



## Mill Group residential model debated

By Bridget O'Connell | Residential | 16-09-2011 | 15:10

The feasibility of a new co-investment structure for the residential housing market was debated by a number of leading institutional investors in London last week.

The Residential Investment and the Institutions Debate, organised by Mill Group, also covered whether the structure could offer an effective asset model for investors while at the same time provide opportunities for home ownership without requiring a mortgage.

A number of speakers made presentations to more than 40 attendees at the meeting at Carlton House Terrace in London.

These included Yolande Barnes, director of Residential research at Savills, who explored the barriers to home ownership for first-time buyers (FTBs), and explained that, on average, deposits demanded by mortgage lenders have in recent years exceeded or remain on a par with annual income (for Q1 2010, the deposit required is £31,000 on an income of £33,000).

This is in sharp contrast to pre-recession figures, when in the first quarter of 2006 the required deposit was £11,000 compared with an income of £34,000.

Dr Neil Blake, director of economic Analysis at Oxford Economics, focused on the current state of the housing market and discussed the point in time at which house prices might begin to show signs of sustained positive growth.

He argued that despite low interest rates, the market remains stagnant, given the ongoing credit squeeze, high unemployment rates and low levels of building in the UK.

Professor Tony Key from Cass Business School explained that by analysing the real estate investment sectors utilising the sharp-ratio methodology, institutions should divest themselves of their UK office allocation and shift it into UK residential.

London mayor Boris Johnson, who could not attend, said: "London's continued economic prosperity is intrinsically linked to the quality and quantity of homes that are delivered. Therefore encouraging institutional investors to help Londoners struggling to get a foot on the property ladder is exactly the sort of creative thinking that will help boost the capital's housing market and support the industry."

Mill Group chief executive David Toplas said: "This meeting represented the strength of feeling among those working within the financial and property sectors about the need to act now. Home ownership for FTBs is fast becoming an unobtainable dream with deposit demands from the major banks proving totally impractical for the average house-hunter.

"There was a definite consensus on the day that the traditional mortgage model has become unworkable. In order to see positive increases across both supply and demand, we need a radical re-think as to the funding structures that need to be made available."

Mill Group believes that a no-mortgage co-investment model could help to alleviate the problem of a

stagnant housing market while providing a safe investment opportunity for investors. Earlier this year, it investigated setting up the UK's first property investment fund that could offer investors the opportunity to invest in residential property by financing first-time home buyers and removing their need for a mortgage. The Investors in Housing Fund will aim to raise at least £100m and has been developed to provide consumers with a new way to own and occupy housing.

The Residential Investment body will reconvene later this year to enable institutions to come together to hear more about alternative funding structures with the long-term aim of encouraging significant institutional investment into the housing market.

[bridget.oconnell@estatesgazette.com](mailto:bridget.oconnell@estatesgazette.com)

---