

NEW SUPPLY SHARED EQUITY SCHEME: CAMPBELL'S FARM, BROADFORD MARKETING STRATEGY

The Strategic and Local Housing Market Context

The local housing market in Skye & Lochalsh, and Broadford in particular, is highly pressured. The demand for affordable housing exceeds supply and, in its Local Housing Strategy, the Highland Council has identified Broadford as a priority for investment in increasing the supply of affordable housing. The demand for private housing in Broadford also exceeds supply. The private housing market is largely driven by the demand for holiday homes and from immigration to the area of people, often of retirement age, who have realised equity that they held in their former homes in other areas of the UK with higher property values.

Target Groups to be Housed

The Association's research of the local housing market has found that the typical price of a three-bedroom semi-detached property is £140,000/£150,000. This would mean that, based on a 5% deposit and 95% mortgage at a multiple of 2.5 or 3 times annual salary for joint and single income households respectively, then only households with gross annual incomes of £44,000 or above for single income households and £53,000 or above for double income households can afford to purchase a three bedroom semi-detached property in Broadford.

Although no exact information is available on average income levels in the area, according to the Office for National Statistics the median income for all employees in the Highlands and Islands in 2004/2005 was £15,600. From this information it can be determined that the double income households in Broadford with mid-range earnings cannot afford to enter the local housing market. This is further evidenced by the large proportion of economically active adults on the Association's Housing List still living with their parents, in lodgings and unsuitable, often expensive, private rented accommodation.

Given the high demand for both affordable rented housing and private housing in the Broadford area the Association is targeting the New Supply Shared Equity Scheme units at households of modest incomes who live in the Lochalsh and Skye area. These households should be first-time buyers although consideration will be given to owner occupiers:

- whose current accommodation is overcrowded and cannot be extended;
- who are disabled (or who have disabled household members) and whose current accommodation, as a result of the disabled person's impairment, is unsuitable due to its design or location;
- whose current accommodation is below tolerable standards and due to physical or financial constraints cannot be renovated.

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Preference will be given to existing affordable housing tenants in the Lochalsh and Skye area who meet the New Supply Shared Equity Scheme criteria set out below to compensate for the restriction that pressured area status puts on their low cost home ownership options and also to maximise the impact of the New Supply Shared Equity Scheme units in terms of affordable housing provision in that the vacated affordable housing unit would be available for re-let to a household in housing need.

Type, Purchase Price and Location of the Development

There is demand for housing of all types and sizes. The Association's proposals for its mixed tenure development at Campbell's Farm (Phase 2A) involves the construction, for New Supply Shared Equity Scheme sale, of 2 Bedroom/3 Person, 2 Bedroom/4 Person and 3 Bedroom/5 Person houses. All of the houses to be provided for New Supply Shared Equity Scheme sale meet the basic Housing for Varying Needs standard and are suitably flexible for future use.

The purchase price for the New Supply Shared Equity Scheme units will range from £118,750 to £135,375*. This means that taking into account New Supply Shared Equity Scheme grant assistance, households will need to be able to raise a stake of £60,563 to £69,041 for a 51% stake or £71,250 to £81,225 for a 60% stake. Based on an income-to-mortgage multiplier of 2.5 for a combined income household and 3 for a single income household, those eligible for a 51% stake household incomes would need to be £24,225 to £27,617 for combined income households and £20,118 to £23,014 for single income households. For the remainder, i.e. 60% stake, household incomes would need to be £28,500 to £32,490 for combined income households and £23,750 to £27,075 for single income households. These required income levels broadly match those of the Target Group, i.e. those living and working in Broadford and earning a modest income. Disabled people in receipt of certain means-tested benefits may be able to source these levels of stake without having this level of yearly income. Accordingly, applications from disabled people who do not meet these mortgage multiplier calculations will be reviewed on their individual merits.

Identifying Target Groups

New Supply Shared Equity Scheme Guidelines:-

- The applicant is required to have lived in the area for a minimum of six months or have previously been displaced from the area through the need to find housing suitable for a disabled household member.
- The applicant receives a low income and so cannot afford to buy a property in the area through the open market or, if disabled or with a disabled household member, has an income insufficient to afford a property required as a result of the disabled person's impairment.

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- The minimum stake for Housing Association tenants, Local Authority tenants or applicants with a disabled member of their household is 51%.
- The minimum stake for non-tenants (other than applicants with a disabled member of their household) is 60%

LSHA Criteria

- The applicant must have lived in the Lochalsh and Skye area for a minimum of six months and be able to fund at least the minimum equity stake.
- A disabled or retired applicant must have lived in the area for a minimum of six months, or have previously been displaced from the area through the need to find housing suitable for a disabled person and must have access to funding.
- The scheme is targeted at first time buyers. However, owner occupiers may apply if
 - their current accommodation is overcrowded and cannot be extended;
 - they are disabled (or have disabled household members) and whose current accommodation, as a result of the disabled person's impairment, is unsuitable due to its design or location;
 - their current accommodation is below tolerable standards and due to physical or financial constraints cannot be renovated.
- In the event that a release of New Supply Shared Equity Scheme units is oversubscribed, the Association will allocate New Supply Shared Equity Scheme properties based on housing need. This need will be determined using the Association's standard Allocations Policy and Points System.

* *House prices are subject to change and correct at the time of Approval (March 2008)*