is the second most common previous tenure. Only 5% of intermediate purchasers in the sub-region were previously living in the social rented sector. This is a similar profile to applicants nationally.

The table below shows the cost by size and used in the affordability calculation.

Table 7. Average total value of properties purchased by number of bedrooms, 2009/10

| | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms | All |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cambridge | £158,833 | £166,073 | £179,080 | | £168,106 |
| East Cambs | <i>£100,000</i> | £130,603 | £162,025 | | £136,487 |
| Fenland | | <i>£101,850</i> | £126,218 | | £120,803 |
| Hunts | <i>£106,980</i> | £136,975 | £155,976 | <i>£197,600</i> | £141,332 |
| South Cambs | £139,750 | £177,507 | £219,656 | <i>£215,000</i> | £181,204 |
| Forest Heath | <i>£95,000</i> | £113,244 | <i>£134,167</i> | | £112,059 |
| St Ed's | <i>£95,500</i> | £134,694 | £152,143 | | £137,125 |
| Sub-Region | £125,966 | £147,214 | £169,749 | £203,400 | £151,170 |
| East of England | | | | | £146,626 |
| England | | | | | £160,672 |

Source: CORE Sales 2007/8 to 2009/10.

The above table shows the average total value of properties sold through intermediate schemes in 2009/10 by number of bedrooms. This is highlighted in pale yellow because it is used in the affordability calculation. Numbers shown in italics are averages based on 5 sales or fewer. In most areas the average total value of all intermediate properties is similar to the open market lower quartile (see Fig 6). In the sub-region as a whole the average market value of properties bought through intermediate schemes is £151,170. This has fallen slightly in the last three years (see Table 14). In many districts, fewer than 50 sales are recorded per year and the small sample size may also account for some of the difference.

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Table 8 shows the average income for intermediate purchasers by scheme.

Table 8. Average gross household income of intermediate purchasers by scheme type 2007/8-2009/10

| | Equity loan | Shared ownership | All |
|----------------------|----------------|------------------|----------------|
| Cambridge | £32,629 | £30,762 | £31,129 |
| East Cambridgeshire | £29,103 | £26,226 | £26,945 |
| Fenland | £30,258 | £21,368 | £27,048 |
| Huntingdonshire | £29,370 | £24,784 | £27,259 |
| South Cambridgeshire | £30,464 | £28,173 | £28,700 |
| Forest Heath | £24,470 | £23,528 | £23,685 |
| St Edmundsbury | £28,941 | £21,120 | £25,340 |
| Sub-Region | £29,780 | £27,036 | £27,992 |
| England | £32,291 | £24,531 | £25,732 |

