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How to stop homeownership becoming an 'elite privilege' – broker analysis

By John Fitzsimons
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Brokers have suggested that schemes like the shared ownership programme can prove effective in helping more first-time buyers onto the ladder, and prevent homeownership becoming an 'elite privilege'.

A study last week from Yorkshire Building Society revealed a downbeat attitude among prospective first-time buyers about their purchasing prospects, with the majority believing homeownership is rapidly becoming a privilege reserved only for the wealthiest.

Brokers were divided on how true this really is in practice, though some were keen to highlight that support programmes like shared ownership offer a route through the difficulties faced by many would-be homeowners.

A perfect storm for disappointment

David Robinson, co-founder at Wildcat Law, pointed to the legacy of the Right to Buy scheme which had both reduced the level of social housing and also increased expectations around the prospects of homeownership.

He said: "Combine this with record average house costs to income, and you have a perfect storm for housing disappointment."

Darryl Dhoffer, mortgage expert at The Mortgage Expert, said he felt homeownership was becoming an elite privilege, and that this was an attitude prevalent among many of his clients, particularly those looking to purchase a first home.

He added: "Many of them feel that homeownership is out of reach, and they are discouraged by the high cost of houses and the difficulty of getting a mortgage."

"There are a lot of despondent consumers, with many of them feeling that they will never be able to afford to buy a home, and with rents jumping higher than Michael Jordan, many are already losing hope."

The regional variation

There is a substantial variation between different regions, pointed out Jamie Thompson, mortgage broker at Jamie Thompson Mortgages, who gave the example of two first-time buyer clients buying a property in the North East who each earn £18,000 a year.

"People in their situation in the South of England stand virtually no chance though. Perhaps it's just an elite privilege to those priced out in the South, ironically where more elite privilege tends to be found in the first place," he added.

A helping hand

The rate of house price growth means that many first-time buyers are unable to purchase without help from loved ones, noted Stephen Perkins, managing director of Yellow Brick Mortgages.

He continued: "House buying almost requires two incomes, either from a couple or friends buying jointly, as one sole income is seldom sufficient to borrow the amount needed. Without the building of more genuinely affordable homes, this situation will only get worse."

Robinson noted that even those on average wages are now struggling to afford purchasing a home, since they typically have substantial student debt and have to deal with increasing rents while also saving a deposit.

"Unless you have wealthy family members able to assist you, homeownership for many in their twenties and thirties will remain a pipe dream," he added.

Realism – and a good broker – is vital

It's crucial for prospective buyers to enter the process with an open mind, argued Gary Bush, financial adviser at MortgageShop.com, so that they can adapt "if their budget doesn't fit for the property they want to purchase".

However, he suggested that it has "never been more true" that first-time buyers need to lower their expectations, and look to the shared ownership scheme as a way to get onto the ladder.

Michelle Lawson, director of Lawson Financial, argued that the media has "done a good job of scaring people off", noting that homeownership is available for a good proportion of people "if they are realistic".

She added: "There are many schemes available which the public may not be aware of. The most important thing people can do is seek advice from a good broker who can talk them through what is available and help them to make plans."

While home ownership is not becoming an elite privilege, according to Scott Taylor-Barr, financial adviser at Barnsdale Financial Management, how people go about becoming homeowners is changing.

He was another to point to the shared ownership scheme as being a "great solution" for aspiring buyers, but also highlighted the "innovative products" from the likes of Skipton Building Society and Gen H in dealing with the specific issues faced by first-time buyers.

"The key is to not assume and have an open-minded conversation with a mortgage broker about the available options," he concluded.

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