



# *Shared Ownership*

## A Vital Bridge to the Housing Market

An independent analysis of shared ownership's market trends and buyer behaviour

A report by Rob Thomas, featuring policy recommendations developed in collaboration with the Rt Hon David Gauke, commissioned by Pepper Money.

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# Foreword



**Rob Barnard**

Intermediary Relationship Director,  
Pepper Money

**For many people today, the dream of owning a home feels increasingly out of reach. House prices have soared, wages haven't kept pace, and the cost of renting makes saving for a deposit harder than ever. That's where shared ownership comes in, and we believe this should be an option for more people.**

Since its introduction in the late 1970s and formalisation in the 1980 Housing Act, shared ownership has become an established tenure in its own right, with some 250,000 homes, roughly 1% of the country's housing stock<sup>1</sup>. Despite this, consistent policy changes have impacted the product's development, creating both opportunities and challenges for prospective purchasers. With the much publicised affordability pressures afflicting the housing market over recent decades, shared ownership has been a crucial route by which many households have been able to gain a housing stake of their own.

Our paper estimates that 3.3 million households which would have been expected to buy homes, had previous generational buying patterns continued, have failed to do so since the financial crisis of 2008-09, highlighting the challenges people face getting onto the housing ladder and the need for alternatives to full ownership<sup>2</sup>. In light of this, we believe shared ownership needs to be embraced as a mainstream tenure, fully integrated into the broader housing landscape.

However, as we embarked on this report, it became clear that significant gaps exist in the publicly accessible data on shared ownership, which limits our understanding of its true impact. To effectively integrate shared ownership into the housing market, comprehensive data is essential. We believe this data should be centrally collected and managed, ideally by an independent body, to provide transparent insights. By doing so, policymakers would have a clearer, evidence-based picture of how the tenure operates and where it needs to evolve to meet the needs of future shared owners. Without such data, it becomes increasingly difficult to make informed decisions about a tenure that has already proven instrumental in helping thousands onto the property ladder.

What we could see from the current data though, is that by 2023-24, 53% of social housing completions and 13% of all completions in England were shared ownership, underscoring just how fundamental this tenure has become to the prosperity of the housing market more widely. The typical shared ownership buyer takes a 40% stake, borrowing 83% of the funds to do so. Their average mortgage of £99,000 is less than half that of a typical first-time buyer, who borrowed £223,000 in 2024, reflecting their lower average incomes<sup>3</sup>.

The data also reveals that more and more, these buyers are turning to specialist lenders. At Pepper Money, our shared ownership mortgage lending has increased by 21% in the last year alone. The pressures facing households today are forcing a growing number of people into more complex financial situations - not because they are irresponsible, but because life has become less linear. And shared ownership, by its very nature, serves those who are navigating life's complications with resilience and ambition.

Our shared ownership borrowers are a case in point. In 2023–24, their average household income was £55,000 – significantly above the estimated £37,000 market-wide figure in 2022<sup>4</sup>. They are older, more likely to buy as couples, and are in a strong position to meet their financial commitments even in a high-inflation environment. They aren't "risky" – they're just outside the high street mould.

And yet, rigid credit scoring would see many of these people turned away. We believe that's neither fair nor sustainable – and that belief is what sparked this report. It began with a conversation with a respected broker, where we agreed that something needed to change. From there, we engaged two independent experts – Rt Hon David Gauke and Rob Thomas – to provide a rigorous assessment of the market. I'd like to thank them both for their thoughtful analysis and the valuable contribution they've made to this work.

These people deserve lenders who understand them. That doesn't mean lowering standards. In fact, Pepper Money applies tighter lending criteria for shared ownership than we do across our mainstream mortgage range. We require a minimum two-year clean record for shared ownership borrowers. These are responsible, thoughtful lending decisions, tailored to a customer base that's often misunderstood.

We look closely at an applicant's credit history, not just with a rigid checklist, but we look for patterns. We ask: Is this habitual, or circumstantial? Did this blip come at a time of divorce, bereavement, or redundancy – a moment when, understandably, a parking fine wasn't front of mind, for example? Is it fair that such an event could lock someone out of the housing market for three, even six years? We don't think so.

We're not an "adverse credit" lender. We are a **specialist** lender – one that offers real solutions for people whose lives fall outside neat, high street boxes. We make decisions with common sense and compassion, taking into account full financial pictures, including second jobs, self-employment income, benefits, bonuses and other real-world income streams.

Our mission is not to keep people with us forever – we're proud that customers stay on average for just under four years with us, before moving to the high street. That's what success looks like: helping people when they need it most, and preparing them for long-term financial resilience.

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Their average mortgage of **£99,000** is *less than half* that of a typical first-time buyer, who borrowed **£223,000** in 2024

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As shared ownership remains a critical route onto the housing ladder for many, it's essential that it keeps pace with the needs of its buyers. Industry is beginning to understand this, and here I must say a huge thank you to Kelly McCabe and Amy Nettleton at the Exchange for their support in pushing forward the collaboration of specialist lending in the shared ownership space.

Shared ownership is a tenure built on flexibility, affordability, and aspiration – and it must remain accessible to those who need it most, especially as economic pressures continue to reshape who can buy, and how.

# Contributors

## Author



### **Rob Thomas**

**Economist and  
Principal Researcher**

Previously an economist for the Bank of England, a high-profile analyst at investment bank UBS, and a senior policy adviser to the Council of Mortgage Lenders, Rob is uniquely placed to provide expert analysis and commentary on the UK residential property market.

## Policy Contributor



### **Rt Hon David Gauke**

**Former Lord Chancellor and  
Secretary of State for Justice**

David served as Lord Chancellor and Secretary of State for Justice between 8 January 2018 and 24 July 2019. Prior to that, he was Secretary of State for Work and Pensions from June 2017 to January 2018, and Chief Secretary to the Treasury from July 2016 to June 2017. He was also the Member of Parliament for South West Hertfordshire from 2005 to 2019.



# Case study

Olivia (on maternity leave), and her partner Matt (a fencer), both 34, were looking for a family home when they first considered buying in September 2024. With two children, and another on the way, the couple wanted to find somewhere to call their own. However, with a previous credit issue and challenges around affordability, the couple felt that owning a place of their own was always out of reach.

## Olivia says:

*"We knew we wanted to buy a home for our growing family, but we just didn't know what was possible for us. With a previous credit issue and a modest income, it felt like owning our own place was just a pipe dream. I had no idea there were options out there that could actually work for our situation, all we knew was that high street lenders kept saying no."*

The main stumbling block was a County Court Judgment (CCJ) on Olivia's credit file, caused by a parking fine that had been sent to the wrong address. Although it was a small blip, it meant they couldn't go through a high street lender. It's a situation that's more common than people realise – one small mistake or oversight can end up having a disproportionate impact on someone's ability to buy a home.