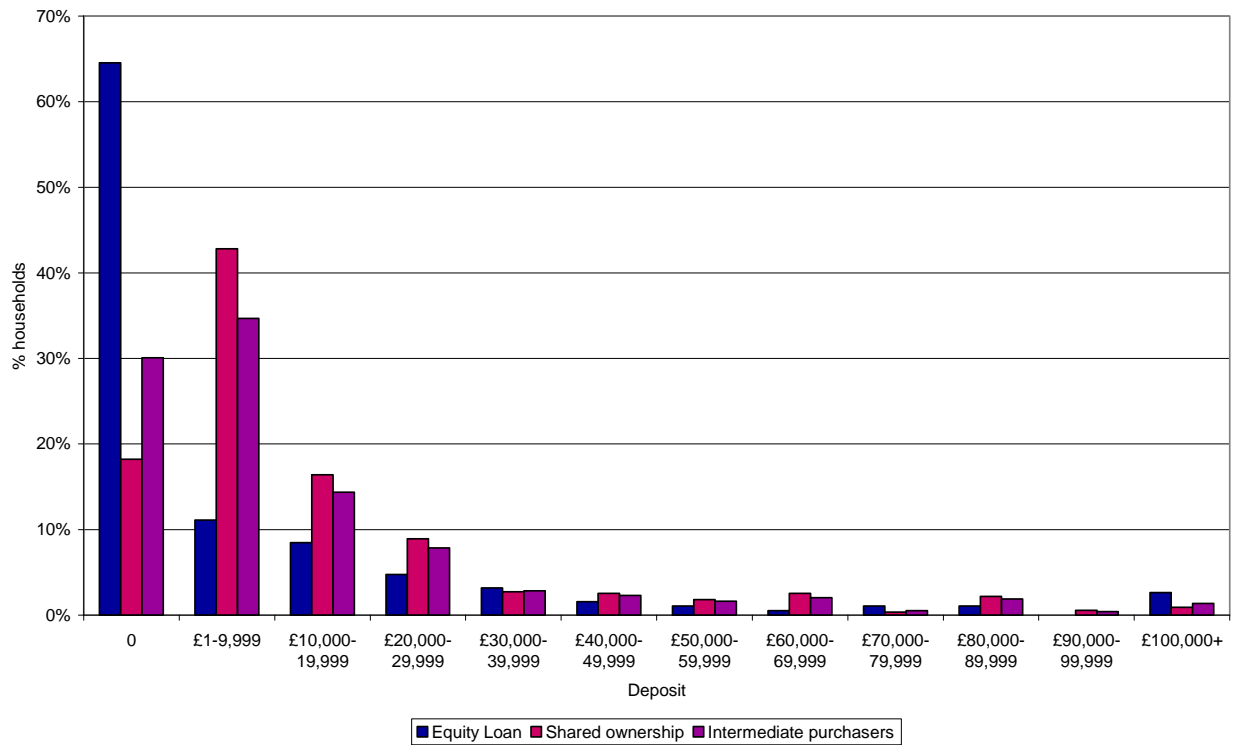
Source: CORE Sales 2007/8 to 2009/10

The above table contains information about the average gross household income of intermediate purchasers (not including council tax and housing benefits). In the sub-region as a whole the average income for this group is nearly £28,000 per year. Households who purchased with an equity loan had slightly higher incomes than those purchasing a shared ownership property. Incomes of households purchasing intermediate products are higher on average than recently moved social tenants (see Fig 7).

The overall average market value of intermediate homes decreased between 2008/9 and 2009/10 (see Table 14). In some areas this is due to the type of property sold, for example there were proportionately fewer three bedroom homes sold in East Cambridgeshire in 2009/10 than the previous year which affects the overall price in that district.

Another barrier to accessing an open market home is the deposit required (see Chapter 5 *Property purchase*) and information about this is shown in brief below, and in more detail in Chapter 10 *Incomes and affordability*.

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Fig 5 Deposit amount paid by intermediate purchasers, Cambridge sub-region 2007/8-2009/10

Source: CORE Sales 2007/8 to 2009/10

Fig 5 shows the deposit levels of intermediate purchaser households by scheme type. 18% of shared owners had no deposit compared to 65% of those who purchased with an equity loan. Ten purchasers had a deposit of over £100,000. Of these, six were previously owner occupiers. Overall the average deposit for equity loan buyers was £10,659 and the average deposit for shared ownership purchasers was £14,593.

Section 8.2 Facts and figures

Tables 9 and 10 show the different average costs associated with different types of intermediate purchase.

Table 9. Average costs (equity loan) 2007/8-2009/10

| | Average value | Average mortgage | Average deposit | Average deposit (as % value) | Average equity loan amount | Average equity loan amount as % value |
|----------------------|-----------------|------------------|-----------------|------------------------------|----------------------------|---------------------------------------|
| Cambridge | £183,276 | £115,200 | £8,103 | 4% | £61,833 | 34% |
| East Cambridgeshire | £166,749 | £110,765 | £15,564 | 9% | £51,624 | 31% |
| Fenland | £130,883 | £100,249 | £5,649 | 4% | £28,918 | 22% |
| Huntingdonshire | £144,922 | £98,664 | £5,863 | 4% | £44,142 | 30% |
| South Cambridgeshire | £182,092 | £115,003 | £24,890 | 14% | £52,155 | 29% |
| Forest Heath | £139,444 | £83,632 | £15,650 | 11% | £44,007 | 32% |
| St Edmundsbury | £151,266 | £97,678 | £13,262 | 9% | £42,317 | 28% |
| Sub-Region | £155,987 | £103,362 | £10,659 | 7% | £46,598 | 30% |

Source: CORE Sales 2007/8 to 2009/10

Costs for equity loan purchase are shown in the table above. Between 2007/8 and 2009/10 the average value of a home bought with an equity loan in the sub-region was £155,987, and the average size of mortgage used to purchase a property with an equity loan was £103,362. The typical deposit level for equity loan purchasers was £10,659 (equivalent to about 7% of the average value). The average equity loan amount for the period was £46,598, equivalent to about 30% of the average purchase price for this type of property.

