

**GLA** Housing and Land

Housing Research Note 5

**Intermediate housing: The evidence base**



Georgie Cosh  
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## Executive Summary

Intermediate housing is defined as affordable housing which is targeted at people who have little chance of accessing low cost rent housing, but who are not able to afford to rent or buy a home on the open market. The 2017 Strategic Housing Market Assessment estimates that 11,870 intermediate homes need to be delivered in London each year between 2016 and 2041 to meet housing need. Intermediate housing in London is delivered either with the support of funding through the GLA Affordable Homes Programme and other programmes, or as part of affordable housing requirements in planning applications. The new London Plan sets out a requirement for a minimum of 30% of affordable housing to be delivered as intermediate homes which meet the Mayor's definition of genuinely affordable.

The purpose of this research note is to examine the supply and characteristics of intermediate housing in London. The research considers the number and type of intermediate homes across London; the profile of intermediate housing residents; and the affordability of intermediate housing products. The research also examines to what extent intermediate housing is meeting intermediate housing need. The research is published alongside a [consultation on intermediate housing](#) which will run from 4 August 2020 to 11 October 2020.

This research draws on a variety of data sources that are publicly available. SDR and MHCLG data is used to analyse the stock of intermediate homes, as well as shared ownership sales and staircasing rates. MHCLG and GLA housebuilding data is used to analyse the supply of new build intermediate homes. In addition, detailed CORE data on shared ownership sales is provided to the GLA by MHCLG to inform the development of policy, and is used in this research note to analyse who is accessing shared ownership in London.

The key findings from the analysis of available data on intermediate housing are as follows:

- Registered Providers (RPs) owned a total of 46,690 shared ownership and shared equity homes in London as at 31 March 2019, which were spread equally between Inner and Outer London. Although 54 RPs owned shared ownership and shared equity homes in London in 2018/19, the market is dominated by a handful of organisations and five RPs owned 49% of the stock of intermediate ownership homes in London.
- The number of intermediate homes starting construction each year in London has more than doubled in eleven years. This has been driven by an increase in the proportion of shared ownership homes and intermediate rent homes, which accounted for 40% and 19% of affordable homes started in London in 2018/19, respectively.
- The majority of shared ownership purchasers in London in 2017/18 comprised households with no children, where the first named household member was aged between 25 and 44, moving from private rented sector housing within London. 71% of households moving into shared ownership housing were headed by a person of White ethnicity, while households headed by a person of Asian or Asian British, Black, Caribbean or Black British, and other ethnic groups comprise a lower proportion of those moving into shared ownership than of the general population. The median

household income of shared ownership purchasers in London in 2017/18 was £46,820, which compares to the median income of working age London households of £45,010.

- This research note adopts a simplified version of the SHMA and London Plan definitions of affordability, using income as a proxy to examine housing need across London. CORE household data suggests that 87% of shared ownership purchasers in 2017/18 were in intermediate housing need, including 40% in intermediate rent need (defined as being unable to afford open market rents) and 47% in intermediate ownership need (defined as being unable to afford to buy on the open market).
- The average market value of shared ownership properties in London increased by 60% between 2013/14 and 2017/18, and the value of equity shares purchased increased by 52%. These higher costs have been met by an increase in both the median deposit put down by shared ownership purchasers and the median mortgage amount.
- While the full market value of a typical shared ownership home is comparable to the average value of a home purchased through Help to Buy or purchased by a first-time buyer on the open market, the income and deposit of a typical shared ownership purchaser is significantly lower. This suggests that shared ownership is effective at enabling households on a wider range of incomes to access home ownership, and particularly helps those with relatively small deposits to access home ownership.
- A median market value home sold with a 25% equity share would be affordable to incomes up to £90,000 in all boroughs, and ranges from £32,930 in Havering to £81,870 in Westminster. However, the gross household income required to afford a median market value home with a 25% equity share is above £46,000 (the income required to afford open market rent in London) in 81% of boroughs and above £60,000 in a third of boroughs. This suggests shared ownership is generally only affordable to those at the upper end of the income eligibility bands.
- An intermediate rent set at 65% of the median market rent across London is affordable to some households who fall under the income-based definition of intermediate rent need (which includes those with incomes up to £46,000 in London). However, an intermediate rent set at 80% of median market rent is generally only affordable to those at the middle to upper end of the income eligibility bands (that is households earning above £46,000 but below the Mayor's £60,000 income cap).

While a good amount of data can be gathered from the information available, the data gaps and challenges mean it is not possible to comprehensively assess the supply and characteristics of intermediate housing in London and how intermediate housing needs change over time. Definitions of intermediate housing tenures, housing need and affordability are inconsistent, and data on less common intermediate tenures is not readily available. Evidence-based policy making on intermediate housing requires more comprehensive data collection across the full range of products offered. Proposals to address these data gaps are set out in the consultation on intermediate housing which has been published alongside this housing research note.

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# 1. Methodology

## Research objectives

- 1.1. To consider the supply and characteristics of intermediate housing in London, this research analyses the number and type of intermediate homes across London; the profile of intermediate housing residents; and the affordability of intermediate housing products. The research also examines to what extent intermediate housing is meeting intermediate housing need and supporting aspirations for home ownership.

## Research scope

- 1.2. The scope includes a review of a variety of intermediate tenure products, including intermediate ownership products such as shared ownership; and intermediate rent products such as London Living Rent (LLR) and Discounted Market Rent (DMR). A glossary of acronyms is provided in Appendix 1 and a glossary of affordable housing tenure definitions is provided in Appendix 2.
- 1.3. Products aimed at the intermediate market which do not meet the definition of affordable housing, such as Help to Buy equity loans and Starter Homes, are not included within the scope. These products do not include an income cap or provisions to ensure properties are affordable in perpetuity and are therefore not defined as affordable housing within this research note. Qualitative data on consumer satisfaction and housing quality is also not include within the scope.

## Data sources and analysis

- 1.4. This research draws on a variety of data sources that are publicly available, or have been provided to the GLA to inform policy development, including:
  - Registered Provider Statistical Data Returns (SDR) 2019;
  - COntinuous REcording of Social Housing Lettings and Sales (CORE) 2017/18;
  - GLA affordable housing programme (AHP) monitoring statistics;
  - Ministry of Housing, Communities and Local Government (MHCLG);
  - Office for National Statistics (ONS); and
  - Valuation Office Agency (VOA).
- 1.5. A series of analyses have been undertaken to understand current provision of intermediate housing in London. SDR and MHCLG data is used to analyse the stock of intermediate homes, as well as shared ownership sales and staircasing rates. MHCLG and GLA housebuilding data is used to analyse the supply of new build intermediate homes. Detailed CORE data on shared ownership sales, provided to the GLA by MHCLG, is used to analyse who is accessing shared ownership.

1.6. There are two ways of assessing whether intermediate housing meets housing need. The first is to look at who is accessing intermediate housing, and whether they fall within the definition of housing need. The second is to consider how affordable the product is to everyone who is in intermediate housing need. Using CORE data on house prices and VOA data on open market rents, high-level models have been developed to test the affordability of different intermediate products at borough level.

### **Defining affordability**

1.7. There are differing definitions of affordability used for different purposes, including those provided in the London Plan to set income eligibility thresholds, those used to estimate housing need in the London Strategic Housing Market Assessment (SHMA), and those referenced by the Affordable Housing Commission, as well as specific definitions for tenures such as London Living Rent.<sup>123</sup>

1.8. To assess whether intermediate homes are affordable, this research note adopts the definition of affordability provided under Policy H6 of the Intend to Publish London Plan. For intermediate housing, the London Plan states:

- Intermediate rented products, such as London Living Rent and Discounted Market Rent, should be made affordable to households on gross incomes of up to £60,000 a year; and
- Intermediate ownership products, such as shared ownership and Discounted Market Sale (where it meets the definition of affordable housing), should be made affordable to households on gross incomes of up to £90,000 a year.

1.9. The London Plan also states that, for a dwelling to be considered affordable, spend on housing costs (including mortgage repayments, rent and service charge) should not exceed 40% net annual household income. For high-level affordability modelling, this research assumes net income is equal to 70% of gross income. This assumption is aligned with the approach set out in the London Plan Annual Monitoring Report 15.<sup>4</sup>

### **Defining housing need**

1.10. To assess whether shared ownership purchasers are in housing need, this research note adopts a simplified version of the affordability tests provided in Table 3 of the 2017 SHMA. When assessing housing need, the SHMA states that households require intermediate housing if:

“(i) they can afford to pay more than London Affordable Rent (LAR) but cannot afford to buy or rent market housing, or (ii) they can

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<sup>1</sup> GLA, [London Plan: Intend to Publish \(clean version\)](#), 2019

<sup>2</sup> GLA, [2017 Strategic Housing Market Assessment](#), 2017

<sup>3</sup> Affordable Housing Commission, [Defining and measuring housing affordability – an alternative approach](#), 2019

<sup>4</sup> GLA, [London Plan Annual Monitoring Report 15 2017/18](#), 2019



afford market rents but are not satisfied with their current home and they expect to eventually buy their own home.”

1.11. The SHMA affordability test for private rent, which is adopted in this research, states:

“households can afford private rent if the lower quartile private rent does not exceed 25% of gross household income for households with incomes of less than £40,000 per annum, or 30% for households with incomes of more than £40,000 per annum.”

1.12. Building on the SHMA definition, this research note identifies three categories for housing need, using income as a proxy for housing need:

- **Low cost rent need**, which is defined as households that cannot afford LAR benchmarks without support from Housing Benefit;
- **Intermediate rent need**, which is defined as households that can afford LAR, but cannot afford the lower quartile private rent; and
- **Intermediate ownership need**, which is defined as households that can afford private rent, but cannot afford to buy on the open market.

1.13. Further analysis of these three categories is provided in Section 5 of this research, which examines whether households accessing shared ownership in London fall within this definition of housing need. Analysis of the affordability of intermediate housing to those who are in intermediate housing need is provided in Section 6 and Section 7.

1.14. It is important to note that this research note simplifies the definition of housing need to an income-based assessment, whereas the SHMA definition takes into consideration a number of additional factors including satisfaction with current tenure and aspirations for home ownership. These factors are not captured within the assessment of housing need adopted for the purpose of this research note.

1.15. In addition, in practice, affordable housing is allocated based on a number of eligibility and prioritisation criteria. Local authorities often use prioritisation criteria to allocate intermediate housing, in some instances from an intermediate housing waiting list. These criteria for intermediate housing generally prioritise households with a local connection (either living or working in the borough), households with support needs, those on lower incomes, and those working in certain ‘key worker’ professions.

### Geographical designations

1.16. For the purposes of analysis, the London boroughs have been analysed in three geographical designations: Prime Central London, Non-Prime Inner London and Outer London boroughs. The designation of each borough is set out in Appendix 3.

## 2. Data gaps and challenges

- 2.1. A challenge to assessing the supply and characteristics of intermediate housing is the lack of comprehensive data on less common intermediate tenure products such as intermediate rent, London Living Rent, Discounted Market Sale (DMS) and shared equity. For these reasons, this research focuses more heavily on shared ownership. The consequence of focussing on shared ownership is that data on earnings and savings is likely to be skewed upwards.
- 2.2. SDR data is used to analyse the stock and sale of intermediate homes. SDR provides data on Low Cost Home Ownership (LCHO) homes, which includes shared ownership and shared equity homes, and limited information on intermediate rent tenure homes. However, there are gaps in the SDR data available:
- The SDR data covers Registered Provider (RP)<sup>5</sup> stock only and does not include data on local authority (LA) owned intermediate housing stock. MHCLG data indicates that RPs have delivered the majority of shared ownership and affordable home ownership homes in London since the early 1990s and that LAs own a small proportion of the total intermediate housing stock in London;
  - The SDR stock data does not count ‘fully staircased’ properties, where the resident has acquired a 100% share of a shared ownership property or repaid an equity loan on a shared equity property in full; and
  - While the SDR data provides information on the number of shared owners staircasing to 100% ownership in a given year, it does not provide data on staircasing sales to less than 100%; the length of time taken to staircase; or the proportion of properties that have staircased to 100% by year of original sale.
- 2.3. MHCLG Local Authority Housing Statistics (LAHS) is used to analyse the stock of LA owned shared ownership homes; and MHCLG data on additional affordable housing supply and GLA AHP monitoring statistics are used to analyse the supply of new build intermediate homes in London. However, gaps in the data available on housing supply and inconsistent affordable housing tenure definitions makes the data challenging to analyse:
- MHCLG LAHS provides data on the number of shared ownership homes owned by LAs, but does not provide data on other intermediate ownership tenure homes or intermediate rent homes;
  - MHCLG affordable housing supply statistics provide data on the number of intermediate ownership homes (including affordable home ownership and

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<sup>5</sup> The SDR data defines RPs as “providers of social housing in England that are registered with the social housing regulator and are not LAs”. This is aligned within the definition within the 2008 Housing and Regeneration Act.

shared ownership) and intermediate rent homes delivered. Before 2017/18, intermediate ownership tenure homes are recorded as affordable home ownership, which predominantly comprises shared ownership homes;<sup>6</sup> and

- MHCLG affordable housing supply statistics do not provide data on homes started prior to 2015/16, so GLA AHP monitoring data is used to analyse the supply of affordable housing in London between 2008/09 and 2014/15. The MHCLG data counts additional affordable homes that are not funded by the GLA, so reports a higher number of starts and completions than the GLA statistics. For example, the MHCLG data on affordable housing supply reports that 15,473 affordable homes started construction in 2018/19, whereas the GLA affordable housing statistics reports that 14,544 affordable homes funded by the GLA started construction in 2018/19. Therefore, the data available on intermediate homes started prior to 2015/16 will undercount actual delivery.

