

The original and authentic practice value index

Need help to buy?

Frank Taylor & Associates considers the help available to you if you are thinking of how to finance a practice purchase

Before a prospective buyer is put in front of a principal, we ask them to undertake a financial assessment to confirm what level of bank funding they are eligible for. This helps the buyer focus on the right practices, and ensures our sellers are not dealing with buyers who are not in a position to buy a practice.

The largest outgoing we see is a mortgage payment and with most of associates being of an age where house buying is on the agenda, it is the most common cause of concern and confusion, as there are so many options. Here, we list three of the most useful options for a mortgage:

1. Help to Buy equity loans or ISAs

With Help to Buy equity loans, the government provides a loan for 20% of the property deposit. This is for new build properties up to £600,000 only. This allows borrowers with a 5% deposit to take out a mortgage for 75% of the property's value.

Help to Buy equity loans are interest

free for the first five years. After this, you'll need to pay circa 1.75% fee per annum and that rises every year at the rate of the Retail Prices Index, plus 1%.

For example, a £200,000 property with a £10,000 (5%) deposit provides a £150,000 (75%) mortgage and a £40,000 (20%) equity loan.

With the Help to Buy ISA, the government will boost savings by 25%. The maximum government bonus you can receive is £3,000.

Shared ownership

Shared ownership schemes are provided through local housing associations. The option is to buy a share of a house (25-



Backed by
HM Government

75%) with a mortgage and pay a reduced rent on the remaining share.

Only new-build properties or existing shared ownership homes qualify and, in theory, the combined monthly cost of mortgage plus rent should be about 80% of that of an equivalent home bought or rented privately. There should also be the option to buy more shares in the house.

Lender schemes

Several mortgage lenders offer special mortgage deals aimed at helping buyers to get on the property ladder. These include:

- 1) A scheme accepting a 5% deposit, backed with a family member lodging a further 10% of the property's purchase price into a savings account, where it earns interest at around 2%. The option to buy a property for £150,000, will need a 5% deposit of £7,500. Parents or relatives would need to hold

savings of £15,000 with the bank. The deposit is now effectively 15%, which gives access to lower mortgage rates.

Assuming criteria met, after three years the 10% deposit is released back to the family member, with interest added, and the home owner continues with the mortgage

- 2) Another scheme requires a 5% deposit and requires family members to have savings of at least 20% of the property value. So for a property worth £150,000, you would need a 5% deposit of £7,500, while family members would need to put a minimum of £30,000 in the savings account. Subject to criteria, family members can get their savings back plus at least 2.7% interest.

So, if you are thinking of getting a mortgage or want to review your current payments (even on buy to lets), call us and we can introduce you to a mortgage team that will certainly help get the best option for you. **D**

PRACTICE ONE - SOUTH EAST ENGLAND

Practice location - this practice is located within a residential area with local shops and amenities close by. There is parking at the practice and free parking in nearby surrounding areas.

Practice type - this is a two-surgery freehold practice, which is predominantly private. It has been established 15 years and is being sold to facilitate the retirement of the principal. It is a limited company, which is fully incorporated and the NHS-GDS contract is in the name of the company. There is an exceptionally high UDA rate of just over £30, and excellent net profit.

Practice gross - the gross fee income is in the region of £500,000, of which 82% is generated from private fees, 9% generated from a capitation scheme, and 9% from a NHS-DGS contract. The income has been generated by both directors working a combination of eight days a week, and a hygienist working 14 hours a week. They are supported by a full-time and part-time nurse, and two part-time receptionists.

Price achieved - a price of £1,350,000 (including freehold) was achieved, which was in line with the asking price.

Agent's comments - with 1,873 associates registered in this area there was significant interest in the practice. Having the NHS-GDS contract in the name of the limited company simplified the Care Quality Commission process and there was no fear of a 'flawed incorporation'. One of the directors decided to stay on for a limited period to enable the incoming principal to enjoy a smooth handover.

PRACTICE THREE - HOME COUNTIES

Practice location - this practice is located in a busy market town high street, which is fully occupied and has an air of prosperity.

Practice type - this is a three-surgery, fully private practice, which is being sold as leasehold. The landlord has agreed to surrender the existing lease and a new 20-year lease will be granted. The practice has been established for over four years and is being sold to facilitate the retirement of the current principal.

Practice gross - the gross fee income is in the region of £550,000, of which 65% is generated from private fees, and 35% generated from a capitation scheme. The income has been generated by the principal and an associate working five days a week, and a hygienist working three days a week. They are supported by two full-time and one part-time nurses, and two part-time receptionists.

Price achieved - a price of £575,000 was achieved, which was in excess of the asking price.

Agent's comments - there were 1,835 associates registered in this region and the practice proved to be very popular and ended with sealed bids, which produced a significant uplift to the value we had attributed to the goodwill. The incoming principal was new to the area but keen to buy as there is a substantial amount of growth in the region, with substantial housing estates in the process of being built, as well as additional schools to cater for the expanding needs of the town.

PRACTICE TWO - CUMBRIA

Practice location - this practice is located in a prominent property situated within a mixed commercial and residential area. There are plenty of local amenities nearby with limited parking.

Practice type - this is a five-surgery, fully private practice, which is being sold as leasehold, with 15 years remaining on the lease. The practice has been established for over 60 years and is being sold to facilitate the retirement of the current principal.

Practice gross - the gross fee income is in the region of £1,100,000, of which 79% is generated from private fees, 20% is generated from a capitation scheme, and 1% from sundries. The income has been generated by the principal working four days a week, two associates working a combined five days a week, and a hygienist working four days a week. They are supported by a full-time practice manager, four full-time nurses/receptionists, and a full-time receptionist.

Price achieved - a price of £775,000 was achieved, which was in line with the asking price.

Agent's comments - there were 323 associates registered in this region and this is reflected in the value attributed to the goodwill. There was sufficient interest in the practice and the seller was able to choose between a corporate and a private buyer.

PRACTICE FOUR - GREATER LONDON

Practice location - this practice is located in a shop-fronted retail unit within a mix of commercial and residential properties.

Practice type - this is a two-surgery, fully private practice, which is being sold as leasehold; the lease is a 25-year duration with 20 years remaining. The practice is being sold to facilitate the relocation of the current principal.

Practice gross - the gross fee income is in the region of £400,000, of which 95% is generated from private fees, and 5% generated from a capitation scheme. The income has been generated by the principal working five days a week, and a hygienist working three days a week. They are supported by one full-time nurse and a full-time receptionist.

Price achieved - a price of £600,000 was achieved, which was in excess of the asking price.

Agent's comments - this practice has been equipped and fitted out to a very high standard and despite the fact the existing principal would only be available to stay on for a limited period, there was significant interest in the practice. The area is very much a commuter region and this is reflected in the current opening hours of the practice. In addition, the area is undergoing a major regeneration project and there appears to be numerous opportunities to grow and develop the practice.