Table 10. Average costs (shared ownership) 2007/8-2009/10

| | Average value | Average mortgage | Average deposit | Average deposit (as % value) | Average share purchased | Average monthly rent |
|----------------------|-----------------|------------------|-----------------|------------------------------|-------------------------|----------------------|
| Cambridge | £197,345 | £72,740 | £14,216 | 7% | 44% | £218 |
| East Cambridgeshire | £144,529 | £52,838 | £16,247 | 11% | 48% | £182 |
| Fenland | £123,182 | £43,825 | £10,136 | 8% | 44% | £156 |
| Huntingdonshire | £147,733 | £43,526 | £18,518 | 13% | 42% | £182 |
| South Cambridgeshire | £180,177 | £61,503 | £16,706 | 9% | 45% | £236 |
| Forest Heath | £122,387 | £43,302 | £8,343 | 7% | 41% | £143 |
| St Edmundsbury | £152,368 | £48,261 | £4,985 | 3% | 38% | £180 |
| Sub-Region | £167,057 | £57,889 | £14,593 | 9% | 44% | £201 |

Source: CORE Sales 2007/8 to 2009/10

Table 10 shows the costs for shared ownership purchase. The average value for shared ownership properties is slightly higher than for homes purchased with an equity loan. The average deposit level is also higher (£14,593 compared to £10,659). The average size of share purchased is 44% in the sub-region as a whole. The average amount of rent paid on the unpurchased share is just over £200/month. The average mortgage for shared owners is around half of that of equity loan buyers.

Section 8.3 Analysis

8.3 Analysis

8.3.1 Current situation

At the end of February 2010 there were 1,024 households registering an interest in intermediate schemes with the local HomeBuy Agent. These are generally smaller households (one or two adults) and many either live with family/friends or in the private rented sector. There are very few applicants currently living in the social rented sector, despite these households be a main target group for intermediate schemes.

The average market value of homes purchased through intermediate schemes is similar to the lower quartile market price of homes.

The average gross income of intermediate applicants is £25,000, which is £13,800 less than the average income of all households. The average income of intermediate purchasers is around £28,000. The average household income for shared ownership purchasers is lower than the average income of equity loan purchasers, which may suggest slightly different markets. Equity loans are typically used to purchase larger homes for larger households and shared owners are more likely to be single person households.

8.3.2 Changes over time

The market value of homes sold through intermediate schemes has decreased slightly in the last three year, reflecting decreases in the main market.

When analysed individually the profile of households buying intermediate tenure homes does not appear to vary significantly from year to year. Existing social tenants have always been one of the government's target groups for intermediate home ownership, but a larger share of intermediate purchasers come from the private rented sector or are newly forming households. Changes such as the introduction of flexible/ fixed-term tenancies may make intermediate tenures a more attractive option for this particular group. However, there is considerable difference in the income profile of intermediate purchasers and recently moved social tenants (see Fig 7).

The overall number of equity loans has decreased in the sub-region over the three year period and in 2009/10 there were more shared ownership sales than equity loan sales in all districts. The average equity loan over the three year period was equivalent to 30% of the average market value, and previous schemes included loans to purchase existing properties. The current equity loan amounts available are up to 20% of the purchase price of a new build on selected schemes. This may reduce the market for this model.

8.3.3 Geographical variation

The national data compendium shows similar trends to local information sources about the type of household accessing intermediate tenures.

There were more equity loan sales in Fenland, Huntingdonshire and St Edmundsbury. Shared ownership sales were more common in the other districts. This is likely to be due to the stock profile and what is available for purchase through different schemes but it may also be that equity loans are a better fit for buying larger properties in cheaper areas.

