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# Residential property
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## Shared ownership update

Are you struggling to buy your first home? If so, you are not alone. The cost of housing continues to be a concern for many. Fortunately there are schemes aimed at making home ownership more affordable and if you want to get onto the property ladder, but cannot afford to buy on the open market, then shared ownership could be the solution.

Here **Grace Marsh**, a residential conveyancing expert with **Crane and Walton LLP** at our **Coalville office** looks at how shared ownership schemes work and considers the latest proposals to improve them.

### What is shared ownership?

Shared ownership lets you buy a share in a property, usually from a housing association, and to pay rent on the rest. One shared ownership leaseholder has described it as ‘like owning downstairs and renting upstairs’.

### How does shared ownership work?

There are usually eligibility requirements when buying a shared ownership home. For example, for most schemes, your annual household income should not be more than £80,000.

If you qualify, you can buy a share of between 25 per cent and 75 per cent of a property with the housing association owning the balance. Your deposit is based only on the share you are buying, and many lenders are also willing to make 95 per cent advances on a shared ownership property.  This reduces the amount you initially need to save to get on the ladder.

For example, a 25 per cent share of a £250,000 home could require a deposit of only £3,125, which is five per cent of the cost of the share you are buying. This is significantly less than the conventional deposit.

Your mortgage repayments should also be lower than buying outright, but you will have to pay rent on the share you do not own. This will be based on a percentage of the retained share, usually around three per cent, rather than the open market rent.

As time goes on and if your circumstances change, you can also increase your stake in the property by buying extra shares in ten per cent chunks. This process, known as staircasing, lets you build up your equity stake to eventually become the outright owner of your home.

**The pros and cons of shared ownership**

The big advantage of shared ownership is it could allow you to buy a home you may not otherwise be able to afford. Deposit requirements tend to be smaller, mortgages more accessible, and repayments lower than for a comparable conventional purchase. You will gain from any rise in house prices and have many of the benefits of home ownership.

However, it is also important to consider the disadvantages:

- shared ownership homes are often newly built, so sell at a premium compared to similar older properties;
- you will hold your property under a lease which will restrict how you can use it, for example you may need the housing association's consent for certain alterations;
- you may not be able to rent your home out, for example if you have to relocate;
- you may have to pay ground rent and service charges, based on the entire property, not just your share;
- buying more shares can be expensive, especially in a rising market because their price will be based on the market value of your property; and
- selling your home may be less straightforward than if you owned it outright as you may have to offer to sell it back to the housing association first or there may be restrictions on whom you can sell to.

**How shared ownership could be changing**

The government sees shared ownership as an important way of increasing home ownership and is proposing changes which may include:

- increasing the number of shared ownership properties available and giving some tenants an automatic right to buy shares in their home;
- introducing a new national model for shared ownership leases, which will make it easier to understand what you can and cannot do in a property;
- reducing the smallest stake that you can buy initially in a shared ownership property to ten per cent;
- letting you increase your original stake in a shared ownership home in smaller, one per cent, chunks; and
- making it easier to sell your shared ownership home when you want to move on.

Any changes may be some way off. Even so, industry experts predict the take-up of shared ownership will double by 2023. The Help to Buy scheme ends then, so shared ownership would become the major route to homeownership for those needing help to meet high deposit requirements.

**What to do if you think shared ownership could be for you**

Shared ownership can be an effective way of getting your first step on the property ladder. However, it is important to consider all the implications and how a shared ownership scheme would work for you. Your solicitor can help.

Buying a shared ownership home is different from a conventional transaction, so choose a solicitor experienced in this area rather than a general conveyancer. They will consider the detailed provisions of the shared ownership lease, and how these could affect you. For example, on some developments higher ground rent and service charge payments could end up negating the benefit of lower mortgage repayments and below market rent. Others may impose restrictions which could make it harder to sell on when you want to trade up.

Like many though, you may find shared ownership an excellent way of affording your first home and want to get moving quickly. Unfortunately, shared ownership can be more complicated than a conventional conveyancing transaction and there can be some pitfalls. However, a good solicitor will navigate all the legal aspects of your purchase and keep your journey to home ownership on track.

For further information on shared ownership or about buying or selling your home, please contact a member of our residential conveyance team at any of our offices on:

**Ashby office- 01530 414111**

**Coalville office- 01530 834466**

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