16 April 2021

Dear Sue,

Many thanks for your email and open letter about shared ownership.

Where I can I've answered the questions that you have raised, but in some circumstances there is no one answer as individual Housing Associations set their own policies in relation to fees and charges, albeit in line with the standard model produced by Homes England.

- By 'purchasing a full legal interest in their property' do you mean staircasing to 100%?

"Purchasing a full legal interest" isn't related to staircasing – the shared owner takes on the full legal interest of said property regardless of how many shares they own.

Under the current model of shared ownership this means that repairs and maintenance are the legal responsibility of the shared owner. However, the government has recently published plans to change the model so that new homes will come with a 10-year repairs period in which registered providers will be responsible for them (up to a cap of £500 per year). You can find more information on the new model here.

- Could you please confirm what % of shared owners successfully purchase 'a full legal interest in their property' (not including those who staircase to 100% as part of a simultaneous sale and staircasing transaction)?

As mentioned before, all shared owners purchase a full legal interest in their property regardless of how many shares they own. The most recent statistic that we have on staircasing shows 134,000 shared ownership properties have staircased to full ownership, although this data will be an underestimation of the total as it only includes leasehold properties, not those where owners have staircased to 100% of a freehold.

- The rent on commencement of a typical shared ownership lease is reported as being between 2.75% (per Which?) and 3.00% (per Share to Buy) of the initial capital value. Per Share to Buy: 'rent will be increased in line with any proportionate increase in the Retail Prices Index (RPI) plus an amount, typically between 0.5% and 2%'. Share to Buy additionally points out that: 'rent is only reviewed on an "upwards only" basis and will not go down when reviewed'. On the other hand, Inside Housing has reported 'mass sale of properties by developers to housing associations at as much as 30% below market price'. Housing associations have also, historically at least, been able to borrow at low risk rates. There is therefore potentially a substantial margin between housing associations' financing costs on outstanding shares, and the rental income paid by shared owners. However, the above statement infers that the rent merely 'covers the landlord's cost of financing'. I would appreciate it if you could investigate whether any surplus income arises from shared owners' rent charges, and let me know the outcome.

There are many factors which determine the actual cost of a shared ownership home to a housing association: whether staircasing takes place and when; what's happened to house prices between the time of purchase and when owners get to 100% of shares; and also the cost of borrowing during that time. It would not be unusual for it to take 30-odd years for a housing association to know the true cost of a property.

The amount that our members borrow is against the whole of their development programme rather than individual homes so there is a chance that whilst they might make a small amount on one property there will certainly be those that they lose money on which as explained previously might not become clear for decades.

The appraisals of shared ownership properties are usually sensitive to assumed long-term interest rates as well as anticipated staircasing levels and house prices. These are all risks that housing associations have to manage and their borrowing takes that into account.

The NHF does not collect information on the incomes or surplus of its members, however it's worth saying that housing associations operate on a not-for-profit basis.

I hope that this is of some help.

Kind regards