

Rural Housing Burden

A tool for affordable housing in Scotland



What is the Rural Housing Burden?

The Rural Housing Burden is a Title Condition which applies to all homes or self build plots sold by the Communities Housing Trust (CHT). The property owner has full legal title to the property. 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** offers a discount to the purchaser from the open market value.

The **right of pre-emption** means that CHT has the option to buy back the property when the owner decides to sell their home. This then allows CHT to sell the property to another purchaser, and a discount will be applied to the market value for any future sales.

The priority groups that CHT will allocate/sell a home to will be jointly agreed with communities, for 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, CHT will take into account all relevant factors. These include:

- Where there is already a house constructed, the open market value of the completed home (as assessed by an Independent Valuer)
- For a 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 ongoing affordability.

The usual percentage discount of the open market value is between 20-40% in the property sale price.

Further conditions: Personal Bond

In addition to the Rural Housing Burden, there are other legal conditions attached to the title:

- The property must be the permanent and only residence of the purchaser
- The property must not be leased out, without prior agreement from CHT

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Examples of costs

Example of discount for constructed house:

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

Example of discount for 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) (75% of open market value)	25%



Future sales

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 obtain a sale price based on market value, minus the percentage retained by CHT.

Continuing the house example above:

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

CHT 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.

Where there is a Rural Housing Burden attached to the title, the owner must offer the property to CHT to buy back. Where CHT 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. When this situation arises, the Rural Housing Burden conditions will remain on the title 'in perpetuity'.

