Press Cutting

Client: Mill Group
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Desperate measures

A novel scheme aims to help first-timers buy period properties, not just new-builds. Do the numbers stack up, asks **Ruth Bloomfield**

With the average age of the first-time buyer heading, apparently inexorably, towards 40, there is no shortage of schemes to help people onto the first rung of the housing ladder. Until now, however, they have been almost exclusively for new-build homes and are often only for those on smaller incomes.

Today, the Mill Group, a property and investment firm, is launching a new scheme to help would-be homeowners buy any property — even a period one. To qualify, they will need a minimum of 5% of the value of the property in cash, with the remainder paid by the firm.

In return, they will pay what is described as a monthly "co-investment" charge — roughly equivalent to the cost of a 5.5% repayment mortgage. After five years, by which time, it is assumed, they will have had a chance to save up and hopefully enjoyed a few pay rises, they can purchase the rest of the property for 95% of its market price. The purchase must be completed by the end of year seven if they want to benefit from the discount; alternatively they can continue with the scheme.

The company, which aims to raise £100m from institutional investors to fund the scheme, is inviting expressions of interest. It envisages the first homes will be bought next spring. David Toplas, the Mill Group's chief executive, says: "Co-investment is designed for those who can afford a mortgage, but don't have access to the huge deposits required by the mortgage lenders."

The scheme will initially target about 400 London buyers with an annual household income of £60,000 or more — unlike other schemes (see panel, left) that typically consider only people earning less than that figure. As with a mortgage application, they will be required to pass various financial tests. If the scheme is successful, Toplas hopes to roll it out nationwide, targeting other groups, perhaps divorcing couples or second-steppers trapped in small first homes.

So, does it make financial sense? Yolande Barnes, director of residential research at Savills estate agency, thinks the scheme would benefit the "intermediate market": that is, the large number of people who could afford to service a mortgage, which, in many cases, would be less than the rent they'd have to pay for the same property, but cannot scrape together the deposit.

"It just means you have a kind of sleeping partner in the house," she says. "I can't see any reason why it wouldn't work — it is really the bank of other people's mum and dad."

Read the small print carefully, though. Those taking part in the scheme will benefit from capital appreciation only on the (small) sliver of the property they actually own. And, unlike a traditional repayment mortgage, they will not be reducing their outstanding debt on the overwhelming proportion of the property they are effectively renting.

Those aren't the only downsides: the "co-investment charge" will increase each year in line with the retail price index; and, in contrast to conventional tenants, participants in the scheme will be responsible for the maintenance costs, although the company may contribute to substantial improvements such as an extension. What is more, those who do not buy after five years can face an increase in charges if the value of the property has risen.

Despite such drawbacks, Chas Roy-Chowdhury, head of tax at the Association of Chartered Certified Accountants, says it appears a reasonable deal for young people who don't have parents able or willing to help them out, and don't qualify for any of the other affordable housing schemes.

It is worth pointing out that those able to raise, say, a 20% deposit can benefit from mortgages rates substantially below the 5.5% being charged by the Mill Group. "They are not doing this for nothing," Roy-Chowdhury says. "You really need to crunch the numbers to make sure that you can afford it, and that it is the best deal for you."

To register interest in the scheme, visit www.investorsinhomes.co.uk

Mandate, Hogarth & Penrose combined
MHP, 60 Great Portland Street, London, W1W 7RT T +44 (0)20 3128 8100 F +44 (0)20 3128 8171

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Other ways to get on the ladder

■ First-time buyers can apply for loans from the government to top up their deposit under the FirstBuy scheme, launched last month and run in conjunction with property developers. Only households earning less than £60,000 are eligible. Buyers own the property and there are no rental payments. For more information, visit direct.gov.uk.

■ With shared ownership, you own part of a property and the rest is owned by another party (usually a housing association) to which you pay rent. You must come up with a deposit, though it will be smaller, and you will need a specialist mortgage. Go to shared-ownership.org.uk.

■ Don't forget the bank of mum and dad; if your parents have money saved, they could earn more by lending it to you than the bank.

Find more tips at firstrungnow.com

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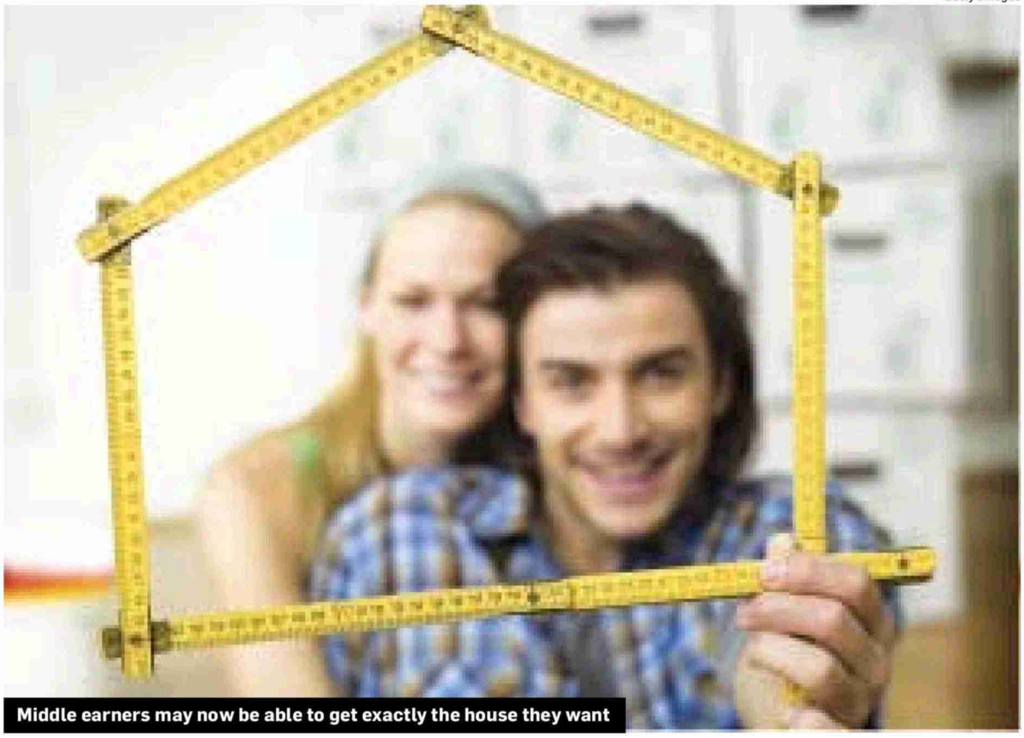

Middle earners may now be able to get exactly the house they want

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