

Understanding affordable housing

Residential Property, Farms & Estates

'Affordable housing' is defined as properties which are provided either to rent or to buy at a price below the market value. This also includes 'Key Worker Schemes' where people who work in certain jobs such as teachers and healthcare workers qualify to take part in these schemes.

In this instance housing is usually provided by Housing Associations, Local Authorities and some private developers. On new developments often the local planning authority requires a certain proportion of housing to be set aside for Affordable Housing.

There are different types of 'affordable housing', the most common are:

- **Social Rented Properties**
These are properties which are rented out at a rent below market value rates.
- **New Build Home Buy ("Shared Ownership")**
This is where the provider sells a proportion of the property (usually between 25-75%) and charges rent on the remaining part. The property is sold by way of a lease (99-125 years). Usually the lease also includes provisions which allow the owner to purchase further shares in the property (this is called 'stair-casing'). Stair-casing may be permitted up to 100% of the price however some schemes can limit the actual percentage that can be purchased. This means that the property always remains "affordable".
 - Check your lease carefully. It may contain provisions that if you wish to sell your share, the provider has the right to nominate a buyer first before you put the property on the market. The rent that is paid is usually reviewed every year in accordance with the Retail Prices Index and is also often subsidised to make it 'affordable'.
- **'Open Market' Home Buy**
This allows you to buy a property at open market value and to provide a certain percentage of the purchase price, with the remainder funded by the provider as an equity loan. This is secured by way of a 'charge' over the property. Interest may or may not be payable and will depend on the terms of the schemes. If the property is sold then the provider is repaid its percentage of the value back.

Other information

As this is a specialist area of property purchase not all Lender will provide mortgages for these schemes. Usually the Housing Association or other provider will have a list of lenders who are willing to participate in these schemes. Alternatively your mortgage broker may be able to help.

Useful links:

- www.whathouse.co.uk/affordable-homes
- www.direct.gov.uk/en/HomeAndCommunity/Councilandhousingassociationhomes/Housingassociationhomes/DG_188384