2.4. CORE data is used to analyse who is accessing shared ownership housing and provides information on a range of demographic indicators such as income and savings; housing history; and household characteristics including household composition, age, sex, ethnicity, nationality and disabilities. However, there are also gaps in the CORE data:

- CORE data provides information on shared ownership but not other intermediate housing products, and while it provides comprehensive data on some demographic characteristics, it does not provide information on gender, sexual orientation, religion, occupation or pregnancy;
- CORE data provides information on new shared ownership purchasers but does not provide information on existing residents in shared ownership homes, and how characteristics such as income and household type change after initial sale.

2.5. While a good amount of data can be gathered from the information available, the data gaps mean it is not possible to comprehensively assess the supply and characteristics of intermediate housing in London and how intermediate housing needs change over time. Proposals to address some of these data gaps are set out in the consultation on intermediate housing which has been published alongside this housing research note.

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<sup>6</sup> MHCLG and GLA affordable housing supply statistics adopt a different definition for 'intermediate home ownership' and 'affordable home ownership' to the [2018 London Housing Strategy](#). See Appendix 2 for further detail on the technical affordable housing tenure definitions used in this research note.

### 3. Intermediate housing stock and supply

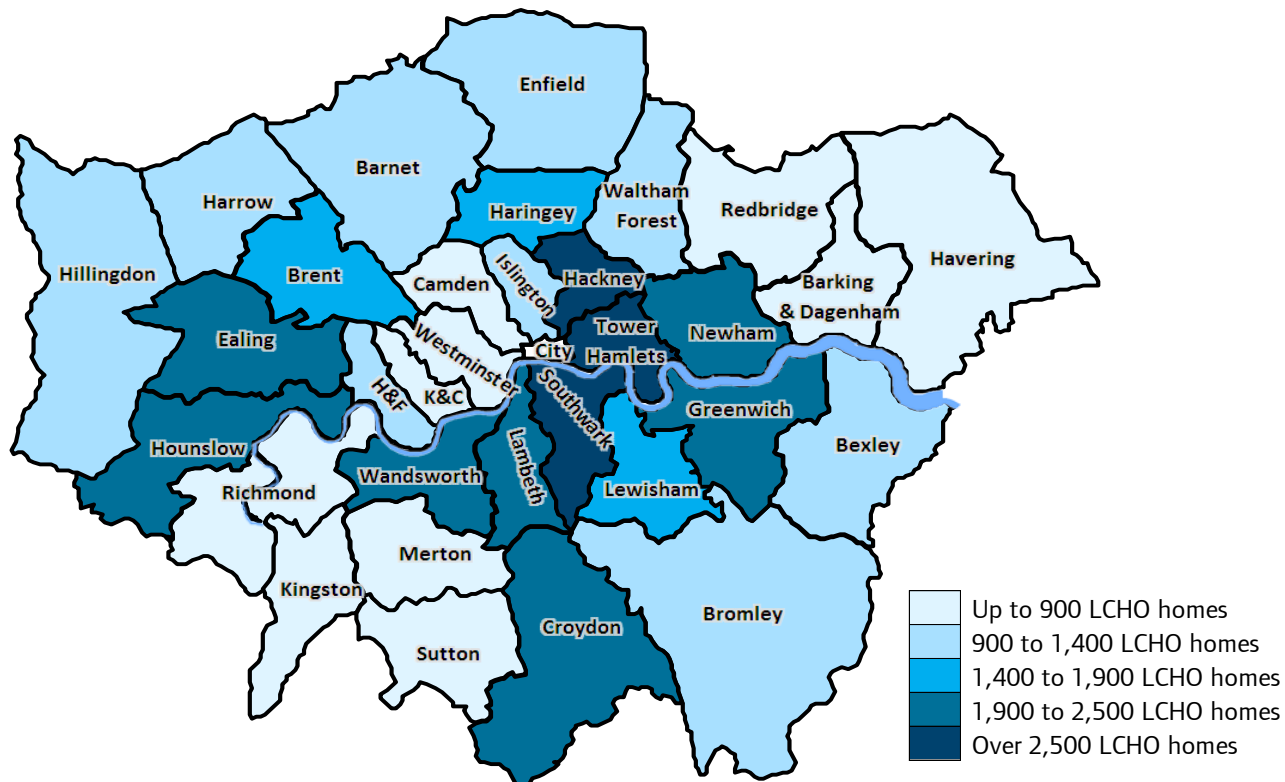
3.1. This section analyses the role of intermediate housing in affordable housing delivery in London. It examines figures on the stock of shared ownership, shared equity and intermediate rent homes in London; intermediate housing starts and completions; and intermediate housing as a proportion of overall affordable housing delivery.

#### Stock of RP owned shared ownership and shared equity homes

3.2. SDR data shows that RPs owned a total of 46,690 shared ownership and shared equity homes, referred to as LCHO homes, in London as at 31 March 2019.<sup>7</sup> LCHO homes accounted for 10% of the total affordable housing stock owned by RPs in London in March 2019, while general needs stock accounted for 78% of affordable homes and supported housing (including housing for older people) accounted for 12%.<sup>8</sup>

3.3. Over a quarter of RP-owned LCHO homes in England were located in London. Within London, 51% of LCHO accommodation was in Outer London and 40% was in non-prime Inner London, while only 9% LCHO homes or 4,051 LCHO homes owned by RPs were located in the five prime central London boroughs.

**Figure 1: Location of LCHO homes owned by RPs in London in 2018/19**



3.4. 54 RPs owned LCHO homes in London in March 2019, but the market is dominated by a handful of organisations. Figure 2 illustrates that the five RPs with the largest number of LCHO homes owned 49% of the total LCHO stock in London.

<sup>7</sup> LCHO homes 'owned' includes those owned and managed by RPs, and those owned but not managed by RPs.

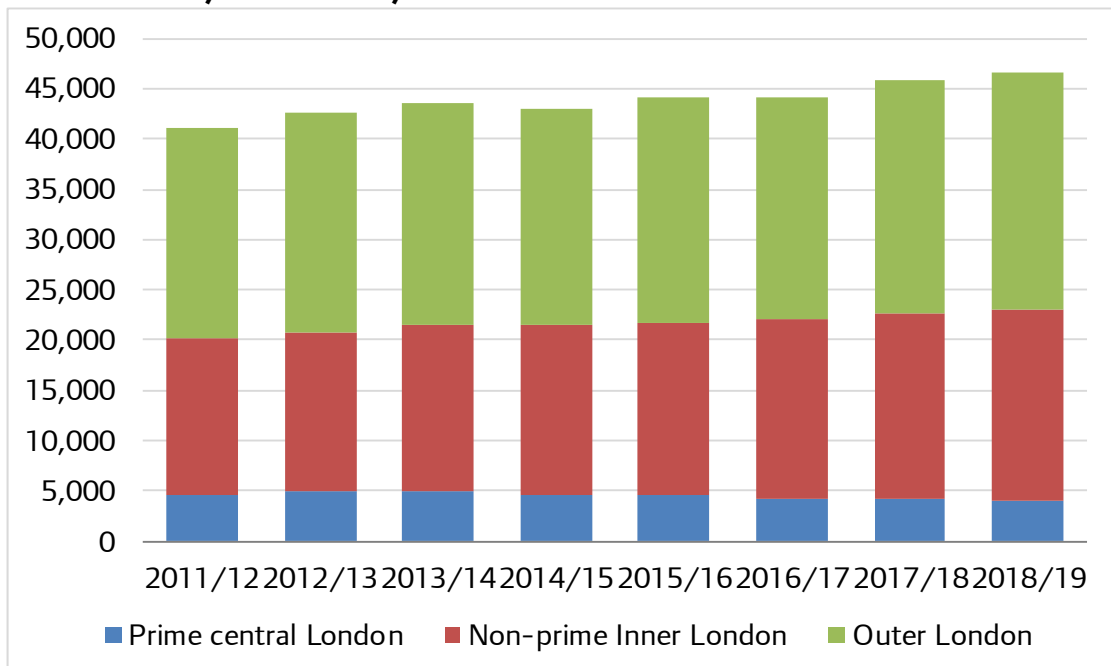
<sup>8</sup> RSH, [Statistical Data Return 2018 to 2019: Private Registered Provider Social Housing Stock in England](#), 2019

**Figure 2: Proportion of LCHO homes owned by Registered Providers in London**



3.5. The stock of LCHO homes owned by RPs in London increased by 13% in seven years, which is an additional 5,527 LCHO homes since March 2012. Over this period, the largest increase was in non-prime Inner London where the number of LCHO homes owned by RPs increased by 22%, followed by Outer London where the number of LCHO homes increased by 13%. In contrast, the stock of LCHO homes owned by RPs in prime central London decreased by 13% over this seven-year period (which can be explained, in part, by sales that involve staircasing to 100% ownership).

**Figure 3: Changes to the stock of LCHO homes owned by RPs in London between 2011/12 and 2018/19**



3.6. While the stock of LCHO homes owned by RPs in London increased by 13% between March 2012 and March 2019, the number of general needs homes owned by RPs increased 30,013 (a 9% increase). In contrast, the stock of supported housing owned by

RPs in London fell 3% over this period, a reduction of 1,744 supported homes. The tenure split remained broadly unchanged over this period.

### **Stock of LA owned shared ownership homes**

- 3.7. MHCLG Local Authority Housing Statistics show that LAs in London owned a total of 882 shared ownership homes as at 31 March 2019, which is 1.8% of the number of LCHO homes owned by RPs. The shared ownership homes owned by LAs were spread broadly equally across Inner and Outer London. Shared ownership accounted for 0.2% of the affordable housing stock owned by LAs in London and affordable rent accounted for a further 0.8%, while homes at social rent levels accounted for 99% of affordable homes owned by LAs in London.<sup>9</sup>
- 3.8. MHCLG's live tables on affordable housing supply also indicate that RPs have delivered the vast majority of shared ownership and affordable home ownership homes in London since the early 1990s. The data shows 72% of shared ownership and affordable home ownership homes completed in London since 1991/92 were delivered by RPs with Homes England or GLA funding; 26% were delivered via a Section 106 agreement with nil or part grant; and less than 1% were delivered by local authorities.<sup>10</sup>

### **Stock of intermediate rent homes**

- 3.9. SDR provides data on the stock balance sheet of RPs in England, which shows the stock of intermediate rent homes owned in England. As at March 2019, RPs owned a total of 37,761 intermediate rent homes in England. SDR intermediate rent data is provided for each RP but not at regional or local authority level. Therefore, it is not possible to ascertain the stock of intermediate rent homes owned by RPs in London specifically.
- 3.10. Similarly, MHCLG Local Authority Housing Statistics collect data on the number of shared ownership homes, but do not provide data on intermediate rent homes.