In the three year period covered, there was only one 1 bedroom home recorded as sold through an intermediate scheme in Fenland. Chapter 5, *Property purchase* shows prices for 1 bedroom homes in this district are quite low (below £70,000 on average) and therefore there is likely to be limited demand for intermediate properties of this size in the district.

Section 8.3 Analysis

8.3.4 What does all this data, combined, tell us?

There continues to be a demand for intermediate ownership models, mostly from younger, smaller households currently resident in the private rented sector or living with family and friends. Demand from social tenants currently appears quite limited and a low proportion of sales are made to this group. Fixed term/flexible tenancies in social housing may make intermediate ownership models more attractive to this group for those who can afford it, but around 75% of recently moved social tenants have a net household income of less than £20,000, so this may not be practical for a large number.

Of the 43 social tenants who did access some form of intermediate ownership, 26 (60%) purchased through equity loan schemes rather than shared ownership. These households were larger on average and purchased larger homes than households from other tenures.

The number of equity loan schemes has decreased and there were fewer sales of this type in 2009/10 than in 2007/8. The most recent model offers 20% loans for households with a 5% deposit. As with the previous equity loan scheme, this is only available for new build homes on certain sites, which is likely to limit the number of sales. There is some talk of developing a new shared equity model to support purchase of an existing home, but details are as yet unknown.

While mortgage lending is becoming less restrictive in terms of loan to value for shared ownership purchase, there are still very few options for mortgages at 100% LTV for shared ownership compared to for equity loan purchase.

Section 8.4 Links and references

8.4 Links and references

(correct at January 2012)

HCA (June 2011) **Data compendium: a collation of published data about affordable home ownership**, accessed at <http://www.homesandcommunities.co.uk/ourwork/affordable-home-ownership>. This site also contains general information about the range of schemes currently available

HomeBuy Agent Website: <http://www.orbithomebuyagents.co.uk/main.cfm>

Section 8.5 Definition of terms

8.5 Definitions of terms

In the past five years, there have been a range of intermediate housing models launched and withdrawn/ altered/rebranded and this cycle is likely to continue. Rather than attempt to list all the individual schemes, the table below shows the broad type of scheme available. For the details of the individual schemes currently available, see the Zone Agent Website, cited in 1.4.

| Term used | Abbreviation | Meaning |
|-------------------|--------------|---|
| Intermediate rent | IR | Rents at up to 80% of market rent. Traditionally targeted at key workers, although the market for this was increased during the "credit crunch" through Rent to HomeBuy. Currently this product is not being promoted due to its similarity to Affordable Rent (targeted at the social rented "market"). |
| Shared equity | SE | An equity loan which acts as a second charge on a property. For example, a household buys a £200,000 property with a 10% equity loan (£20,000). They pay a small amount for the loan and when the property is sold e.g. for £250,000 the lender receives 10% of the sale cost (£25,000). Some equity loans were available for the purchase of existing stock. The current scheme is to assist people to buy new build. |
| Shared ownership | SO | Scheme where a purchaser part buys and part rents from a housing association. Typical purchase share is between 25% and 75%, and buyers are encouraged to buy the largest share they can afford. Generally applies to new build properties, but re-sales occasionally become available. There may be an opportunity to rent at intermediate rent level before purchasing a share in order to save/increase the deposit level |

Section 8.6 Data issues

8.6 Data issues

- **Main sources of data**

Data about demand is taken from the HomeBuy Agent register and provides a snapshot of demand as of the end of February 2010. The HomeBuy Agent is currently Orbit.

Data about the current residents is taken from CORE. CORE records information about households moving into shared ownership/shared equity. It does not record every sale, but there is sufficient data collected in the time period covered (three years) to get a good overview of the type of households moving into intermediate home ownership.

The data sources used in this reported (and collected more widely) tend to focus on intermediate ownership models. Data about intermediate rent models has always been non-existent and this is something of an unknown quantity. While this has effectively been withdrawn, there are some Rent to HomeBuy homes available and households already resident in this and other intermediate rent tenures.

