Shared Ownership Best Buys

MARCH 2023

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Best Buys and Market Watch

Overview of the total number of Shared Ownership Mortgage products available to our customers as of 30th March 2023

Metro Market Watch:

Overview of the total number of Shared Ownership mortgage products available to our customers.

95% LTV – 87 products ↑**2**
90% LTV – 169 products ↑**5**
85% LTV – 211 products ↑**5**
80% LTV – 218 products ↑**5**
75% LTV – 249 products ↑**6**

Our Best Buys now show the difference in rates month on month. Helping to give you a clearer picture the impacts of rising interest rates.

Lender numbers and product numbers reflect a very healthy Shared Ownership mortgage market.

- **Total lenders in SO = 29**
- **Total SO lenders at 95% = 19**

2 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Feb 2023**	5.65%	5.34%	5.10%	5.05%	4.40%
Current Best Fixed Rate	**5.69%**	**5.23%**	**4.88%**	**4.84%**	**4.40%**
Differential	**+0.04%**	**-0.11%**	**-0.22%**	**-0.21%**	**-0.00%**

3 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Feb 2023**	5.69%	5.34%	4.89%	4.84%	4.74%
Current Best Fixed Rates	**5.45%**	**4.89%**	**4.55%**	**4.64%**	**4.44%**
Differential	**-0.24%**	**-0.45%**	**-0.34%**	**-0.20%**	**-0.30%**

5 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Feb 2023**	4.99%	4.74%	4.39%	4.54%	4.19%
Current Best Fixed Rate	**4.99%**	**4.59%**	**4.39%**	**4.34%**	**4.14%**
Differential	**-0.00%**	**-0.15%**	**-0.00%**	**-0.20%**	**-0.05%**

Market Update March 2023

I Shared Ownership

It feels a bit like ground-hog day with the huge demand for SO continuing. At Metro we see a 58% increase in SO assessments, driven by affordability challenges in the Open Market. In effect fall-out from ‘no longer affordable dreams’, into Shared Ownership.

The challenge of higher interest rates and cost living, disproportionately impacting OM sales, compared to SO, creating a ‘new’ type of buyer for our tenure, **in effect a buyer whose second choice is Shared Ownership. Compared to our traditional buyer who may have perceived their only option, their first choice for home ownership being through SO**.

And as a direct result of these wider market affordability challenges, lenders are putting Shared Ownership in their focus. Likely because they expect lower volumes of OM this year and need an accelerant to hit lending targets – Lenders generally have two targets, margin and lending volume. You could express the general mortgage market right now as **‘Cutting margins to encourage volume’**

Albeit a slightly more in-depth view would be lenders searching for areas of lending that are less well served and/or show signs of growth. With Shared Ownership being the obvious mechanism.

The conversations with lender product teams usually revolve around affordability, how these hungry lenders compare with others, how they can enhance affordability specifically for Shared Ownership, how they can enhance their products etc. Don’t get me wrong, we’re not talking massive shiny changes, more like tweaking. For example, one of the big-name lenders adapted their affordability last week, which will likely result in a 10% uplift in affordability. **Which naturally will trigger other lenders to react**, resulting in the usual evolution of SO mortgage products.

If that weren’t enough, another new lender is set to join SO next month, offering 95% LTV. Probably followed by another in Summer.

So… whilst the overall economic climate may be pretty dire. You’d be hard pushed to find a property sector, a safe haven that’s as much resilient, as designed for conditions such as this. Making the unaffordable, affordable – which is how lenders currently see it.

Ask Emilia…

Emilia Hunt - Sales Director at Metro Finance, the largest shared ownership mortgage provider.
Metro Finance helps around 2400 shared ownership buyers per month. Emilia has been part of Metro Finance for over 10 years.

Shared Ownership Affordability – what impacts it? And how has this changed?

Shared ownership affordability is driven by 3 main factors:

1. Income
2. Commitments
3. Deposit

We know over the past year there have been big changes within the market place, which impacts all of the above. During this, I will be considering how a case looked 12 months ago to this day, and what that can mean for shared ownership buyers

Case Study
2 adults, 1 child
Income – £34834
Full Value - £225000
Deposit - £28000

	March 2022	March 2023
Max Share	75%	63%
Borrowing Amount	£140750	£113750
Interest Rate	2.59%	5.64%
Debt to Income	32%	38%

We can be sure that lenders have adjusted their affordability, demonstrated by the case study above. This will be due to;

1. Increase in cost of living

2. Increase in interest rates

Both of these will be amongst the factors which drive a lenders affordability calculator

So in order for someone to afford a property now, what would they need to do now compared to 2022?
Based on:

- £225000 property value
- 25% share
- £23000 sole income, no dependents
- Loan - £150 per month
- 25 year term

Now the below is all based on the HEC, and I appreciate this is not the definitive affordability tool for shared ownership, however this is simply for illustrative purposes.

METRO FINANCE

Rated Excellent ★ Trustpilot

Increase Deposit

	March 2022	March 2023
Based on 5%	46.29%	50.19%
Based on 10%	43.23%	48.01%%
Based on 15%	42.3%	46.64%
Based on 25% deposit	40.51%	43.97%

So in 2022 just a small increase in deposit could have had a large impact on the buyer, but now you are likely to see that buyer needing to increase by a much more significant amount to adjust the affordability

Reduce Credit Commitments

	March 2022	March 2023
With Loan	46.29%	50.19%
Without loan	42.02%	45.57%

In 2022 the impact of reducing credit commitments could have had a more significant impact in terms of affordability, if this was something suitable for the buyer, compared to 2023.

Income

	March 2022	March 2023
Income required	£24000	£26500

The biggest impact appears to be a small increase in salary, having the most effect for buyers

We know from the first example that lenders have changed their affordability calculator. We know from the second example that we can no longer so easily use ways such as increasing the buyers deposit, or the buyers repaying their credit commitments for affordability.

Which leaves us with income…..

This then leads us on to explain how we have managed to hold a steady pass rate with all of the above happening, and the average share holding steady at 43%. We have seen a 16% increase in income at Metro over the last year, with our average income now at approx. £43000. We have also seen a 58% increase in demand for shared ownership. With the exit of help to buy, and the affordability tightening on the open market, we believe we are seeing a **new buyer fall into shared ownership, who earn a higher income** and can afford a larger share OR the same size share as previously afforded by a lower income.

So whilst the economic climate has probably unnerved many sales teams in terms of what will happen to their buyers, **for shared ownership it has fueled the demand and need**. It tells us the affordable buyers are still there, and people still have the same desire for home ownership.

Thank you

- ✓ Any questions just ask
- ✓ Help with assessments just ask
- ✓ Help with SO lending just ask

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