Shared Ownership

Shared ownership is increasingly being offered by housing associations and private developers to assist those who cannot otherwise afford homeownership, to obtain a rung on that ladder.

Purchasers pay a lump sum 'premium' to reflect the value of a share in the property; typically, 25%, 50% or 75%. The level of rent set by the landlord is based on the remaining share. This is often described as buying a percentage share of the property and renting the remaining share but that is not strictly the case in law and there are some distinct differences from part owning / part renting:

Shared ownership properties are always sold on a leasehold basis and the shared owner takes on 100% of the leaseholder responsibilities i.e. the costs of maintaining the internal areas of the property are not shared with the landlord. Shared owners are also required to pay 100% of service charge contributions towards the landlord's costs of repair and other obligations. See "Who has responsibility for what?" Service charge obligations are not reduced to reflect the 'purchased' share of the property and are not shared with the landlord.

The legal status of shared owners is that of Assured Tenants with a contractual right to become owners (of houses) or leaseholders (of flats) by paying additional premiums to reflect the value of additional percentage shares up to 100%. This is known as staircasing. Not all shared ownership leases allow staircasing up to 100% but this should be made clear to you before paying an initial premium. Leases limiting the share to less than 100% are designed to ensure that the property is always retained as 'affordable housing' and shared owners wishing to obtain full ownership will need to surrender their shared ownership lease and purchase an alternative property.

The additional premium payable to staircase will reflect the value of any additional share and will be based on the full market value of the property at that time. The Landlord will assess the level of additional premium payable but there will usually be an option within the lease for both parties to agree to an independent valuation. There will be a number of costs involved in 'staircasing', these will include:

- Valuation fee
- Legal expenses
- Stamp duty
- Mortgage fees

Other Guides:

Shared Ownership

The mortgage market for shared ownership properties tends to be dominated by a few specialist lenders who also have additional terms and conditions to protect their interests. The lending market is therefore not as wide for this type of transaction and the mortgage fees may be higher.

Private developers may have no restrictions on purchasers but there are eligibility criteria you will need to meet if purchasing a housing association property.

As at December 2017, you will be eligible to purchase a shared ownership property if your combined annual household income is less than £80,000 (£90,000 in London.) and any of the following apply:

- You are a first time buyer
- You used to own a home but cannot afford to buy one now
- You are an existing shared owner

The housing association will also need to satisfy themselves that you can afford to meet all the obligations, including; mortgage payments, rent, service charges, council tax and other property outgoings.

Shared ownership is a specialist product requiring a smaller deposit and lower mortgage payments than owner-occupation / leasehold purchase. It is not necessarily the most appropriate option for all those considering homeownership and you should ensure that the product is fully explained and suitable for your longer term needs before committing to a 'purchase'.

Other Guides: