

Can a nurse get on Boris' property ladder?

Problems key workers face buying shared ownership homes in London.

A report by Darren Johnson Green Party member of the London Assembly **April 2014**

(This response sets out my individual views as an Assembly member and not the agreed views of the full Assembly)

Introduction

Last month, an NHS nurse earning around £26,500 a year wrote to me about her experiences with First Steps, the Mayor's affordable home ownership scheme.

First Steps helps people find homes sold under the shared ownership deal, where you buy a share of a home and pay rent on the difference. It is the Mayor's big answer for people on a range of modest incomes who are completely priced out of the market and who aren't a priority for social housing¹.

He wrote in his new 'covenant' that "those who contribute to London's success should benefit from that success"².

The nurse quite reasonably thought that should apply to her. But in her email to me, she summed up her experience:

"As a person who provides an essential public service in London, I feel disheartened and let down by the government for allowing the shared ownership scheme to be abused."

Her frustrating experience highlights two major problems with the scheme:

1. Many of the homes are too expensive for key workers in the capital
2. Once built, the price for these homes is rocketing just like the rest of the market

It isn't just nurses who are being let down. New recruits to the fire and police services start on similar salaries, and far from helping them, the Metropolitan Police Service is busily selling off homes they own to the highest bidder to raise cash.

In his new housing strategy the Mayor has promised to use funding agreements to make sure rents and services charges don't rise unfairly. He needs to go further and make sure that homes are affordable for key workers in London, and for all others on average incomes who are priced out of the market.

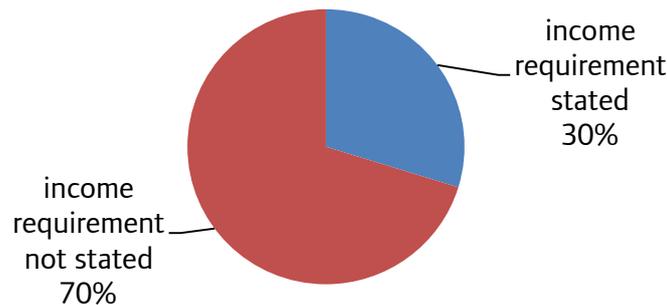
I also believe the Mayor should look to alternative models like the Community Land Trusts and Mutual Home Ownership, which may provide a better way for Londoners who are priced out to benefit from the benefits of ownership.



Can a nurse afford any of these homes?

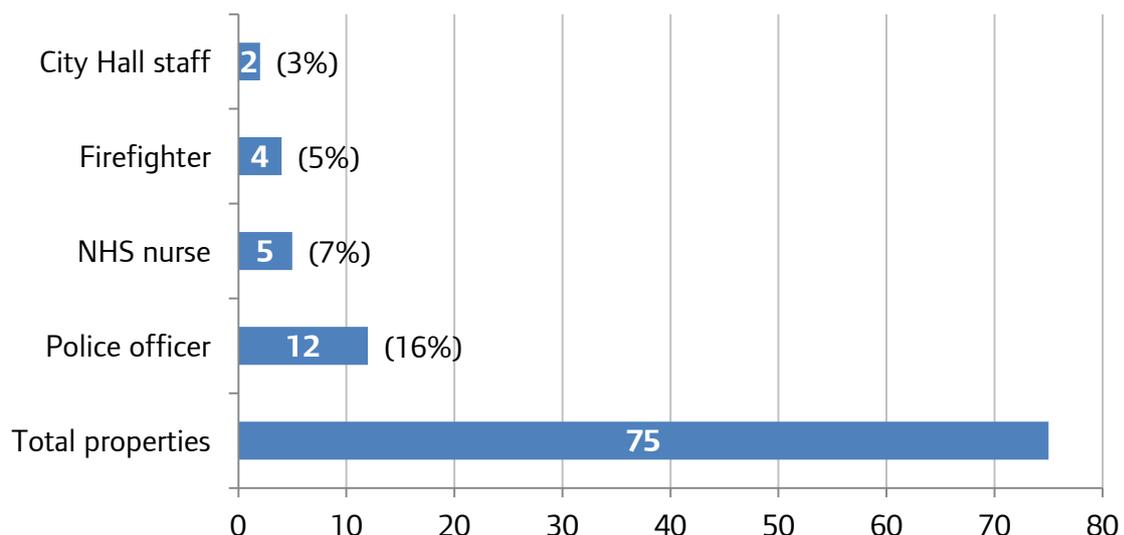
In theory, anyone with a household income of between £18,000 and £72,200 is eligible for shared ownership. My constituent, on £26,500, thought it was for her.

