



Title: Kibblesworth Shared Ownership Update

Report of: TGHC Head of Corporate Services

Purpose of Report

1. To provide the board with an update on the marketing, allocation, price and customer interest in the shared ownership properties at Kibblesworth.

Background

2. Shared ownership is part of a government funded part buy/part rent scheme to help first-time buyers to become home owners.
3. Initially customers can purchase a share of between 25% and 75% of their new home and pay rent on its remaining share.
4. Potential customers will be assessed by ISOS (the HomeBuy agent approved by government for the North East region) to ensure they are eligible for shared ownership.
5. The assessment undertaken by ISOS will look at the applicants' ability to meet the basic criteria of the HomeBuy scheme.
6. The details of those accepted will then be forwarded to The Gateshead Housing Company to assess who is eligible for a property by utilising the shared ownership allocation policy.
7. There are 13 homes being built on the Kibblesworth development that are to be marketed as shared ownership properties.

6x 2 Bed Semi Detached
1x 4 Bed Detached
1x 5 Bed Detached

1x 3 Bed Mid Terrace
2x 3 Bed Semi Detached
2x 3 Bed End Terrace

8. Due to poor weather conditions throughout the winter months the properties did not become available for sale in line with previous timescales, however all properties are now available for sale.

Marketing

9. Marketing has continued using the following methods, which is expected to continue throughout the year:

- The Gateshead Housing Company News
 - The Gateshead Housing Company website
 - Leasehold News
 - Evening Chronicle
 - ISOS HomeBuy Agent Website
 - Tyne & Wear Homes website
 - Twitter and Facebook
10. To support the marketing of the properties the company has produced a 'frequently asked questions' brochure and shared ownership booklet. These are available on the website and in paper format where required.
 11. Additional marketing through local estate agents has now been investigated. Seven agents have been contacted and asked to provide details of their proposed marketing strategy and costs. Three companies provided information; they were Reeds Rains, Suzanne Graham and Keith Pattinson.
 12. Reeds Rains were appointed due to their experience in marketing shared ownership properties and competitive fee structure and have agreed to provide the following marketing services for the 5 properties which remain unsold on the site (1 x 5 bed, 3 x 3 bed and 1 x 2 bed):
 - Sales support through the Reeds Rains Whickham branch
 - Dedicated advertising and marketing
 - A web marketing package, including Rightmove.co.uk, and 10 other leading property portals
 - Local papers
 13. The fee structure for marketing and sale of the properties is £1,500 for the 5 bed property and £1,250 for all other properties. Reeds Rains have not been given sole marketing rights and therefore marketing will also continue through Tyne and Wear Homes and ISOS. Fees are only payable on completion of sale and therefore no fees will be payable unless Reeds Rains secures the sale of a property through their marketing. Marketing went live in August 2013.
 14. Various press releases have been produced by the communications team and proactive marketing of those individuals registered on Tyne and Wear Homes.
 15. The Leasehold Services team have attended local events to further promote the shared ownership scheme and the local housing office has delivered leaflets in the local area.

Price

16. Under HCA guidelines all valuations on the shared ownership properties must be carried out by a RICS qualified valuer. The properties must be valued every 3 months. The next valuation is due on 12 September 2013. Five valuations have been undertaken to date:

	Valuation Date 13 June 2012	Valuation Date 12 September 2012	Valuation Date 12 December 2012	Valuation Date 12 March 2013	Valuation Date 12 June 2013
2 bed semi	£115,000	£115,000	£115,000	£115,000	£115,000
2 bed mid-terrace	£128,000	£126,000	£126,000	£126,000	£126,000
3 bed semi	£134,000	£132,000	£132,000	£132,000	£134,000
4 bed detached	£168,000	£168,000	Sale agreed	Sale Agreed	Sold
5 bed detached	£175,000	£175,000	£175,000	£175,000	£175,000

