

# Rural Housing Burden Conditions

## Information Note

The Rural Housing Burden is a Title Condition which applies to all the homes or self build plots sold by Highlands Small Communities Housing Trust. On completion, the property owner will have 100% ownership and full legal title. The Rural Housing Burden comprises two elements:

- An agreed discount percentage from the open market value and
- A right of pre-emption

The percentage discount from the open market value offers a discount to the purchaser.

The right of pre-emption means that HSCHT has the option to buy back the property when the owner decides to sell their home. This then allows HSCHT to sell the property to another purchaser who fits within the priority groups. A discount will be applied to the market value at the time of any future sales.

The priority groups that HSCHT will allocate/sell a home to will be people who have a local connection with the area in which they wish to be housed and have been unable to afford to buy or build a house in their community.



# How is the percentage discount calculated?



In setting the percentage discount from the open market value, HSCHT will take into account all relevant factors.

These include, but are not limited to:

- Where there is already a house constructed, the open market value of the completed home (as assessed by an Independent Valuer)
- In the case of self-build, the typical build costs based on the average in that particular community, including fees and servicing costs, and taking account of the property size.
- The cost of buying the home in the future to ensure on-going affordability.

Please note that should the purchaser increase their build costs above this average, this is ultimately their own choice and HSCHT's discount will remain fixed at the agreed discount percentage contained in the Rural Housing Burden

Typical example of how the discount is calculated on a property for sale that has already been completed:

• Open market value of the property	£225,000
• Agreed percentage discount from open market value	30%
• Discounted selling price	£157,500
• Owners percentage discount	70%

Typical example of how the discount is calculated on a discounted self build plot:

• Open market value of completed home once built	£225,000
• Typical build costs and fees (3 bedroom home)	£138,750
• Plot purchase price	£30,000
• Total cost for purchaser	£168,750
• Difference between cost and open market value on completion	£56,250
• Discount percentage ( $£56,250/£225,000$ )	25%
• Owners percentage discount	75%

# Future sales - discounted sale price

Please note, the following important points use the calculations from the examples provided previously.

The Rural Housing Burden conditions in the title to a house, or a self build plot, will ensure that, whenever the property is sold, the property owner will only ever be able to achieve a sale price of the open market value (as assessed by an independent financial valuer) based on their percentage discount.



Typical example of how a sale price for any future sales is calculated:

- House value 15 years on from original purchase      £300,000  
(based on independent valuers open market valuation)
- 70%\* of current market value - price for buy back      £210,000

HSCHT will have the right to buy back the house at £210,000 and sell it again to another household, who would have otherwise been unable to afford to buy or build a home for themselves locally.

\*Please note that the above example is for illustrative purposes only and HSCHT reserves the right to set the percentage discount from Open Market Value.



# Future sales

Where there is a Rural Housing Burden attached to the title, the owner must offer the property to HSCHT to buy back. Where HSCHT confirm they do not wish to exercise the right of pre-emption this will allow the owner to sell the property on the open market to a third party.

Please note, where this situation arises, the Rural Housing Burden conditions will remain on the title "in perpetuity". This means that, even if HSCHT chooses not to exercise its pre-emption right and buy back the property, any purchaser would have to accept that the property will retain the Rural Housing Burden in the title.

HSCHT reserves the right to adjust the percentage discount offered, in future sales. We may rent the property or utilise sale proceeds to fund further affordable housing projects which may influence a variation in the percentage discount offered.

It is expected that discounts will normally be set in advance at between 20% and 40%, depending on HSCHT's assessment of affordability and other prevailing factors. The owners percentage discount will range between 60% and 80%.



# Personal bond

In addition to the Rural Housing Burden, there are other conditions attached to each property that is sold.

- There is a requirement for the property to be the permanent and only residence of the purchaser
- There is an obligation not to lease the property

These personal undertakings given by the property owner to HSCHT are set out in a Personal Bond between HSCHT and the property owner, and secured by a Personal Obligation Standard Security by the property owner in favour of HSCHT. This is not a financial standard security and does not secure any sums due. HSCHT accept that their Personal Obligation Standard Security will always rank behind the property owner's first ranking Standard Security to the mortgage lender.



For further information and advice, please contact HSCHT's Housing Management Officer Helen Mackie 01463 233 549 or Solicitor, Kirsten Humphris 01463 709 992

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## GET IN TOUCH:

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