



Fact Sheet

What is Shared Ownership?

Shared Ownership is designed for people who aspire to home ownership but who are unable to afford the full market price. Purchasers must be able to pay a mortgage, so they are usually working people. Nevertheless, they do not earn enough to buy on the open market.

Shared Owners buy a share of the equity and the developer or a housing association (also known as Registered Social Landlord) retains the remaining portion. Shared owners may benefit from rising property values just as they would on the open market (and, equally, may experience falls in value).

Is there a need for shared ownership?

In the Rural Housing Trust's experience, most villages need a mixture of rented and shared ownership housing but the split depends largely on income levels in the area. By mixing the tenure, the development reflects the range of income and age groups in the local community.

Shared ownership meets the needs of single people, couples and families who would not receive priority help from their Local Authority housing department. However, their ability to stay in the place where they have strong connections is often seen to hold great benefits for the community.

Grant-free shared ownership

The Trust has used its own model of *grant-free* shared ownership since 1989 and has built over 450 houses this way. Because we do not use public funds to subsidise the homes, we do not have to offer to shared owners the right to "staircase", i.e. buy further portions of equity.

In other words, the equity is "fixed", which means that the same discount is passed on to future purchasers, helping to keep the property affordable for more than one generation of occupiers.

How RHTD shared ownership works

When we build a house for shared ownership, we sell it at a price it costs us to build, i.e. we are not making developer profits but covering our costs. The house is valued as if it was being sold on the open market and the sale price is shown as a percentage of this figure.

The percentage is fixed at the time of the first sale and the value of a purchaser's share is linked to the open market value of the house, which can rise or fall as a result of any market fluctuations.

So, when the house is re-sold and the open market value has increased by, say, £10,000, and the purchaser's fixed share was, say 68%, there would be a gain of £6,800.

On the other hand, if at the time of re-sale, market values are lower than at the time of purchase, the occupier would bear the same percentage of any reduction.

The shared owner does not pay any rent on the share of the equity retained by RHT, but he or she is responsible for all the repairs, maintenance, insurance of the property and an annual ground rent on the lease (£300).

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There will be a service charge for maintaining parts of the development which everyone shares, e.g. common landscaped areas, parking areas.

There is no limit on the length of time a person may stay in the house, but in normal circumstances no extensions or major alterations are permitted, as this would increase the property value and make the house too expensive for the next purchasers.

If the purchaser wishes to sell at some time in the future, it must be to someone approved by RHT and at the original percentage of the new value. RHT would not, of course, make any claim on any profit that may be made when selling this share.

The Trust is able to provide shared ownership in areas where some local people can afford a mortgage to meet up to 75% of open market values because:

1. The full cost of provision (which should always be between 50% and 70% of open market value of the houses) is covered by the purchase price and there is therefore no residual loan for RHT to service.
2. We do not take developer profit as the Trust is a charity.
3. We usually work on 'exception' sites (*) which can be acquired at low cost or on land acquired at nil value.

Grant-funded shared ownership

In housing association developments which are subsidised by public funds (Social Housing Grant), there is a statutory right for the shared owner to progress to ownership of 80% of the equity in small villages.

On re-sales, the housing association can buy back the property and re-sell to a new purchaser at a lower percentage of the equity, subject to a minimum of the percentage first sold.

Keeping it affordable, keeping it local

Long term affordability and occupancy are ensured by fixing or capping the equity purchasers can acquire and by the absence of rights to buy/acquire because the development is in an exempt village (population fewer than 3,000).

In both forms of shared ownership described above, the re-sale transactions are monitored and the housing association or Trust can step in if the covenants are breached. The re-sale must be to a purchaser nominated by the housing association (or the Trust), at the set percentage of an approved current valuation. The rights of the housing association in this respect are protected by the terms of the lease.

It is not possible to control the rise in value of the houses, but they will always be available for re-sale at well below open market value. This ensures that applicants who qualify under the local connection and are in housing need are able to purchase a house at a much lower price than in the open market.

Working with local people

The Trust works with Parish Councils to ensure that local people understand and support proposals and that developments are designed to meet local needs. An open and consultative approach is adopted by all RHT fieldworkers and development staff in order to explain proposals and receive feedback.