### **Intermediate housing starts**

- 3.11. The number of intermediate homes starting construction in London each year has more than doubled in eleven years, increasing 133% from 3,943 intermediate homes started in 2008/09 to 9,189 homes in 2018/19. Over the same period, the total number of affordable homes started increased by 39%. The increase in intermediate homes started is partly driven by a reduction in funding for affordable housing from central Government over the past decade, which means that providers have sought ways to cross-subsidise the delivery of low cost rent homes. In addition, there is increasing emphasis put on home ownership by central Government through its funding for affordable housing and policies such as Help to Buy and Right to Buy.<sup>11 12</sup>

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<sup>9</sup> MHCLG, [Local authority housing statistics data returns for 2018 to 2019](#), 2019

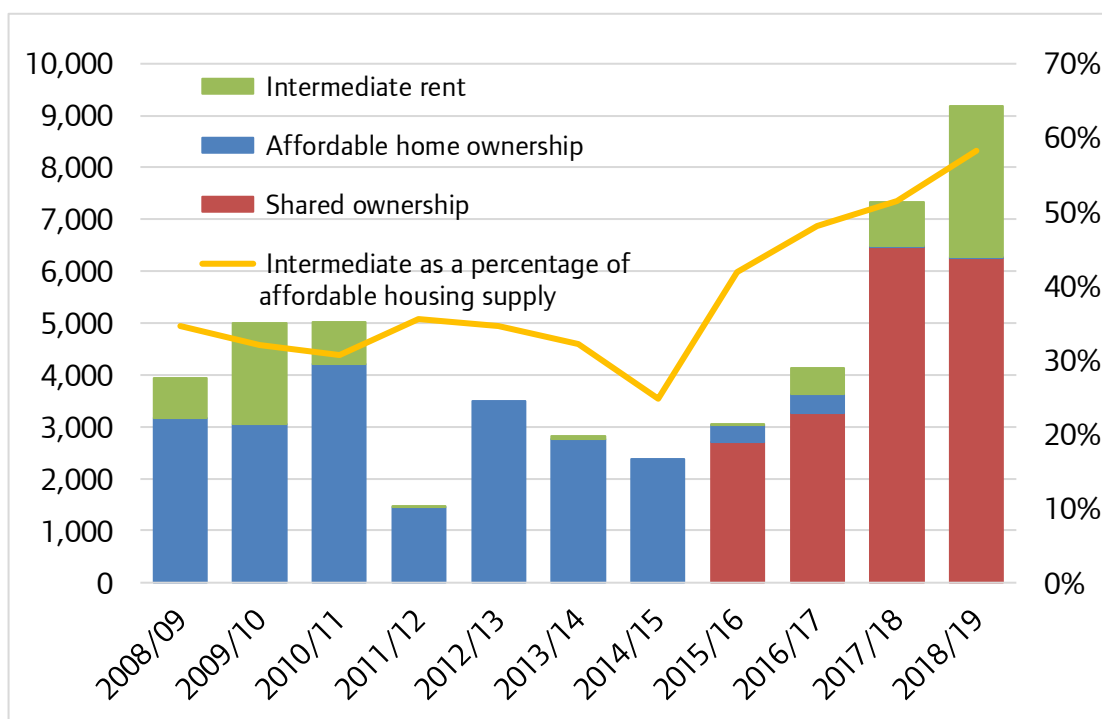
<sup>10</sup> MHCLG, [Live Table 1011: additional affordable housing supply, detailed breakdown by local authority](#), 2019

<sup>11</sup> MHCLG, [Live Table 1006 to 1009: additional affordable homes provided by type of scheme, England](#), 2019

<sup>12</sup> GLA, [2019/20 GLA Affordable Housing Programme monitoring statistics](#), 2020

3.12. According to MHCLG and GLA data on additional affordable housing supply, 35% of affordable homes started in London in 2008/09 were intermediate housing, and this increased to 58% in 2018/19. The increase in intermediate homes started largely comprises an increase in the proportion of shared ownership homes and intermediate rent tenure homes, accounting for 40% and 18% of affordable homes started in London in 2018/19, respectively. Intermediate rent has accounted for an increasing proportion of intermediate housing delivery and, in 2018/19, almost one third of intermediate housing starts were intermediate rent tenure homes.

**Figure 4: Intermediate housing starts in London, 2008/09 to 2018/19**



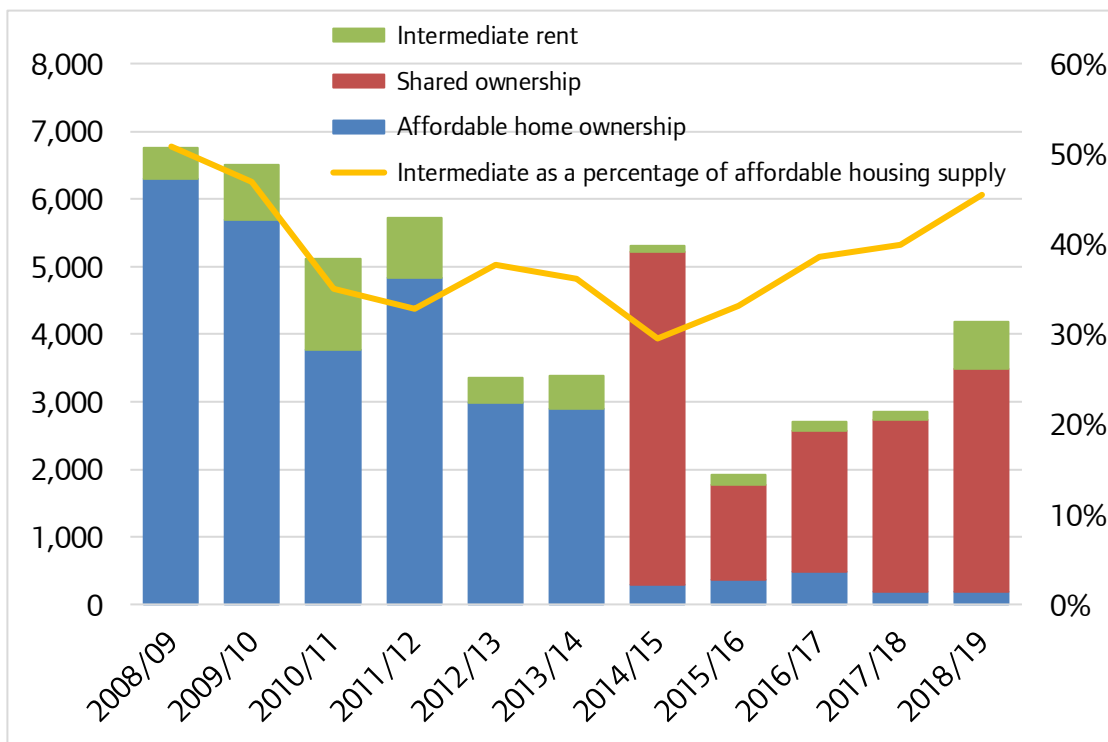
3.13. In 2018/19, 64% of the intermediate homes started were in Outer London and 36% were in Inner London, including just 6% in prime central London. The majority of the 47,830 intermediate homes started in London in the past eleven years are located in Outer London, and Outer London accounts for an increasing proportion of the intermediate homes started each year. However, 41% of the intermediate homes that have been started are in the eight non-prime Inner London boroughs, with over 3,800 intermediate homes started in Newham and Tower Hamlets since 2008/09.

### Intermediate housing completions

3.14. The number of intermediate homes completing construction each year has decreased by 38% in eleven years, from 6,765 intermediate homes completed in 2008/09 to 4,190 intermediate homes completed in 2018/19. There are a number of reasons why the number of intermediate homes completed is below the number of intermediate homes started. Most notably this reflects a time lag in delivery and the fact that homes started in 2017/18 and 2018/19 may not yet have been completed.

3.15. According to MHCLG data on additional affordable housing supply, 46% of affordable homes completed in London in 2018/19 were intermediate housing. Intermediate housing is primarily delivered as shared ownership, however intermediate rent accounts for an increasing proportion of intermediate housing delivery. In 2018/19, 17% of intermediate housing completions were intermediate rent.

**Figure 5: Intermediate housing completions in London, 2008/09 to 2018/19**



3.16. In 2018/19, 53% of the intermediate homes completed were Outer London and 47% were in Inner London, including 4% in prime central London. The majority of the 47,850 intermediate homes completed in London in the past eleven years are located in Outer London, and Outer London accounts for an increasing proportion of the intermediate homes completed each year. However, 43% of the intermediate homes that have been completed are in the eight non-prime Inner London boroughs, with over 3,000 intermediate homes completed in Newham and Tower Hamlets since 2008/09.

### Shared ownership cross-subsidy

3.17. Shared ownership also contributes to additional affordable housing supply indirectly through its ability to generate cross-subsidy from staircasing and sales income. While there is no requirement for individuals to staircase after initial purchase, when staircasing does occur, it creates additional income that Registered Providers can re-invest in the development of more homes at social rent levels.<sup>13</sup>

<sup>13</sup> GLA, [The 2022-2032 Affordable Housing Funding Requirement for London: Technical Report](#), 2019



## 4. Intermediate housing sales and staircasing

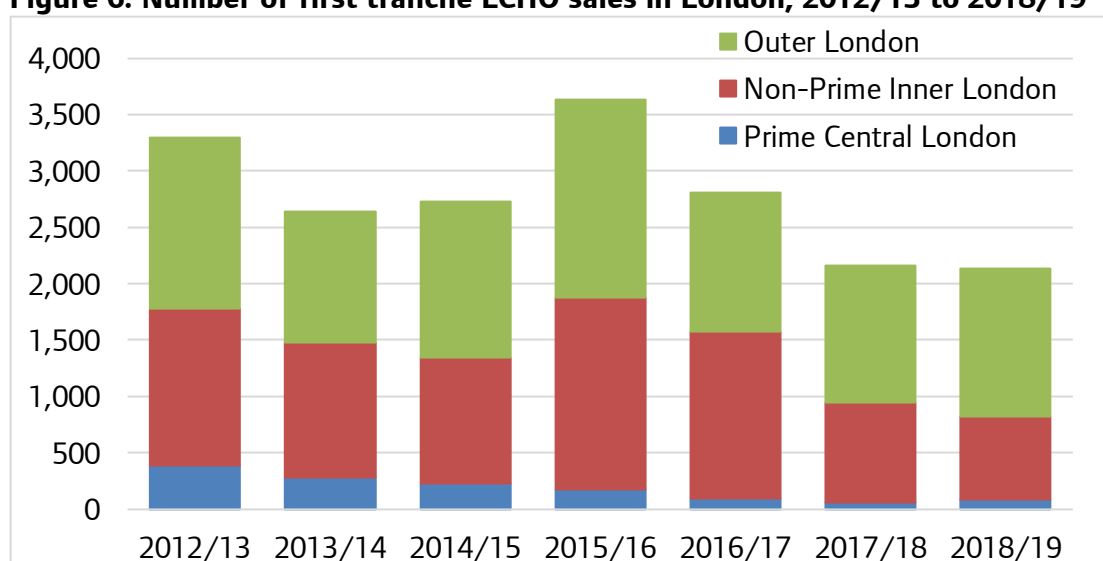
4.1. The SDR data provides an indication of the number of first tranche shared ownership and shared equity sales (referred to as Low Cost Home Ownership or LCHO homes) and of sales that involve staircasing to 100% ownership. However, the data on shared ownership sales and staircasing rates is limited and there is no comprehensive data set available on the length of time taken to staircase, or the proportion of properties staircased to 100% by year of original sale.

### Shared ownership sales

4.2. SDR data demonstrates that there were 2,140 first tranche LCHO sales in London in 2018/19, where a homeowner purchased an initial equity share in a shared ownership or a shared equity property. The number of first tranche LCHO sales has fallen in recent years, from a peak of 3,630 sales in 2015/16.<sup>14</sup>

4.3. The data presented in Figure 6 shows that the number of households purchasing an initial equity share in a shared ownership property has fallen most in prime central London, with only 234 first tranche sales in the past three years. In contrast, the number of first tranche shared ownership sales increased in Outer London in 2018/19.

