

# Taking the Longer View

Shared ownership,  
costs and opportunities –  
an independent assessment

A report by Bob Pannell and Peter Williams  
for Leeds Building Society

February 2025



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# Foreword

**Andrew Greenwood**  
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**For today's first time buyers, the path to home ownership is steeper than ever. Rising house prices, stagnating wages and the cost of renting make saving for a deposit and securing a mortgage feel like distant goals for many.**

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At Leeds Building Society, we're committed to finding ways to bring down these barriers and put home ownership within reach of more people, generation after generation.

Shared ownership achieves that purpose, helping people bridge the gap by enabling them to buy a share of a home with a smaller deposit, and pay a reduced rent on the remainder. Yet despite its potential, shared ownership is not as widely understood or used as it could be. A lack of publicly available data about how the scheme works, who it benefits, and how it compares to other options makes it hard to have a meaningful conversation about its strengths and weaknesses.

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As one of the biggest shared ownership mortgage providers, we're in a unique position to address that void in knowledge. That's why we've taken the step of using extensive data from our own lending as well as the wider mortgage market, kindly provided by UK Finance, to support a thorough and objective study which explores an important question: when is shared ownership a better financial option than staying in the private rented sector?

The report is undertaken for Leeds Building Society by Bob Pannell and Peter Williams, respected independent experts on housing markets. Their job was not to make a case for shared ownership or any other housing option, but to weigh the numbers, analyse the outcomes, and let the evidence speak for itself. I'd like to thank them for their efforts and the contribution they have made to this project.

We are proud to present this important piece of work. We believe that informed, evidence-led conversations lead to better decisions – for buyers, lenders, policymakers and everyone involved. By deepening our understanding of shared ownership, we hope this report will help the scheme fulfil its potential and enable more first time buyers to take their first steps into home ownership, for years to come.

# Acknowledgements

This report would not have been possible without the strong support of Leeds Building Society (LBS) and UK Finance (UKF). In particular, we would wish to thank Andrew Greenwood, Sean Hanson, Tom Wrigglesworth and colleagues at LBS for their different involvements, guidance and comments and to the Society for its provision of both data and financial support. At UKF our thanks to Charles Roe and James Tatch for giving us access to the mortgage product sales database via LBS.

This report is an independent assessment and as such any errors and omissions are entirely the responsibility of the authors.

## The Authors

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# Executive Summary



Shared ownership forecast to cost less than renting in **93%** of areas after 10 years



Shared owners to benefit from 10 year equity growth of up to **£42,000**



Extends home ownership to **low and medium** income households

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- Home ownership is becoming harder to achieve through traditional methods as house prices grow disproportionately to wages, and now with the additional challenge of higher mortgage rates.
  - Shared ownership increasingly plays a role in supporting a wider range of people on low and moderate incomes to get their first step on the ladder but recently has been questioned for the outcomes it provides to shared owners, giving rise to uncertainty over its future.
  - In response, Leeds Building Society has funded this independent study, working in conjunction with UK Finance, an industry trade body, to allow researchers to access whole of market shared ownership lending data, to provide a more forensic and objective assessment of the role this market plays.
  - This is the first analysis of how shared ownership compares to private renting using live industry lending data. It provides the ability to conduct detailed analysis at a local authority level and determine where and at what point shared ownership proves more or less affordable than renting – the most realistic alternative for many.
  - A further and more fundamental step has been to consider the benefit of capital repayments and house price growth enjoyed by shared owners, comparing this over a ten-year period to the potential gains for private renters who choose to place the equivalent house deposit in a savings account.
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- Even when using conservative assumptions, the findings are clear and provide unambiguous evidence of shared ownership's contribution to extending home ownership to more people.
- Both in the initial analysis undertaken using national published data and in the subsequent industry data led analysis, the inherent flexibility of the shared ownership product and the mortgage market that supports it was well demonstrated across the geography of England and the different markets that exist.
- **Of 294 local authorities, shared ownership is forecast to be more affordable than private renting in 227 (77%) in year 1, rising to 232 (79%) in year 5 and 272 (93%) in year 10.**
- More significantly, **in 83 'high rent' local authorities where rental payments make up over 30% of income, shared ownership is more affordable in 77 (93%) in year 1, dropping modestly to 75 (90%) in year 5, before recovering overall to 81 (98%) at year 10.**
- Allowing for capital repayments and house price growth to be factored into the analysis, we gain a fuller recognition of the power of ownership. Not only is shared ownership more affordable than renting privately in nearly all local authorities by year 10, but across those 287 (97%) local authorities, shared owners are also financially better off as a result of growing equity.  
**We estimate that by year 10, shared owners are on average £29,000 better off than private renters, peaking at £42,000 in London.**
- The gains are likely to be even greater where the owned share of the property is increased over time, known as 'staircasing', though for simplicity this study does not consider this factor.
- It is of note that there are significant variables that shared owners must consider when purchasing, with the potential to have varying degrees of impact on the affordability of the scheme, and to that end we have provided an additional stage of analysis to consider these.
- Digging deeper, in the 'modelled' comparisons we tested at the outset, we looked at the impact of increasing or decreasing the share purchased, the loan to value of the mortgage, and the starting rent and service charge percentage. Detailed appendices are provided.
- While the initial modelling identified a similar trend in affordability to the live industry data (when using an average 40% share purchased and 90% loan to value) it is evident that reducing the mortgaged share purchased increases

the affordability of shared ownership. Of course, the shared owner reduces the benefit of capital repayment and house price growth on their overall equity stake. It evidences the scheme's flexibility and its ability to work with a range of household incomes.

- In summary, this is proof of the relative merits of shared ownership compared to private renting, based on conservative estimates and irrespective of whether or not owners have undertaken any staircasing.

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Looked at over a decade and across the whole of England, shared ownership is capable of delivering beyond its headline attraction of reducing the deposit hurdle. It provides ongoing and improving affordability from year 1 onwards and, crucially, delivers benefits in terms of asset accumulation. On these metrics shared ownership delivers strongly.

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## Case Study

**Charlene Fisher, 24, and her partner Kai, 23, moved into their first home in the summer of 2022.**

**Charlene, who works as a Client Services Manager, bought her two-bedroom semi-detached new build home in Manchester through the shared ownership scheme, with her boyfriend Kai, who is self-employed in the construction industry.**

Charlene said: "Kai and I were renting a small one-bedroom flat when we decided it was time to get onto the property ladder.

"We saved up a small deposit but when we started looking at properties and speaking to lenders, we realised that we didn't have quite enough to buy a home through traditional routes.

“We became aware of Shared Ownership and having done a lot of research into the scheme; it seemed like the perfect solution for us.

“When we were renting, we were paying out £650 per month for our one-bed flat.

“We started house hunting and found a beautiful two-bed new build home in south Manchester, and immediately fell in love with it. The property was valued at £185,000.

“By taking out a Shared Ownership mortgage with Leeds Building Society, we were able to put down a £4,625 deposit to purchase a 50% share of the home.

“Our outgoings were less than we were paying for our rented flat with just over £300 per month going towards paying off our mortgage, and £230 going towards the rent on the remaining share of the house.

“Even with a recent increase in our mortgage rate, we’re still only paying £30 more than the rent on our flat three years ago, plus it’s great to know that our money is going on paying down our capital.

“In the future, our intention is to staircase our ownership to 100%, and we are currently putting money aside each month so that we can build up our ownership percentage over the coming years.

“

We’re over the moon to be in a home of our own, and Shared Ownership made perfect sense for us. We have so much more space and a garden now, and it feels good to know we are investing in our future.

”

# 1: Introduction

**There has probably never been a more challenging environment for first time buyers in England than as presently experienced and this has put a real premium on schemes that assist households to get on the first rung of the home ownership ladder.**

Bearing this in mind, and in the context of a level of negative commentary in the media and elsewhere about shared owners' experiences (e.g., the House of Commons Select Committee report – LUHC, 2024), Leeds Building Society (LBS), a major mortgage lender to this market in England, determined that it would be helpful to explore in some detail the positioning of shared ownership (SO) relative to the burgeoning private rental sector (PRS) and where many would-be purchasers were currently located.

LBS commissioned the authors to research and write an independent report on the market for shared ownership in relation to the private rented market in England, focusing on the relative costs of such choices and, taking into account, any capital uplift. The analysis was to be granular, i.e. at local authority level and to examine the performance of the sector from 2014/15 to 2023/24 and rolling forward each year so that it would be possible to generate a 10 year view of the outcomes.

The project was commissioned in mid-December 2024 with the final report submitted in late-January 2025. We used a model based approach which of necessity requires a series of assumptions about the costs being borne by shared owners and in terms of market outcomes, in comparison to private renting. The assumptions made are all detailed in Appendices 1 and 2. We developed a basic model using published data to make some initial cost comparisons and then were able to use real lending data on the property purchased and the borrowers. Thus, the main findings of this report are a product of actual transactions and at a granular level, i.e. by local authority.

This is the first report to have used time series lending industry data, and it has provided invaluable insights into the nature of shared ownership and the costs and benefits that are generated over time and space, in comparison to privately renting. Throughout and as far as possible, we have used conservative assumptions. This suggests that the outcomes achieved in reality will potentially be somewhat more favourable to shared ownership than those reported here.