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*"We'll be **forever thankful** – it's helped us start our home journey together"*

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## Olivia says:

*"I was shocked to discover that something like a parking fine – which was sent to an old address – could lock you out of the housing ladder for up to six years. It felt completely unfair, especially as we had no idea it was even on my record. We were ready to take that next step for our family, and to think it could all be derailed by something so small was really disheartening."*

Renewing their search in January 2025, Olivia and Matt were introduced to Pepper Money through The Mortgage People. With their support, the couple secured a mortgage of £83,000 for a 25% share in a three-bedroom house in Malmesbury, Wiltshire. They moved into their new home in May.

## Olivia says:

*"Without Pepper Money or The Mortgage People, I genuinely don't know what we would have done. We'll be forever thankful – it's helped us start our home journey together, and the future feels so much brighter now."*



# What is *shared ownership*?

**Shared ownership was formalised in its current form by the Housing Act 1980, designed to help people who could not afford full ownership to get a stake of their own in the housing market.**

Originally pioneered by Housing Associations as an alternative to the social rented housing they provide, shared ownership has evolved over time. While private developers had been involved in delivering shared ownership homes earlier, the sector saw significant changes with the Housing and Regeneration Act 2008, which established a new regulatory framework and coincided with increased interest in alternative homeownership models following the financial crisis.

While some other affordable housing schemes have come and gone, such as the Help-to-Buy equity loan scheme, which was cancelled in England in 2022, shared ownership has become an established tenure in its own right, focused on those who wish to own a stake in their home but do not have the resources to purchase it in full. The sector has grown to the point where some 250,000 homes (roughly 1% of the nation's housing stock) are now held in shared ownership<sup>5</sup>.

Almost all shared ownership properties offered by Housing Associations (which are typically not-for-profit organisations) or by commercial developers are new builds, and in 2023-24 they made-up 53% of social housing completions and 13% of all new builds in England. The shared owner can buy anything from a 10% to 75% share or up to 80% when staircasing, renting the rest from the provider under a lease agreement. The rental element is subsidised, typically being set at 2.75% of the value of the share not being bought in the first year, against a private rented sector average yield which was 6.9% in Q4 2024 according to Paragon. Moreover, rents rise in a predictable fashion thereafter relative to inflation,



In 2023-24 SO made up **53%** of *social housing completions*



SO made up **13%** of *all new builds* in England in 2023-2024



The sector has grown to **250,000 homes**

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now being set at the increase in the Consumer Price Index (CPI) plus 1%. The subsidised rent is financed through either government grant paid to the Registered Provider or through Section 106 agreements, which require private housebuilders to set aside an element of affordable housing as part of the planning consent for new developments.

The shared owner can purchase additional equity in their home in a process known as staircasing. Although staircasing isn't a given, the owner can ultimately staircase to the point where they have bought the whole property in most cases, based on the assessed market value at the time of each additional purchase. Shared owners also build housing equity through their regular mortgage repayments and any house price increases are theirs to enjoy. If they wish to sell, the housing provider can assist them in finding another shared ownership purchaser.

# 3.3 million

*shortfall* of *households* entering  
the market since the financial crisis<sup>6</sup>

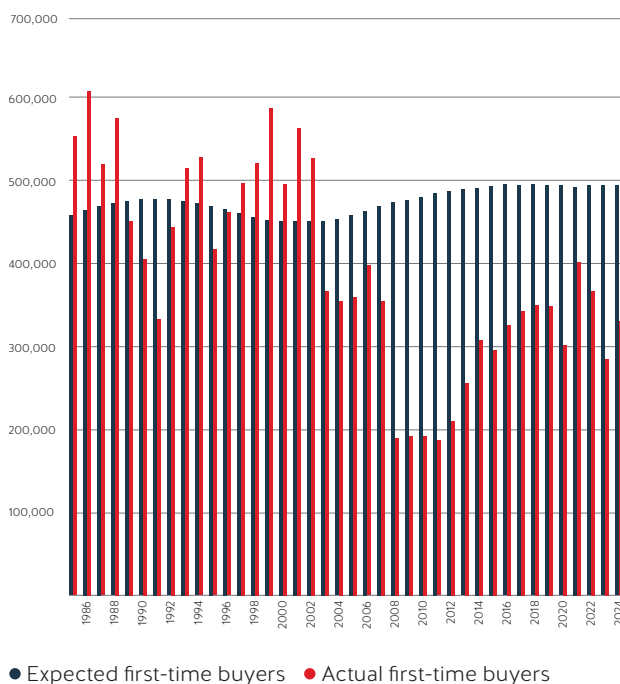


# The *first-time buyer* challenge

**While aspirations to own a home have remained high, since the start of the century first-time buyers have found it increasingly difficult to get on to the housing ladder.**

Chart 1 compares the expected number of first-time buyers based on the propensity to buy in each age group from 1981-84 with the actual number who purchased each year since 1985. By 2007, the cumulative number of first-time buyers slightly exceed the expected total based on the nation's evolving demographic profile. But since the financial crisis of 2008-9, we have witnessed the build-up of an unprecedented cumulative shortfall of 3.3 million households<sup>6</sup>. These are 3.3 million individuals that would have been expected to buy had these earlier propensities to purchase continued.

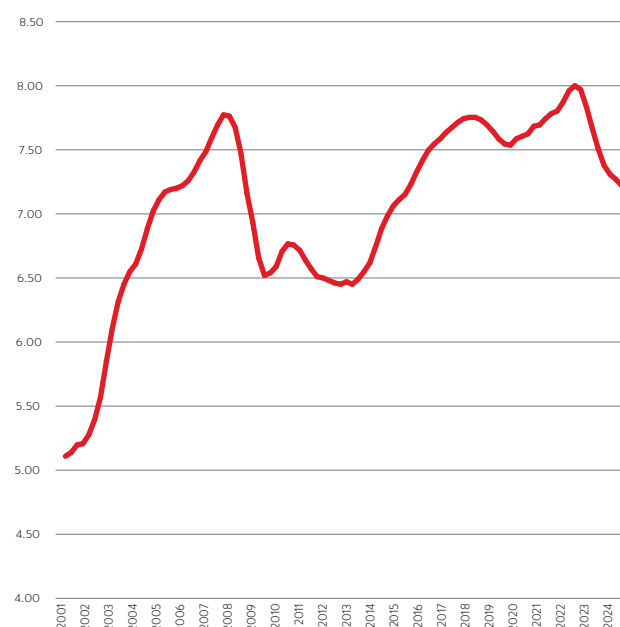
**CHART 1 - ACTUAL AND EXPECTED FIRST-TIME BUYERS (1985-2024)**



Source: Author's calculation, ONS, UK Finance

A number of factors have contributed to this striking shortfall in households entering homeownership. First, as Chart 2 shows, house prices significantly outpaced earnings growth in the early years of the twenty-first century, driven by low interest rates, strong economic growth and a rising population. This took the house price to earnings ratio from 5.1 at the start of 2001 to 7.8 by the end of 2007.