**Figure 6: Number of first tranche LCHO sales in London, 2012/13 to 2018/19**



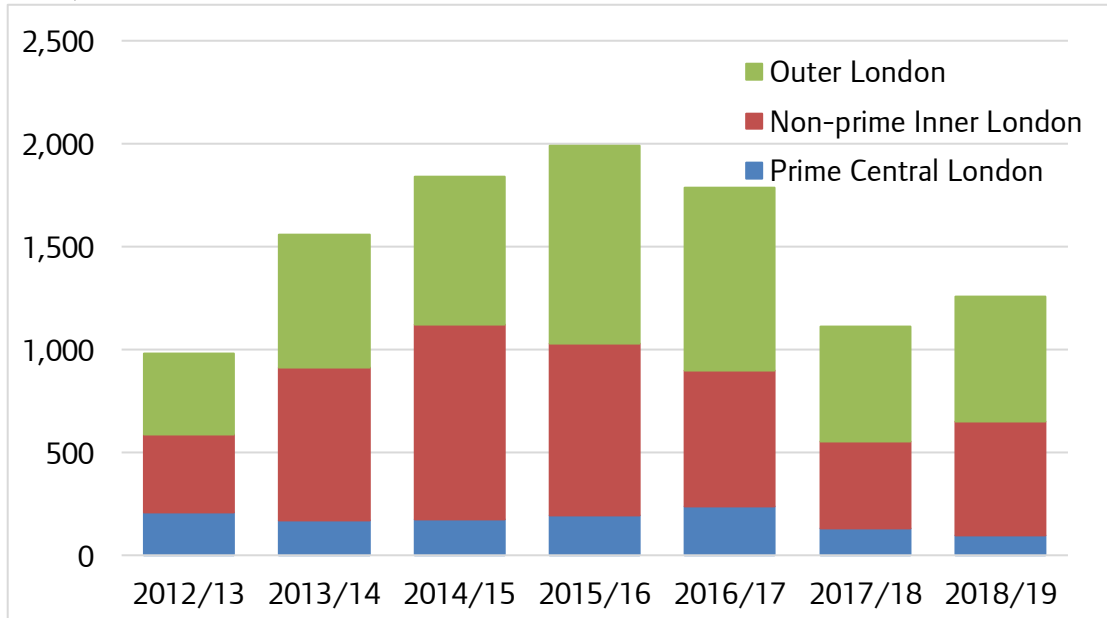
### Shared ownership staircasing rates

4.4. Between 2012/13 and 2018/19 there were a total of 10,523 sales in London where a homeowner staircased to 100% by purchasing 100% of the available equity in a shared ownership property. In 2018/19, there were 1,260 100% staircased LCHO sales which is up 12% on the previous year, but remains below the peak of 1,990 in 2015/16.

<sup>14</sup> LCHO first tranche sales figures count sales of the initial equity share of a new build home, as well as resales where the homeowner sells 100% of the equity back to the RP and the subsequent resale of an initial equity share by the RP is counted as a new first tranche sale. It is expected that the latter would account for a small proportion.

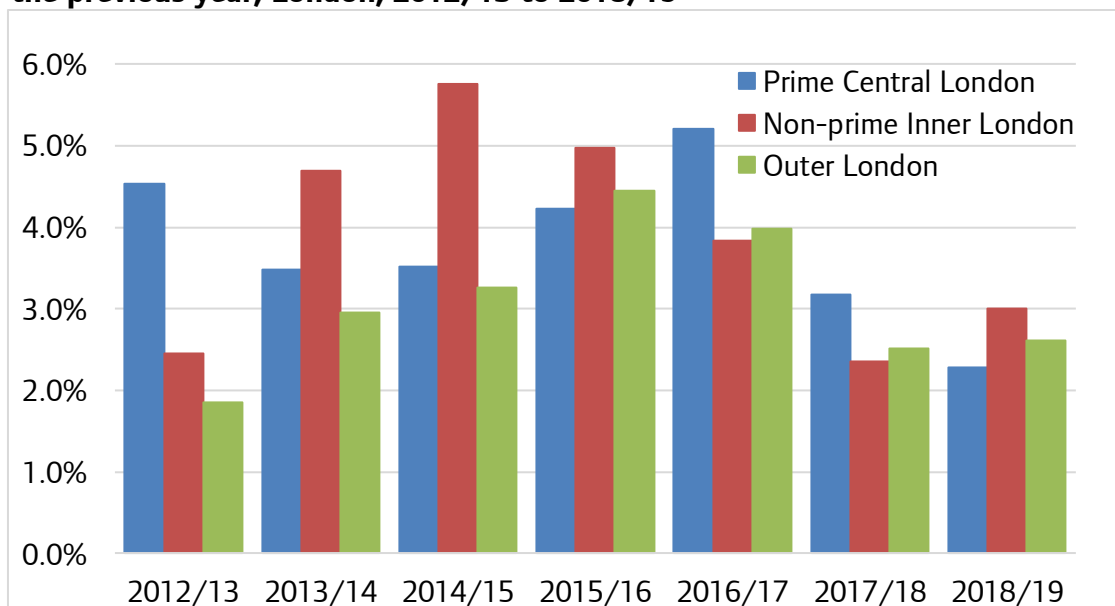
4.5. 45% of households staircasing to 100% between 2012/13 and 2018/19 were based in Outer London and 43% were based in Inner London. Figure 7 shows that staircasing is least frequent in prime central London, where only 97 households staircased to 100% ownership in 2018/19.

**Figure 7: Number of 100% staircased LCHO sales in London, 2012/13 to 2018/19**



4.6. The number of 100% staircased LCHO sales in London in 2018/19 is equal to 2.7% of the total LCHO stock in the previous year. This is less than in previous years, where the number of 100% staircased sales equated to between 3.7% and 4.6% of LCHO stock owned by Registered Providers in London. The data presented in Figure 8 shows that the rate of staircasing to 100% has fallen most in prime central London.

**Figure 8: 100% staircased LCHO sales as a percentage of LCHO stock owned in the previous year, London, 2012/13 to 2018/19**



## 5. Intermediate housing residents

- 5.1. This section uses CORE data to examine who is accessing shared ownership housing and provides information on demographic indicators such as income and wealth, housing history, and household characteristics.<sup>15</sup>
- 5.2. As set out in Section 2, CORE provides information on shared ownership but not other intermediate products; and while it provides comprehensive data on some demographic characteristics, it does not provide information on gender, sexual orientation, religion or occupation. In addition, CORE data provides information on new shared ownership purchasers but not existing residents in shared ownership homes. Unless stated otherwise, the figures below exclude data that is missing or unreported by CORE.

### Housing history

- 5.3. The vast majority of shared ownership purchasers in London moved from within London, with 53% moving from the same borough and 42% moving from another borough within London. Only 4.2% of households purchasing shared ownership homes in London moved from outside of London.
- 5.4. 95% of shared ownership purchasers in 2017/18 came from private market housing, while only 4.1% moved from other forms of affordable housing. Over two thirds (66%) of those purchasing shared ownership were previously living in private rented sector housing and a further 29% were previously living with family or friends.

**Table 1: Previous tenure of shared ownership purchasers in London, 2017/18**

Previous accommodation	Number of households	Percentage of households
Private rented housing	970	66%
Family / friends	425	29%
Registered Provider	43	2.9%
Local authority	15	1.0%
Other	14	0.9%
Owner occupier	8	0.5%
Temporary accommodation	3	0.2%

### Household characteristics

- 5.5. Table 2 shows most households moving into shared ownership housing in London in 2017/18 were either single adults (59%) or two adults with no children (33%). Only 7.5% of households moving into shared ownership in London in 2017/18 had children and only 1.8% were single adult households with children.

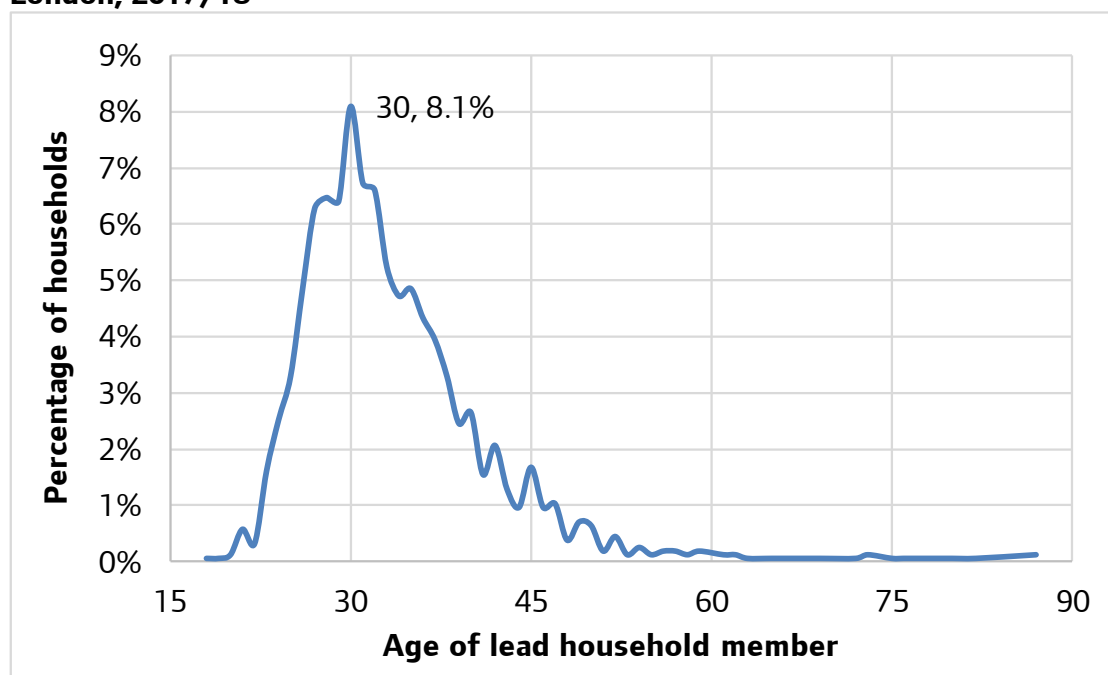
<sup>15</sup> MHCLG, [COntinuous REcording of Social Housing Sales: 2017-18, England](#), 2018

**Table 2: Household type of shared ownership purchasers in London, 2017/18**

Household type	Number of households	Percentage of households
1 adult	1,017	59%
2 adults	576	33%
3+ adults	5	0.3%
1 adult and 1+ children	31	1.8%
2 adults and 1+ children	96	5.6%
3+ adults and 1+ children	2	0.1%

5.6. Figure 9 shows most households moving into shared ownership housing in London in 2017/18 were headed by a person aged between 25 and 34 (59%) or 35 and 44 (27%). The median and mean age of the lead household member of shared ownership purchasers in 2017/18 was 32. This is slightly below the mean age of the first named borrower of first-time buyers in London, which was 33 in 2018.<sup>16</sup> Only a small proportion (2.1%) of households moving into shared ownership in London were headed by a person aged over 55.

**Figure 9: Age distribution of households moving into shared ownership in London, 2017/18**



5.7. An equal share of households moving into shared ownership in London in 2017/18 were headed by a female and a male. A total of 5.7% of households were headed by households with two members of the same sex.

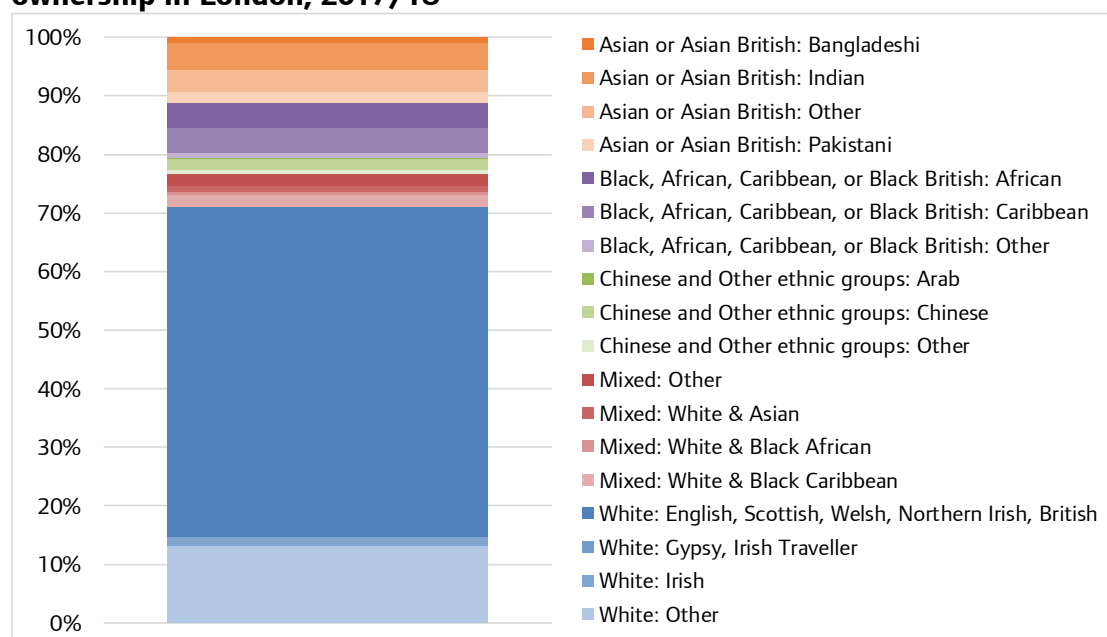
5.8. The majority of households (78%) moving into shared ownership housing in London in 2017/18 were headed by UK nationals. A further 21% of households were nationalities

<sup>16</sup> UK Finance, [Table RL1A: First-time buyers, new mortgages and affordability, UK countries and regions](#), 2019

from European countries (the largest proportion, at 8.9%, being Croatian nationals) and just 0.8% of households were head by non-European nationals.

