



Llywodraeth Cymru
Welsh Government

Rent to Own-Wales and Shared Ownership- Wales

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Homes and Places

Overview

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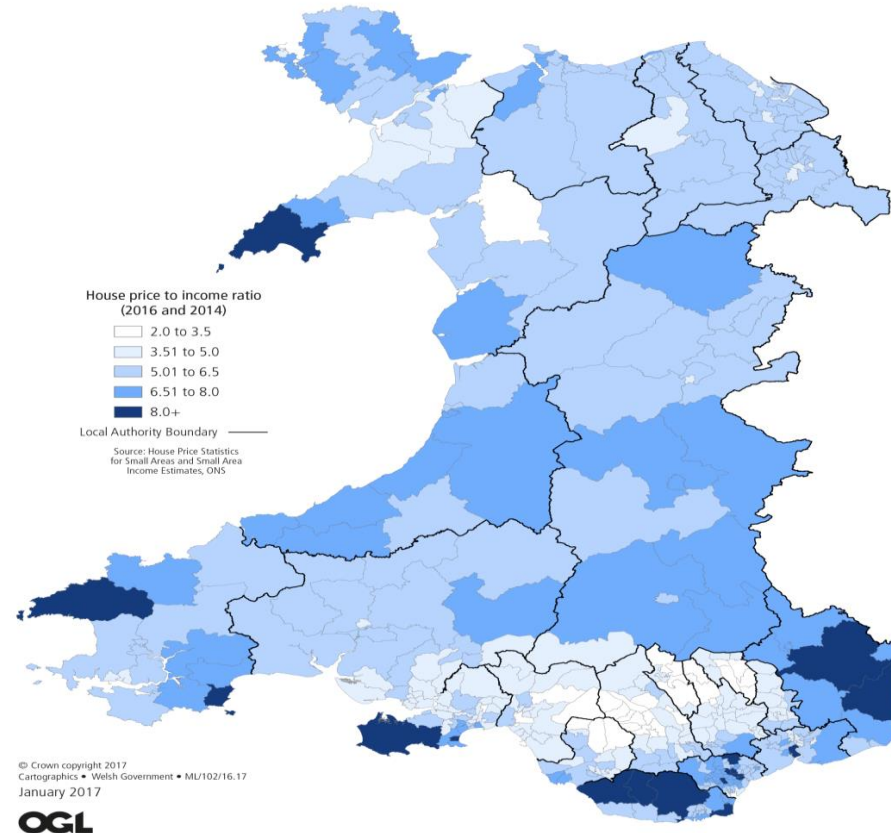
Affordable Housing Target



- Taking Wales Forward - An additional 20,000 affordable homes over 5 year term;
- Prosperity for All – Housing is a cross cutting theme;
- Support construction of 6,000 new homes via Help to Buy –Wales;
- Introduce ‘Rent to Own’ and ‘Shared Ownership’ scheme - 1,000 homes;
- Innovative Housing Programme – 1,000 homes;
- Property Development Fund – support for SMEs.

House Price versus Household Income

**Ratios of median house price (year ending June 2016)
to annualised net mean weekly household income
(financial year ending 2014) by middle layer
super output area (MSOA), Wales**



Key Aspirations

- **To help people who cannot currently access home ownership a chance to own their own home;**
- Research shows that home ownership has plummeted for under 35s in the last decade;
- The percentage of 25–35 year-olds owning a home has gone down from 59% to 36% in the last decade;
- Affordability is being identified as the main reason for this;
- 17% of First Time Buyers state that they are only able to access the market through financial support from family and friends.

Barriers to Home Ownership

- Majority of people of all ages aspire to home ownership
- **BUT**
- Struggle to save for a deposit whilst renting in the PRS sector
- House prices typically increase whilst they are saving for a deposit thereby making affordability even more of an issue
- Stricter lending criteria making it difficult for people to demonstrate the credit history required for a mortgage

Rent to Own– Scheme Design

Designed to help applicants who have no or very little deposit.

- Applicants will rent a newly build home from a landlord and homes will be rented at market rate;
- From the end of the second year the tenant will have an “Option to Purchase” (legal agreement) the home they are renting;
- This “Option to Purchase” will last until the end of Year 5. (A 2 year extension is available, subject to landlord agreement) if it is felt that this will enable the tenant to purchase during that time frame.

Rent to Own– Scheme Design (cont'd)

Designed to help applicants who have no or very little deposit.

- If the tenant decides to purchase the home they are renting the landlord will be 'gifted' 25% of the rent they have paid and 50% of the increase in the value of the property, (if any) to use as a deposit contribution;
- The tenant has the option to purchase the property through shared ownership if they cannot afford to purchase the property fully.;
- Deposit assistance is only for the home being rented.