**CHART 2 - HOUSE PRICE TO EARNINGS RATIO (2001-2024)**



Source: Land Registry, ONS

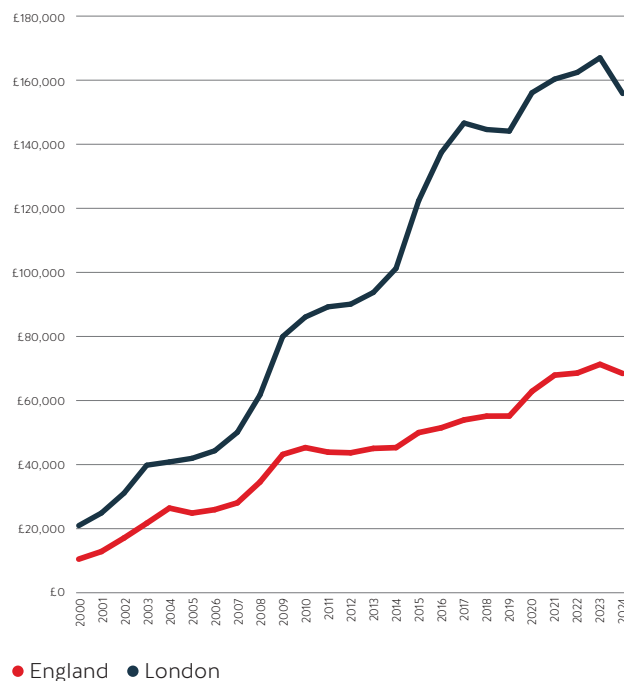
Since the financial crisis, the house price to earnings ratio has remained elevated relative to earlier periods. Simultaneously, mortgage lending has become increasingly constrained, initially by lenders themselves tightening lending criteria in the early post-crisis years, and subsequently by new financial regulations designed to prevent the build-up of excessive risk in the financial system. The regulations notably include the Mortgage Market Review, which introduced stricter affordability requirements for borrowers, as well as higher capital requirements, particularly on higher loan-to-value (LTV) loans.

# The *first-time buyer* challenge

In consequence, the period since 2008 has seen a dramatic reduction in the availability of high LTV mortgages. In the fourth quarter of 2007, 6.1% of all regulated mortgage advances were over 95% LTV. By the fourth quarter of 2024, this had fallen to just 0.3% while affordability rules have also limited what people can borrow relative to their income<sup>7</sup>.

So, even in the areas with the lowest house prices relative to incomes, deposit requirements are higher than they were, but in areas where house prices are especially high relative to incomes, such as London and the South East of England, the gap between the maximum amount people can borrow given their income and even the cheapest properties is such that large deposits are required. These large deposits are often provided by the bank of mum and dad, where this is available. As Chart 3 shows, average deposits reached a staggering £69,000 across England and £155,000 in London by 2024<sup>8</sup>. It is therefore unsurprising that, as Chart 1 demonstrates so clearly, there has been such a sharp fall in the number of younger households who are able to access full homeownership.

**CHART 3** - AVERAGE FIRST-TIME BUYER DEPOSIT (2000-2024)



Source: UK Finance

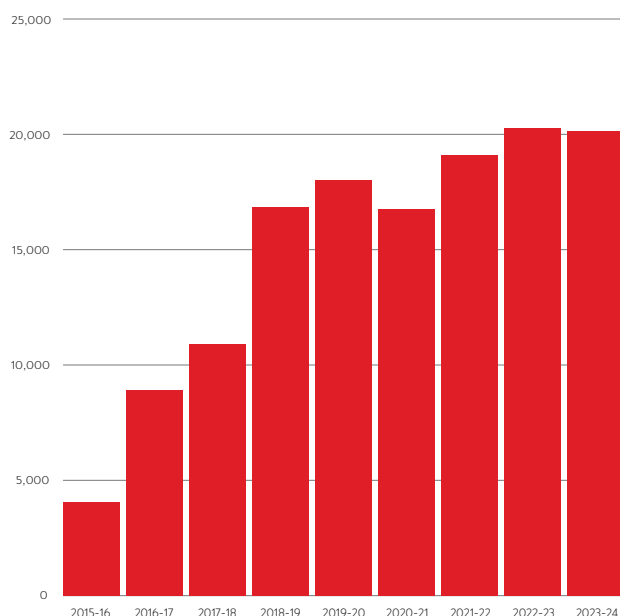
The alternative for most households is the private rented sector, but the lack of security of tenure and the rapid rate at which rents have risen in recent years has made this a less attractive option for many people. The rising number of private landlords leaving the sector is squeezing the number of available properties to rent too. Shared ownership is the only viable alternative for many if they want to get a stake in the housing market and enjoy security of tenure. This, and the subsidy implicit in the rental element, has ensured that demand for shared ownership property has consistently exceeded supply.

# Shared ownership in numbers

In the latest financial year, 2023-24, new shared ownership completions were 20,400 (see Chart 4), fractionally down on the previous year<sup>9</sup>. 88% of sales were to first-time buyers.

In recent years, the largest contribution to new building has come from Section 106 agreements, where developers are required to build affordable housing properties as a condition of planning approval. These are then sold to registered social housing providers, who subsequently manage the properties. Most of the rest of supply is provided by registered housing providers with government grant funding to support the subsidising rental element. A growing feature of supply is the rising prominence of for-profit providers who contributed 14% of the total in 2022<sup>10</sup>.