Customer Interest

17. To date one hundred and two customers have expressed an interest and twelve completed applications have been assessed by ISOS.
18. Ten applications have been approved and two rejected. Of those approved, seven properties have been sold and one property is going through the conveyancing process. One application was unsuccessful in securing a mortgage and has withdrawn from the scheme and one approved application has also withdrawn from the scheme.
19. Of those rejected, one application was due to the prospective buyer's income being insufficient and the second as a result of an outstanding IVA. This has been reported previously.
20. Reservations fees have been received from eight approved applicants and referred to Legal Services to commence the sale of the property. A reservation fee has been requested for the most recent application. This represents five 2-bed properties, two 3-bed properties and one 4-bed property.
21. Legal Services have completed the conveyancing process and the following seven properties have now been sold:

4 Bed	Sold 28.05.13	75% Purchased
3 Bed	Sold 14.06.13	30% Purchased
3 Bed	Sold 01.07.13	50% Purchased
2 Bed	Sold 31.05.13	25% Purchased
2 Bed	Sold 14.06.13	25% Purchased
2 Bed	Sold 05.07.13	30% Purchased
2 Bed	Sold 12.07.13	30% Purchased

The first months rent has been collected with the completion of each sale. All sold properties have been invoiced the rent for the remainder of the year and Direct Debit payment schedules have been created for all customers.

22. Three customers have shown an interest in the 5-bed property. Of those, two have withdrawn their applications and one, who had been approved by ISOS, was unable to secure a mortgage.
23. Seven customers have applied to ISOS for an assessment but have not provided financial information to enable an assessment to be carried out. One customer has been approved by ISOS but has cancelled the application by email. Contact is being made to establish if there are any incentives that may support the customer in progressing the application.
24. Decisions as to whether to provide incentives are still being undertaken on a property by property basis. The incentives agreed to date are either carpets or white goods. No incentives have been necessary to sell the shared ownership properties to date.

Impact on Tenants

25. All tenants have the opportunity to apply for one of the shared ownership properties if they pass the financial assessment undertaken by ISOS

Financial Implications

26. ISOS charge £180 (plus VAT) for an assessment of eligibility. To date, ISOS have been paid £1,260 for 7 assessments.
27. Gateshead Council has drafted the plans for the 13 shared ownership properties and has been paid £1,625.
28. Property re-valuations are required every 3 months and must be carried out by a RICS qualified surveyor at a cost of £180 per valuation, this will reduce as sales progress.
29. Gateshead Council Legal Services have been commissioned to complete all legal conveyance of a sale, at a rate of £432 per property plus £86.40 on solicitors' fees. To date, £3,641 has been paid to Gateshead Council.
30. An additional valuation report has been commissioned to meet the S119 Charities Act 2001 and the Charities (Qualified Surveyors' Report) Regulation 1992 at a cost of £300.
31. Income received to date from the sale of properties is £358,069. Rental income projected for the year from the seven sold properties is £12,743. Rents will be reviewed and increased each April in line with the formula in the lease.
32. Any incentives provided to encourage a sale will be either carpets or white goods and these have been budgeted at a maximum of £2,000 per property.
33. Reed Rains fees could cost a maximum of £6,500 if the remaining five properties are all sold via their external marketing.

Risk Management Implications

34. All properties have now been agreed as complete in line with HCA grant conditions and the HCA has agreed to release all grant funding. There is still

some outstanding snagging to be completed and we are working closely with Keepmoat to ensure the issues are addressed.

35. There is a risk that the properties will not be sold under Shared Ownership. If this occurred then agreement has been reached with the HCA to market these properties as Rent to Buy.

Value for Money Implications

36. Regular meetings are held with Keepmoat to ensure value for money is achieved on all solutions.
37. Three quotes were obtained in relation to the cost of property valuations and the most advantageous quote was agreed.
38. Seven estate agents were contacted in relation to the external marketing of properties and three quotes were obtained. The most advantageous quote was agreed in terms of fee structure and experience in the shared ownership market.

Equality and Diversity Implications

39. There are no equality and diversity implications directly arising from this report.

Health implications

40. Keepmoat are aware that dust and noise have potential health implications. This is mitigated by the site being part of the 'Considerate Constructor Scheme' which monitors these and other matters.

Consultation Carried Out

41. No consultation has been carried out directly in respect of this report.

Recommendation

42. The views of the Board are sought as to whether they are satisfied with the progress made to date on the marketing, allocation and sale of the shared ownership properties.