- 5.9. Figure 10 shows that the majority of households (71%) moving into shared ownership housing in London in 2017/18 were headed by a person of White ethnicity, while less than a third (29%) of households were headed by a person of mixed or BAME ethnicity.

**Figure 10: Ethnicity of first named person in households moving into shared ownership in London, 2017/18**



- 5.10. Across all households and all tenure types, 66% of households moving home in London in 2018 were headed by a person of White ethnicity and 34% were headed by a person of mixed or BAME ethnicity, as shown in Table 3.<sup>17</sup> This indicates that households headed by a person of White ethnicity comprise a larger proportion of those moving into shared ownership than of the general population; while households headed by a person of Asian or Asian British, Black, Caribbean or Black British, and Other ethnic groups are underrepresented in shared ownership sales.

**Table 3: Ethnicity of shared ownership purchasers and all households moving home in London, 2018**

Ethnic group	Shared ownership purchasers	All households moving in London
White	71%	66%
Asian or Asian British	11%	14%
Black, African, Caribbean or Black British	9.4%	12%
Mixed	5.6%	2.2%
Chinese	1.8%	1.4%
Other ethnic groups (including Arab)	0.9%	5.6%

<sup>17</sup> ONS, [Annual Population Survey Household: 2018 dataset](#), 2019

5.11. 1.3% of households moving into shared ownership housing in London in 2017/18 included a household member considered to have a disability, and 0.9% included a household member who uses a wheelchair. There were no sales of Home Ownership for people with Long Term Disabilities (HOLD) homes in London in 2017/18 recorded in CORE, so the sample does not include any HOLD homes.

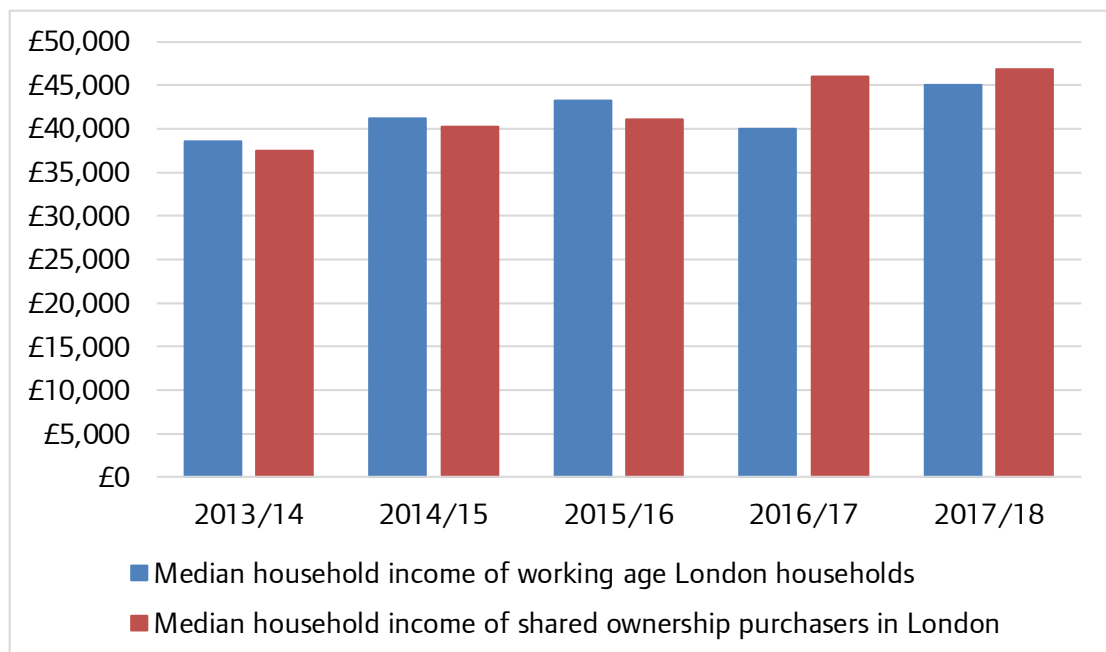
### Income and wealth

5.12. The median household income of shared ownership purchasers in London in 2017/18 was £46,820, while the lower quartile household income was £36,000 and the upper quartile household income was £60,000. This compares to the median household income of working age London households of £45,010 in 2017/18.<sup>18</sup>

5.13. The median income of shared ownership purchasers increased by 25% in five years, from £37,470 in 2013/14. The median income of shared ownership purchasers in Outer London in 2017/18 was £43,940, while in Inner London it was £50,000.

5.14. In 2016/17 and 2017/18, the median income of shared ownership purchasers was higher than the median household income of working age households in London, though this trend was less pronounced in 2017/18.

**Figure 11: Median household income of shared ownership purchasers compared to median working age household income, London, 2013/14 to 2017/18**



5.15. 61% of shared ownership purchasers in 2017/18 were recorded as single income households. The median household income of a single income household was £40,000 and the median income of a double income household was £57,000.

<sup>18</sup> Department for Work and Pensions, [Households below average income: 1994/95 to 2018/19, 2020](#)

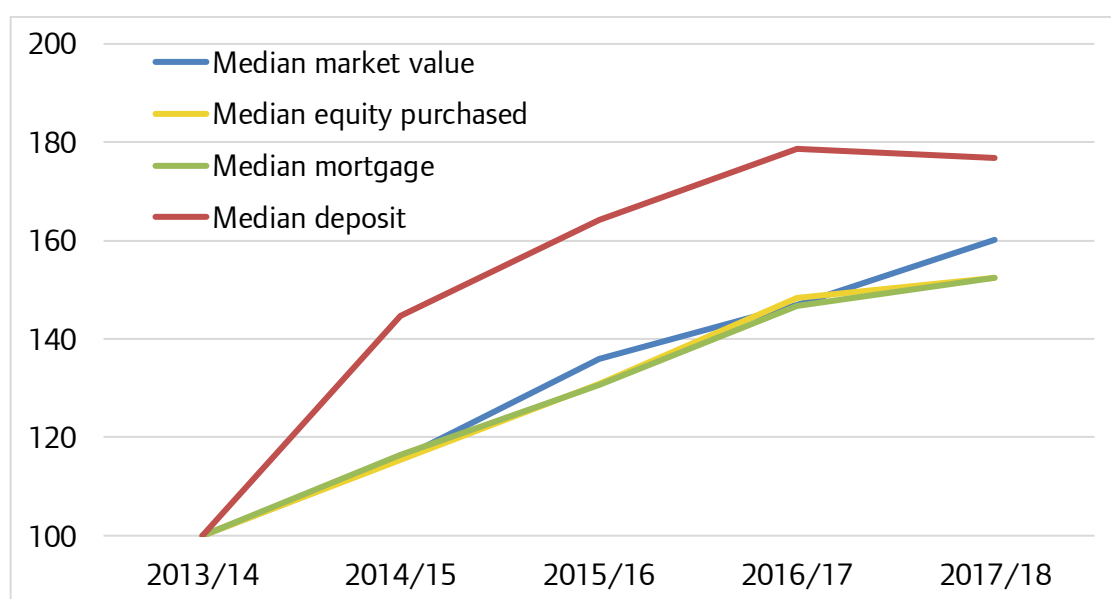
- 5.16. Table 4 sets out summary figures for shared ownership sales in London by year, based on CORE data. In the last five years, the median average market value of shared ownership properties in London has increased by 60% from £257,500 in 2013/14 to £412,000 in 2017/18. By comparison, the average value of open market houses sold in London increased by 51% over the same period.<sup>19</sup>
- 5.17. Despite the equity share owned decreasing, the value of equity purchased has increased by 52%, from £99,750 in 2013/14 to £152,000 in 2017/18. This increase in the value of equity purchased has been funded by an increase in both the median deposit put down by a shared ownership purchaser and the median mortgage amount.

**Table 4: Median market value, equity, mortgage and deposit for shared ownership sales in London, 2013/14 to 2017/18**

	2013/14	2014/15	2015/16	2016/17	2017/18
Median market value	£257,500	£297,500	£350,000	£378,525	£412,500
Median equity share purchased	40%	40%	40%	40%	35%
Median equity purchased	£99,750	£115,000	£130,500	£148,000	£152,000
Median mortgage amount	£79,250	£92,250	£103,500	£116,250	£120,750
Median deposit	£14,000	£20,250	£23,000	£25,000	£24,750

- 5.18. Figure 12 shows the median deposit of shared ownership purchasers in London increased by 77% in four years from £14,000 in 2013/14 to £24,750 in 2017/18. This suggests that deposits have played a key role in enabling people to afford shared ownership as property values rise. The median mortgage amount increased by 51% from £79,250 to £120,750, which suggests that availability of finance is also a factor.

**Figure 12: Change in shared ownership market value, equity owned, mortgage and deposit in London, between 2013/14 and 2017/18 (index: 2013/14 = 100)**



<sup>19</sup> ONS, [UK House Price Index: March 2020](#), 2020

## 6. Intermediate housing need

6.1. Housing need is defined by a range of factors not only related to income. However, for the purpose of analysis (and as set out in Section 1) this research uses CORE data on household income as a proxy for housing need, leaving aside other considerations like the availability of savings and housing prioritisation criteria. Building on the SHMA definition, this research note identifies three categories for housing need: low cost rent need, intermediate rent need, and intermediate ownership need.

### Low cost rent need

6.2. This research defines households that cannot afford LAR benchmarks without support from Housing Benefit as being in low cost rent need. For the purpose of assessing low cost rent need, this analysis adopts the London Plan definition of affordability based on LAR being no more than 40% of net household income.

6.3. In 2017/18, the weighted average LAR rent across all property types was £153 per week.<sup>20</sup> Using the London Plan affordability test, a household would need an income of £28,500 to be able to afford the weighted average LAR benchmark rent without support from Housing Benefit.

### Intermediate rent need

6.4. This research defines households that can afford LAR, but cannot afford the lower quartile private rent, as being in intermediate rent need. For the purpose of assessing intermediate rent need, this analysis adopts the SHMA affordability test based on the lower quartile private rent being no more than 30% of gross household income.

6.5. In 2017/18, the lower quartile private rented sector rent in London was £1,150 per month across all property types.<sup>21</sup> Simply applying the SHMA test to this figure, a household would need an income of £46,000 to be able to afford the lower quartile private rented sector rent in London. The income required in Outer London is £42,000 and in Inner London is £52,000.<sup>22</sup> In practice, the level of rent and the income required to afford the open market rent varies by size and type of property, and by location within London. The affordability of intermediate rent is considered further in Section 8.

6.6. It should be noted that some households living in private rented housing may choose to pay more than 30% of their income (for example, to reduce travel costs) and, whilst they might meet the definition of intermediate rent need used in this research, it is not necessarily the case that they would meet the intermediate housing prioritisation criteria set by local authorities. This highlights a weakness of using income as a proxy for need.

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<sup>20</sup> GLA, [Affordable Homes Programme 2016-21: London Affordable Rent weekly benchmarks](#), 2020

<sup>21</sup> VOA, [Private Rental Market Statistics: Table 2.7: Summary of monthly rents recorded between 2017/18](#), 2018

<sup>22</sup> The 2017 SHMA uses data from the English Housing Survey to calculate the lower quartile private rent.