**CHART 4 - SHARED OWNERSHIP COMPLETIONS IN ENGLAND (2015-2024)**



Source: DLUHC and MHCLG

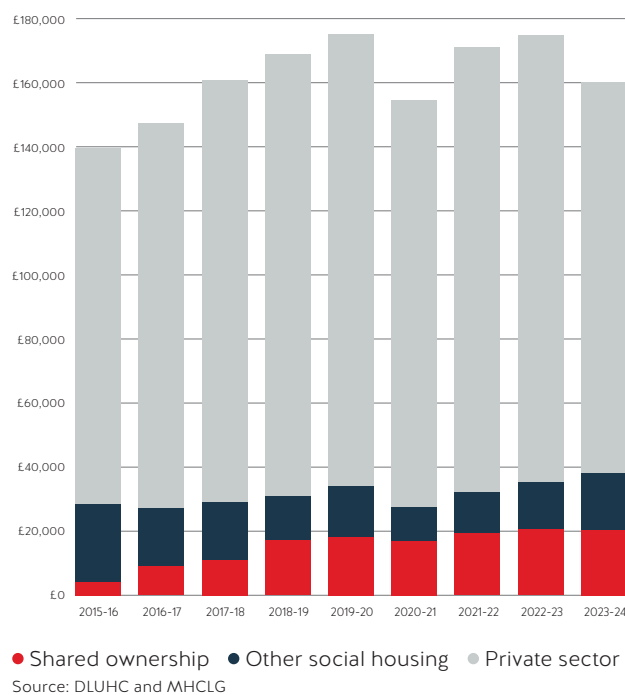


**20,400** new shared ownership completions in 2023-2024



**88%** of shared ownership sales were to *first-time buyers*

**CHART 5 - HOUSING COMPLETIONS IN ENGLAND (2015-2024)**



Since 2015-16, the construction of new shared ownership housing has grown in importance in England, rising as a percentage of both social housing construction and overall housebuilding. In 2015-16, it represented 14% of social housing and 3% of total completions. By 2023-24, this had risen to 53% and 13% respectively (see Chart 5). The capital raised from the sale of part shares provides Housing Associations and other providers with the funds to build more, stretching their resources.

# Financial realities: deposits, mortgages and market value

**TABLE 1** - SHARED OWNERSHIP PURCHASE VALUE AND FINANCING (2008-2024)

Financial year	Mean market value (£)	Mean initial equity stake purchased	Mean mortgage (£)	Mean cash deposit (£)	Mean LTV on purchase share
2008-09	171,600	41%	60,000	10,000	86%
2009-10	164,600	37%	48,200	12,300	80%
2010-11	172,100	40%	54,500	13,400	81%
2011-12	176,700	41%	59,200	12,600	83%
2012-13	191,600	41%	63,800	13,300	83%
2013-14	201,500	42%	68,200	15,000	82%
2014-15	231,800	43%	76,500	20,000	80%
2015-16	252,500	42%	81,600	21,500	80%
2016-17	252,400	43%	84,800	20,300	81%
2017-18	264,100	43%	88,600	19,700	81%
2018-19	270,900	42%	92,500	19,200	83%
2019-20	268,400	41%	91,200	17,300	85%
2020-21	275,100	41%	92,700	17,700	84%
2021-22	296,800	42%	100,200	20,700	83%
2022-23	309,700	43%	104,900	23,200	82%
2023-24	313,100	40%	99,200	22,800	83%

Source: DLUHC and MHCLG

**Table 1 shows changes in how the average purchase has been financed in recent years, during a period of rising house prices.**

The average full market value rose from £171,600 in 2008-9 to £313,000 in 2023-4, a rise of 82%. Although this reflects the strength of the broader housing market, it still significantly outpaced the 70% gain across the wider market over this period<sup>11</sup>. The faster rise in shared ownership prices may reflect increased demand, as a rising number of buyers became effectively locked out of full ownership as average wages rose only 55% over the same period. But it also reflects the sharp trends towards houses and away from flats in the shared ownership market, given the higher typical average value of houses.

Despite rising prices, currently available DLUHC and MHCLG data indicates that the average purchase share has remained broadly stable at around 40%. We have good reason to believe that this is currently gradually falling across industry, but this trend is yet to be reflected in the current data series which runs to March 2024.



SO purchase values from **£171,600** in 2008-9 to **£313,000** in 23-24



Average deposit from **£10,000** in 2008-9 to **£22,800** in 23-24



Mortgage advance for SO (**£99,200**), first-time buyer mortgage advance (**£223,000**)

# Financial realities: deposits, mortgages and market value

The average LTV has remained stable over time, mostly in the low 80s, reaching 83% in 2023-4, meaning the average mortgage advance has risen at broadly the same rate as shared ownership property prices, and reached £99,200 in 2023-24. This is less than half the average first-time buyer mortgage advance of £223,000 in 2024.

Rising home prices are also reflected in the increased size of deposits, the average rising from £10,000 in 2008-9 to £22,800 in 2023-24, a 128% gain, illustrating that even shared ownership buyers are having to put down substantially larger deposits, with the average deposit rising from 5.8% of the full market value in 2008-09 to 7.3% in 2023-24<sup>12</sup>. Although the average first-time buyer deposit across the whole market in England has risen less in recent years, by 57% between 2009 and 2024, the amount of this deposit, at £68,600, still exceeds the average in the shared ownership market by 200%, illustrating just how challenging it can be for young people to make the leap to full ownership.

**CHART 6** – REGIONAL BREAKDOWN OF SHARED OWNERSHIP SALES (2014-2024)



Unsurprisingly, shared ownership is most popular where house prices are highest relative to incomes, in London and the South of England. In 2023-24, the southern English regions outside London accounted for 40% of shared ownership sales, and London another 18% (see Chart 6)<sup>13</sup>. But London has seen quite a sharp reduction in its share of the total, which was at a high of 44% in 2014-15. This perhaps reflects growing affordability pressures in the rest of the country, as house prices have continued their relentless rise. But ironically, although property prices have risen more slowly in London over this period, the slower growth of this tenure in the capital may reflect the fact that even shared ownership has become out of reach for a growing number of households.

Chart 7 reinforces this point. It shows that in London, buyers of shared ownership properties put down an average deposit of more than £30,000, substantially more than in any other region, but still less than half the average for all first-time buyers nationally, and only one fifth of full purchasers in London. But the regional gap has closed markedly in recent years. For instance, between 2016-17 and 2023-24, the average shared ownership deposit paid in the South West went from £14,300 to £23,100, an increase of 62%. Over the same period, the average deposit paid in London actually fell 10%.

