



Can I buy a discounted starter homes?

Thinking about buying your first home and wondering if it's worth waiting for the Government's new discounted starter homes scheme?

Earlier this month David Cameron announced plans to accelerated plans to more than 200,000 discounted starter homes for first time buyers aged under 40.

He said, "We want to help people to work and want to get on in life but have been priced out of the housing market. A 20% discount off the price could be a real game-changer for many aspiring home-owners."

Reassuringly he continues, "My message is clear; we are on your side and we will help you fulfil your dream of buying your first home."

With average house prices for first time buyers in England standing at around £218,000 a new Starter Home could save young first time buyers the opportunity to secure a new Starter Home at a 20% discount. Thanks to changes in planning policy, builders that develop commercial and industrial land that is either unusable or surplus for the new starter homes will be able to save on costs by freeing them from the requirement to provide affordable housing. The country's leading home builders and councils have already said they would consider bringing forward land to develop the new homes from this year.

What's best for you ?

The answer to this will depend on a number of factors but experts say your decision should centre around how long you plan to keep the property before moving on. If you live there for five years or longer a starter home may be your best option. This is because under this scheme the properties will have to remain available at 20 percent below market value for the first five years – meaning if you look to resell within the first five years you will have to offer this discount to the next first time buyer. If you keep the starter house for at least five years you can sell it at market value boosting your equity.

However if you are thinking of selling within five years the governments alternative option the help to buy scheme would be the better choice, this is because the interest rate you will pay on your mortgage depends on the size of your loan compared to your deposit. Even though both schemes call for a 5% deposit, with the Help to Buy scheme the 20% interest free government loan means you are only borrowing 75% of the purchase price. In essence this means that over a period of 5 years someone who buys a starter home will pay around 10% more in interest. However bear in mind that you will have to start repaying the Government loan after 5 years, so your costs will go up if you decide to keep your home for longer with this scheme.

Timing therefore is crucial. Formulate your plan and make your move!

