

Appendix 1- Affordable Housing Options in Barnet

1. Overview

As requested by the Housing Committee 27th June 2016, this report sets out the affordable home ownership products that are available for residents in Barnet and an assessment of their affordability for different household income levels in the Borough.

2. Context

Rising demand for housing means that incomes have failed to keep pace with house prices in Barnet, making it increasingly difficult for people to afford to buy their own home. Since 2012, the average house price in Barnet has increased by 46% from £351,000 to £513,000¹, whilst average household incomes have increased by 7% from £40,138 to £42,817² over the same period.

There are a range of options that are available for people who wish to own their home, which fall into the following categories:

- Help to Buy – these are schemes set up by the government to help people with the cost of buying a home
- Intermediate housing – these are schemes to increase the supply of low cost home ownership, including shared ownership, and starter homes
- Right to Buy – this enables existing tenants of affordable rented accommodation to buy their own home

3. Help to Buy

There are three help to buy options that are available to people who wish to purchase their own home. Details of these are set out below with illustrative examples of how they work:

3.1 Help to Buy - Equity Loan

Overview – Government scheme which provides a five year interest free loan of up to 40% towards the cost of buying a newly built home in London and 20% elsewhere. This means that in London the buyer only has to raise a cash deposit of 5% and a mortgage of 55% of the value of the property.

Eligibility- the HTB Equity Loan is available to first time buyers and those wishing to move home. The property to be purchased must be newly built and cost no more than £600,000.

¹ Source – Land Registry

² Source – CICA Data

Example – New build flat in Colindale

Purchase Price	£450,000
Deposit (5%)	£22,500
Government Loan (40%)	£180,000
Mortgage Required	£247,500
Income Range Required based on mortgage from 3.5 to 4.5 times income	£55,000 - £70,714

Take-up- 295 properties have been purchased in Barnet with the assistance of an HTB – Equity loan in Barnet since October 2013.

3.2 Help to Buy - Mortgage Guarantee

Overview – Government scheme which offers lenders the option to purchase a guarantee on mortgage loans, enabling them to offer a higher loan-to-value mortgage of up to 95% of the value of the property to be purchased. The buyer will need to raise the remaining 5% cash for a deposit and will have to pay back the mortgage.

Eligibility- the HTB Mortgage Guarantee is available to first time buyers and those wishing to move home. The property to be purchased can be a newly built property or an existing and cost no more than £600,000. The size of the mortgage must be less than 4.5 times household income.

Example – 2 bed second hand flat in N12

Purchase Price	£350,000
Deposit (5%)	£17,500
Mortgage Required	£332,500
Income Range Required based on mortgage from 3.5 to 4.5 times income	£73,889 - £95,000

Take-up- 68 properties have been purchased in Barnet with the assistance of an HTB – Mortgage Guarantee in Barnet since October 2013. The scheme is due to end at the end of this year.

3.3 Help to Buy – ISA

Overview – Government scheme which provides a government contribution of £50 for every £200 saved. The minimum saving required to qualify for a government contribution is £1,200, and the maximum that the government will contribute is £3000 which would require savings of £12,000. The amount saved + government contribution can be used towards the cost of buying a home on the open market.

Eligibility - the HTB ISA is only available to first time buyers, and can be used in conjunction with other home ownership schemes, including HTB Equity Loan, HTB Mortgage Guarantee and Shared Ownership. The maximum purchase price is £450,000 in London and £250,000 elsewhere.

4. Intermediate Housing

Intermediate housing options are primarily provided in the form of shared ownership, and are delivered as part of the affordable housing programme. The Council's planning guidance seeks affordable housing of 40% on new housing schemes of which with a 60/40 split between rented and intermediate housing.

4.1 Shared Ownership

Overview- Provides the opportunity to purchase an equity share of between 25% and 75% of the value of a property and pay rent³ on the remaining share. The amount of equity held by the purchaser can be increased at a later date through a process known as stair casing.

Eligibility – The scheme is available to first time buyers, people who previously owned their home or existing shared owner occupiers who wish to move. The maximum household income is £90,000 in London and £80,000 elsewhere.