## 2: Background

**Worsening affordability and tighter regulation have reduced access to home ownership through the mainstream mortgage market. It has thus put an ever-greater premium on government supported low-cost home ownership schemes such as shared ownership. With the demise of Help to Buy in England and setting aside the Right to Buy, shared ownership is the pre-eminent scheme at present, significantly outperforming other schemes such as First Homes and Rent to Buy. According to providers, demand for shared ownership outstrips supply by a significant margin in most areas and this shortfall has increased as demand has risen given an ever-tighter mortgage market and rising house prices.**

Around 30 lenders are active in the shared ownership mortgage market, lending around £2 billion in total each year to buyers in this sector. Most lending is in England, with smaller markets in Wales, Northern Ireland (co-ownership) and Scotland, in that order.

Shared ownership was introduced as a central government backed scheme in the Housing Act 1980 as a part purchase/part rent scheme. This was a grant funded scheme but over time that subsidy has been cut back. Alongside curbs on the rents that providers can charge (in comparison with their cost of capital), this has placed ever more reliance on lower acquisition costs derived from Section 106 planning agreements. Offsetting this for the provider is the initial discounted price of the home and the subsequent up lift on the market price at which shares are sold.

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According to providers, demand for shared ownership outstrips supply by a significant margin in most areas

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Over the ensuing period some 400,000 SO homes have been built in England (probably 450,000 across GB), mainly through not-for-profit housing associations<sup>1</sup>. As at 31 March 2024 there are 269,500 low cost home ownership properties owned by private registered providers – housing associations, including both not for profit registered providers (NFPRPs) and for profit registered providers (FPRP) – equating to some 6% of their housing stock.

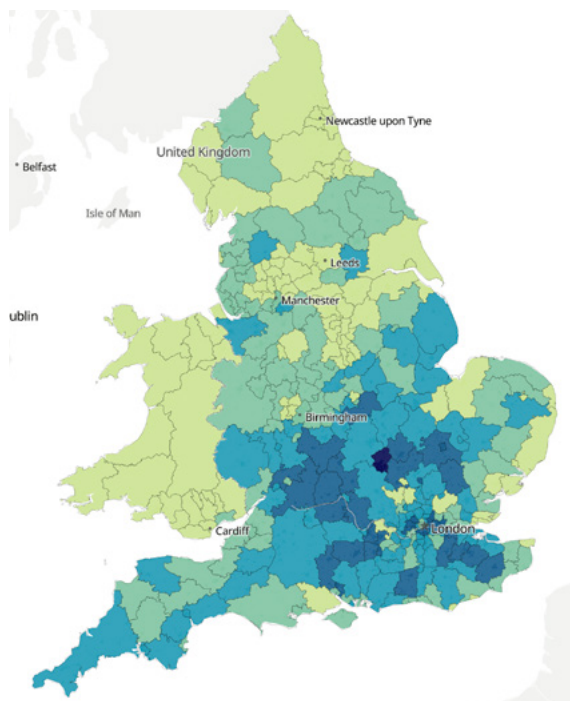
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<sup>1</sup> [Ryder, R \(2024\) What future for shared ownership? 15th November 2024](#)

As this suggests, around 30% or 130,000 homes in total have been sold out of the sector with shared owners buying out the remaining provider share, known as “staircasing”. Since 2001/02 some 82,000 households have “staircased” out of shared ownership and sales continue to run at around 5/6000 a year. The evidence suggests that the rate of staircasing has fallen and that in turn there are growing numbers of households for whom shared ownership is now a “destination” rather than a “through station”. Right from the outset shared ownership was always intended to be both of these, an intermediate tenure in its own right and a stepped approach to full ownership<sup>2</sup>.

As Map 1 shows from the 2021 Census, the distribution of shared ownership homes across England (and Wales) is quite varied with strong regional concentrations in the Midlands, South and South East of England. Furthermore, we have been able to explore a further dimension distinguishing between the property types in shared ownership. A tabulation from the Office for National Statistics (ONS) gave us data on houses and flats. In England as a whole, roughly 60% of the current shared ownership stock is houses (detached, semi, bungalow and terraced) and 40% purpose-built or converted flats. However, in London that picture changes with roughly 82% in flats and 18% houses.

**Map 1; Shared Ownership by Local Authority, England and Wales, 2021, by percent of housing stock**



Source: ONS Census 2021.

**Key:** Light Green, 0.1%, Green 0.6%, Light Blue 1%, Blue 2.6%, Dark Blue 6.1%

<sup>2</sup> See Cowan, D et al (2018) *Ownership, Narrative, Things*, Palgrave Macmillan, London



This categorisation by type is important in that the dissatisfaction with SO referred to in the introduction is notably higher in flats than houses as research by the Shared Ownership Council has recently shown (SOC, 2024). This consumer feedback has in turn helped erode support for SO overall inside government and parliament. However, it is important to balance some of that commentary and, in particular, to note that some of that dissatisfaction stems from rising costs related to flats, regardless of ownership type, due to building safety work and cladding along with wider concerns about leasehold tenure, which again typically means flats.

Since its introduction by the Conservative government in 1980, shared ownership has evolved in a variety of ways as well as continuing to enjoy strong cross-party support. In the 2000s, the then government introduced variant SO schemes, e.g. for older people, people with learning disabilities and the armed forces. Then in 2021 a new model lease was introduced by the government – including a term of 999 years rather than 99, providing the option to staircase in smaller increments and shifting the repairing obligation to the landlord for the first 10 years. These most recent reforms are gradually impacting, providing more favourable outcomes for some shared owners as a result.

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Since 2001/02 some **82,000** households have “staircased” out of shared ownership and sales continue to run at around **5/6000** a year.

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Typically, the rent charged by housing associations is 2.75%. That rent was then inflated on an annual basis at RPI+0.5% up until October 2023 when the metric was shifted to CPI+1%. Either way, over the last 15 years the SO rent charges have become increasingly burdensome. In 2022, with inflation running at over 14%, the government capped social rent increases to 7% or lower. There was concern that this intervention excluded shared owners and their rent charge, but most housing association landlords then agreed to cap the inflation linked increase to 7%<sup>3</sup>. The rising cost of SO rents compared to market rents and, in the last decade or more, the shifts in the mortgage market from exceptionally low mortgage interest rates on a historic basis to higher rates does mean that there are new sensitivities around the trade-off between how much to own and how much to rent. We explore this in some detail in the report.

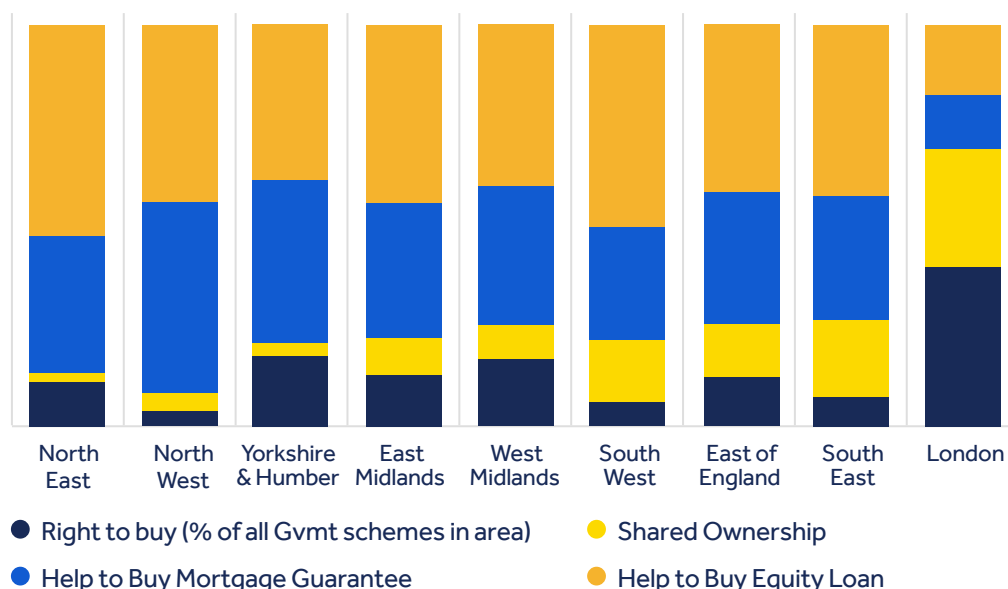
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3 [Inside Housing - News - Housing associations commit to 7% cap for shared owners](#)

This also impacts on the decisions buyers make not only about their initial share but also whether they staircase. Data on this important aspect of shared ownership is limited. While 100% staircasing data is publicly reported, partial staircasing is not and nor is there data on partial sales, i.e. where a shared owner sells the home at the same share as they currently have. Better data would give a much better sense of the health and dynamics of the SO market.

