



THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST

MAKING
AFFORDABLE
RURAL HOMES
A REALITY

RURAL HOUSING BURDEN CONDITIONS

Information Note

The Rural Housing Burden is a Title Condition which applies to all of the self-build plots or homes that The Highlands Small Communities Housing Trust (HSCHT) sells. On completion, the property owner will have 100% ownership of the property and legal title and will be responsible for all repairs and maintenance of the home.

The Rural Housing Burden comprises three elements:

- a) an agreed discount percentage from the Open Market Value,
- b) a right of pre-emption
- c) a permanent residency clause

The percentage discount from Open Market Value applied offers a discount to the first purchaser and suppresses the selling price in the event of a resale. The right of pre-emption means that HSCHT has the first right to buy back the property when offered for sale, with the aim of securing another local purchaser.

In setting the percentage discount from the Open Market Value, HSCHT takes account of all relevant factors.

These include but are not limited to:

Completed Properties:

- 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 eligible floor space. (Please note that should the purchaser increase their build costs above this average this is ultimately their own choice, and HSCHT's equity share will remain constant)
- Land value (Need to protect any discount obtained from original landowner)
- The cost of buying the home in the event of the pre-emption being invoked

Here is a typical example* of how the discount from Open Market Value is calculated on a property for sale:

Open Market Value of property	£225,000
• Agreed percentage discount from open market value	20%
• Discounted Selling Price	£180,000



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Self-Build Plots:

Here is a typical example* of how the discount from Open Market Value is calculated on a discounted self-build plot:

• Open Market Value of completed home once built	£225,000
• Typical build costs and fees (3 bed home)	£140,000
• Discounted plot purchased from HSCHT	£ 30,000
• Total cost for purchaser (a)	£170,000
• Difference between cost and Open Market value on completion	£ 45,000
• Discount percentage (45,000/225,000) (b)	20%

(a) The percentage discount from Open Market Value applied will be calculated in advance of any plot or property being advertised for sale.

Please note the following important points using the calculations from the example above:

- The Rural Housing Burden conditions in the Title to the plot, and the house built on it, will ensure that, whenever the property is sold, the seller will be able to get back no more than 80% of the open market value of the property (as assessed by the Independent Valuer) because HSCHT will suppress the selling price on future sales by 20%. So, if the house were to be sold, say, 15 years later, at the Independent Valuer's then open market valuation of, say, £300k, the seller would be able to get a return of 80% of that value (i.e. £240k) and HSCHT would offer a discount of 20% (£60k) of the value, which would equate to the discount for the next purchaser.
- HSCHT has the right to adjust the percentage discount offered to the next purchaser if required, to meet affordability or other prevailing factors.
- HSCHT will have the legal right to buy back the house at £240k and sell it again to another local household who, like the previous household, will have been otherwise unable to afford to buy or build a home for themselves locally.
- HSCHT also has the right not to exercise its pre-emption right but, please note, that the Rural Housing Burden conditions stay in the Title forever – which means that, even if HSCHT chooses not to exercise its pre-emption right, any purchaser would have to accept that the house on offer will never be worth more than its discounted



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value because HSCHT will always retain the right to buy it back at any subsequent sale at the agreed percentage discount from the Open Market Value (in the example above, 80% of the open market value, as assessed by an Independent Valuer.).

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

The percentage discount from Open Market Value will vary, although it is expected that it will normally be set in advance at between 20% and 40%, depending on HSCHT's assessment of the particular values and costs pertaining.

For further information and advice please contact HSCHT's Chief Executive Officer, Ronnie MacRae (01463 233 549/8) or Solicitor, Andrew Murchison (01463 709 992)

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