



Staircasing (buying more shares) your Shared Ownership home

About Staircasing

Staircasing is the term used when, as a shared owner leaseholder, you want to purchase further shares in the home when you can afford to. The greater the share you own, the less rent you will pay, until ultimately if you staircase to 100%** you will pay no rent.

Details of the staircasing requirements will be set out in your lease. Leases do vary, for example: some leases allow you to staircase at any time, others may state in has to be 3 or 12 months since the start of your lease and you may want to discuss your lease with your legal representative.

It is entirely up to you whether or not you choose to staircase.

The benefits of staircasing

Many shared owners aspire to full home ownership which may have been one of the reasons you purchased shared ownership in the first place. The obvious benefit is that the higher the shares you own in your property, the lower the rent you pay. If you staircase out to 100% ownership, you will have no rent to pay.

Another benefit comes when you decide to sell your home – especially if the value of your home has increased. In this instance, the higher the percentage you own, the more profit you will make when you sell your property. This extra profit can be the deciding factor on whether or not you can afford to purchase a property on the open market, without further assistance

If you have staircased out to 100%, you can sell your property on the open market, using an estate agent or internet agent etc.

Minimum and maximum shares

Unless it is a final staircasing to 100% ownership, the minimum extra share you can purchase is 10%, but this may be defined by your lease.

The maximum share you can purchase is 100%** of your property.

After your initial share purchase, you may only staircase a further 3 times for full ownership.

It is important to note that each extra share bought is based on the 'current market value' at the time of application to staircase, not at the price of the property when you first purchased it. You will also incur valuation and legal fees etc each time you staircase.

** There are some exceptions to being able to staircase to 100%; for example your property has a 'fixed equity' lease as you purchased your property in a rural restriction or protected area or through a specific older person's or long term disabled person's development. This will be defined in your lease but you should have been aware of this restriction when you first purchased your property.

What is involved?

Staircasing involves changes to your existing lease which will need to be done by a solicitor. The costs involved will include Aldwyck's administration fees and the RICS valuation (plus a further valuation fee if completion does not take place within 3 months), your solicitor's professional fees and disbursements, and usually mortgage valuation costs, mortgage arrangement fee, re-mortgage approval fee etc. In some cases, there may be Stamp Duty to pay.

First you should speak to your lender or an independent financial advisor to see if buying more shares in you home is an affordable option. Once you are happy that staircasing may be an option for you, call or e-mail the Sales Services team and we will send you out an initial information letter and an Instruction Form for Staircasing.

You will need to instruct and pay for a Royal Institution of Chartered Surveyors (RICS) or Fellow of Royal Institution of Chartered Surveyors (FRICS) valuation carried out by an accredited surveyor. Please be aware valuations generally expire within 3 months and if you decide later not to go ahead, the surveyor will not refund your fee once they have carried out the valuation.

You should forward a copy of this valuation report to Sales Services team, together with your completed Instruction Form for Staircasing and requested confirmation of your identity (for money laundering purposes). Your Instruction Form for Staircasing will need to confirm details of the percentage you wish to buy along with your solicitor's details.

We will confirm the cost of the additional shares you wish to purchase, based on the valuation, and you will have the opportunity to confirm, change or cancel the instruction.

Once you have confirmed the extra shares you wish to purchase we will forward a Memorandum of Staircasing to your solicitor for checking. As is usually the case, if there are no issues, the completion of the staircasing can go ahead.

Example of staircasing a shared ownership property

The rent level at initial sale is set by Aldwyck and is recommended by the government not to exceed 3% annually. However Aldwyck's annual rent of the un-purchased share at initial sale averages 2.75% - the rent is reviewed annually.

Below is an example of purchasing a shared ownership property and over the years staircasing out to 100% home ownership. It is assumed the property has no restrictions to staircasing in the lease. This is an example only and not meant to imply any guarantee of house prices in the future, as prices can go down as well as up.

Example

Initial purchase

Property market value at Initial Sale: £200,000

Your share purchased at initial sale; 40%

Cost of your share at initial sale; £80,000 ($£200,000 \times 40\%$)

Share retained by Aldwyck: 60%

Value of Aldwyck's retained share; £120,000 ($£200,000 \times 60\%$)

Maximum annual rent: £3,300 ($£120,000 \times 2.75\%$)

Rental payment; £275.00 per calendar month

2nd Staircase

Your property is valued and is now worth: £240,000

You want to purchase another 20% share

Payment to Aldwyck of the extra share purchased; £48,000 ($£240,000 \times 20\%$)

You will now own 60% of your property and your rent reduces accordingly

3rd Staircase

Your property is now valued at: £260,000

You want to purchase another 25% share

Payment to Aldwyck of the extra share purchased; £65,000 ($£260,000 \times 25\%$)

You will now own 85% of your property and your rent reduces accordingly

4th and final staircase

Your property has now been valued at: £295,000

You want to purchase the final 15% share

Payment to Aldwyck of the extra share purchased; £44,250 ($£295,000 \times 15\%$)

You now own 100% of your property. You have no rent to pay

The lease states there are only be 4 steps from the initial purchase of the new build shared ownership property to 100% outright ownership Therefore after you first purchase your home, you have another 3 staircasing options but it is up to you - you can staircase once, twice, three times or not at all.

You can final staircase in one step after the initial purchase.

Making improvements to your property

When you apply to staircase you will be sent a Property Information Form to complete and return. On this form is a section for listing any improvements / additions etc. Please remember you should have requested Aldwyck's written permission before carrying out any improvements / additions to your home.

Final staircasing

If you are staircasing out to 100% ownership there are a few further steps involved. We will instruct our solicitors who will produce a Deed of Variation if required and change the terms of the lease. We will also provide a Memorandum of Final Staircasing' and the solicitor will prepare Transfer documents

Anything else?

Potential staircasers must not have any arrears with their rent and/or service charges and if you do have any arrears, they will need to be cleared before completion of your staircasing transaction.

Once you have staircased to 100% to full home ownership, Aldwyck Housing Group Ltd will no longer have a financial interest in your home and you are free to sell your property on the open market. Please be aware though that most leases restrict selling for 3 months following final staircasing.

Flat owner's staircasing to 100% will become leaseholders. Aldwyck H.G. Ltd will still own the ground the block of flats is built on and there may be a small annual ground rent to pay and service charges for service & maintenance to the common parts of the block and will include the buildings insurance and your contribution to the sinking fund.

For house owners who have staircased to 100% they can have the freehold of their home transferred to them (they need to request this and pay their legal fees). As they will no longer be charged for buildings insurance they will need to arrange it themselves. In some cases there may still be a small service charge to pay if they live on an estate and are responsible for some of the communal costs – e.g. communal parking etc.

You can also simultaneously staircase out and sell 100% of your home on the open market, but please discuss this with your legal representative if you have a buyer who wants to purchase all of your home. If you sell for more than the RICS valuation we will receive our share from the price achieved, but please remember if you sell for less, we will still expect our share based on RICS valuation.

There are a few limited properties where Aldwyck are not the actual freeholder, and staircasing follows a different route from the above. However in these cases we will inform you of the process.

REMEMBER YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED AGAINST IT.