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Full Story

Mill Group plans £100m residential fund

Bridget O'Connell 31/01/2011 11:00

Mill Group is planning to launch a £100m fund that will offer investors the opportunity to invest in residential property by financing first time home buyers and removing the need for a mortgage.

According to the property and finance group the Investors in Housing Fund will be the first of its type in the UK.

It will offer indexed income returns, in addition to the capital gains and is projecting a running yield of at least 6% pa as part of a projected return of more than 10% IRR over a seven year period on a geared basis after all fees.

Home buyers will be asked to purchase 5% of the property and fund will facilitate the purchase of the remaining 95% of the property without a mortgage lender.

Stamp Duty would not be payable by the home buyer when they buy their initial 5% of the property. In five to seven years the home buyers are expected to buy out the fund, providing an exit for investors.

The buyer has to pay a monthly co-investment charge, which will be comparable to the cost of servicing mortgages at similar or lower loan-to-values and designed for buyers who are intending to stay in the property for at least five years.

This will provide an income receipt to the fund and drives income distribution to investors.

Mill Group chief executive, David Toplas, said: "The deposit requirements for FTBs have reached impossible levels with the average in London exceeding 20%.

"Co-investment aims to bring institutional investment into the market by giving consumers the ability to get onto the housing ladder quicker than saving for these levels of deposit.

"For investors it offers a realistic way of investing in the residential market while earning attractive levels of income and participating in future forecast growth."

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