

# The waiting game

A three-bedroom flat in Chelsea is on sale for less than £1m, but there's a catch: you can't move in for 20 years. **Lucy Denyer** reports on the trend for deferred purchases

Flat 9, Thurloe Court is the perfect London pied-à-terre. It's on the third floor (there's a lift) of a mansion block on the Fulham Road, at the Chelsea end, a hop, skip and jump away from Harrods or Peter Jones, depending on your tastes. It has three bedrooms, a reception with an elegantly curved wall, a petite kitchen and a bathroom. Okay, it might need a little updating on the decor front, but the price is exceptionally low for this part of town: £975,000.

As you might have guessed, there is a catch. Buy the property and you won't be able to live in it, or let it out, for 20 years. Under what is known as a deferred purchase agreement, whoever buys 9 Thurloe Court gets a discount on the going market rate — estimated to be about £1.5m by Winkworth, the selling agent — but the vendor gets to stay there on a 20-year sublease.

The idea is based on the way many large London estates, such as Grosvenor, sell their properties — on 20-year leases or less. This negates the ability of the buyer to buy the freehold. In the case of Thurloe Court, also a leasehold property (the overall lease is for 154 years), at the end of the 20 years, the flat reverts immediately to the buyer. In the meantime, the vendor remains responsible for all ground rent and maintenance charges, which means the buyer has no outlay except the purchase itself.

"This allows the vendor, who has huge equity in the property, to release some of it and enjoy that money while retaining the right to enjoy the property," explains Tom Dogger, director of Winkworth's Knightsbridge, Chelsea and Belgravia office, who is handling the sale. And what's in it for the buyer? "This is a way to safeguard money in prime central London, with the guarantee of a handsome return in 20 years' time — and not only that, but automatic appreciation each year."



The flat in Thurloe Court might normally fetch £1.5m, were it not for the unique conditions attached to the sale

Understandably, the vendor, a man in his eighties who has owned the property for nearly 20 years and divides his time between it and a place in Scotland, thinks the plan is an excellent one. A former company chairman who does not wish to be named, he sees selling the property in this way as a means of "balancing his portfolio".

"My pattern of living is fairly well established between London and Scotland, and I'm quite happy to go on like that," he says. "Selling would improve the spread, the liquidity, the war chest of my personal portfolio." Though I'm sure the thought hasn't crossed your mind, the 20-year lease would be transferred to an heir should the vendor die.

So, is buying Thurloe Court worth it? "I think it's a very good idea, and it's a perfectly reasonable deal," says Ed Mead, director of Douglas & Gordon estate agency's Chelsea office. "For most people, investing in prime central London property has been a one-way

bet and is therefore a certain winner. Thurloe Court is a nice bit of London — what's not to like?"

There are other benefits, too: not only would you get a property in a prime postcode for less, you'd pay stamp duty at 4%, rather than 5%, as the property would cost less than £1m. Yet some experts sound a note of caution. "It's a kind of theoretical game," says Richard Barber, a partner at WA Ellis estate agency. "It's gambling on the future and asking if house prices are going to continue to rise in the way they have done over the past 20 years."

Records show that the vendor bought the property for £375,000 in 1998 — which means it has quadrupled in price if it is now worth £1.5m, as Dogger estimates. Should it climb in value by the same amount again over the next two decades, it would be valued at £6m — an enormous sum for a three-bedroom flat with no garden.

"The property market may change unimaginably in five years' time, let

alone 20," warns Justin Urquhart Stewart, marketing director at the wealth adviser Seven Investment Management. "The property market has benefited from the baby-boomers, and I can't see another generation like that appearing in the near future."

"This sort of purchase is far too great a risk over that sort of period to take on a single asset class in an illiquid investment. You can get more reliable returns elsewhere," Urquhart Stewart suggests a blend of shares, equities, bonds and commodities, which could be "tax wrapped" with an Isa.

Barber points out that when an organisation such as Grosvenor sells a property on a 20-year lease, it is usually valued at 50%-60% of the overall value. The Thurloe Court flat, however, is being marketed at a discount of only 35% and without the possibility of rental income in the meantime, which makes it even more of a gamble.

In terms of tax, the deal looks fairly sound, says Donall Murphy, a partner at



Russell-Cooke LLP who specialises in property law. "The main risks would be the market dropping completely — you don't really know where it's going to be in 20 years' time," he warns. Then, of course, there's the issue of mortgage finance — impossible to get on this sort of a property.

Although Thurloe Court is a bit of an oddity, it fits into a more general trend for deferred purchases, albeit at a lower level. With prime London a seller's market at the moment, many vendors, especially in the upper price echelons, are stipulating that a buyer cannot move in until they themselves have found somewhere else to live.

"As a seller of prime property, you can more or less dictate your completion terms," Mead says. Most buyers, he adds, are happy to wait for up to a year to move into the property they have bought.

Slightly lower down the market, the fact that buyers and mortgage companies are increasingly picky means that the whole market has become deferred — according to Mead, the buying and selling process now takes an average of 8-10 weeks, whereas, before the global downturn, it was only 6-8 weeks.

With that in mind, perhaps both buyer and vendor at Thurloe Court would be well advised to scrutinise the numbers. "With my non-solicitor's hat on, I think the figures are crazy," Murphy says. He offers a slightly more straightforward solution: "Why not just sell it and use the money to book a hotel from time to time?"

➔ No 9 Thurloe Court is on sale with Winkworth; 020 7589 6616, [winkworth.co.uk](http://winkworth.co.uk)

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## STRINGS ATTACHED Three properties with unusual leases or terms of sale

### Herefordshire £900,000

Six-bedroom Bowling Green Cottage, in Ledbury, is for sale freehold, with an attached veterinary practice. The vendor will continue to lease the building. Or you can just buy the house for £675,000 — but access will be via the vet's car park. 01432 273087, [knightfrank.com](http://knightfrank.com)



### Cornwall £800,000

Seven-bedroom Chyanbrea, in Penzance, has views of St Michael's Mount. It is for sale with the condition that the vendors receive 20% of the uplift in value should the property be developed. 01872 240999, [strattoncreber.co.uk](http://strattoncreber.co.uk)



### Worcestershire £1.45m

This 10-bedroom country house near Cleobury Mortimer has 10 acres of land and a prize-winning vegetable garden. The owners are keeping some adjoining outbuildings and land to live in themselves. 01905 723438, [knightfrank.com](http://knightfrank.com)