## Intermediate ownership need

- 6.7. This research defines households that can afford private rent, but cannot afford to buy on the open market, as being in intermediate ownership need. For the purpose of assessing intermediate ownership need, this analysis uses the average income of a first-time buyer in London as an indicator of the minimum income required to afford to buy on the open market.<sup>23</sup>
- 6.8. UK Finance mortgage data reports that the mean average income of a first-time buyer in London in 2018 was £80,000. For the purpose of this research, £80,000 is assumed to be the income required to buy a home on the open market and is the upper boundary for the intermediate ownership need definition adopted in this research. In practice, house prices and the income required to afford an open market sale home varies by size and type of property, and by location within London.
- 6.9. It is important to note that households earning between £80,000 and £90,000 might still be in intermediate housing need, where they are buying larger homes in more expensive areas or where they do not have the deposit to access the open market. The mean deposit of a typical first-time buyer is almost six times the deposit of a typical shared ownership purchaser (as set out in Table 8 below) and, therefore, some households earning above £80,000 might not be able to access open market housing. Furthermore, factors such as satisfaction with current tenure and aspirations for home ownership that mean these households earning above £80,000 might still meet the SHMA definition of housing need.
- 6.10. Table 5 summarises the range of household incomes used as a proxy for housing need in this research note, based on the assumptions set out above. As noted, the definition adopted is a simplified version of the SHMA and London Plan affordability definitions. The definition used in this research note does not take into consideration other factors that influence housing need, like the availability of savings and local authority housing prioritisation criteria. In addition, the definition does not reflect the fact that values and affordability will vary by size and type of property, and by location within London.

**Table 5: Range of household incomes used as a proxy for housing need in this research note, by geographical designation**

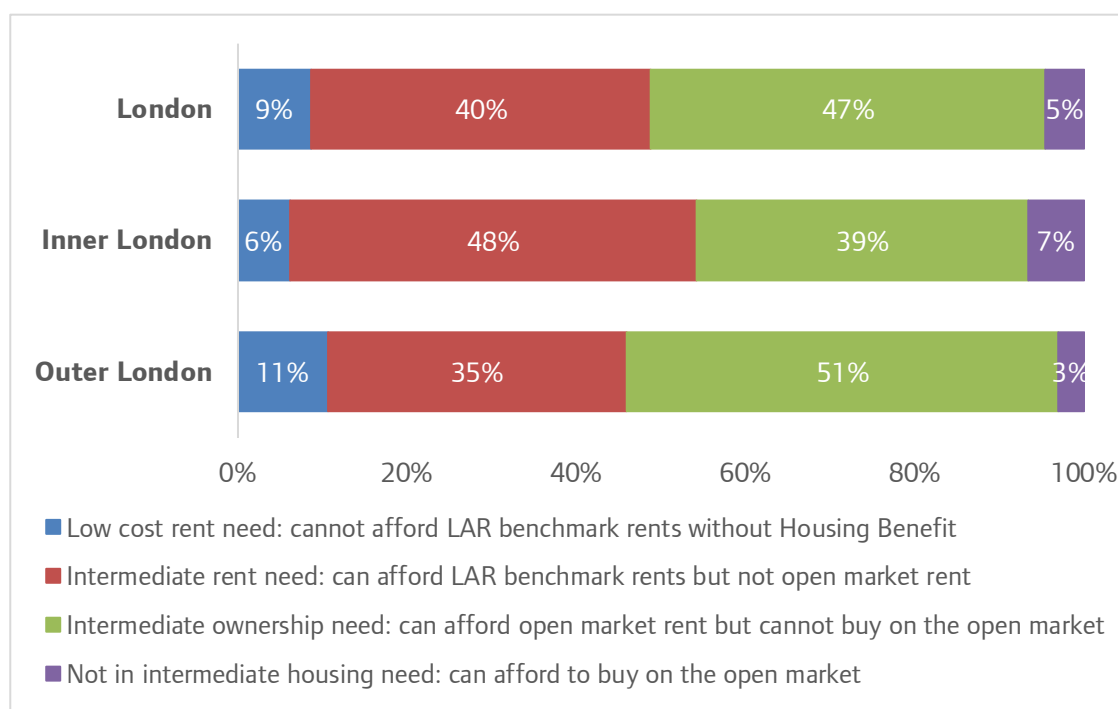
	<b>London</b>	<b>Inner London</b>	<b>Outer London</b>
Low cost rent need	Up to £28,500	Up to £28,500	Up to £28,500
Intermediate rent need	£28,500 to £46,000	£28,500 to £52,000	£28,500 to £42,000
Intermediate ownership need	£46,000 to £80,000	£52,000 to £80,000	£42,000 to £80,000

<sup>23</sup> The analysis also considered using the income required to afford a median market value home as a proxy for intermediate ownership need. Whilst this would enable a borough-level assessment of housing need, median market values can be skewed by purchases of higher value properties and might, therefore, overestimate the income required to afford to buy on the open market. The average income of a first-time buyer is considered more representative of the target market for intermediate ownership, and is used instead.

## Shared ownership purchasers and housing need

- 6.11. Figure 13 shows the distribution of shared ownership purchasers' income in relation to the simplified definitions of housing need adopted in this research note, using CORE data on the household income of shared ownership purchasers in 2017/18. The data shows that 87% of shared ownership purchasers would have been in intermediate housing need, based on the income-led assessment of housing need used in this research note, including 40% in intermediate rent and 47% in intermediate ownership need. This is based on looking at affordability across London as a whole while, in practice, the income required to afford to rent or buy home varies by size and type of property, and by location within London.
- 6.12. The data suggests that a greater proportion of shared ownership purchasers were in intermediate ownership need in Outer London, while in Inner London a greater proportion of purchasers were in intermediate rent need. The affordability of shared ownership and of intermediate rent across different boroughs and different price points is considered further in Section 7 and Section 8, respectively.

**Figure 13: Distribution of shared ownership purchasers' income in relation to housing need, London, Inner London and Outer London, 2017/18**



- 6.13. The data suggests that 9% of shared ownership purchasers were in low cost rent need, as defined within this research, and would not be able to afford LAR benchmarks without Housing Benefit. Further analysis demonstrates that shared ownership purchasers with incomes below £28,500 tend to have access to higher deposits, which might reduce their monthly outgoings enough to make a shared ownership mortgage affordable on a relatively low income. In addition, shared ownership could remain affordable to households buying smaller homes in cheaper areas.

- 6.14. A small proportion of shared ownership purchasers had a household income that exceeded the income required to buy on the open market, and do not meet the income-led definition of intermediate housing need used in this research note. However, it is important to note that the London-wide income threshold does not capture the range of market conditions and affordability in different boroughs. Households may need to live in more expensive areas or in certain types of property due to work or family commitments, and the small number of buyers earning above £80,000 could, in practice, be in intermediate ownership housing need by virtue of not being able to buy a property of that type in that area.
- 6.15. Table 6 below shows the percentage of shared ownership purchasers who were in intermediate housing need (including both intermediate rent and intermediate ownership need, as defined within this research note) over the last five years.

**Table 6: Percentage of shared ownership purchasers in London in intermediate housing need, 2012/13 to 2017/18**

Year	Percentage of shared ownership purchasers in intermediate housing need
2013/14	81%
2014/15	85%
2015/16	87%
2016/17	88%
2017/18	87%

### Key workers and housing need

- 6.16. Key worker professions have traditionally been defined as public sector roles such as nurses, police and teachers. However, the Covid-19 pandemic exposed a reliance on a wider range of occupations including supermarket workers, couriers and public transport staff. The consultation on intermediate housing published alongside this research note explores key worker definitions further.
- 6.17. While the range of key workers' household incomes depends on what definition is used, commonly cited occupations in this context, such as health and educational professionals, typically earn between £25,000 and £45,000 in London, as shown in Table 7 overleaf. It is only caring personal service occupations and residential care workers who fall below this income band.<sup>24</sup>

<sup>24</sup> ONS, [Earnings and Hours Worked: ASHE Table 5 and ASHE Table 3: time-series](#), 2020

**Table 7: Median gross annual earnings of typical key worker occupations in London, 2019**

Standard occupational classification (SOC) or standard industrial classification (SIC)	Classification	Full-time earnings
Caring personal service occupations	SOC	£21,180
Health professionals	SOC	£40,900
Teaching and educational professionals	SOC	£43,360
Transport and mobile machine drivers and operatives	SOC	£34,690
Postal and Courier Activities	SIC	£35,280
Public Administration and Defence; Compulsory Social Security	SIC	£39,760
Education	SIC	£36,940
Human Health Activities	SIC	£36,790
Residential Care Activities	SIC	£24,800
Social Work Activities Without Accommodation	SIC	£27,770

- 6.18. Based on the definition adopted in this research, a household comprising a single key worker is most likely to be in intermediate rent need. A household of two key workers on these salaries would have a household income of between £50,000 and £90,000 and so would meet the definition of intermediate ownership need used in this research note.
- 6.19. Analysis on the protected characteristics of key workers is constrained by both limited data and a lack of consensus on definitions. However, analysis by the GLA, based on the recent Government definition of key workers during Covid-19, suggests:
- 34% of women in London work in key worker roles, compared to 25% of men;
  - Londoners aged 35-49 and 50-59 are most likely to work in a key worker role, with 30% of those within these age ranges employed in a key worker role;
  - 30% of employed Londoners with a work-limiting disability are employed in a key worker role, and key workers in London are slightly more likely to have a disability (as defined under the Equality Act) than other workers;
  - Some ethnic groups, particularly Black and Indian Londoners, are more likely to work in a key worker role than White Londoners; and
  - 36% of key workers in London are Hindu, 31% Muslim and 29% Christian. 27% of key workers belong to another religion, while 27% report having no religion.<sup>25</sup>

<sup>25</sup> GLA, [Briefing: Covid-19 socio-economic risk factors in London](#), 2020

## 7. Affordability of shared ownership

- 7.1. This section examines what incomes are required to afford a typical shared ownership and intermediate rent home, based on median costs taken from CORE data and the SHMA affordability definition. The affordability of shared ownership is assessed in line with the London Plan definition, by calculating whether mortgage costs, plus rent and service charge, remain below 40% of net income.
- 7.2. Monthly mortgage costs can be estimated using high level modelling. The model used in this research adopts the following assumptions which, unless stated otherwise, are based on the limits set within the GLA's Affordable Housing Capital Funding Guide:<sup>26</sup>
- The minimum equity share of 25% is purchased;
  - The minimum deposit of 10% of equity value is put down;
  - A mortgage is acquired at an interest rate of 4.5% over 25 years;<sup>27</sup>
  - Rent on the unowned equity is charged at the maximum rate of 2.75%; and
  - The service charge is £1,680 per annum.<sup>28</sup>

### Meeting high-level shared ownership affordability tests in London

- 7.3. Assuming the maximum income of £90,000 per household, for a shared ownership property to remain affordable with a 25% initial equity share, the market value cannot exceed £674,600. For a shared ownership property to remain affordable with a 35% initial equity share, the market value cannot exceed £617,300. The GLA Affordable Housing and Viability Supplementary Planning Guidance published in 2017 stipulates that "generally shared ownership is not appropriate where unrestricted market values of a home exceed £600,000".<sup>29</sup>
- 7.4. The median market value of shared ownership housing in London in 2017/18 was £412,500. Using the affordability model above, a household would need an income of £57,310 to afford a shared ownership home of that value with an initial equity share of 25%, and an income of £62,080 to acquire an initial equity share of 35%. It is important to note that the deposit in these examples is below the average deposit put down by shared ownership purchasers in London, and that access to a higher deposit will make shared ownership more affordable to households on a lower income.

### Shared ownership affordability across London

- 7.5. Figure 14 demonstrates that there is significant variation between boroughs in the income that would be required to afford a median market value shared ownership home with a 25% equity share, ranging from £32,930 in Havering to £81,870 in Westminster.