When we look back at a selection of relatively recent studies of shared ownership (Clarke et al, 2016; Cowan et al, 2018; Davis and Sinn, 2016; Cromarty, 2021; LUHC, 2024; SOC, 2024, Walker, 2016) we can see a lot of common ground in the narrative on the nature of the tenure, its strengths and weaknesses. Two of the studies<sup>4</sup> have particular pertinence to the work being undertaken here as both take a comparative view of SO. The first by Walker (2016) focusses on the differences between the range of government sponsored low cost home ownership schemes at the time – Right to Buy, Help to Buy, HTB Mortgage Guarantee scheme and Shared Ownership. As Figure 1 from that report indicates, the share of each scheme varied by region with shared ownership making its biggest contribution in the higher priced regions. As a generality and aside from the Right to Buy, shared ownership reached furthest down the income scale.

**Figure 1: Government schemes shares by region, numbers of homes 2015 (from Walker,2016)**



Sources: DCLG (Help to Buy EL, RTB), HM Treasury (Help to Buy Mortgage Guarantee), CORE (shared ownership)

4 A third study, that by L&G also does this but given it has not been published at the time of writing we have insufficient detail at this stage to comment.

The second analysis, as part of the Davies and Sinn report on shared ownership as the fourth tenure, looked at affordability by household type (page 8 onwards) and its position in the market not least compared to private renting which was then supplemented by a Savills analysis of the demand for shared ownership (page 12 onwards). Like our own study, this last was heavily assumption driven but it highlighted the unmet demand for this tenure. In our judgement this position is unchanged in 2025.

These studies and the work reported on here highlight the geographical variability in terms of the market penetration of shared ownership in comparison to other government schemes and in terms of unmet demand. All highlight the considerable potential for expanding shared ownership as a first rung on the housing ladder and a proper recognition of its benefits and not least as a tenure in its own right.

## 3: Modelling the Market – a first run

**We began the research by building a basic model<sup>5</sup> around the typical costs of being a private rented tenant in comparison with those of a shared owner, though recognising that the latter may benefit from capital uplift while also facing full repairing costs<sup>6</sup>. At the outset this model is driven off published data covering the financial years 2014/15 to 2022/23 inclusive, and using a set of stylised and intentionally conservative assumptions to avoid a “rose-tinted” view of the shared ownership sector.**

The data for the private rented sector were accessed from the ONS while that on house prices and mortgage costs were drawn down from the Land Registry and the Bank of England respectively. Layered on top of these data sets were then assumptions about what size of share had been purchased, the loan to value (LTV) of the loan taken out to assist this, the rental charge paid to the provider and the service charge also levied by them.

Given the wide spectrum of households in the private rented sector, we initially focussed down on lower income households for whom shared ownership might be a realistic option or choice and to test out how this group would fare over time and by area. However, via the industry data, it became obvious that with higher house prices and mortgage costs the spectrum of households who benefit from shared ownership has widened over time. We thus settled on renters whose income was at the median private renter household income before tax<sup>7</sup>. This then enabled us to identify high rent areas where median rent was more than 30%<sup>8</sup> of this median income threshold.

We explored the market across all authorities and our defined high rent local authorities (see Map 1 in Appendix 1). Our metric for this gives us 83 authorities where high rent exists out of the total 294 (minus the City of London and the Isles of Scilly). The geography of high rent areas is fairly predictable being focused on London and the South East along with a number of regional cities/conurbations.

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5 The full details of our basic model and the assumptions we have made are given in Appendix 1

6 We were unable to document the typical costs some shared owners of flats were facing in terms of repair bills, cladding etc so though acknowledging they exist we were unable to incorporate any data on this into our model.

7 While our presentation of results later in this section are based on median incomes, it is worth noting that the key findings would also apply to households on lower incomes.

8 A 30% rental to gross income threshold is cited by ONS in its publication [Private rental affordability, England and Wales: 2023](#)

The starting assumption is that buyers purchase a 40% share (in all reported metrics this is the average share bought), using a 90% LTV loan and with a 5 year fixed rate mortgage. We also assume a 2.75% rental charge for the share not bought and a service charge of 0.25% of the value of the home (as a proxy for the actual charges levied).

Our initial focus here is on the relative Year 1 costs as both a shared owner and a private renter as estimated by the model using the medians and defined high rent areas referred to above. Given that reporting in small geographies and by single years will be vulnerable to sampling errors, we have taken the view that where a local authority (LA) area had lower costs for shared ownership in 6 or more of the 9 years we then classify that area as one where shared ownership was cheaper than private renting.

**Table 1: Number and Proportion of LAs where SO is lower cost than renting by size of share and initial LTV in Year 1**

	Number of LAs					Proportion of LAs				
SO share	10%	25%	40%	50%	60%	10%	25%	40%	50%	60%
<b>All LAs</b>										
Initial LTV										
75%	288	265	202	142	88	98%	90%	69%	48%	30%
90%	288	242	147	84	49	98%	82%	50%	29%	17%
95%	287	237	123	74	36	98%	81%	42%	25%	12%
<b>High rent LAs</b>										
Initial LTV										
75%	79	70	54	48	33	95%	84%	65%	58%	40%
90%	79	64	48	32	22	95%	77%	58%	39%	27%
95%	79	63	43	29	15	95%	76%	52%	35%	18%

Note: SO rental charge of 2.75% and service charge of 0.25%

In Table 1 we explore the interplay between the percentage of share bought and the initial LTV applied. This highlights the impact of the flexibility that is inherent in the shared ownership model. As the table shows, buying a smaller share (10%) brings up the maximum percentage of both all authorities and “high rent” local authorities where SO is cheaper than renting privately. At 75% LTV there are 288 authorities (98% of the total) and 79 high rent authorities within that - 95% of all high rent areas. This then falls to 202 (69%) of all authorities and 54 high rent areas (65%) when we move to a 40% share (in reality, this is the most common share purchased) and it drops away sharply if bigger shares are purchased. This is perhaps unsurprising in that, in effect, buyers are trading off paying more



in rent on the unpurchased share at 2.75% against our assumption of higher mortgage rates on the purchased share.

We also examined the impact of varying the rental charge and separately the service charge (both in relation to a 40% share and a 90% LTV) and these additional simulations are provided in Appendix 4. We flexed the rental charge in a range from 2.5% to 3.5%. At 2.5% (and 0.25% service charge) some 182 authorities were offering shared ownership cheaper than renting but as we increase this charge to 3.5% only 60 authorities remain in that category. On service charges we modelled a service charge at 0.25% upwards to 1.0%. On this last, with a rental charge of 3.5%, only 4 authorities would then be offering shared ownership cheaper than renting on our assumptions.

The assessment highlights how sensitive the number of local authorities where shared ownership can be cheaper is to varying these four variables. The share bought and LTV have the greatest impact. Our model is constrained at this point but as we go on to show shared ownership has built in flexibility, e.g. the size of the share bought, and shared owners are able to adjust around this to secure their chosen homes.

Across all the variables the regional impacts were more or less predictable, with the proportion of authorities being cheaper for SO higher in regions outside of London and the South-East, e.g., the North of England.

### **And after 5 years how does this cost comparison stand up?**

To examine comparative costs in Year 5, we make further assumptions, in this case about inflation – including projecting CPI forward as appropriate – and the uplift in rents and service charges etc. This was done conservatively with PRS rents rising by CPI and SO costs (rent/service charges) by CPI plus 1. For ease of calculation in the model, we have simply assumed that mortgage rates are 5-year fixed rate products so that the initial mortgage rate and associated monthly payment continues to apply in Year 5.

As we can see from Table 2, based on the default metrics and across all local authorities (294) we had 147 where SO was lower cost in Year 1 and this rose to 190 in Year 5 as buyers benefitted from the nominal nature of their loan costs relative to other costs. In percentage terms (see lower half of the table) we have, for example in Yorkshire and Humberside, 60% of authorities in year 1 where SO was cheaper, rising to 67% in year 5.

Turning to high rent local authorities, of which there are 48 out of 83 where SO is cheaper than renting in Year 1, this rises marginally to 51 in Year 5. The regional splits show that in the East of England, for example, this was 53% in Year 1 and 59% in Year 5.

**Table 2 Number and proportion of Local Authorities where SO is cheaper than renting, all authorities and high rent authorities, Year 1 and Year 5**

Number of LAs where SO cheaper	All authorities			High rent authorities		
	Number	SO lower cost in Year 1	SO lower cost in Year 5	Number	SO lower cost in Year 1	SO lower cost in Year 5
East Midlands	35	18	27	0	0	0
East of England	45	20	28	17	9	10
London	32	19	19	29	16	16
North East	12	10	10	1	1	1
North West	35	24	28	1	1	1
South East	64	26	34	30	17	19
South West	26	8	13	3	3	3
West Midlands	30	13	21	1	0	0
Yorkshire and The Humber	15	9	10	1	1	1
<b>England</b>	<b>294</b>	<b>147</b>	<b>190</b>	<b>83</b>	<b>48</b>	<b>51</b>

Proportion of LAs where SO cheaper						
East Midlands		51%	77%		–	–
East of England		44%	62%		53%	59%
London		59%	59%		55%	55%
North East		83%	83%		100%	100%
North West		69%	80%		100%	100%
South East		41%	53%		57%	63%
South West		31%	50%		100%	100%
West Midlands		43%	70%		0%	0%
Yorkshire and The Humber		60%	67%		100%	100%
<b>England</b>		<b>50%</b>	<b>65%</b>		<b>58%</b>	<b>61%</b>

Note: 40% SO share, 90% LTV, 2.75% rental charge, 0.25% service charge

In Appendix 3, we provide a more granular breakdown of Year 1 results in this table covering the full range of LTVs (75/90/95) and shares bought (10/25/40/50/60). As would be expected the number of local authorities where SO is cheaper rises as the LTV or borrower share falls not least because costs diminish as a consequence. This highlights the flexibility of SO in relation to the private rented sector.

