Shared Ownership Best Buys

SEPT 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 27th Sept 2023

Metro Market Watch:

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

95% LTV – 67 products ↑2
90% LTV – 174 products ↑8
85% LTV – 216 products ↑6
80% LTV – 217 products ↑6
75% LTV – 250 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 **Aug 2023**	6.69%	6.54%	6.46%	6.46%	5.89%
Current Best Fixed Rate	**6.69%**	**6.27%**	**6.13%**	**6.13%**	**5.84%**
Differential	**+0.00%**	-0.27%	-0.33%	-0.33%	-0.05%

3 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Aug 2023**	5.89%	5.89%	5.89%	5.89%	5.92%
Current Best Fixed Rates	**5.89%**	**5.89%**	**5.79%**	**5.79%**	**5.77%**
Differential	**+0.00%**	**+0.00%**	-0.10%	-0.10%	-0.03%

5 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Aug 2023**	5.89%	5.29%	4.99%	4.99%	5.04%
Current Best Fixed Rate	**5.89%**	**5.29%**	**4.99%**	**4.99%**	**4.94%**
Differential	**+0.00%**	**+0.00%**	**+0.00%**	**+0.00%**	-0.10%

Market Watch Sept 2023

What a change one month can make! Inflation unexpectedly dipped and Bank of England unexpectedly didn't raise rates again, an extremely good example of why it's so hard for the market commentators/economist to predict accurately where we're heading and how fast things can change.

In this instance a positive change, a glimmer of hope. Albeit not one to be seen as a downward trend in rates**, better expressed as a 'decreasing risk of interest rate rises'**. We may still see further base rate rises this year. Swap rates the reflector of longer term bank base rate are still stable with the longer term swaps (5yr) hovering around mid to late 4% mark, telling us where we can 'possibly' see base rate heading.

You'll have no doubt seen the press about lenders cutting rates, and it's true! You can see from the best buy tables, **the mid LTV ranges on two year fixes dropping by around 0.3%**. This mid-range being the 75% to 85% LTV band or better phrased as deposits of 15 – 25%.

Now, you can view this in two ways that **lenders generally haven't yet cut the higher LTV's 90 and 95% lending**, at which nearly 50% of Shared ownership lending happens – It's higher risk and so the higher rate rewards the risk. Or you could say lenders are making their margins at these higher LTVs. It's not confined to SO, it's simply a current market feature that low deposit mortgages haven't yet seen the rate drops seen elsewhere. I would imagine we won't see any lender action at higher LTV's until at least the next Bank of England meet next month. (by action I mean a similar level of rate reductions as seen elsewhere)

Demand for Shared Ownership, judged by our assessment volumes has dipped slightly in holiday season, with a rise back to normal levels from mid-September back to the usual volume of circa 3500 per month (National with over 100 HA's contributing). This can only be down to the flexibility and affordability of Shared Ownership in current market conditions, especially true when **Halifax report a drop in FTB numbers by 22%** for period Jan -Aug 2023, compared to same period last year.

In effect, we have a housing market with far fewer buyers and a larger proportion of those remaining buyers using Shared Ownership as the method to buy. **Conditions that keep SO sales flowing, and providing solutions for buyers**.

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Ask Emilia…

Emilia Hunt - Sales Director at Metro Finance, the largest shared ownership mortgage provider.
Metro Finance helps around 3500 shared ownership buyers per month. Emilia has been part of Metro Finance for over 10 years.

What are the current trends in Shared Ownership?

We're coming to the end of Quarter 3, and I thought it would be an interesting time to start doing a reflective piece on shared ownership trends that we've seen through 2022 and 2023. This is collated from all of our data, approximately 3500 assessments per month.

Average Share Size:

This appeared to be holding steady throughout last year at approximately 42%, however we have seen a downward trend to 38% this year, starting at the very latter part of last year.

Average Income:

We saw a 10% increase in income, from the first part of 2022 to the second half of 2022. This now appears to be holding steady throughout 2023 at £42500

Average Deposit:

We have seen an increase in average deposits going from £18135 in first half of 2022, to £19296 in second half of 2022, and currently in 2023 it averages at £21071.

Cont…

Ask Emilia…

So what does this tell us?

It's not a huge surprise seeing a small downwards trend in share size when we consider the multiple factors – from 10% shares now being introduced, albeit limited take up, to the current cost of living and higher interest rates somewhat affecting affordability. Buyers are more cautious, and want to make sure they are protected, and they have a comfortable buffer. **Likewise with increased interest rates compared to previous years, affordability for the buyers will reduce, meaning they won't be able to access a larger share**.

The drop is prevented from being bigger because of the two other factors – the **higher incomes and the higher deposit**. The most likely cause of this? The fall out from open market. As Jon has alluded to in his article we are seeing more buyers turn towards the shared ownership market as the open market feels unaffordable. The buyers with higher deposits, who were looking at open market, are likely to be on a similar salary to the shared ownership buyer who accessed the scheme because they were struggling for deposit, as opposed to struggling for affordability.

The average salary has increased, because the buyers who would have previously accessed the open market, are now falling into the shared ownership market.

Without these buyers falling from open market into shared ownership, we would likely have seen a bigger drop in average share.

And then we have the buyers who have increased their deposit for affordability purposes, however as I have previously alluded to – increasing the deposit in the current market is not the real driving factor for affordability any more, it is rather around income and reducing credit commitments.

Overall, we know that shared ownership remains a strong market, with interested buyers. **The current market conditions are perfect for shared ownership.**

Thank you

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

Tel 0114 2701444

Sales Director
emilia.hunt@metrofinance.co.uk