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<sup>26</sup> GLA, [Affordable Housing Capital Funding Guide: Section 4: Housing for sale](#), 2016

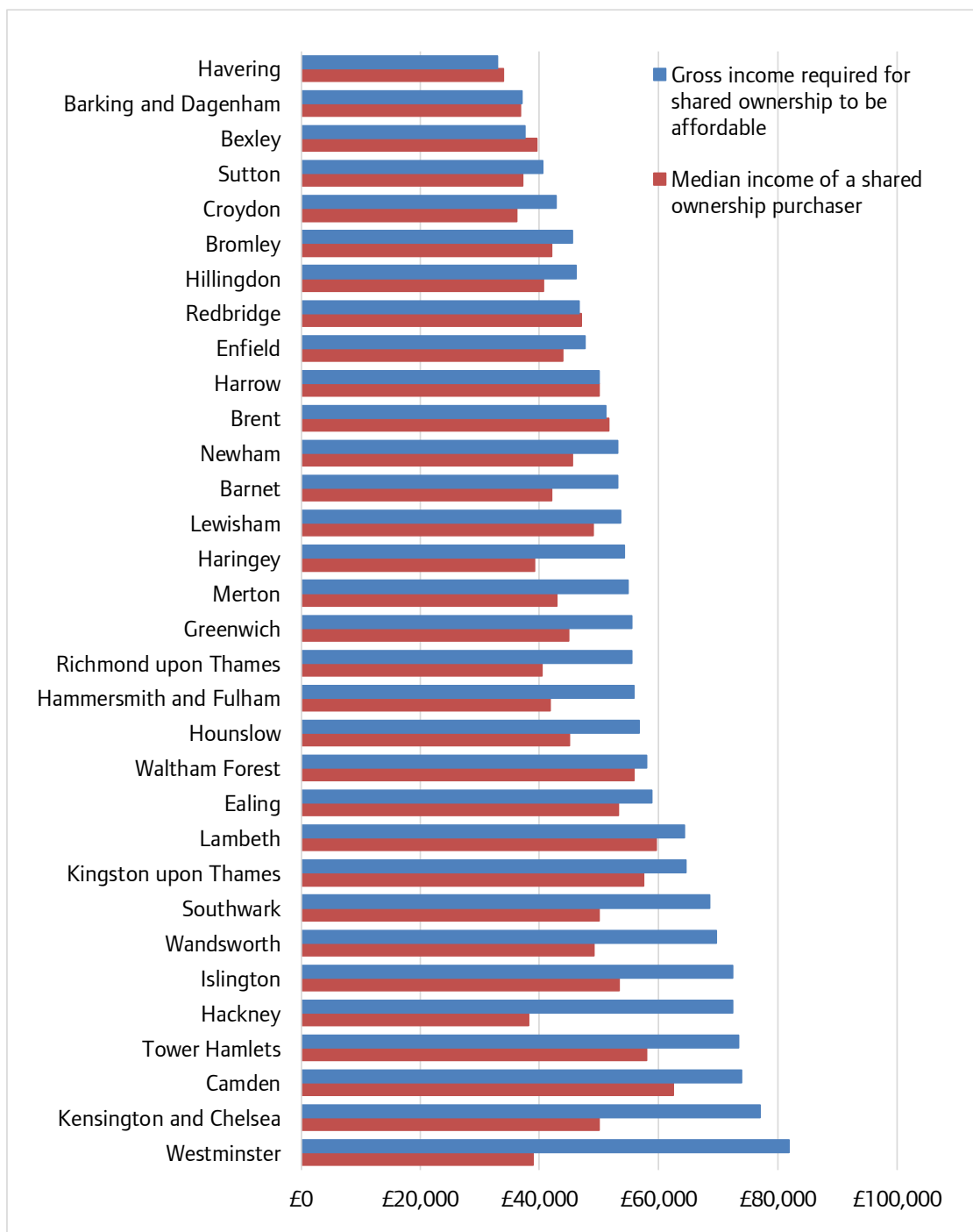
<sup>27</sup> The interest rate is based on rates offered by shared ownership lenders in 2020, reflecting a high loan-to-value.

<sup>28</sup> The service charge is based on CORE 2017/18 data on the median service charge in London.

<sup>29</sup> GLA, [Affordable Housing and Viability Supplementary Planning Guidance](#), 2017

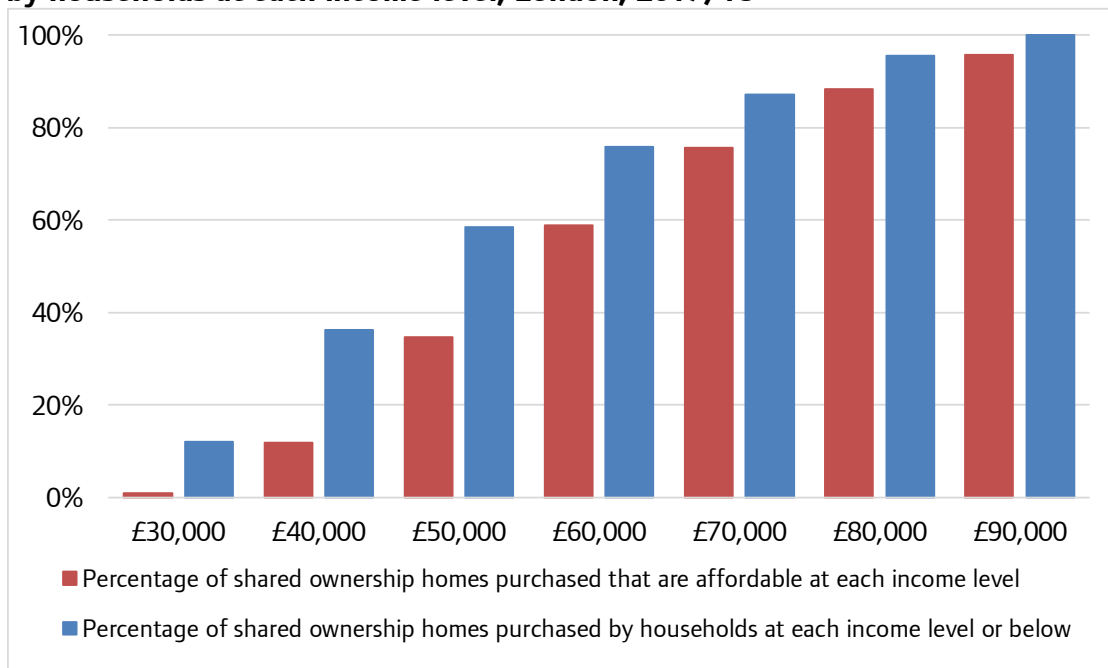
7.6. A median market value shared ownership home with a 25% equity share would be affordable to incomes up to £90,000 in all boroughs. However, the gross income required to afford a shared ownership home with a 25% equity share is above £46,000 (the income required to be able to afford the lower quartile private rented sector rent in London) in 81% of boroughs and above £60,000 in a third of boroughs. This suggests shared ownership in those boroughs is generally only affordable to those at the middle to upper end of the income eligibility bands (that is households earning above £46,000 but below the Mayor’s £90,000 income cap).

**Figure 14: Annual gross income required to afford an average market value shared ownership home with a 25% equity share, London, 2017/18**



- 7.7. Although the analysis above suggests that shared ownership is less affordable in certain locations or for lower income households, in practice many people on these incomes are still managing to buy shared ownership properties. CORE data shows that the median deposit put down by shared ownership purchasers in 2017/18 was 16%, which is above the minimum required deposit of 10% of equity value. Access to higher deposits will reduce monthly outgoings and make a shared ownership mortgage more affordable.
- 7.8. Figure 15 compares the percentage of shared ownership properties sold in 2017/18 which would be affordable (based on the London Plan affordability test, and the assumptions outlined at the beginning of this chapter) at each household income level, alongside the percentage of properties purchased by households at each income level or below in that year.

**Figure 15: Comparison between percentage of shared ownership properties sold that would be affordable at each income level and percentage purchased by households at each income level, London, 2017/18**



- 7.9. This analysis suggests that households on lower incomes, particularly households with incomes up to £40,000, may be stretching to afford the homes they purchase. Further analysis demonstrates that purchasers with incomes below £40,000 tend to have access to higher deposits (averaging 22% of equity purchased) and the rent charged on the unowned equity is lower than the typical shared ownership purchaser.

### First-time buyers and Help to Buy

- 7.10. Intermediate housing tenures such as shared ownership, shared equity, and DMS provide a more affordable option to purchase a home than outright ownership for first-time buyers. Help to Buy, while not a form of intermediate housing, is an example of a private market subsidy that provides an alternative option to purchase on the open market with a substantially smaller deposit.

- 7.11. Through the Help to Buy scheme, the Government provides a low cost equity loan of up to 40% of the market value of the home, up to a maximum purchase price of £600,000. The purchaser is required to put down a minimum deposit of 5% and any remaining equity is acquired with a mortgage loan. In London in 2018, 95% of households purchasing a home using Help to Buy were first-time buyers.<sup>30</sup>
- 7.12. Table 8 shows that, while there is not a significant difference in the market value of the properties being purchased by the typical shared owner and first-time buyer, there is a significant difference in income and deposit. The average income of a first-time buyer is around twice as high as the typical shared ownership purchaser, and the deposit needed to own a home outright on the open market is almost six times as high or an additional £120,000. This analysis suggests that shared ownership particularly helps those with relatively smaller deposits to access home ownership.
- 7.13. Table 8 demonstrates that Help to Buy provides an alternative option to purchase on the open market with a substantially smaller deposit. The median market value of a property purchased through Help to Buy is 9% higher than the typical shared ownership value, however the income of the typical Help to Buy purchaser is 39% higher. This suggests that, whilst Help to Buy provides a more affordable opportunity than outright ownership, it is not as effective as shared ownership at enabling households on a wider range of incomes to access home ownership.

**Table 8: Comparison of the characteristics of a typical shared owner, first-time buyer and purchaser using Help to Buy in London, 2017/18**

	<b>Typical shared ownership purchaser (CORE 2017/18) (median)</b>	<b>Typical Help to Buy purchaser (MHCLG 2018)* (median)</b>	<b>Typical first-time buyer 2018 (UK Finance 2018) (mean)</b>
Age	32	N/A	33
Household income	£46,820	£64,900	£80,000
Deposit	£24,750	£22,500*	£144,000
Deposit as a percentage of income	53%	35%*	180%
Market value of property	£412,500	£450,000	£436,800
Monthly cost**	£1,290	£1,530	£1,790

\* MHCLG does not report the deposit paid by Help to Buy purchasers. The typical deposit of a Help to Buy purchaser is estimated as 5% of the median market value.

\*\* Illustrative cost based on the market value and deposit stated. Assumes the mortgage rate and service charge remain constant. For Help to Buy, assumes an equity loan of 40% is provided by the Government and no interest is charged on this loan for the first five years.

<sup>30</sup> MHCLG, [Help to Buy \(equity loan scheme\) statistics: data to 31 December 2019](#), 2020



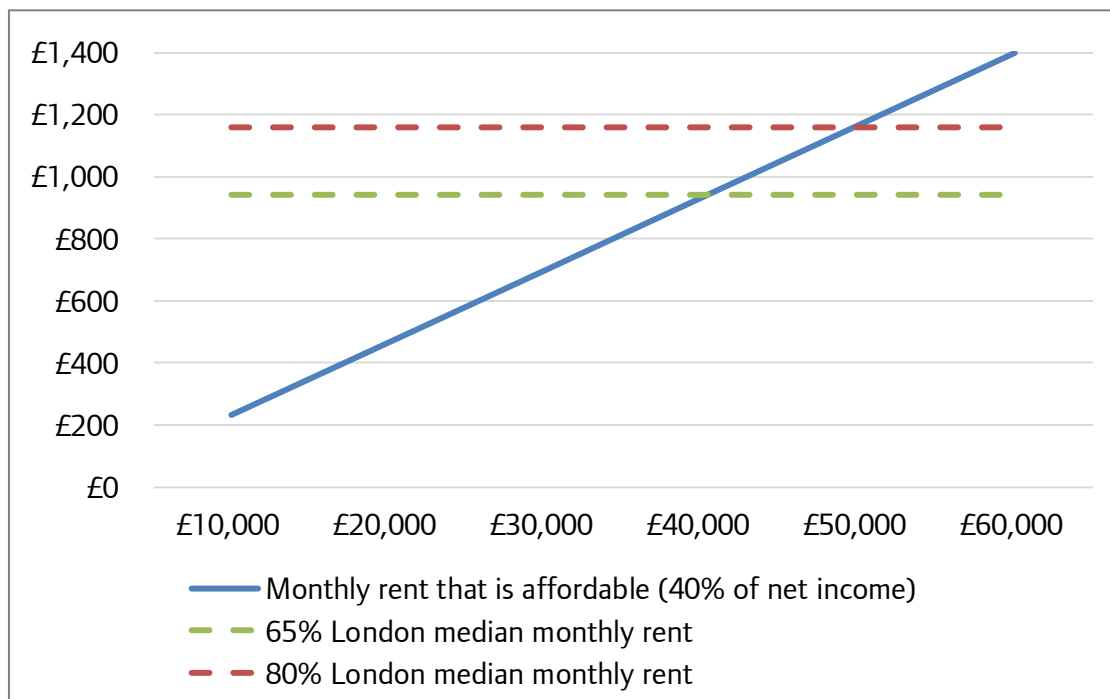
## 8. Affordability of intermediate rent

- 8.1. Intermediate rent is a rented home for which rents are set at below market values. The definition of ‘intermediate rent’ encompasses a range of different products, including rents which are set at or below 80% of market value; rents linked to incomes; and flexible rents tailored to (and changing depending on) individual circumstances.
- 8.2. CORE and SDR data do not provide information on the rent and service charge for intermediate rent homes. It is expected that there would be a diverse range of intermediate rents charged, ranging from rents linked to a percentage of market value and rents set at or below LLR benchmarks. In all instances, the London Plan requires intermediate rents to be set at a level such that the income required to afford the rent (and any associated service charge) does not exceed £60,000.