## 4: Running with real lender data and rolling forward by 10 years.

**Having now validated our model and explored cost comparisons, in this section we move on from an analysis based on aggregate national data and quite tight assumptions to one which is based on real individual borrower/loan data drawn from the lending industry. Even though certain assumptions are still needed, this second phase of our work is grounded in reality with the extensive datasets available allowing us a much more granular assessment with high levels of confidence as to their accuracy and representativeness. The assumptions are spelt out in detail in Appendix 2.**

### Stage 1: Re-running the model with industry loan level data

In order to get the ball rolling, we re-run the Years 1 and 5 analyses undertaken in the initial basic modelling discussed above, with two key differences for what we will now call our industry model:

- the analysis is based on actual individual borrower/loan/property characteristics rather than multiple permutations of variables like estimated SO share and LTV.
- the determination as to whether SO produces a lower cost outcome than private renting is based on whether at least two-thirds of SO transactions in the LA over the 9-year period are cheaper than private renting (potentially a more onerous test than that employed in the earlier basic modelling).

Table 3 below summarises the findings for “high rent” LAs and where we might expect SO to be most competitive.

**Table 3: Comparing the results of the two models for high rent LAs, Year 1 and Year 5**

Base: SO rental charge, 2.75%, SO service charge 0.25%

Region	Total LAs	Industry model Lower cost in		Basic model Lower cost in	
		Y1	Y5	Y1	Y5
East Midlands	0	0	0	0	0
East of England	17	17	16	9	10
London	29	29	26	16	16
North East	1	1	1	1	1
North West	1	1	1	1	1
South East	30	24	26	17	19
South West	3	3	3	3	3
West Midlands	1	1	1	0	0
Yorkshire and The Humber	1	1	1	1	1
<b>England</b>	<b>83</b>	<b>77</b>	<b>75</b>	<b>48</b>	<b>51</b>

Note: Industry model assumes a 5% mortgage refinance rate; the basic model features 40% borrower share and 90% LTV.

Key take-aways are that in the modelling using industry data, in Year 1, SO costs less than renting in more “high rent” LAs than in the basic model, and especially in the more expensive Greater London and South-East markets. This is because, given affordability constraints on the borrowing capacity of SO buyers, lenders are typically able to support lower SO shares in these more expensive markets. This is an important reminder of the flexibility of the SO product and the subsequent tailoring of the loans made available.

The other point to highlight in Table 3 is that, in Year 5, the industry model sees the number of LAs where SO is cheaper dropping to 75, in contrast to the initial basic modelling where the number rises. This is likely to reflect the different mortgage rate assumptions being used in the two models. Mortgage rates in the basic model average about 4.25% and these rates are assumed to continue into year 5. By contrast, initial mortgage rates average about 4% in the industry model, but most will have defaulted to our assumed 5% refinance rate by year 5. It is this higher rate that explains why SO is cheaper in fewer local authorities. Altering the interest rate assumption for the industry model to 4% instead of 5% would have a discernible effect, raising the number of “SO cheaper” LAs in Year 5 to 79.

Rolling forward our cost comparison snapshot to Year 10, the benefit of mortgage costs that are set in nominal terms comes strongly to the fore, especially as by Year 5 most actual SO mortgages have reached the end of any fixed-rate term and (by assumption) are refinanced at 5%. Looking first at high rent areas, i.e., where the cost comparison is “tightest” the number of such LAs where SO costs are lower rises to 81 as Table 4 below shows. This is 98% of the total in England. Then, looking at all local authorities the roll through to Year 10 takes the proportion where SO is cheaper up to 93%, in effect the vast majority of all areas.

**Table 4: Extending the SO/PRS cost comparison to Year 10, Industry Model**

Base: SO rental charge 2.75%, SO service charge 0.25%, mortgage refinance rate 5%

Region	All LAs			High rent LAs				
	Total	Lower cost in		Total	Lower cost in			
		Y1	Y5	Y10		Y1	Y5	Y10
Number								
East Midlands	35	30	30	33	0	0	0	0
East of England	45	35	37	41	17	17	16	17
London	32	32	29	32	29	29	26	29
North East	12	6	8	10	1	1	1	1
North West	35	23	24	31	1	1	1	1
South East	64	51	51	58	30	24	26	28
South West	26	20	20	26	3	3	3	3
West Midlands	30	23	23	29	1	1	1	1
Yorkshire and The Humber	15	7	10	12	1	1	1	1
<b>England</b>	<b>294</b>	<b>227</b>	<b>232</b>	<b>272</b>	<b>83</b>	<b>77</b>	<b>75</b>	<b>81</b>
Proportion of total								
East Midlands		86%	86%	94%		–	–	–
East of England		78%	82%	91%		100%	94%	100%
London		100%	91%	100%		100%	90%	100%
North East		50%	67%	83%		100%	100%	100%
North West		66%	69%	89%		100%	100%	100%
South East		80%	80%	91%		80%	87%	93%
South West		77%	77%	100%		100%	100%	100%
West Midlands		77%	77%	97%		100%	100%	100%
Yorkshire and The Humber		47%	67%	80%		100%	100%	100%
<b>England</b>		<b>77%</b>	<b>79%</b>	<b>93%</b>		<b>93%</b>	<b>90%</b>	<b>98%</b>

Note: Results on whether SO gives rise to lower costs in LA are based on at least two-thirds of cases in LA prompting lower costs.



## Stage 2: Allowing for house price inflation and capital repayments in Year 10

Having demonstrated that 10 years on the nominal nature of mortgage debt payments improves the competitive advantage of SO over renting privately we now move on to look at two further key parameters – taking account of house price inflation and the impact of capital repayment on the mortgage.

This Stage 2 analysis is in many senses the most crucial step as this analysis will allow us to understand how any house price gains over time impact on this SO/PRS comparison alongside taking account of the capital repayments being made. This will move us away from simple cost comparisons between the two tenures to a much fuller recognition of the power of ownership.

In Table 5 below we estimate the value of the SO property on a conservative basis at the end of year 10. We disregard HPI increases in Years 1-5 as we assume any gains are offset by the unwinding of any new build premium which shared owners buying new properties will have paid. From Year 6 onwards we inflate the house price by CPI even though in reality the longer-term trend is more like CPI plus 2%.

We also looked at the mortgage balance outstanding in year 10. Clearly this will have reduced so we calculate the amount that had been repaid. Putting these two calculations together we have a figure which shows how the equity position of the shared owner has improved.

**Table 5: Extending the SO/PRS comparison to include HPI and Capital Repayments, Industry Model, Year 10**

Number of LAs in England where SO equity exceeds savings after 10 years

Base: SO rental charge 2.75%, SO service charge 0.25%, mortgage refinance rate 5%

Region	All LAs		High rent LAs	
	Total	SO equity higher	Total	SO equity higher
East Midlands	35	33	0	0
East of England	45	43	17	17
London	32	32	29	29
North East	12	11	1	1
North West	35	35	1	1
South East	64	63	30	29
South West	26	26	3	3
West Midlands	30	30	1	1
Yorkshire and The Humber	15	14	1	0
<b>England</b>	<b>294</b>	<b>287</b>	<b>83</b>	<b>81</b>

Note: Results of this comparison are based on whether at least 95% of cases in LA result in SO borrowers having higher balances at end Y10.

To maintain as fair a comparison as possible we then allow for the value of the renter's savings foregone, i.e., if a PRS tenant had invested the equivalent sum to that put down as a deposit by the shared owner, these savings would have grown over the same 10 year period. This gives us the number of authorities where the shared owner's equity position was greater than the savings of the tenant at the end of year 10. We also upped the strength of the comparison test to say that 95% of the cases in each local authority had to have balances that were higher at the end of the period. As can be seen the results were extremely positive for shared owners in almost all local authorities in all regions – 287 out of 294 authorities and 81 out of 83 high rent authorities.

A key question we have not addressed yet is which option is best taking into account both the cumulative cash flow costs and differentials in asset balances. In Table 6 below, we begin to put monetary values to these outcomes by region at the end of year 10. Please note that we have grossed up these figures by using industry loan data to give our best estimate of how much the entire cohort of households purchasing SO properties over the nine financial years has benefitted or will benefit.