Shared Ownership Scheme – Scheme Design

- Designed to be suitable for individuals with a small deposit and who are able to obtain / afford a mortgage on a share of the property;
- Buyers will be likely to obtain a mortgage to buy a share of between 25-75% with options to staircase up to full ownership over time;
- The combined rent and mortgage payment will normally be less than purchasing outright - at the initial point of purchase;
- Rent on the un-owned share will be set at 2.75% of the value of the share.

What type of homes?

- Phase 1 will be New Build Homes only
 - Lower maintenance costs / energy efficient / warranties
 - Will look at using existing homes after scheme launch.
- Are not required to meet Development Quality Requirements
 - Properties will be owner occupied and therefore this consistent with what is available through open market
 - Enables RSLs to purchase from developers to enable a quick start to scheme.
- Cost of supplying the home must be less than or equal to open - market value at point of initial let/sale.

Grant Rate

- Indicative grant allocation available for scheme from 2017/18. Indicative allocation will be made to each Local authority. RSLs need to work with LAs to identify scheme where funding can be utilised;
- Homes to be developed/supplied under Rent to Own/Shared Ownership will both attract the same grant rate of 25% of cost of supplying home. (ACGs will be used as a guide to VFM);
- This will enable RSLs build/purchase homes without deciding which of the two scheme they will offer those homes for;
- Home can be offered for Rent to Own/Shared Ownership depending on the circumstances of the applicant;
- Grant is recyclable upon sale of home.

Scheme Parameters

- Homes will be allocated on a first come first serve basis to applicants meeting the eligibility criteria;
- No priority groups exist with the exception of military personnel;
- Applicants meeting the eligibility criteria should be directed to other schemes if the affordability assessments shows that they can afford home ownership through those.

Key Eligibility Criteria for Applicants

- Combined household income of £50,000 or less each year;
- be in work, including being self-employed;
- not currently own a home anywhere in the world,
- be unable to afford to buy a property suitable for your family size on the open market or through any other home ownership initiative;
- The home being purchased/rented must be the principle or only home and you may not sub-let all or part of it;
- be financially able to pay the market rent or afford the share you are purchasing; and
- be either a British or EU/EEA citizen, or have indefinite leave to remain.

Example

- Mr and Mrs Jones - Combined household income of £50,000 p.a.
- Interested in a 4 bed house – market value £250,000
- Have been saving towards a deposit and currently has £13,000 available to use as a deposit.
- Interested in purchasing through Shared Ownership.

Meet the eligibility requirements of Shared Ownership

- **Affordability assessment shows them being able to afford maximum 75% share.**
- **But they would also be able to access homeownership through Help to Buy so should be directed towards that scheme.**

Rent to Own – What if the tenant does not buy?

- What happens in Year 5 or Year 7 if the tenant cannot or does not want to purchase the home?
- Gifted deposit amount i.e. 25% of rent set aside, funds ongoing planned maintenance.
- Grant funding is available to support a home ownership initiative - RSL will be required to continue to offer a home for Rent to Own/Shared Ownership.

Shared Ownership – Re-sales

- What happens when the leaseholder wants to sell their home/stake?
- Staircased to full ownership then no pre-emption right exist. Can sell on the open market.
- Otherwise the RSLs have a 8 week nomination period before the home can be offered for sale on the open market.

Summary - Differences in Scheme Design

Delivery Agents	Rent to Own	Shared Ownership
Who will the Scheme help?	No deposit or insufficient credit history to be able to obtain a mortgage.	Limited deposit (at least 5% of share being purchased) and can obtain and afford a mortgage on shared being purchased.
What will the applicant pay?	A market rent will be charged but the applicant will receive 25% of this back as a 'gifted deposit' upon exercising the option to purchase the home they are renting.	Mortgage on share purchased and rent on un-owned portion. Rent will be limited to 2.75% of un-owned portion. Combined mortgage and rent payment will usually be less than mortgage for outright purchase at the outset.
Types of homes available	Phase 1 – Newbuild only	Phase 1 – Newbuild only
Welsh Government Grant Rate	Up to 25% of cost of supplying the home	Up to 25% cost of supplying the home
Who undertakes maintenance of the home	Landlord– as the occupant is a tenant until they buy the property.	Homeowner.

Is there an Appetite in Wales?



Next Steps

- Funding for new homes which will be offered for Rent to Own and /or Shared Ownership, will be available from early 2018;
- Currently developing the grant application process - likely to mimic SHG processes;
- Three workshops will be held in November to share key messaging
- An 'Own Your Home in Wales' web portal will be launched in the new year, to promote the different home-ownership products available across Wales.

Any Questions