- **Recent changes to data**

In previous versions of the chapter looking at intermediate applicants, more data was available about the precise type and size of household. This change makes it difficult to estimate the size of property required. There is also less data collected about economic activity and work because of a decreased emphasis on intermediate tenures for key workers.

- **Planned changes to data**

We will continue to monitor scheme details (particularly equity loans) as the precise details of these change frequently.

Section 8.7 Additional information

8.7 Additional information

Table 11. Age of intermediate applicant household reference persons by current district of residence

| | Cambridge | East Cambs | Fenland | Hunts | South Cambs | Forest Heath | St Ed's | Other | Total |
|--------------------------|------------|------------|-----------|-----------|-------------|--------------|-----------|----------|------------|
| 18-24 | 15% | 33% | 30% | 23% | 21% | 24% | 22% | 38% | 21% |
| 25-29 | 30% | 22% | 15% | 27% | 25% | 9% | 26% | 50% | 26% |
| 30-34 | 26% | 16% | 5% | 16% | 22% | 21% | 28% | 13% | 22% |
| 35-39 | 14% | 6% | 20% | 9% | 11% | 6% | 9% | 0% | 11% |
| 40-44 | 5% | 12% | 10% | 7% | 11% | 12% | 6% | 0% | 8% |
| 45-49 | 5% | 2% | 15% | 9% | 1% | 9% | 8% | 0% | 5% |
| 50-54 | 3% | 4% | 0% | 6% | 5% | 6% | 2% | 0% | 4% |
| 55-59 | 1% | 4% | 0% | 2% | 1% | 6% | 0% | 0% | 1% |
| 60+ | 2% | 0% | 5% | 0% | 2% | 6% | 0% | 0% | 2% |
| Total Respondents | 239 | 49 | 20 | 86 | 140 | 33 | 65 | 8 | 640 |
| Average Age | 32 | 31 | 34 | 33 | 32 | 37 | 31 | 25 | 32 |

Source: Orbit HomeBuy Agents

Table 12. Recorded intermediate sales per year by type and district

| | | 2007/8 | 2008/9 | 2009/10 | Total |
|----------------------|------------------|--------|--------|---------|-------|
| Cambridge | Equity Loan | 8 | 16 | 14 | 38 |
| | Shared Ownership | 64 | 74 | 35 | 173 |
| | All | 72 | 90 | 49 | 211 |
| East Cambridgeshire | Equity Loan | 9 | 13 | 2 | 24 |
| | Shared Ownership | 14 | 16 | 41 | 71 |
| | All | 23 | 29 | 43 | 95 |
| Fenland | Equity Loan | 11 | 10 | 2 | 23 |
| | Shared Ownership | 3 | 5 | 7 | 15 |
| | All | 14 | 15 | 9 | 38 |
| Huntingdonshire | Equity Loan | 26 | 47 | 36 | 109 |
| | Shared Ownership | 33 | 27 | 49 | 109 |
| | All | 59 | 74 | 85 | 218 |
| South Cambridgeshire | Equity Loan | 10 | 13 | 9 | 32 |
| | Shared Ownership | 28 | 40 | 61 | 129 |
| | All | 38 | 53 | 70 | 161 |
| Forest Heath | Equity Loan | 4 | 2 | 3 | 9 |
| | Shared Ownership | 13 | 11 | 21 | 45 |
| | All | 17 | 13 | 24 | 54 |
| St Edmundsbury | Equity Loan | 13 | 17 | 12 | 42 |
| | Shared Ownership | 16 | 16 | 6 | 38 |