**CHART 7** – AVERAGE SIZE OF SHARED OWNERSHIP DEPOSIT FOR SELECTED REGIONS (2016-2024)





# The *cost advantage* to shared ownership

**TABLE 2** – COMPARATIVE COSTS OF OWNING, RENTING PRIVATELY AND SHARED OWNERSHIP

	Purchase share	Deposit	Mortgage payment	Rent	Service charge	Monthly payment
<b>£200,000 property</b>						
Shared ownership	£80,000	£8,000	£391	£275	£42	£708
Full ownership	£200,000	£20,000	£978	£0	£42	£1,020
Private rental	£0	£0	£0	£1,150	£0	£1,150
<b>£300,000 property</b>						
Shared ownership	£120,000	£12,000	£587	£413	£42	£1,041
Full ownership	£300,000	£30,000	£1,468	£0	£42	£1,509
Private rental	£0	£0	£0	£1,725	£0	£1,725

Source: Bank of England, UCL

## We now turn to the costs of shared ownership relative to the alternatives of full ownership or private renting.

Table 2 presents calculations updating those presented in a UCL paper. For a £200,000 and £300,000 shared ownership property with a typical purchase share of 40% and again a typical deposit of 10%, we can calculate monthly outgoings based on the initial rent of 2.75% on the 60% share retained by the provider, mortgage payments based on a 30-year capital repayment mortgage using the latest average 2-year 90% LTV mortgage rate from the Bank of England and an annual service charge of 0.25% of the property's value.



Minimum income needed to afford a **£200K–£300K** home:

- Shared ownership: **£25,691–£41,860**  
(29th–66th income percentile)
- Full ownership: **£39,457–£62,895**  
(62nd–88th income percentile)



Monthly housing costs (on a **£200K** home):

- Shared ownership: **£708**
- Full ownership: **£1,020**
- Private rent: **£1,150**

# The *cost advantage* to shared ownership

We then use the same mortgage term and rate for a buyer purchasing 100% of a property on the open market. For the private renter, we assume a 6.9% gross rental yield (annual rent as a percentage of market value) on the same property, taken from the latest data from buy-to-let lender Paragon. We have not included maintenance and repair costs, although these are typically lower on new build properties and the government's Affordable Homes Programme 2021-2026 includes a shared ownership support mechanism by which the provider covers the costs of repairs and maintenance in the home, with certain limitations.

What this comparison shows is that shared ownership is initially likely to be considerably cheaper than the alternatives in terms of monthly payment. Comparing the £200,000 property, the private renter might expect to pay £1,150 a month against £1,020 for the homeowner while the shared owner pays a more modest £708. The full and shared owners also benefit from repaying capital on their mortgage every month. In the first year, the full owner will see their housing equity increased by £2,600 through regular repayments, but even with the much smaller loan of the shared owner, the figure is £1,000, and both will also benefit from any possible future capital gains.

The data from Table 2 enables us to calculate the minimum household income required for different tenures for the same value of property. For properties with a full market value in the range of £200,000-£300,000, the minimum gross annual household income that ensures that not more than 40% of net income is spent on the housing costs outlined in Table 2, is £25,691-£41,860 for shared owners. This covers the cohort from the 29th to the 66th percentile of households by income<sup>14</sup>.

By contrast, the full owner would need an income of between £39,457 and £62,895 to purchase in the £200,000-£300,000 range. This represents the cohort between the 62nd and 88th percentile of household incomes in the country, illustrating the much wider range of households that can afford to buy using shared ownership<sup>15</sup>. But even within this income range, some households will find that their personal circumstances make securing a mortgage advance difficult, if for instance they have high regular outgoings such as childcare costs or have issues that affect their ability to access a mortgage from the major banks and building societies.

The comparison also illustrates the ability of the shared owner to buy a higher value home. A household income of £41,860 facilitates the purchase of a £300,000 property, only slightly above the £39,457 that the full buyer needs for a £200,000 home. Couples with a child or those who are planning to start a family can use this extra affordability to buy a larger home, saving the cost of moving again in a few years' time.

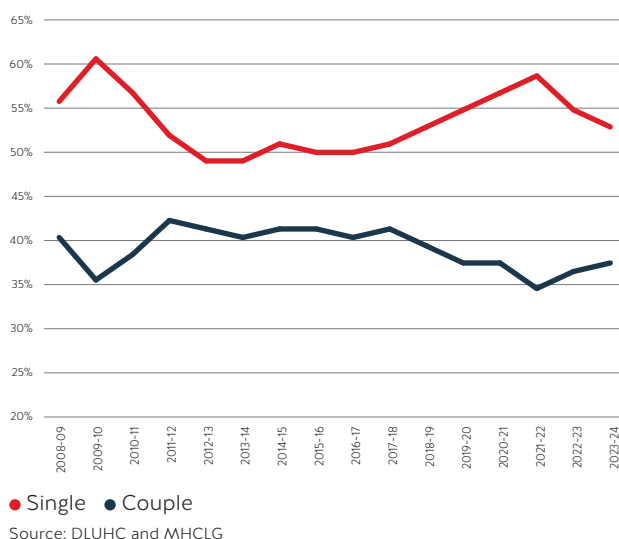
# Who's buying?

## A profile of shared ownership purchasers

We now turn to the profile of shared ownership buyers. Firstly, as Chart 8 shows, we see no clear trend in the breakdown between single buyers and couples over the whole 2008-9 to 2023-24 period<sup>16</sup>.

There was a surge in the proportion of single buyers after the Covid pandemic which unwound in 2022-23 and 2023-24, but it is unclear what drove this change. Buyers with children are in a minority, being in the mid-teen percentages over this same period.

**CHART 8** - HOUSEHOLD COMPOSITION OF SHARE OF SHARED OWNERSHIP BUYERS (2008-2024)

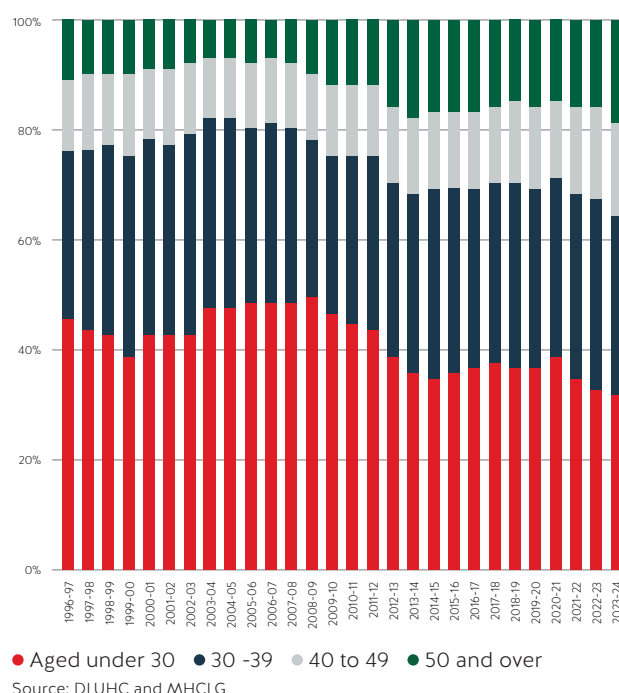


The need to save a larger deposit and broader affordability challenges, which have been a consistent feature of the market since the financial crisis of 2008-09, have altered the profile of first-time buyers in the mainstream market, pushing up the age of those without access to the bank of mum and dad. As Chart 9 shows, even the shared ownership market has experienced a change in the average age of buyers, with fewer under 30-years of age. In 1996-97, 46% of buyers were in this category, falling to 32% by 2023-24<sup>17</sup>.