The shared owners put down, in aggregate, deposits with a total value of £1.6 billion. Their net equity at the end of 10 years would have been £6.8 billion. Taking away the value of the deposits made at the outset, they have enjoyed a total uplift of £5.2 billion. This comprises two elements: HPI and capital repayment. The latter is £3.0 billion (the 4th column) so netting that off we find that HPI uplift (5th column) has contributed £2.2 billion over those 10 years. The fact that the benefit of repayments exceeds that derived from HPI uplift is notable – in part this will depend in reality on the price cycle but it also reflects the power of a capital and interest mortgage.

In the counterfactual, private renters, by contrast, had savings now worth £2.2 billion, an uplift of nearly £600m. The average gain for SO households would be more than £33,000, whilst for PRS households the gain would be less than £4,000. The final column of Table 6 shows that SO households would on average be £29,000 better off compared with renting privately. As can be seen from the last column the range is from £42,000 in London to £19,000 in the North East.

Whilst we have not undertaken a complete analysis of annual costs and changes in asset values, the fact that most households in most local authorities find SO cheaper in years 1, 5 and 10, and see much stronger asset growth by the end of year 10 makes it clear that SO households are in most cases likely to experience much better financial outcomes than had they opted to rent privately.

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Shared owners put down, in aggregate, deposits with a total value of **£1.6 billion**. Their net equity at the end of 10 years would have been **£6.8 billion**.

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**Table 6: Estimated balances, all LAs**

Base: SO rental charge 2.75%, SO service charge 0.25%, mortgage refinance rate 5%

	Initial deposit	Savings end Y10	SO net equity end Y10	Total capital repayments	HPI gain	Average net overall gain per SO borrower
	£m	£m	£m	£m	£m	£'000s
East Midlands	88	119	366	159	119	22
East of England	222	301	929	401	307	30
London	563	758	2,456	1,118	775	42
North East	18	25	83	40	25	19
North West	86	117	367	169	112	22
South East	403	547	1,733	755	575	32
South West	152	206	608	256	200	26
West Midlands	87	118	368	160	121	24
Yorkshire and The Humber	58	78	242	109	75	22
<b>England</b>	<b>1,602</b>	<b>2,171</b>	<b>6,799</b>	<b>2,993</b>	<b>2,204</b>	<b>29</b>

Note: Industry model results have been grossed up in line with UK Finance metrics and our best estimate of total SO loans for house purchase over nine financial years 2014/15 – 2022/23.

## 5: Summary and Conclusions

**Even though the analysis and the report were undertaken in a very short period it has produced significant results which go some considerable distance to highlighting the merits of households opting to buy a home via the shared ownership model in comparison to renting privately.**

### Setting up the model and making initial cost comparisons

The work was undertaken in two phases. First, having set up the model based on conservative assumptions and using published national data, we undertook an examination of a first set of comparisons between shared ownership (SO) and private renting. We focused our work on both all areas and defined “high rent” areas. This latter category encompassed some 83 local authorities out of the 294 in total and where, for example, most of London boroughs (29 out of 32) are high rent and 30 of the 64 authorities in the South-East. In addition, as Map 3 showed, there are also conurbations across England with defined high rent areas.

We found that on a Year 1 basis, SO was cheaper in only 48 high rent authorities (58% of the total high rent areas) on a 40% share and 90% LTV basis (which approximates the typical SO purchase). There were no high rent areas in the East Midlands and in four regions SO was lower cost in all authorities in both Year 1 and Year 5. Of course, in reality, there would be purchases in all areas, not just those in high rent areas and that shared owners would not just be taking a Year 1 view. Our purpose here was to understand better what the biting constraints were and in high rent areas when we eased back the SO share to 25% on a 90% LTV (64 areas and 77% of total) and then 10% (79 and 95%) of course more areas offered SO as a cheaper option than renting.

We explored the impact of varying the assumptions we had used (size of share bought, initial LTV, the SO rental charge and the SO service charge). It was evident that the flexibility around the share bought and the LTV of the loan were the two critical factors in terms of making SO cheaper than renting, though at extremes all factors played a part.

Having undertaken the Year 1 comparison and recognising that with a 5 year fixed rate mortgage costs would be static while other costs for both renters and shared owners would be inflating, we then ran the Year 5 comparison. Again, focusing on high rent areas this brought the number of areas where SO outperformed renting to 51 and 61% of high rent areas (up from 48 and 58%).

Moreover, taking all local authorities, not just high rent areas, the comparison was 147 and 50% in Year 1 and 190 and 65% in Year 5 where on these simple metrics shared ownership outperformed private renting.

What this initial modelling has highlighted is the impact of the size of the share bought and the LTV of the loan used to make the acquisition and then when played out over five years the impact of fixed mortgage costs compared to inflating rental costs.

## Running with real data

We then moved onto our second phase using the industry model driven by loan level data. Effectively the model has the same basic structure but we then extended the analysis to a considerable degree (including rolling the analysis forward to Year 10 and adding in the impact of house price inflation and capital repayments). Again we have made what we regard as conservative assumptions in order to ensure this is as balanced an assessment as possible.

We began by comparing the results of our basic and industry data led models on a Year 1 and Year 5 basis in both all local authority areas and high rent areas (Tables 3 and 4). This highlighted the impact of households moving off their initial fixed rate onto higher rates in the industry data model - reflecting the shift in the interest rate environment that took place during the period in question. In terms of all authorities the number steadily rose from 227 in year 1 (compared to 147 in the basic model) to 232 in Year 5 (190 in the basic model) and 272 in Year 10. The number of high rent areas where SO was cheaper than renting went down from an initial 77 to 75 (compared to the initial model where it went up from 48 to 51). This reflected the assumptions about interest rates. However, when we looked at Year 10 it then went up to 81.

We then looked at the impact of capital repayments and house price inflation on the shared ownership/rent comparison. With respect to the latter we have used very conservative assumptions, namely that HPI only increases in line with CPI (and by no more than 5% in any single year) and that HPI gains only accrue in Years 6-10 treating the gains in earlier years as offset by the unwinding of any new build premium which shared owners buying new properties will have paid.

The results show the power of both elements combined resulting in shared ownership providing better asset balances after 10 years in 287 out of 294 local authorities (and 81 out of 83 higher rent areas). We estimated in Table 6 that after a 10 year period shared owners enjoy an aggregate uplift of £5.2 billion in their net equity, compared to less than £600 million earned on saving by



those renting privately. These figures correspond to an average equity gain of more than £33,000 per SO household – and an outcome that is £29,000 better than accruing to PRS households. These are substantial sums arrived at using conservative estimates.

Importantly, such gains are in addition to the lower annual costs that SO households typically experience across most local authorities over time. By year 10, SO households experienced lower costs in almost all authorities (272 out of 294).

The dataset would allow for further comparisons and analysis, for example, around the differentials between new and existing homes and between houses and flats. Unfortunately, this could not be undertaken here but both would merit further exploration.

## Our Conclusions

Reviewing the advice and guidance given by shared ownership providers in relation to the choice between this type of ownership and renting there is frequent mention of the flexibility, choice and control that ownership brings alongside avoiding constantly inflating rents and with the added bonus of capital appreciation and how that will assist households to move up the housing ladder. However, having provided an initial assessment, what most if not all providers don't do is to plot out in relation to key metrics how shared ownership performs in relation to private renting over time and by local authority area.

This is the central contribution of this study. It provides firm evidence based on our model, first by using aggregated published data and second, via an extended analysis using loan level lending industry data. It highlights where SO works best and in what terms. Two features of SO stand out in this comparison with private renting.

First, house purchase is a leveraged transaction, i.e., it is typically based on borrowing on which is repaid on a capital and interest basis over time. As capital is repaid the borrower's equity stake increases. We have observed here how with the steady repayment of capital the buyer is able to increase their ownership share even over just 5 years (even in the absence of any formal staircasing) and that this makes a material difference in weighing up the costs and benefits of shared ownership compared to renting privately.

Second, and of even greater significance, subject of course to the economic cycle, is the fact that the shared owner benefits from house price appreciation.

So not only are they paying down the capital and thus truly owning more of their home but the home may also be going up in value so that share is now worth more. These are dynamics that are not replicated in the private rented sector for the occupant and so over time the advantages accruing to being a shared owner grow.

Precisely how that plays out clearly varies by size of the share bought, the LTV applied, the area in which the home is located and of course wider economic reality. The evidence is clear, even on the quite restrictive assumptions made here, that SO outperforms renting and regardless of location. It has done this over the last ten years and looking ahead into the future it is projected to do so. Clearly when we look out to 2033/34 the assumptions we have to make become more challenging and more impactful, but even here on the basis of the judgements we have made, it can reasonably be expected to be the case.

While there are some concerns with the current shared ownership offer and where improvement is required, not just on entry but in terms of the journey through the tenure, these are now firmly on the agenda for change given the recent LUHC report and the work of the Shared Ownership Council. However, as this study shows at the basic cost comparison level shared ownership substantially outperforms private renting as a choice for many of the households on the cusp between owning and renting. And it does so across all regions of England including London and the South East. Without doubt these last are more challenging markets, as we know from the mainstream market itself, but it is clear that for households entering the SO market in these regions there are also net beneficiaries.