Section 8.7 Additional information

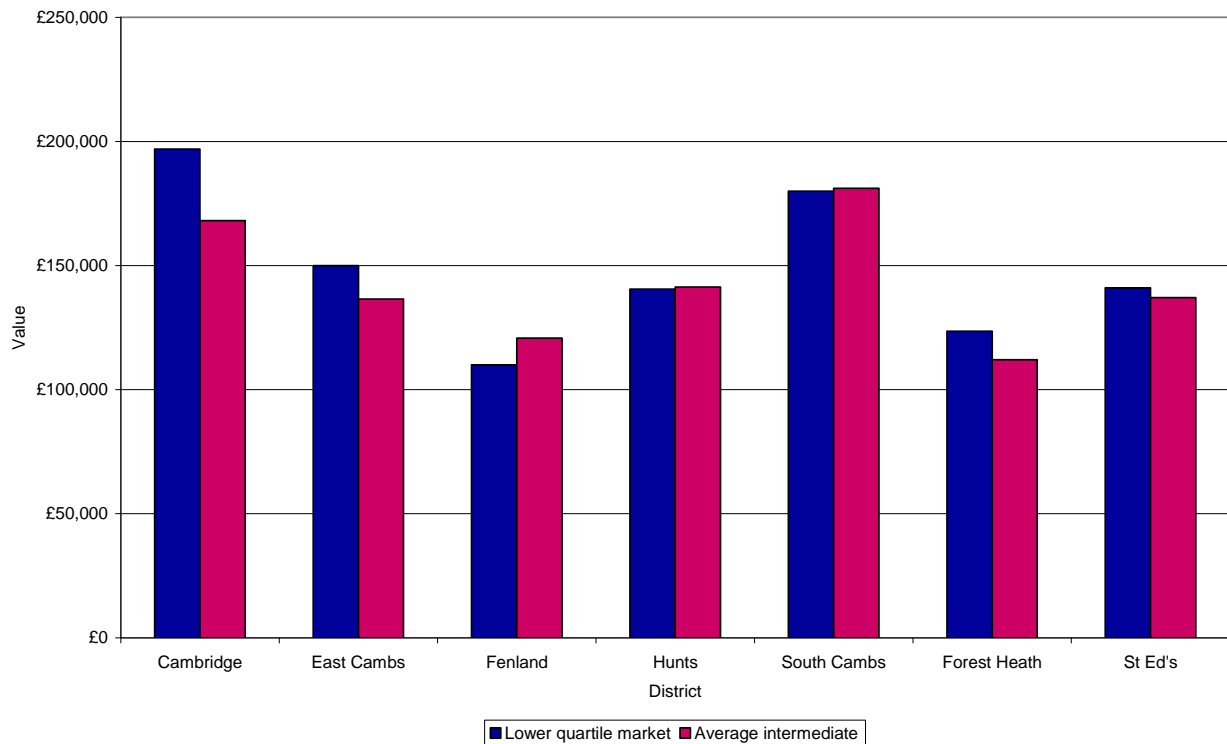
| | | 2007/8 | 2008/9 | 2009/10 | Total |
|------------|------------------|--------|--------|---------|-------|
| | All | 29 | 33 | 18 | 80 |
| Sub-Region | Equity Loan | 81 | 118 | 78 | 277 |
| | Shared Ownership | 171 | 189 | 220 | 580 |
| | All | 252 | 307 | 298 | 857 |

CORE Sales, 2007/8-2009/10

Table 13. Intermediate sales by scheme type and household structure, Cambridge sub-region 2007/8-2009/10

| | Equity Loan | Shared Ownership | All intermediate sales |
|----------------------------|-------------|------------------|------------------------|
| 1 adults | 32% | 44% | 40% |
| 2 adults | 34% | 31% | 32% |
| 3+ adults | 1% | 1% | 1% |
| 1 adult, 1 child | 3% | 3% | 3% |
| 1 adult, 2+ children | 2% | 2% | 2% |
| 2 adults, 1 child | 16% | 6% | 9% |
| 2 adults, 2+ children | 12% | 4% | 7% |
| 3+ adults, 1(+) child(ren) | 1% | 1% | 1% |
| Unknown | | 8% | 5% |
| Total (=100%) | 277 | 580 | 857 |

CORE Sales, 2007/8-2009/10

Fig 6 Average total value of intermediate properties sold and lower quartile open market price by district, 2009/10.