**32%** of SO buyers were *under 30* while **17%** were *over 50*

**CHART 9** - AGE PROFILE OF SHARED OWNERSHIP BUYERS (1996-2024)



As Chart 9 illustrates, the fastest growing age group is the over fifties. In 1996-97 only 10% of buyers fell into this category but by 2023-24 this had risen to 17%. And it is the oldest cohorts within this broad age group where we see the highest rate of increase: 122% for buyers in their seventies and 1300% for those in their eighties and above<sup>18</sup>. Older Persons Shared Ownership (OPSO), which is restricted to those aged 55 and above, has played the leading role in this trend. Many of the customers are downsizers who cannot afford the cost of running larger homes and want to release equity. Relationship breakdowns amongst older demographics are also fuelling this trend.

# What are *people buying*?

One of the most striking trends in the shared ownership market is the shift toward houses and away from flats, as illustrated by Chart 10. In 2008-09, roughly 60% of sales were flats and 40% houses. By 2016-17, house sales had overtaken those of flats and by 2023-24, 65% of sales were houses<sup>19</sup>.

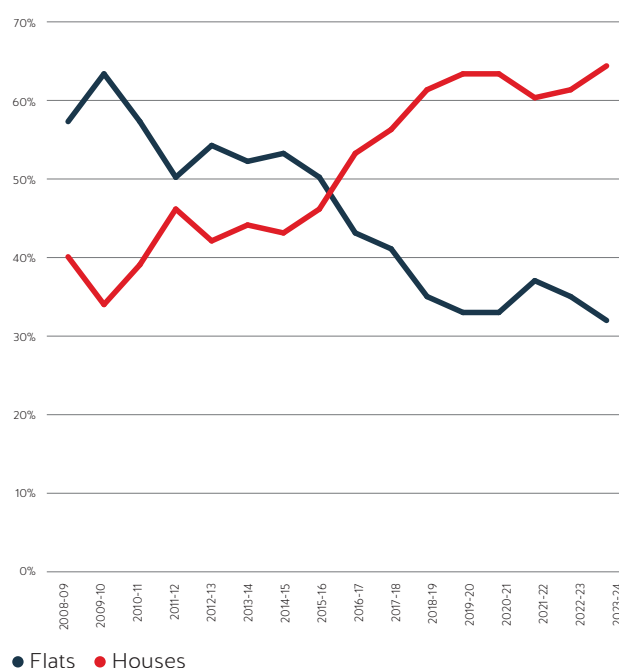
The shift from flats to houses highlights one of shared ownership's key advantages: that the extra affordability can allow buyers more choice over the type of home they buy. And for those with children or planning to start a family, access to a larger house removes the need to move again in a few years' time, saving on future moving costs.

Another factor has been the rise of shared ownership outside the South of England. In the regions further from London, affordability pressures are generally less acute allowing more purchasers to opt for a house. In 2014-25, 81% of sales were in the south, including London, but by 2023-24 this had fallen to 58%<sup>20</sup>.



SO house sales have risen from **40%** to **65%**

**CHART 10** - SHARED OWNERSHIP SALES BY TYPE OF PROPERTY (2008-2024)



Source: DLUHC and MHCLG

# Moving on: where shared ownership buyers come from

Looking at the previous tenure of shared ownership buyers, those moving from the private rented sector now make up 45%, against only 35% in 1996-97 (see Chart 11)<sup>21</sup>.

This reflects the rising number of mature buyers, who are less likely to be living with their parents as well as the general growth of the private rented sector, which more than doubled from 2.1 million in 1996 to 4.9 million by 2023 in England<sup>22</sup>. In contrast, buyers from the social rented sector used to comprise a healthy proportion, in the low teens around the turn of the century, but this shrank to only 3% by 2023-24, most likely the result again of rising affordability pressures<sup>23</sup>.

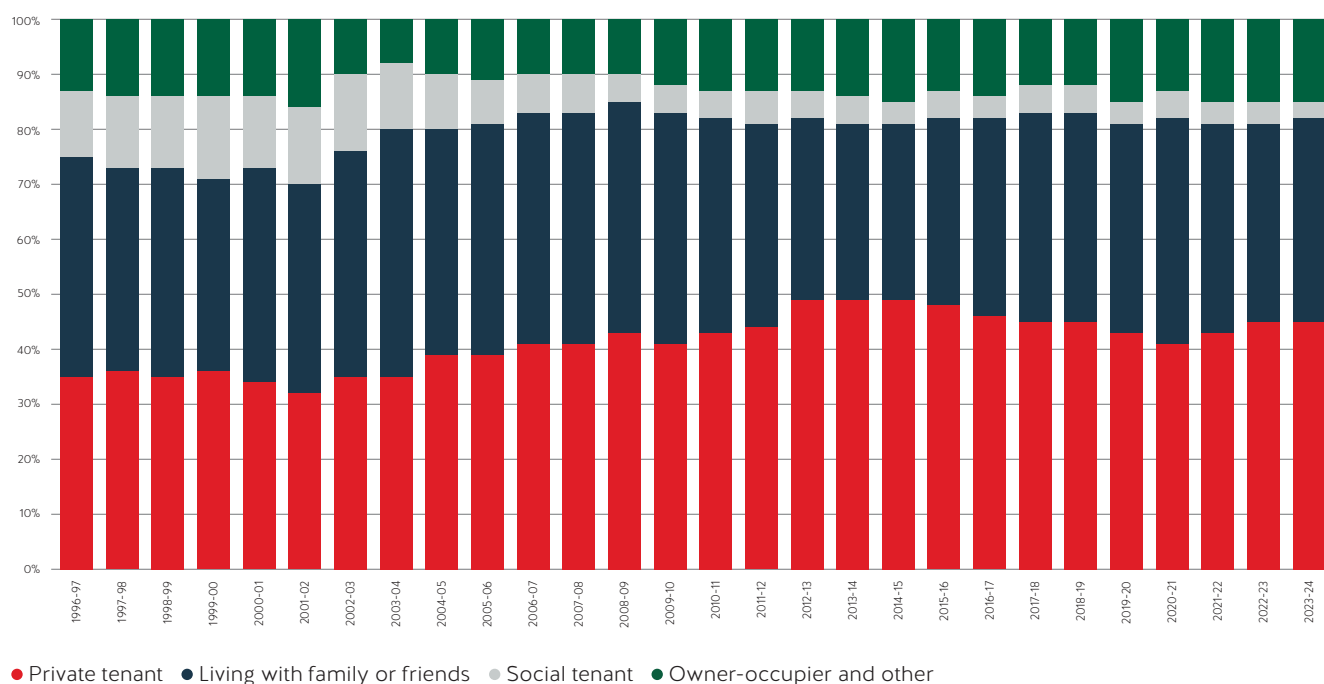


Rise in Buyers  
from Private Renting:  
**35% to 45%**



Private Rented Sector  
Growth in England:  
**2.1 million to  
4.9 million** households

