

Everyone is agreed – the UK needs more affordable housing.

Gresham House research¹ shows that the pensions industry and the general public agree that housing should be prioritised over the next five years – regardless of which political party is in government.

Since the global financial crisis in 2008, the UK has endured worsening economic, social and health inequalities. At the same time, property prices and rents have continued to rise steadily, while wages have stagnated.

The result has been a housing crisis that is rapidly getting worse. In September, 30 per cent of people paying rent or a mortgage were struggling to keep up with payments.

There is a political consensus on the importance of addressing this crisis. But while much has been promised, very little has been delivered. Pledges from both parties to increase home ownership have acknowledged the scale of the problem, but successive governments have failed to deliver.

The Government's [Levelling Up the United Kingdom white paper](#) stated:



By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas.

Levelling Up the United Kingdom white paper, February 2022

Meanwhile, Labour pledged at their recent party conference to increase home ownership from 65% to 70% in the first five years of government, should they win the next election.

Opinions expressed are as at the date of publishing (December 2022) and as such are subject to change.

Given that shelter is a fundamental human need, it is not surprising that the public strongly supports further investment in housing.

A survey from PwC entitled '[Rethinking Levelling Up](#)' found that 70% of the public believe a focus on housing would be the most effective way to level up the country and reduce inequality and also rate quality almost as highly as affordability.

This sentiment is widely reflected among UK pension schemes. Our research revealed that 38%¹ of pension professionals favoured the provision of new affordable housing as a key area for the Government target for investment to support Levelling Up.

For Local Government Pension Schemes (LGPS), directing funds towards investments in this area has the potential to deliver the dual benefit of return on investment and accelerating the Levelling Up agenda to empower regional communities.



1. Survey commissioned by Gresham House and conducted by Censuswide, with 301 pension professionals and 1,000 nationally representative general consumers in the UK, between 16-21 September 2022.



Shared Ownership: The affordable route to home ownership

In the UK, home ownership is out of reach for all but the highest earners, leaving many middle and lower earners stuck in low-quality privately rented accommodation, earning too much for social housing and too little to buy and therefore struggling to put down roots.

Shared Ownership is a part buy/part rent scheme that makes it possible for people to purchase a property that otherwise would not have been affordable. The government-backed scheme enables the buyer to acquire an initial share of the property (typically 25%) and to rent the remainder at a discounted rate.²

Registered Providers of Shared Ownership receive upfront financial support to compensate for the rent discount in the form of a grant from the UK Government. Gresham House estimates that 5.7 million more people would be eligible to buy a Shared Ownership home³, versus buying a home outright, through lower income and mortgage deposit requirements. Shared owners can eventually own their homes outright by purchasing additional amounts of their home over time, through a process known as staircasing.

While only a small proportion of the UK's housing market at present, Shared Ownership is set for growth - and investors, as well as home buyers, can benefit. But this will require significant investment into new homes.

c.£34 billion of additional funding is required annually to meet the UK's affordable housing needs.

As of the end of December 2021, there were c.202,000 Shared Ownership households in England but the end of the Help to Buy scheme and rising interest rates are driving increased demand for affordable home ownership. Shared Ownership delivery is poised to double from the current 20,000 homes a year to 40,000 new homes a year according to research by Savills.

2. Shared Ownership rents are typically 30% below market level rents

3. UK Government, gov.uk/government/statistics/percentile-points-from-1-to-99-for-total-income-before-and-after-tax. Number of additional people that would be eligible to buy a Shared Ownership home: this is the additional people who can afford Shared Ownership but not to buy outright, based on the lower income requirements under Shared Ownership compared with outright sale. Under outright ownership, the constraint on income is being able to get a sufficient mortgage (based on being able to borrow 4x salary at 90% LTV). Under Shared Ownership, the income constraint is the income required for monthly shared ownership housing costs to be affordable. "Affordable" is defined as housing costs being 40% of net income.

The opportunity for Local Government Pension Schemes

The Local Government Pension Scheme (LGPS) sector has a proud history of seeking out investment opportunities that deliver positive environmental and social impact without sacrificing the potential for attractive risk-adjusted returns.

In its Levelling Up white paper, the Government highlighted the role that LGPS funds can play in driving fresh investment into local projects including into housing. The paper calls on LGPS funds and asset pools to "publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas".

Real estate is a well-established element of most LGPS portfolios, so extending into affordable housing projects, such as Shared Ownership is a natural progression that could help meet this target. Localised investment can also help LGPS funds and their sponsoring authorities strengthen ties with local and regional communities.

The additional social and environmental benefits of Shared Ownership include:

- Giving more people access to owning their own home, and the potential to build up equity in an asset later in life
- Creating secure and modern residential areas near employment centres that can also foster a sense of community, further adding to residents' quality of life
- New developments fitted with renewable energy sources and designed to be as efficient as possible, saving resources and adding to their affordability for buyers





Why Gresham House?

At Gresham House, we believe that long-term capital investment is required to help address the shortfall of affordable housing.

To differentiate our Shared Ownership strategy from other providers, we have developed a Shared Ownership Customer Charter and a Shared Ownership Environmental Charter. These commitments are unique in their intention to improve practices across the Shared Ownership sector whilst providing benefits to all stakeholders, including both shared owners and investors.

With 20 years of social housing experience as an organisation - and 40 years for some members of our team - we have designed a Shared Ownership product focused on maximising social impact. We believe that by aiming to deliver a truly best-in-class product for shared owners via our charter commitments we can also drive best practice across Shared Ownership and housing more generally.

Our dedicated origination team works with large national housebuilders and smaller regional developers, as well as housing associations and local authorities, to secure funding where it is needed and support the growth and development of towns and cities.

Get in touch for more information

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