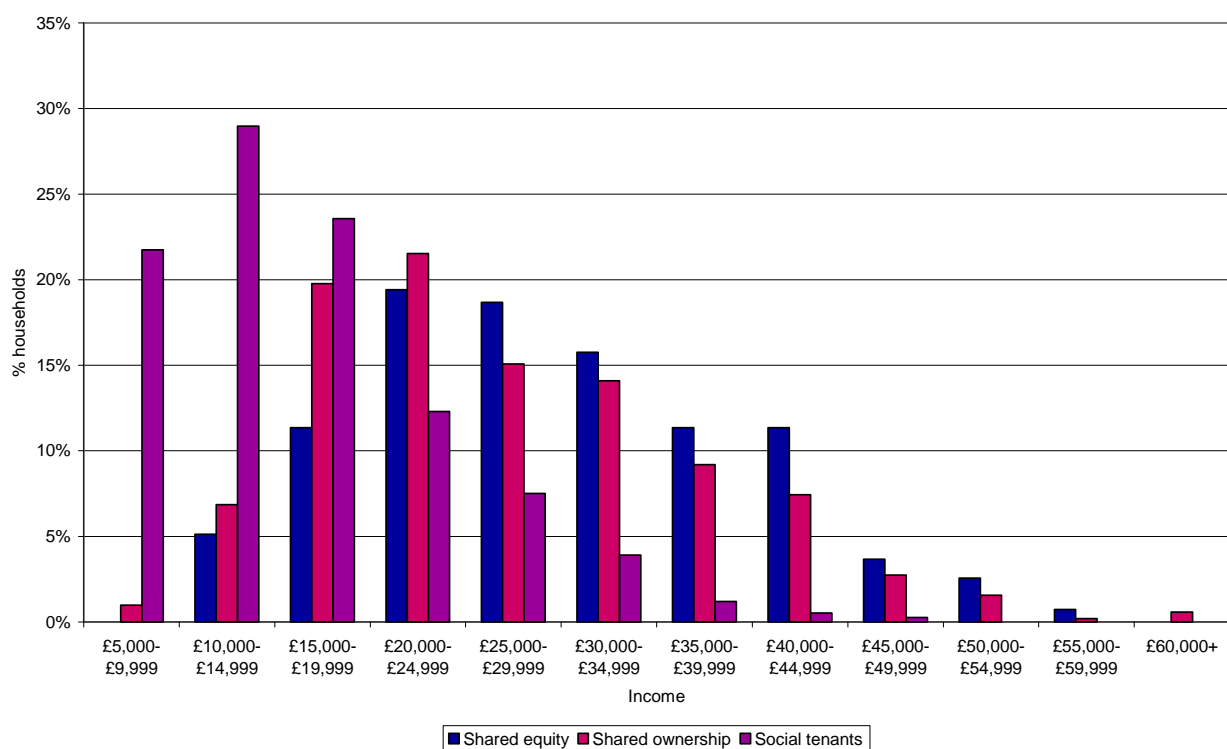
Source: Hometrack and CORE

Section 8.7 Additional information

Table 14. Average market value of properties purchased through intermediate schemes by district, 2007/8-2009/10

| | Equity loan | | | Shared ownership | | |
|----------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|
| | 2007/8 | 2008/9 | 2009/10 | 2007/8 | 2008/9 | 2009/10 |
| Cambridge | £197,537 | £194,933 | £161,804 | £219,227 | £191,057 | £170,627 |
| East Cambridgeshire | £162,722 | £175,999 | £124,748 | £161,643 | £148,694 | £137,060 |
| Fenland | £137,356 | £124,940 | £125,000 | £122,167 | £128,800 | £119,604 |
| Huntingdonshire | £148,668 | £149,221 | £136,605 | £143,712 | £157,963 | £144,804 |
| South Cambridgeshire | £201,300 | £179,381 | £164,666 | £181,607 | £173,888 | £183,644 |
| Forest Heath | £136,875 | £160,000 | £129,167 | £140,462 | £125,409 | £109,615 |
| St Edmundsbury | £156,573 | £153,735 | £142,021 | £149,531 | £164,594 | £127,333 |
| Sub-Region | £160,704 | £160,467 | £144,311 | £179,567 | £171,401 | £153,601 |

CORE Sales, 2007/8-2009/10

Fig 7 Net household income of recently moved shared owners, equity loan purchasers and social tenants, 2007/8-2009/10

CORE, 2007/8-2009/10