**CHART 11** - PREVIOUS TENURE OF SHARED OWNERSHIP BUYERS (1996-2024)



Source: DLUHC and MHCLG



## *Specialist lending* in shared ownership: a case study

**There are now more than 25 lenders offering mortgages on shared ownership properties, ensuring that borrowers have a good deal of choice<sup>24</sup>. However, most of these lenders offer only mainstream mortgage products, which cater to those who can meet standard borrower criteria. There can be a number of reasons why borrowers fail to meet these criteria, including past missed payments or even just a thin credit profile.**

Pepper Money caters to these borrowers, who struggle to get a mortgage from the high street banks and building societies on standard terms. By offering a shared ownership loan, Pepper Money meets an important need in the market: to assist those who want or need to buy on this basis, can afford the mortgage, rent and any service charge, but do not meet standard lending criteria.

We have compared Pepper Money's existing shared ownership loans with the average across the market, looking at data from the financial year 2023-24. There are a number of respects in which Pepper Money's borrowers differ from the broader shared ownership customer base. Firstly, as Chart 12 illustrates, they are less likely to be under 30 years of age, at 20% of Pepper Money customers versus 32% for the wider market, or 60 or above (2% versus 7%). Secondly, they are more likely to buy as a couple (48% versus 41%)<sup>25</sup>.

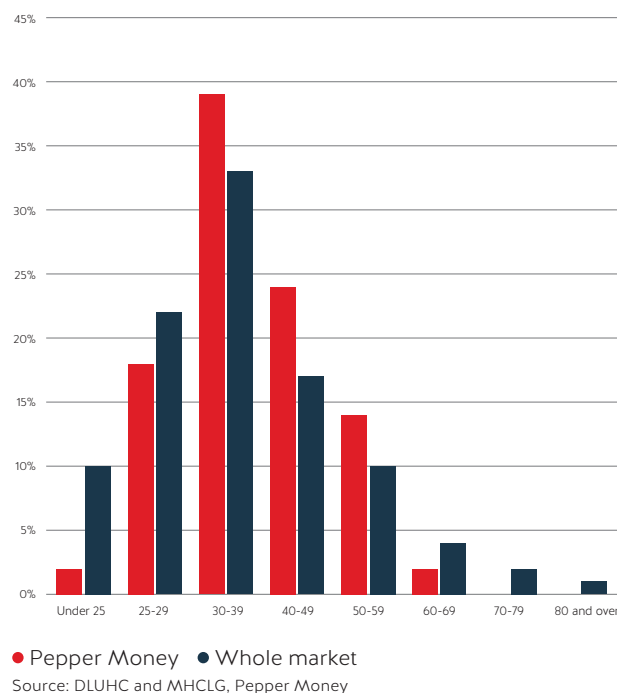


# *Specialist lending* in shared ownership

**Both these characteristics (the age of the borrower and whether they are a couple) are likely to increase their chance of having an adverse event in their credit history because credit issues usually result from adverse life events, such as divorce, redundancy, serious illness or the death of a partner or other family member.**

Younger borrowers are naturally less likely to have experienced such adverse episodes, and when the borrowers are a couple, blemishes on the credit record of either person can affect the chances of obtaining a mortgage on standard high street terms. Pepper Money customers are also more likely to have come from the private rented sector, 52% compared to only 45% of the wider buyer population, and fewer were previously owner-occupiers (5% versus 12%), the latter reflecting Pepper's lesser interest in the OPSO market.

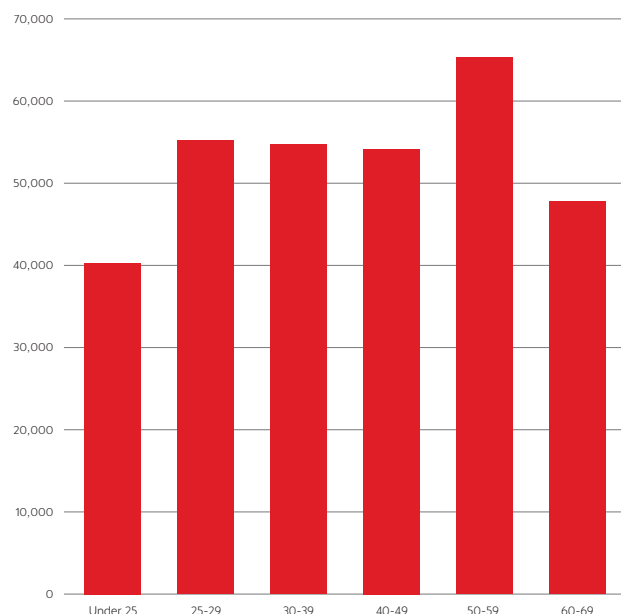
**CHART 12** – AGE PROFILE OF SHARED OWNERSHIP BORROWERS IN 2023-24



But perhaps the most striking disparity between Pepper Money shared ownership customers is in average household income, although data on the wider market is estimated and less timely. In 2023-24, Pepper Money customers' household income averaged £55,000. This compares to an estimate of £37,000 for 2022 according to UCL. Part of the answer for this divergence lies in the older age of Pepper Money borrowers and the higher proportion of couples, but neither of these attributes explains the whole difference. Pepper Money single borrowers still had an average income of £49,000 and the youngest two cohorts of under 25 and 25-29 year olds had average incomes of £40,000 and £55,000 respectively. The higher average incomes of Pepper Money customers leave them in a strong position to afford their rent and mortgage, even in the event that inflation and interest rates go higher.

# Specialist lending in shared ownership

**CHART 13** – MEDIAN HOUSEHOLD INCOME OF PEPPER MONEY BORROWERS BY AGE (2023-24)



Source: Pepper Money

Although loan-to-income (LTI) data is not available for the shared ownership market as a whole, Pepper Money's average LTI in 2023-24 was 1.79, not much more than half the average for all first-time buyers, which was 3.44 in 2024 according to UK Finance<sup>26</sup>. This should be one of the best guides to a household's ability to meet future mortgage and rent commitments because we know that the rental element is comparatively affordable, starting at a modest 2.75% of the rental share's market value.