Taking into account the overwhelming majority of people in England aspire to buy a home of their own, in addition to the government's ambition to grow the rate of home ownership and to create more inclusive opportunities to do so, then shared ownership has a lot to offer. Indeed, given the government's current desire to focus much of its efforts on building more social rented housing it would be a missed opportunity not to recognise the role shared ownership might play in assisting some existing social (and privately rented) tenants/children of tenants to move into home ownership thus freeing up/or reducing overcrowding in existing tenancies. Ever more, government should be looking at how different tenures can bring greater mobility into the housing market rather than viewing them as isolated entities.

The assumptions we have made to operationalise the models used have been deliberately conservative. While we cannot pretend that the findings precisely mirror reality the overall direction of travel is pretty clear. The metrics of costs

and benefits, however imprecise, are weighted heavily in favour of shared owners and shared ownership across all regions of England in comparison to renting privately. Without any doubt, the majority of shared owners will be materially better off by making this choice.

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# Appendix 1: Basic Model Methodology

The aim of the initial basic model is to compare shared ownership costs with the costs associated with renting a broadly commensurate private rental property at local authority level across England.

## Data sources

Given a dearth of published data on shared ownership, our starting-point has been private rental information where the Office for National Statistics (ONS) routinely publish a wide variety of data.

We start with information from the ONS publication [Private rental affordability, England and Wales: 2023](#), Table 4 of which reports at local authority level the proportion of median income of private renting households that is equivalent to mean rent for the financial years 2014/15 through to 2022/23.

We also make use of the ONS [Private rental market summary statistics in England](#) series. Specifically, we have captured Table 2.7 metrics, reporting monthly rent information by local authority areas for the financial years 2014/15 through to 2022/23. This provides us with mean, lower quartile, median and upper quartile rents by local authority for nine financial years.

By pairing the affordability metric with the mean rent figures, we are able to infer median income for privately renting households at local authority level by financial year. We take forwards median rent and median income in our analysis.

The final step is to introduce a suitable house price metric that can be the basis for determining a counterfactual house purchase. We know that a majority of shared ownership transactions entail the purchase of a new-build property.

Given the focus of our Basic Model on moderate income households, we decided to benchmark the affordability of using shared ownership to purchase a lower quartile new-build flat, terraced or semi-detached property<sup>1</sup>.

The data for this can be drawn from the [Price Paid Data](#) published monthly by HM Land Registry and summarised at local authority level on a financial year basis.

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1 Our rationale for choosing lower quartile (LQ) new-build price as a benchmark stems from the industry data that we use in our Industry Model. On average household income used in our Industry Model corresponds to about 114% of the income used in the Basic Model. Property prices in our Industry Model on average represent 118% of LQ and 97% of median new-build prices used in the Basic Model. Use of LQ new-build prices therefore looks to be the less distorting parameter to choose.

## Local authority classifications

One drawback of working with data from multiple sources and covering different time periods is that local authority areas are reclassified from time to time, most obviously when several local authorities are merged to form a larger unitary authority or a county council is abolished in favour of one or more unitary authorities.

In order to avoid the potential non-alignment or mis-alignment of local authorities, we have recalibrated all such metrics so that they are harmonised using ONS classifications in force in December 2024. This has been done using a “best endeavours” approach, and affects 11 authorities. In addition, there have been a small number of cases (6), where it has not been possible to use some 2014/15 metrics.

But taken overall, we have ended up with comprehensive rental data for 294 England authorities. We ignore the City of London and the Isles of Scilly in our analysis.

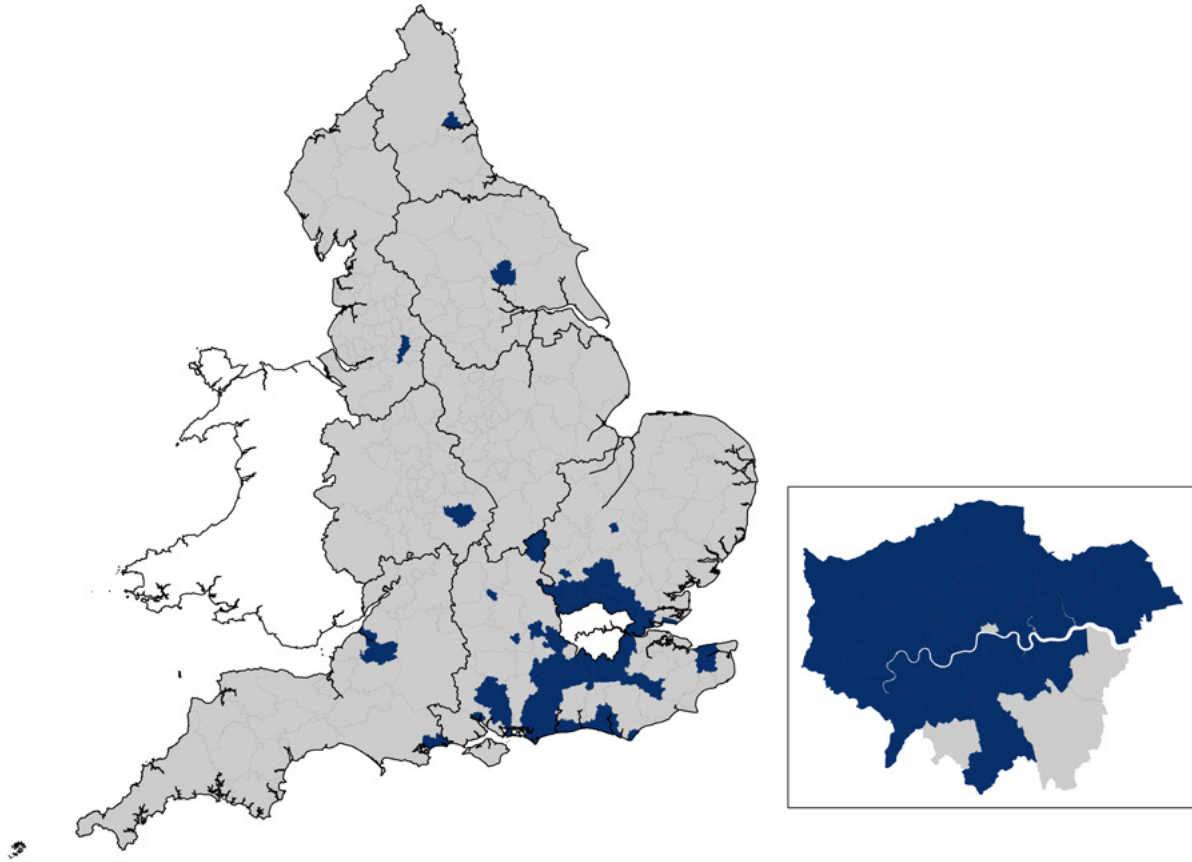
## Defining “High Rent” areas

We thought that it might be helpful to designate which local authorities are “High Rent” areas. To do this, we calculated what proportion of median incomes would be taken up by median rent payments in each financial year.

Given that reporting for small geographies and by single years will be subject to sampling errors and other reporting vagaries, we labelled a local authority as “High Rent” where median rent accounted for more than 30% of median income in at least six of the nine financial years under consideration. Map 1 below provides a view of where the defined high rent areas are.



## Map 1 showing high rent LAs – shaded blue – based on median rents and incomes



### Basis for cost comparison

Our main task is to compare monthly cost associated with SO household buying a LQ new-build property with the counterfactual case of the household taking a median private rent instead.

SO	Private rent
Mortgage cost associated with borrower share	0
SO rental charge	Savings interest
SO service charge	

The inclusion of savings interest here needs some explanation.

A fair comparison of the two options needs to take into account the fact that the SO household contributes a deposit to fund his/her borrower share. If we simply regard the deposit as free money, then two SO households buying identical SO properties with the same borrower share and mortgage rate, the household putting down a larger deposit would have lower monthly costs than one who put down a minimum deposit.

The easiest way to address this problem is to ascribe to the counterfactual privately renting household a savings balance identical to the size of deposit paid down and earning a market rate of savings interest that offsets part of the gross private rental cost.

We make the following assumptions about each element in turn:

### **Mortgage cost**

SO household takes out a 30-year term 5-Year fixed rate mortgage.

Mortgage rates are average quoted rates for 95% LTV 5-Year fixed rate mortgage, based on Bank of England monthly reporting (Code: IUM5WTL).

Nominal mortgage costs are assumed to be constant over the initial fixed rate term, so will be the same in Year 5 as in Year 1 (although the mix of capital and interest payments will shift over time).

### **SO rental charge**

We test a range of different values between 2.50% and 3.50%. Our default figure is 2.75% levied on the initial equity portion retained by the housing association. We assume the charge inflates by CPI+1% each year.

### **SO service charge**

Information on service charge has been hard to obtain. While we are aware that service charges often do not apply to houses and vary a lot across flats, with potentially significant charges in place for some high-rise properties, we have adopted a blanket approach.

We test a range of different values between 0.25% and 1.0%. Our default value is 0.25%. We assume the service charge inflates by CPI+1% each year.

## **Private rental**

Our default metric is the median rent that applies in a local authority in any given financial year. We assume private rent inflates by CPI % each year. We deliberately set this below that for SO, so as not to bias our comparison of costs in favour of SO.

