

Real Estate News

Mill Group decries obstacles to institutional investment in UK housing

21 April 2011



UK – Government moves to disaggregate stamp duty charged on portfolios of residential portfolios will not be enough to bring about an influx of institutional capital into UK housing, according to Mill Group.

The UK-based property and finance group said the barriers for entry were still too great for institutional investors, including the cost inefficiency associated with managing large numbers of disparate tenants, a lack of regulation in the rental market and resulting low yield levels.

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The UK government recently introduced [several measures](#), including lifting individual stamp duty being charged on bulk property purchase and loosening planning laws to encourage private investment in residential accommodation.

Aviva Investors is reportedly looking to launch a fund to invest in large scale, institutional-grade residential property and is being advised by CB Richard Ellis.

But a number of other fund managers are sceptical about the possibility of replicating the sort of institutional set-up in the US or continental Europe.

David Toplas, chief executive at Mill Group, said: "The most significant obstacle preventing more meaningful investment by UK institutions into residential property over the past decade has been a perception of intensive asset management and low income yields."

Quite simply, a tenant does not have enough financial or emotional investment in the property to maintain it to a reasonable standard, and this ultimately costs landlords so much money that the investment potential is undermined.

"Mill Group is focusing on a different model, whereby institutional investors co-invest alongside individual owner-occupiers.

Last year, the company [attracted support from the London Borough of Newham Pension](#) for a fund based on the co-investment model.

Mill Group said the approach would remove the strain on the private rental sector, where there is not enough stock to meet demand, particularly around family homes."Under co-investment, a resident owner-occupier and an investment fund jointly own a dwelling," Toplas said.

"The share of the property initially owned by the investor can vary from 85% to 95%, depending on mutual agreement.

"Home buyers will be asked to purchase a minimum of 5% of the property – a deposit amount that is not currently accepted by most mortgage providers as a deposit, and so begin their purchase of a property without a mortgage lender."

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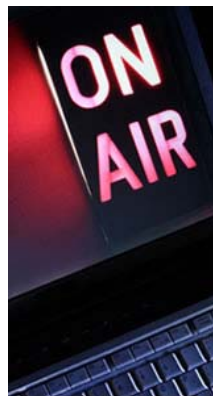
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