Pepper Money shared ownership borrowers stay with the lender for an average of just under four years - a relatively short period that reflects Pepper's core mission: to support customers as they rebuild their financial track record and ultimately return to the high street. By helping borrowers meet their commitments consistently over time, Pepper Money enables them to rehabilitate their credit and transition to mainstream mortgage providers when they're ready.

Credit rehabilitation is an important aspect of the specialist lender offering from a customer perspective. It allows them to access the standard mortgage products of the major lenders more quickly than would typically be the case if they remained in the private rented sector. As credit issues are often the result of a single adverse life event, such as relationship breakdowns, serious illness or redundancy, the ability to restore a good credit rating through regular mortgage payments can be a lifeline for customers who have experienced such unfortunate circumstances and successfully overcome them. It could be seen as fundamental to social mobility to allow these individuals access to the shared ownership market through these specialist lenders, rather than locking them out due to small credit blips.

# Pepper Money policy recommendations

We want more people to access shared ownership, in financially responsible and sustainable methods. That's why this paper doesn't just highlight the problem – it proposes actionable solutions. These recommendations were developed in close collaboration with two independent experts, Rt Hon David Gauke and Rob Thomas, whose insight and analysis have been invaluable in shaping this report. Our recommendations aim to ensure the system evolves in line with economic realities, supports financial recovery, and plays a central role in the Government's broader housing ambitions.

## 1. Review Homes England Capital Funding Guide: Section 6.

- Specialist lending plays a vital role in helping individuals achieve financial stability and purchase a home.
- While responsible lending is essential, current Homes England policy lacks clarity and leaves too much discretion to individual registered providers to disregard applications from specialist lenders.
- This vagueness can have unintended consequences, such as unfairly excluding people who arguably most need access to shared ownership. This includes credit-worthy applicants who have been turned away by high street lenders.
- Shared ownership should reflect the Government's broader commitment to social mobility by providing support to those who are "just off the high street" – such as the self-employed, single parents, those with complex incomes or who are on the path to financial recovery.
- Updated guidance should discourage registered providers of shared ownership homes from applying rigid 'no adverse' policies. Instead, it should promote a more compassionate and nuanced approach that ensures shared ownership remains accessible to those who need it.

## 2. Increase general eligibility requirements in line with average earnings growth.

- To provide certainty and stability to the sector, Pepper Money recommends increasing the income eligibility thresholds for shared ownership.
- There has been no indication from Homes England or the MHCLG that it will be reviewed or increased.
- According to the latest Office for National Statistics (ONS) data, the average UK household income is £36,700, rising to £42,100 in London.
- Within London, there are significant differences by borough – for example, the average household income in Wandsworth is £74,000, compared to £46,000 in Barking and Dagenham.
- In 2024, average wage growth was 5.4%.
- As a result, the current static threshold is becoming an increasingly restrictive barrier. For example, the current £80,000 threshold for shared ownership (£90,000 in London) has been part of formal Government guidance since October 2016 – falling in real terms value by 35%.
- More households earning average or above-average incomes will soon find themselves ineligible for shared ownership, weakening this critical pathway to getting on the housing ladder.
- Over time, the reality of ever fewer eligible buyers may reduce the incentive for developers to build shared ownership homes, ultimately restricting supply and undermining the Government's commitment to increasing home ownership by pricing greater numbers out of home ownership who would otherwise be able to have equity via shared ownership.
- Adjusting the income threshold in line with average earnings growth would help maintain steady demand, incentivise developers, and provide much-needed policy certainty – supporting the Government's ambition to build more homes.



### 3. A call for an independent body to regularly harvest and publish industry data.

- It is clear that there are significant gaps in the publicly accessible data on shared ownership, which limits our understanding of its true impact.
- To effectively integrate shared ownership into the housing market, comprehensive data is essential.
- We believe this data should be centrally collected and managed, ideally by an independent body, to provide transparent insights.
- By doing so, policymakers would have a clearer, evidence-based picture of how the tenure operates and where it needs to evolve to meet the needs of future shared owners.
- Without such data, it becomes increasingly difficult to make informed decisions about a tenure that has already proven instrumental in helping thousands onto the property ladder.

## Methodologies and attributions

### Methodology for chart 1: estimating the shortfall in first-time buyers

This chart compares the expected number of first-time buyers each year with the actual number of first-time buyers recorded, from 1985 to 2024.

#### Expected first-time buyers (blue bars)

The expected number of first-time buyers was estimated using the following approach:

- A baseline period of 1981-84 was used to calculate average first-time buyer rates by age group, reflecting long-run pre-crisis trends.
- These historic age-specific homeownership propensities were then applied to the contemporary population structure for each subsequent year (1985 onwards), assuming earlier buying patterns had continued.
- This produced a counterfactual: the number of first-time buyers expected if generational buying behaviours had remained unchanged.
- Actual First-Time Buyers (red bars).
- Data for actual first-time buyer numbers was drawn from UK Finance.

- 
1. Savills Shared Ownership: A key piece in the housing puzzle
  2. Author's working; see methodology note
  3. DLUHC and MHCLG 2023 - 2024 data
  4. UCL: The Maturing Shared Ownership Market
  5. Savills Shared Ownership: A key piece in the housing puzzle
  6. Author's working; see methodology note
  7. FCA data 2007 - 2024
  8. UK Finance data 2000 - 2024
  9. DLUHC and MHCLG
  10. DLUHC and MHCLG 2015 - 2024
  11. Land Registry; MHCLG 2023 - 2024 data
  12. DLUHC and MHCLG 2023 - 2024 data
  13. DLUHC and MHCLG 2014 - 2024 data
  14. Author's own calculations
  15. Author's own calculations
  16. DLUHC and MHCLG 2008 - 2024 data
  17. DLUHC and MHCLG 2008 - 2024 data
  18. DLUHC and MHCLG 2008 - 2024 data
  19. DLUHC and MHCLG 1996 - 2024 data
  20. DLUHC and MHCLG 1996 - 2024 data
  21. DLUHC and MHCLG 1996 - 2024 data
  22. DLUHC and MHCLG 1996 - 2024 data
  23. DLUHC and MHCLG 1996 - 2024 data
  24. UCL: The Maturing Shared Ownership Market
  25. DLUHC and MHCLG, Pepper Money 2023 - 2024 data
  26. UK Finance



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