

Factsheet 9

Shared Ownership

Shared ownership is a type of intermediate housing (see Factsheet 1) offered on certain homes across England. It is sometimes called 'New Build HomeBuy' or 'part-buy, part rent'.

Who is eligible?

Households are eligible to buy a home through shared ownership if:

- the household income is £60,000 a year or less
- they can not otherwise afford to buy a suitable home in the area that meets their housing need
- they have enough savings for a deposit plus the costs associated with purchasing a property.

In North Norfolk, the households who are nominated for shared ownership homes will be on our Housing Register. People who currently rent Housing Association properties are given priority over other applicants, as this releases a rented property for other people in housing need.

Once a household is nominated for shared ownership property, the Housing Association will undertake an 'affordability check', assessing the applicant's income, savings and outgoings – to check that they are eligible, and to ensure that their new home is affordable over the long-term.

How does shared ownership work?

The household will pay for a share of between 25% and 75% of the home's value and the Housing Association owns the remaining share of the property. The household will then 'lease' the remaining share, paying rent to the Housing Association for the share they do not own - which is around 3% of the share's value (this percentage may be different on older shared ownership properties).

To purchase their share, most applicants will need an earned income to obtain a mortgage from a lender. Some may have equity - savings, a retirement lump-sum, or capital from their share of a property following a relationship breakdown – which is just enough to purchase a share of a property, but not enough to purchase one on the open market.

Rights and responsibilities

A shared ownership owner will have rights and responsibilities, just like any other homeowner, which means they are responsible for general repairs and maintenance. However, there may be shared areas (such as open space or in flats, hallways and roofs) which the Housing Association will maintain, so there may be a service charge which is paid with the rent.

Buying more shares – ‘staircasing’

After the purchase of the initial share, it is possible to buy more shares until the whole of the property is owned outright: this is known as ‘staircasing’. The cost of the new share will depend on how much the property is worth at the time, if property prices in the area have gone up, the value of the share will be more than for the first share. If the property has dropped in value, the new share will be cheaper.

In rural areas, the maximum share may be limited to 80% - this is to ensure that the property cannot be resold on the open market. This will always apply to homes on Exception Housing Schemes.

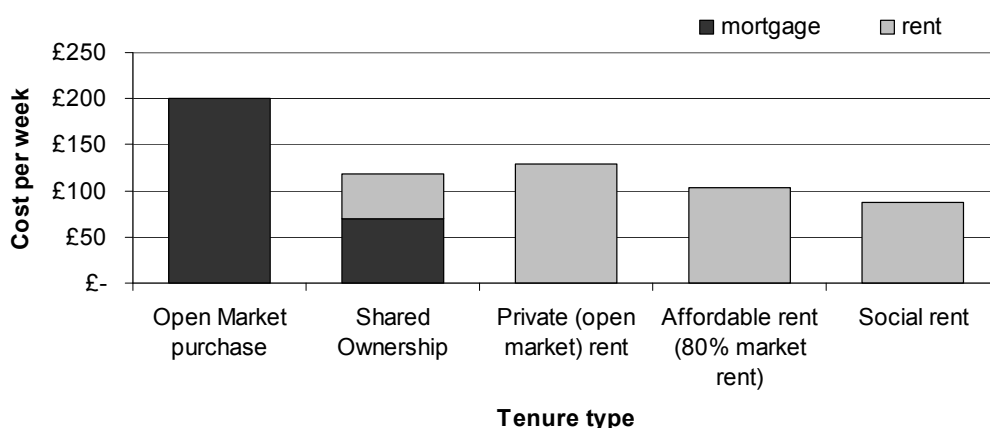
Selling a shared ownership home – ‘resale’

The householder can sell their share of the home at any time, but must tell the Housing Association in writing: this is because the Housing Association has the right to find a buyer for it, and to ask us to nominate potential purchases from our Housing Register. If the householder owns 100% of the property, they can sell it themselves – but the Housing Association has the ‘right of first refusal’, a chance to buy the property before anyone else. The Housing Association has this right for 21 years after the householder has purchased the full 100% of the property.

Example of Shared Ownership - a 2 bedroom terraced house in Holt

The property is valued at £135,000. A 35% share is £47,250, for which the applicant needs a mortgage: based on a 25 year repayment mortgage at 6%, this will be approximately £305 per month. The applicant will also pay rent of £201.11 per month on the remaining 65%, plus a service charge of £7.63 per month, to the Housing Association. Their total housing costs are £513.75 per month, or £118.56 per week.

Cost comparison of a 2 bedroom terraced house in Holt



In this example, purchasing a shared ownership property is around 60% cheaper than purchasing a similar property outright: it is also about 8% cheaper than privately renting a property.

Shared ownership is just one way for people on low incomes to get a foot on the property ladder: other low-cost home ownership products are available through Orbit, our local HomeBuy Agent who provide a one-stop shop service to people interested in any of the government’s HomeBuy products.