### Meeting high-level intermediate rent affordability tests in London

- 8.3. Figure 16 shows the maximum monthly rent that is affordable (based on rent and service charge being no more than 40% of net household income) at each income level between £10,000 and £60,000. It also marks the rent levels which equate to 80% and 65% of median private rents in London.<sup>31</sup>

**Figure 16: Comparison of the median market rent in London and the intermediate rent that is affordable at each household income level, 2019**



- 8.4. This data suggests that intermediate rent set at 65% of the median London market rent would be affordable to households with a gross income of £40,000 and above, and an

<sup>31</sup> ONS, [Private rental market summary statistics in England: October 2018 to September 2019](#), 2019

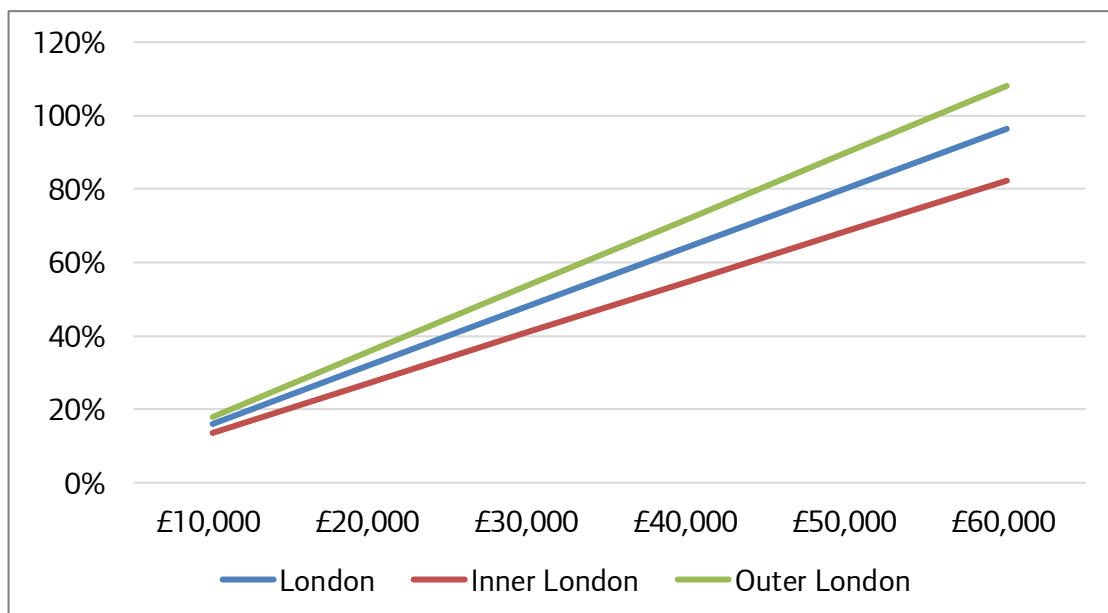
intermediate rent set at 80% of the median London market rent would be affordable to households with a gross income of £50,000 and above. In particular, intermediate rent can help those who cannot afford shared ownership due to a lack of deposit.

- 8.5. This data also suggests that intermediate rent set at between 65% and 80% of market rents in London could help a small number of those who fall under the income-based definition of intermediate rent need (which, for the purposes of this research, includes those with incomes below £46,000). To be affordable to those at the lower end of the intermediate rent need band, intermediate rents would need to be set at a greater discount to market rent. This is an indicative illustration at the London-wide level: as set out below, the median market rent in some boroughs will be below the London average (and the discount required will be less), while in other boroughs the median market rent will be above the London average (and the discount required will be more).

### Intermediate rent affordability across London

- 8.6. It should be noted that rents vary significantly between geographical areas and so the discount to median market rent required for an intermediate rent to be affordable will vary depending on location. Figure 17 compares the rent levels in Inner and Outer London. It shows the percentage of median market rent that is affordable at each household income level (based on housing costs not exceeding 40% of net income).

**Figure 17: Percentage of median market rent that is affordable at each household income level in Inner and Outer London, 2019**



- 8.7. This analysis suggests that an intermediate rent set at 65% of median market rent is affordable to some households who fall under the income-based definition of intermediate rent need (which, for the purposes of this research, includes those with incomes between up to £46,000 in London). However, an intermediate rent set at between 65% and 80% of median market rent is generally only affordable to those at

the middle to upper end of the income eligibility bands (that is households earning above £46,000 but below the Mayor's £60,000 income cap).

- 8.8. This analysis also suggests that a substantial discount to market rent would be required to make intermediate rent homes affordable to lower income households. A rental discount of 50% or more would be required for those on incomes below £28,500 (defined within this research as being in low cost rent need). In Inner London, where median monthly rents are higher, a greater discount is required for intermediate rents to be affordable. However, it should be noted that any form of intermediate rent would represent an improvement on affordability compared to private sector rents.
- 8.9. Again, there is significant variation between boroughs in the household income that would be required to afford intermediate rents, ranging from £30,600 in Croydon for an intermediate rent home set at 65% of median market rent, to £81,700 in Westminster for an intermediate rent home set at 80% of median market rent.
- 8.10. An intermediate rent home set at 65% of median market rent would be affordable to incomes below £46,000 (which is the upper limit for intermediate rent need as defined in this research) in 73% of boroughs; and an intermediate rent set at 80% of market rent would be affordable to incomes below £60,000 (the Mayor's income cap) in all but four boroughs.
- 8.11. As with the shared ownership affordability analysis, it is important to note that the market rent (and therefore affordability) varies in different boroughs and intermediate rent could remain affordable to households buying smaller homes in cheaper areas. In addition, this analysis examines the affordability of intermediate rents set at 65% and 80% of median market rent, while in practice local authorities could require intermediate rents to be set at a greater discount to market rent.

## Appendix 1: Glossary of acronyms

<b>AHP</b>	Affordable homes programme
<b>CORE</b>	COntinuous REcording of Social Housing Lettings and Sales
<b>DMR</b>	Discounted Market Rent
<b>DMS</b>	Discounted Market Sale
<b>LA</b>	Local authority
<b>LAHS</b>	Local Authority Housing Statistics
<b>LAR</b>	London Affordable Rent
<b>LCHO</b>	Low Cost Home Ownership
<b>LDD</b>	London Development Database
<b>LLR</b>	London Living Rent
<b>MHCLG</b>	Ministry of Housing, Communities and Local Government
<b>ONS</b>	Office for National Statistics
<b>RP</b>	Registered Provider
<b>SDR</b>	Statistical Data Returns
<b>SHMA</b>	Strategic Housing Market Assessment
<b>VOA</b>	Valuation Office Agency

## Appendix 2: Glossary of affordable housing tenure definitions

### Intermediate ownership

#### **Affordable home ownership**

A term used by the GLA and Homes England to describe intermediate ownership products, including shared ownership, prior to 2017/18. Eligibility for affordable home ownership is set out in the [Mayor's Housing Covenant 2015-18 Programme: Funding Prospectus](#).

#### **Discounted market sale**

A type of affordable home. Homes sold at a discount of at least 20% below market value. Eligibility in London is restricted to households with incomes below £90,000.

#### **London Shared Ownership**

A type of affordable home preferred by the Mayor. Homes in which buyers can purchase a share in the property ranging between 25% and 75% and pay a regulated rent up to a maximum of 2.75% on the remaining, unsold share. Buyers have the option to purchase additional shares up to the full value of the home (known as 'staircasing'). Eligibility in London is restricted to households with incomes below £90,000.

#### **Low cost home ownership**

A term used by the Regulator of Social Housing in its RP Statistical Data Return dataset to describe both shared ownership and shared equity homes.

#### **Shared equity**

A type of affordable home. A form of home ownership whereby the equity in a home is shared between the purchaser and another organisation, normally the Government, local authority or housing provider.

#### **Shared ownership**

See 'London Shared Ownership' above. In the rest of England, excluding London, the rent charged on the remaining, unsold share of the property is up to a maximum of 3.00% and eligibility is restricted to households with incomes below £80,000.

### Intermediate rent

#### **Discounted market rent**

A type of affordable home generally provided in Build to Rent schemes. Homes rented at a discount of at least 20% below market value. Eligibility in London is restricted to households with incomes below £60,000.

#### **Intermediate rent (other)**

A type of affordable home. Homes with rents set below 80% of market rent. This includes discounted market rent and London Living Rent. Eligibility in London is restricted to households with incomes below £60,000.

### **London Living Rent**

A type of affordable home preferred by the Mayor. Maximum monthly rents are set by the GLA at ward level, based on a third of average gross local incomes and adjusted to reflect house type. Residents have the opportunity to purchase either through shared ownership or outright within 10 years. Eligibility in London is restricted to households with incomes below £60,000.

### **Low cost rent**

#### **Affordable rent**

A type of affordable home. Introduced by the coalition Government, homes with rents set below market rent, calculated as a percentage of the market rent (including service charge) or linked to income, and capped at 80% of market rent or Local Housing Allowance rates.

#### **General needs**

A term used by the Regulator of Social Housing in its RP Statistical Data Return dataset to describe affordable housing stock that is not designated for specific client groups. The figures reported combine general needs, intermediate rent and/or affordable rent tenure homes.

#### **London Affordable Rent**

A type of affordable home preferred by the Mayor. Homes aimed at low income households, with rents based on social rent levels that are allocated through local authority allocation policies. Maximum monthly rents (excluding service charges) are published by the GLA on the [Homes for Londoners: Affordable Homes Programme 2016-21](#) webpage.

#### **Social rent**

A type of affordable home preferred by the Mayor. Homes provided to households whose needs are not met by the market, typically by local authorities or Registered Providers, with rents set within guidelines issued by the Regulator of Social Housing and allocated via local authority allocation policies. References in this research note to 'homes at social rent levels' include both social rent homes and London Affordable Rent homes.

### Appendix 3: Prime Central, Non-Prime Inner and Outer London boroughs

For the purposes of analysis, the London boroughs have been analysed in three geographical categories: prime central London, non-prime Inner London and Outer London boroughs.

References to 'Inner London' refer to both prime central and non-prime Inner London. The City of London has been excluded from analysis as there were no shared ownership sales in 2018/19 and no intermediate properties have been built there in recent years.

The designation of each borough is set out below:

<b>Geographic designation</b>	<b>London boroughs</b>
<b>Prime central London</b>	Camden; Hammersmith & Fulham; Islington; Kensington & Chelsea; and Westminster
<b>Non-prime inner London</b>	Hackney; Haringey; Lambeth; Lewisham; Newham; Southwark; Tower Hamlets; and Wandsworth
<b>Outer London</b>	Barking & Dagenham; Barnet; Bexley; Brent; Bromley; Croydon; Ealing; Enfield; Greenwich; Harrow; Havering; Hillingdon; Hounslow; Kingston-upon-Thames; Merton; Redbridge; Richmond-upon-Thames; Sutton; and Waltham Forest