But lots of councils and providers put their own requirements on homes, and very few seem to actually list them up front on the web site. My office I went on a mystery shopping exercise on the First Steps web site in January, and of the 252 properties listed, only 75 stated any minimum income requirements:



The requirements also varied enormously. The listings ranged from a minimum income of £29,600 for a home estimated to cost £1,365 per month to £44,342 for a home estimated to cost £932 per month.

The Mayor says these homes are for people on low and modest incomes, and that the average income of people buying these homes is £33,000³. But most of the homes that stated extra requirements are out of the reach of key workers:



In fact, where they were stated, the average minimum income requirement was £38,452. How could a junior City Hall staffer (£22,244⁴), an entry level police officer (£28,836⁵) or firefighter (£25,426⁶) afford that?

Will these homes stay affordable?

Many of the homes requiring higher incomes were re-sales of existing shared ownership homes.

Once the first owners move in, the value of their home will start to rise along with the rest of the market. So when they move and the home goes back onto the First Steps web site as a resale, it's likely to be even less affordable.

This property for sale in Marylebone was an extreme example:

Blandford Street, London, London - West, W1U 4ED

Full price £712,000 **minimum share £427,200 (60%)**

One bedroom apartment
Affordable housing scheme: resales ('part buy part rent' on 2nd hand homes)

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Budget calculator ?

Min deposit (£) Share percentage (%) Share price (£) [Update](#)

Estimated total monthly cost **£3,033** (includes: rent **£506**, service charge **£157**, estimated mortgage **£2,370**) ?

The advert doesn't specify a minimum income, but I doubt anybody on a modest income will spend much more time pursuing this home when they see the estimated monthly cost of over £3,000. The best case scenario is a couple each earning £33,000, keeping them within the ceiling to qualify for the scheme. But they would only bring home £4,200 a month, meaning two thirds of their income would go on paying for this home.

For housing costs to be affordable, they shouldn't exceed 35% of your take-home pay. A couple would need a combined income of £128,000 for this property to be truly affordable.

Very high prices aren't exclusive to resales.

In July 2012, the press picked up on the example of a development called 'Beacon', near Guy's Hospital in the London Borough of Southwark. To buy a three bed home there, a local nurse and partner would need a household income of £75,500 based on the 35% rule. The housing association defended this by pointing out that the cost would be cheaper than renting a similar home in the private sector, and of course the lucky owners would have much more security than they would be likely to find on an Assured Shorthold Tenancy⁷.

If you're unlucky, the costs can keep rising once you move in too. One housing association in west London almost doubled the monthly service charge from £90 to £167 in the space of a few years, and charged residents £1,149 in one year for its own overspending⁸.

Is shared ownership the solution for my constituent?

After looking into First Steps, I'm not surprised that the nurse was so frustrated. Judging by my casework, it may be a growing problem.

I have also helped a constituent who owned a 50% stake in her home. The Peabody Trust refused her request to extend the lease on the grounds that she didn't own 100%. This contradicts national guidance from the Homes and Communities Agency, and so the Mayor promised to look into this when developing his housing strategy⁹.

But these aren't isolated problems, and shared ownership has never been without its critics.

Journalists have covered problems like negative equity, a lack of security and high service charges, and few shared owners take the opportunity to buy larger shares of their homes, known as staircasing¹⁰. Shelter, who thinks shared ownership should be massively expanded, doesn't pull its punches either in criticising the Government for "piecemeal schemes, changing the rules of the game, making it hard for consumers to know their options"¹¹.

The Mayor has acknowledged some of these problems in his new housing strategy, promising to use funding agreements to ensure increases in rents are kept to half a percent above inflation, and service charges increases are "justified, proportionate and transparent"¹².

Bringing ownership home

If the Mayor wants to help people on modest incomes who are priced out London's dysfunctional housing market, he must fix these wider problems.

The Mayor should also be seriously considering an alternative to shared ownership.

Community Land Trusts are a type of co-operative which enable members to gradually buy up a stake in their home using a model called mutual home ownership, which is a bit like shared ownership but without the high risks. Crucially, because the co-op owns the land it can also stop prices rising faster than low incomes.

The Mayor should take up the recommendations of the Commission on Co-operative Housing¹³, Jenny Jones AM¹⁴, the New Economics Foundation and CDS Co-operatives¹⁵ to start making this available to key workers in London.

What do you think?

If you have any thoughts on this report or on solving London's housing problems, get in touch.

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