## **Savings interest**

Our basic model assumes that the initial (Year 1) savings rate is 2% below the 95% LTV 5-Year fixed rate mortgage, based on Bank of England monthly reporting (Code: IUM5WTL).

For subsequent years, we assume that the savings balance held by private renters increases by the amount of interest earned each FY. When calculating the cumulative growth in savings for Year 5, we assume that this matches the cumulative change in CPI in Years 1-4. This represents a very minor disconnect in assumptions, but one that is trivial for our purposes.

In addition to the above, our FY figures for CPI are based on an average of quarterly CPI indices through to 2023/24. We assume that CPI increases by 3.0% for 2024/25, 2.5% for 2025/26 and 2% per annum thereafter.

## Appendix 2: Industry Model Methodology

The aim of the industry data based model is to look at shared ownership costs that can be inferred from many thousands of house purchase loans taken out by SO households over financial years 2014/15 through to 2022/23. We then project these costs forwards by up to 10 years and compare them with the costs associated with renting a broadly commensurate private rental property at local authority level across England.

### Data sources

Our dataset, constructed from information provided by Leeds Building Society and UK Finance, comprises tens of thousands of house purchase loans to SO households over financial years 2014/15 through to 2022/23. The dataset features information on property location, type, size and value, borrower share, LTV, mortgage type and rate, and household income.

We combine this with local authority level median rent metrics, taken from ONS [Private rental market summary statistics in England](#) Table 2.7 reporting for the financial years 2014/15 through to 2022/23. These are the same rent metrics used in our Basic Model.

### Basis for cost comparison

Our main task is to compare monthly cost associated with SO household buying its property with the counterfactual case of the household taking a median private rent instead.

Our approach is similar to that followed by the Basic Model, except that our test for whether SO is cheaper is whether this is true in at least two-thirds of cases of lending in that LA.

We make the following assumptions:

#### **Mortgage cost**

For Year 1, we have the initial mortgage metrics and use simple accounting formula to determine the total monthly mortgage payment (using annual -rest method).

For subsequent years, we need to test whether any initial fixed rate term has expired. If/when it has, our default assumption is that the household faces a refinance rate of 5% (in effect we assume that the household moves onto a 5% fixed mortgage rate for the remaining term of the mortgage). We are able to flex this refinance rate assumption in our analysis.

For all households, we determine how much mortgage principal has been repaid when the initial fixed rate term expires and then recalculate mortgage payments to fully clear the mortgage debt over the remaining term of the original mortgage. We do not factor in any extension of the mortgage repayment period, partial repayment or drawdown of additional borrowing.

In the case of mortgages that are not flagged as fixed rate loans, we treat them as if a 1-year fixed rate term applies, that is we calculate new mortgage payments from Year 2 onwards at our default refinance rate.

These simplifications allow us to determine the monthly mortgage cost and how much mortgage principal has been repaid at any time of the mortgage.

#### **SO rental charge (as for Basic Model)**

We test a range of different values between 2.50% and 3.50%. Our default figure is 2.75% levied on the initial equity portion retained by the housing association.

We assume the charge inflates by CPI+1% each year.

#### **SO service charge (as for Basic Model)**

Information on service charge has been hard to obtain. While we are aware that service charges often do not apply to houses and vary a lot across flats, with potentially significant charges in place for some high-rise properties, we have adopted a blanket approach.

We test a range of different values between 0.25% and 1.0%. Our default value is 0.25%. We assume the service charge inflates by CPI+1% each year.

#### **Private rental (as for Basic Model)**

Our default metric is the median rent that applies in a local authority in any given financial year. We assume private rent inflates by CPI % each year.

## **Savings interest**

For simplicity, we assume that any savings held by the household attracts a savings rate equal to CPI % throughout. This is likely to overstate the savings interest received in the early 2020s when inflation was exceptionally high. We further assume that all interest earned is added to the savings balance held by private renters.

## **CPI (as for Basic Model)**

In addition to the above, our FY figures for CPI are based on an average of quarterly CPI indices through to 2023/24. We assume that CPI increases by 3.0% for 2024/25, 2.5% for 2025/26 and 2% per annum thereafter.

## **House price effects**

An additional analysis is to assess the impact of capital repayments and house price gains over time.

We assume that annual house price inflation exactly matches CPI (but only up to a maximum 5%). The long-run trend over the past 30 years or so has been for house prices to increase in real terms by more than 2% annually.

We also only take house price inflation into account from Y6 onwards. The thinking here is to address the fact that most SO purchases are new-build properties and so likely that their initial values are inflated by new-build premium (white goods etc). We assume that any such premium is fully unwound after five years, so that it is reasonable to then uprate property value in line with HPI gains.

The above steps hopefully ensure that we are not exaggerating the benefits of SO.

In our analysis, the property value at end Y10 represents the original property valuation uprated by HPI (actually CPI) in Years 6-10.

We assume the original borrower share still applies, so we can determine the value of that part of the property owned by SO household. We can also break this down into the original deposit value, cumulative capital repayments over 10 years and HPI effects.

Deducting the mortgage balance at end Y10 then implies the SO household's NET equity position. This can be compared with the counterfactual savings balance of a private renter household.



# Appendix 3: Basic Model Supplementary

## Table: Geography of where SO is cheaper than renting, Year 1

All authorities

SO share	Number LAs						Proportion of LAs				
	Total	10%	25%	40%	50%	60%	10%	25%	40%	50%	60%
<b>East Midlands</b>											
75%	35	35	33	29	17	7	100%	94%	83%	49%	20%
90%	35	35	33	18	7	5	100%	94%	51%	20%	14%
95%	35	35	31	13	7	4	100%	89%	37%	20%	11%
<b>East of England</b>											
75%	45	45	42	32	19	13	100%	93%	71%	42%	29%
90%	45	45	35	20	13	9	100%	78%	44%	29%	20%
95%	45	45	35	18	13	5	100%	78%	40%	29%	11%
<b>London</b>											
75%	32	28	25	20	18	11	88%	78%	63%	56%	34%
90%	32	28	23	19	11	7	88%	72%	59%	34%	22%
95%	32	28	23	14	10	5	88%	72%	44%	31%	16%
<b>North East</b>											
75%	12	12	12	10	10	7	100%	100%	83%	83%	58%
90%	12	12	12	10	7	4	100%	100%	83%	58%	33%
95%	12	12	12	9	5	3	100%	100%	75%	42%	25%
<b>North West</b>											
75%	35	35	33	29	24	14	100%	94%	83%	69%	40%
90%	35	35	32	24	13	8	100%	91%	69%	37%	23%
95%	35	35	32	22	12	7	100%	91%	63%	34%	20%
<b>South East</b>											
75%	64	62	53	36	24	17	97%	83%	56%	38%	27%
90%	64	62	46	26	15	6	97%	72%	41%	23%	9%
95%	64	62	46	21	12	4	97%	72%	33%	19%	6%
<b>South West</b>											
75%	26	26	24	14	8	5	100%	92%	54%	31%	19%
90%	26	26	22	8	5	2	100%	85%	31%	19%	8%
95%	26	26	21	7	5	2	100%	81%	27%	19%	8%
<b>West Midlands</b>											
75%	30	30	29	22	13	8	100%	97%	73%	43%	27%
90%	30	30	28	13	8	4	100%	93%	43%	27%	13%

SO share	Number LAs						Proportion of LAs				
	Total	10%	25%	40%	50%	60%	10%	25%	40%	50%	60%
95%	30	29	27	10	6	2	97%	90%	33%	20%	7%
<b>Yorkshire and The Humber</b>											
75%	15	15	14	10	9	6	100%	93%	67%	60%	40%
90%	15	15	11	9	5	4	100%	73%	60%	33%	27%
95%	15	15	10	9	4	4	100%	67%	60%	27%	27%
<b>England</b>											
75%	294	288	265	202	142	88	98%	90%	69%	48%	30%
90%	294	288	242	147	84	49	98%	82%	50%	29%	17%
95%	294	287	237	123	74	36	98%	81%	42%	25%	12%

