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Making Home Ownership Affordable

In 2019, I wrote about the Government's plans for a new national model for shared ownership to tackle the housing crisis. A link to that article can be found here.

In August 2019, the Ministry of Housing, Communities and Local Government issued a discussion paper, which sought views on several proposed changes to the shared ownership model. The consultation closed a month later and 186 responses were received. The Government has now issued a summary of the responses along with its proposals.

The Government proposes four main changes to shared ownership:

1) A reduced initial share

Before the proposals, the minimum share was 25%. It will now be 10%. The Government hopes that the reduction will make shared ownership more accessible to lower income households. Landlords will therefore receive less income from selling smaller initial shares although demand may increase. It is not known whether lower income and higher demand will impact upon the deliverability of rented properties.

2) A gradual staircasing model

Before the proposals, the minimum staircasing share was 10%. It will now be 1% with heavily reduced fees. Shared owners will no longer need to obtain a professional valuation each time they want to buy more shares in their home and landlords will be prohibited from charging administration fees. However, the existing staircasing process will apply to those wishing to purchase larger shares.

The Government hopes that buying in 1% tranches will make it easier for shared owners to staircase without mortgage funding and so avoid mortgage fees too. The staircase will also reduce the shared owner's monthly rent.

It is not known how much extra administration and time costs the changes will generate for landlords. Nor whether all existing shared owners will be able to benefit from the change. However, for those using a RICS valuation, the Government will lower the minimum additional share from 10% to 5%.

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3) No repairs and maintenance costs for 10 years

Before the proposals, a shared owner paid for repairs and maintenance irrespective of how much (or little) of their home they owned. A landlord will now cover the cost of any repairs and maintenance for the first 10 years. Landlords will therefore have increased costs associated with shared ownership properties.

Shared owners will need to rely upon the covenants in their leases to force a landlord to carry out repairs and maintenance. There may be issues with saleability on the open market if a landlord has not kept up to date with its obligations. There may also be the worry of a large repair and maintenance bill for the shared owner in year 11.

4) More control when selling the home

Before the proposals, a landlord had an eight week nomination period during which they had the right to market the property. If they failed to sell it during that time, the shared owner could then place it on the open market. The tenant will now have the option to reduce the time-period to four weeks. It is hoped that it will give shared owners greater power and influence over the resale process.

The new model of Shared Ownership will be implemented on all new build shared ownership homes delivered through a new £11.5 billion Affordable Homes Programme. The programme will begin in 2021 and is due to be delivered over the next five years to provide up to 180,000 new homes. However, this is dependent upon economic conditions. The changes will apply to England only.

The Government states that it believes strongly in the benefits of home ownership and that shared ownership has a vital role to play for those who would otherwise struggle to buy a home. It states that 87% of people would choose to own if they could and that the proportion of people under the age of 35 owning a home has declined from 65% to 27% since the 1990s.

Housing Secretary Robert Jenrick has said:

“This government is helping hard-working families and prospective first-time buyers get their feet on the housing ladder in an affordable way... Thanks to the range of flexible ownership options being made available, more families across the country will be able to realise their dreams of owning their own home, with half of these homes being made available for ownership."

A link to the discussion paper can be found here.

If you have any questions, our real estate solicitors based in Bournemouth and Southampton can help. Get in touch by calling 01202 786132 or emailing online.enquiries@la-law.com.

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