

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:

- Glossary
- What is a Lease?
- Who is who in a block of leasehold flats?
- Who has responsibility for what?
- Carrying out alterations or improvements
- What costs will I have to pay each year?
- The money – service charges & ground rent in leasehold homes
- Reserve & sinking funds
- Section 20 information
- Shared ownership
- Common misconceptions about leasehold?
- Your leasehold home – making a complaint