Example – 1 bed flat Stonegrove

Purchase Price	£320,000
30% Share	£96,000
Deposit@ 5%	£4,800
Mortgage Required	£91,200
Income Required (Mortgage divided by 3⁴)	£30,000

Take-up- The following table shows the number of completions in Barnet since 2013/14:

Year	2013/14	2014/15	2015/16
Completions	117	64	89

For 2016/17 there are a further 126 shared ownership units planned for completion.

Shared Ownership provides the most affordable route into owner occupation option for people on moderate incomes and Appendix A provides more information about properties that have been sold in Barnet under the scheme.

4.2 Starter Homes

A new scheme introduced under the Housing and Planning Act 2016 for developers to offer properties with a value of up to £450,000 in London at a discount of at least 20% of market value. Starter Homes will be available to first time buyers aged between 23 and 40 years old.

³ Usually 3% of the equity not purchased.

⁴ Lower income to loan value used to take account of rental payments due in addition to mortgage

Official guidance is awaited from the Government on how this option will be delivered.

5. Right to Buy

The Right to Buy scheme provides the opportunity for council tenants to buy their own home. The Government is committed to extending the scheme to Housing Association tenants and is currently running a pilot, which does not include any properties in Barnet.

5.1 Council Tenants

Overview -The scheme provides the option for council tenants to buy their home with a discount. The initial discount for tenants with a qualifying period of 3-5 years is 35% for a house and 50% for a flat, which increases by 1% and 2% respectively, up to a maximum discount of 70% but no more than £103,900 for properties in London.

Eligibility -Council tenants who have held a public sector tenancy for at least 3 years will qualify for exercising the right to buy their home. This will include having held a tenancy at another address with another local authority or a registered provider.

Take up- 76 Right to Buy sales were completed for Barnet council housing during 2015/16.

Examples using average market values and discounts for RTB sales in Barnet for 2015/16

	Houses	Flats
Average market value	£304,133	£224,576
Average discount	£101,940	£102,111
Average sale value	£202,192	£122,465
Deposit @5%	£ 10,110	£ 6,123
Mortgage Required	£192,082	£116,342
Income Range Required based on mortgage from 3.5 to 4.5 times income	£42,685 to £54,881	£ 25,854 to £38,781

6. Conclusion

As set out above, there are a range of options available to households on a range of incomes living in the borough who wish to own their own home, with the additional option of starter homes expected to become available in the near future, along with an extension of the Right to Buy for housing association tenants.

Appendix A

Shared Ownership Marketing Sales Values

Practical Completion	Scheme Title	Registered Provider	Area	No of Units	Bed Size	Marketing Sale Value (from) £	Min Earnings (Starting from for all bed Sizes) £
2013.14	Zenith House	Genesis	Colindale	110	1	258500	25000
					2	352500	
					3	441000	
					3 (house)	439000	
2014.15	Stonegrove	Family		9	1	249000 to 299950	25000
2014.15	Kingsgate House	NHHG	Finchley	6	1	365000	42574
					2	440000	58240
2014.15	765 Finchley Road	Affinity Sutton	Finchley	4	1	425000	35000
					2	656000	35000
2014.15	Axis - 713 Finchley road	Origin	Finchley	6	1	415 000	53000
					2	535000	64750
2014.15	Greenpoint	Sanctuary	Burnt Oak	32	1	280000	40000
					2	395000	56734
2015.16	931 High Road	Catalyst	Finchley	12	2	500000	40000
2015.16	Stonegrove	Family	Stonegrove	66	1	320000	30000
					2	415000	
					3	487000	
2016.17	Stonegrove	Family	Stonegrove	26	1	320000	30000
					2	415000	
					3	487000	
2016.17	Millbrook phase 3	family	Millbrook	17	1	315000	30000
					2	402500	
					3	632500	
2016.17	Millbrook Phase 3a	Sanctuary/IDS	Millbrook	4	1	315000	41000
					2	405000	52734
2016.17	Furniture land	Catalyst	Finchley	41	1,2 and 3 beds	TBC	51558
2016.17	Chandos Avenue	MHT	Whetstone	12	1	375000	64985
					2	475000	
					3 (house)	TBC	TBC
2016.17	Northway House	Network Homes	Whetstone	11	1	355000(TBC)	41000 (TBC)
					2	475000(TBC)	
					3	725000(TBC)	

N.B- Not all Registered Providers stipulate a minimum income for all bedroom sizes, as the size of a deposit can affect the affordability. Registered providers complete an affordability assessment on applicants.