Base: SO rental charge 2.75%, SO service charge 0.25%

## High rent authorities

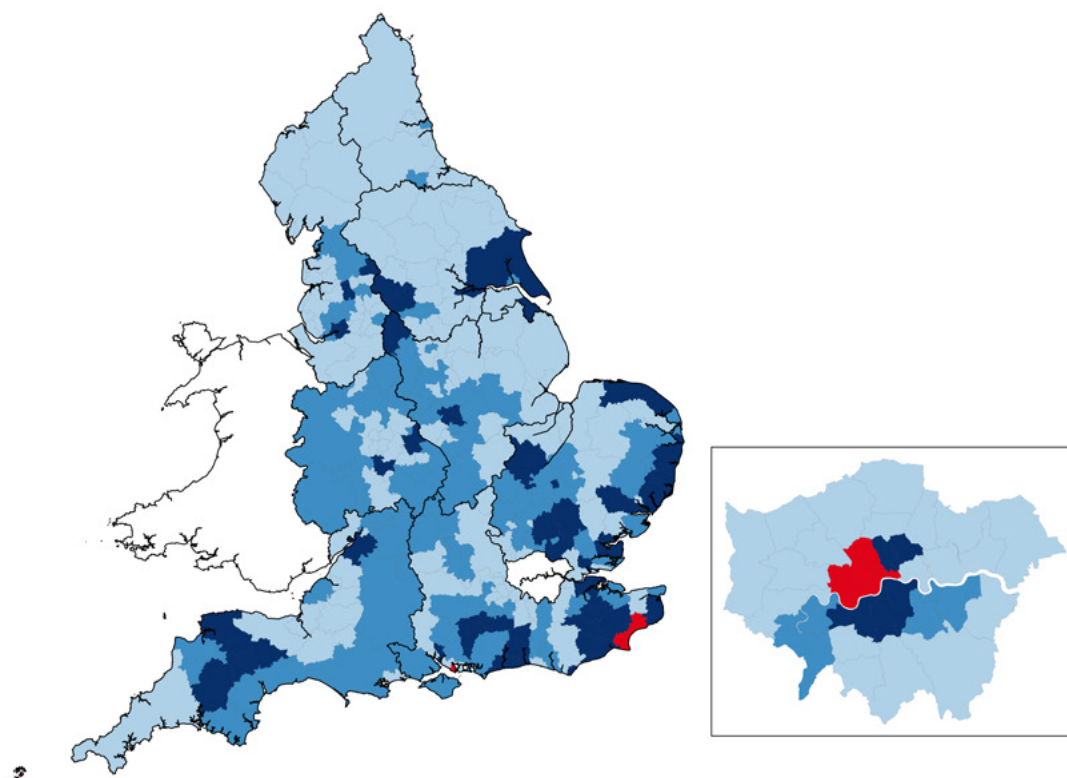
SO share	Number LAs						Proportion of LAs				
	Total	10%	25%	40%	50%	60%	10%	25%	40%	50%	60%
<b>East Midlands</b>											
75%	0	0	0	0	0	0					
90%	0	0	0	0	0	0					
95%	0	0	0	0	0	0					
<b>East of England</b>											
75%	17	17	15	11	9	7	100%	88%	65%	53%	41%
90%	17	17	13	9	7	6	100%	76%	53%	41%	35%
95%	17	17	13	9	7	3	100%	76%	53%	41%	18%
<b>London</b>											
75%	29	25	22	17	16	10	86%	76%	59%	55%	34%
90%	29	25	20	16	10	6	86%	69%	55%	34%	21%
95%	29	25	20	12	9	4	86%	69%	41%	31%	14%
<b>North East</b>											
75%	1	1	1	1	1	1	100%	100%	100%	100%	100%
90%	1	1	1	1	1	1	100%	100%	100%	100%	100%
95%	1	1	1	1	1	1	100%	100%	100%	100%	100%
<b>North West</b>											
75%	1	1	1	1	1	1	100%	100%	100%	100%	100%
90%	1	1	1	1	1	1	100%	100%	100%	100%	100%
95%	1	1	1	1	1	1	100%	100%	100%	100%	100%
<b>South East</b>											
75%	30	30	26	20	17	12	100%	87%	67%	57%	40%
90%	30	30	24	17	11	6	100%	80%	57%	37%	20%
95%	30	30	24	16	9	4	100%	80%	53%	30%	13%
<b>South West</b>											
75%	3	3	3	3	3	2	100%	100%	100%	100%	67%
90%	3	3	3	3	2	2	100%	100%	100%	67%	67%
95%	3	3	3	3	2	2	100%	100%	100%	67%	67%
<b>West Midlands</b>											
75%	1	1	1	0	0	0	100%	100%	0%	0%	0%
90%	1	1	1	0	0	0	100%	100%	0%	0%	0%

SO share	Number LAs						Proportion of LAs				
	Total	10%	25%	40%	50%	60%	10%	25%	40%	50%	60%
95%	1	1	0	0	0	0	100%	0%	0%	0%	0%
Yorkshire and The Humber											
75%	1	1	1	1	1	0	100%	100%	100%	100%	0%
90%	1	1	1	1	0	0	100%	100%	100%	0%	0%
95%	1	1	1	1	0	0	100%	100%	100%	0%	0%
England											
75%	83	79	70	54	48	33	95%	84%	65%	58%	40%
90%	83	79	64	48	32	22	95%	77%	58%	39%	27%
95%	83	79	63	43	29	15	95%	76%	52%	35%	18%

Base: SO rental charge 2.75%, SO service charge 0.25%

## Map 2: Impact of varying SO share in all local authorities

Base: SO rental charge of 0.75% and service charge of 0.25%



Note: Blue shaded areas show which LAs experience SO costs that are lower than private renting as SO share shrinks from 40% to 10%, and with a 90% LTV. The few LAs where SO is higher cost than private renting even down at a 10% share are shown in red.

Although Map 2 doesn't cover all the permutations given in the appendix tables above, it does cover key metrics and the map shows very clearly how lower SO shares progressively increases the number of local authorities where **shared**

**ownership is cheaper than renting.** The lightest blue shading shows those LAs where a 40% share results in cheaper SO. The medium blue areas highlight the additional areas where SO is cheaper with a 25% share. The darkest blue areas only become cheaper where only 10% share. The white area on the main map is Greater London and the detail by London borough is given in the inset map. The red areas indicate those areas where SO fails to be cheaper than the PRS at any borrower share considered.

# Appendix 4: Basic Model Supplementary

## Table: Where SO is cheaper in Year 1 by SO rental and service charges

Service charge	All authorities					High Rent authorities				
	Total	0.25%	0.50%	0.75%	1.00%	Total	0.25%	0.50%	0.75%	1.00%
SO Rental charge across different geographies										
East Midlands										
2.50%	35	26	10	7	4	0	0	0	0	0
2.75%	35	18	7	6	2	0	0	0	0	0
3.00%	35	9	7	4	1	0	0	0	0	0
3.25%	35	7	5	2	1	0	0	0	0	0
3.50%	35	6	3	1	0	0	0	0	0	0
East of England										
2.50%	45	27	15	13	9	17	11	7	7	6
2.75%	45	20	14	10	5	17	9	7	6	3
3.00%	45	14	11	7	2	17	7	6	5	1
3.25%	45	13	9	4	0	17	7	6	2	0
3.50%	45	10	5	0	0	17	6	3	0	0
London										
2.50%	32	19	13	10	5	29	16	11	9	4
2.75%	32	19	11	7	5	29	16	10	6	4
3.00%	32	12	10	5	3	29	10	9	4	3
3.25%	32	10	5	4	2	29	9	4	3	2
3.50%	32	8	5	3	1	29	7	4	3	1
North East										
2.50%	12	10	9	5	4	1	1	1	1	1
2.75%	12	10	7	4	3	1	1	1	1	1
3.00%	12	9	4	4	1	1	1	1	1	1
3.25%	12	6	4	1	0	1	1	1	1	0
3.50%	12	4	3	1	0	1	1	1	1	0
North West										
2.50%	35	27	20	11	9	1	1	1	1	1
2.75%	35	24	14	10	7	1	1	1	1	1
3.00%	35	18	11	8	6	1	1	1	1	1
3.25%	35	13	9	7	6	1	1	1	1	1
3.50%	35	10	7	6	3	1	1	1	1	0
South East										
2.50%	64	34	20	13	6	30	19	16	9	6
2.75%	64	26	16	7	5	30	17	12	6	5
3.00%	64	19	9	5	3	30	15	8	5	3
3.25%	64	13	6	3	2	30	9	6	3	2
3.50%	64	8	5	3	2	30	7	5	3	2
South West										
2.50%	26	11	6	5	2	3	3	3	2	2

Service charge	All authorities					High Rent authorities				
	Total	0.25%	0.50%	0.75%	1.00%	Total	0.25%	0.50%	0.75%	1.00%
SO Rental charge across different geographies										
2.75%	26	8	5	3	2	3	3	2	2	2
3.00%	26	6	4	2	2	3	3	2	2	2
3.25%	26	5	3	2	1	3	2	2	2	1
3.50%	26	4	2	2	1	3	2	2	2	1
West Midlands										
2.50%	30	18	9	8	4	1	0	0	0	0
2.75%	30	13	8	5	1	1	0	0	0	0
3.00%	30	8	6	4	1	1	0	0	0	0
3.25%	30	8	5	1	1	1	0	0	0	0
3.50%	30	6	1	1	1	1	0	0	0	0
Yorkshire and The Humber										
2.50%	15	10	9	4	4	1	1	1	0	0
2.75%	15	9	5	4	4	1	1	0	0	0
3.00%	15	7	4	4	3	1	1	0	0	0
3.25%	15	5	4	4	2	1	0	0	0	0
3.50%	15	4	4	2	2	1	0	0	0	0
England										
2.50%	294	182	111	76	47	83	52	40	29	20
2.75%	294	147	87	56	34	83	48	33	22	16
3.00%	294	102	66	43	22	83	38	27	18	11
3.25%	294	80	50	28	15	83	29	20	12	6
3.50%	294	60	35	19	10	83	24	16	10	4

Base: Borrower share 40%, LTV 90%