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From The Property Pulpit

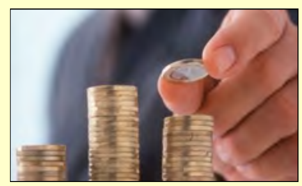
A point of view

In this edition

Getting older and wanting lower risk

When we set up our business over twenty years ago I had a full head of black hair (I have the photos to prove it) and thought pagers (remember those?) were the 'bee's knees'. I also thought property investment was all about capital growth as I didn't need the rental income and I could wait for prices to rise over the longer term. Risk was something I could accept as I had plenty of time to recover if an investment didn't go particularly well. After all, I was planning to work for at least another twenty years.

Fast forward to today, and those twenty years have quickly passed by. As I have got older, my views on risk and income have changed. I certainly see myself working for at least another ten years (I enjoy what I do) so I can still accept some risk, but these days I am more concerned with preserving what I have than chasing aggressive returns. Of course, I still want to maximize my investment returns, but I am happy to accept less if it means less risk of a capital loss.



Many of our investors are of the same mind set. Some can see the day when they may not want to continue working full time and like the idea of having their salary replaced or supplemented by a secure and attractive income stream. Others just want to balance their portfolio by having some higher income producing properties. After all, there is nothing wrong with seeing money go into your bank account every month, no matter how much is currently there. Naturally, no-one wants to lose money, which is why many investors avoid opportunities such as hotel rooms, emerging markets and car parking spaces where resale is always a problem and may result in a capital loss. It is just a question of finding the right balance and determining what your priorities are.

Talking of low risk, many investors overlook commercial property opportunities which can offer great security and attractive income streams. As we have mentioned elsewhere in this edition, care must be taken when choosing the property, but this is the case with every investment. The benefits of the right property are obvious;

Quality tenant on tenancies of at least five years with no break clauses
Upward only rent reviews ; Tenant pays all repairs etc so high net yield
No capital gains tax for offshore investors

We are firm believers in the UK and USA commercial property markets. Whether it is a direct investment or through a St David Private Syndicate, an investment in this sector will mean our clients can enjoy security of capital, attractive returns and importantly, peace of mind.

Happy investing,

Tony Davies
Managing Director

Some news from the world's best property market (okay, we are a little biased)

Falling demand is creating problems for some players

Falling demand in the UK caused by Brexit, higher stamp duty rates and government crackdowns on buy-to-let investors is starting to cause problems for property groups. This is evidenced by Foxtons, a high profile multi outlet agency which has just reported a 25 % fall in revenue in the first quarter of the year. The bad news was followed by an announcement from Countryside Properties that the slowdown in demand for homes at the upper end of the housing market has caused it to halve the number it plans to sell for more than £1 million. The FTSE 250 developer said it had "repositioned" its business to make sure that its homes remain affordable. Its average selling price for private homes fell 13 % to £441,000 in the six months to the end of March, from £505,000 during the same period a year earlier.

But some people are wading in and buying more

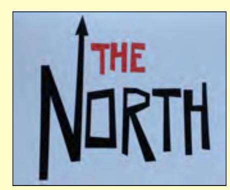
Sir James Dyson, the vacuum cleaner tycoon, has an estimated fortune of £7.8bn. He is apparently close to spending some of that on acquiring a £130m portfolio of prime commercial buildings. The portfolio comprises thirteen buildings in London and two in Oxford and York. Sir James also owns 25,000 acres of land — more than the Queen — as well as other property assets including offices and retail stores.

London's first super apartment

A media mogul owner is planning to create Britain's first £200m 'super-apartment. In 2006 he bought his first apartment in Knightsbridge, for just over £15m. He has just bought the identical adjoining apartment for £90m. The tax bill is eye-watering at nearly £13.5m and the work will cost an extra £30m When finished, its market value is expected to top £200m.

Editor's note: whether it is in the residential or commercial sector, if you have the money there are always opportunities to acquire good properties.

The great North - South divide

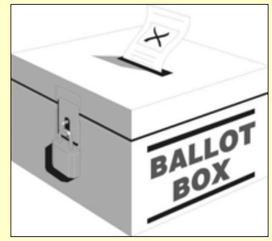


According to a leading planning consultancy, in real terms, taking inflation into account, the average London house price remains 37 % above its pre-crash peak. In the northeast, by contrast, the average price is 24 % below its 2007-08 level. So, if you bought a property in the north-east seven years ago and your friend bought one in London, we know who would be buying dinner for the other. Remember though, past performance is no guarantee of future performance. A lot of money is going into areas north of Birmingham and this is bound to have a positive effect, whereas investment in London investment is falling rapidly.

Are some commercial tenants more of a risk?

For restaurant chains large and small, it is an increasingly difficult time to turn a profit. A perfect storm of rising food costs, an increase in the national living wage and rising business rates are eating away at profits. Industry sources say that like-for-like sales growth across the big restaurant chains is running at less than 1%. "We reckon that to cope with all the rising costs you need to be growing sales at something like 3% to 4%," said one restaurant investor. One group has already collapsed which led to 380 job losses and some industry experts fear the worst for the rest of the market. Other collapses are likely to be on the menu (forgive the pun). The danger for some commercial landlords is obvious and rent reviews for this niche sector may be muted at best. However, it is not all bad news. The more established chains and larger, well funded operators will remain sound tenants and the right restaurant property will still be a sound investment.

The UK election



In our last newsletter we wrote that when it comes to the housing crisis, all the political parties ever do is issue broad sweeping statements that result in no improvement whatsoever. The parties have now released their election manifestos and in them they summarized what they plan to do with regard to housing.

Conservative	Labour	Liberal Democrats
1.5 million new homes by the end of 2022 *(Called a 'symbolic gesture' by a current cabinet minister)*	1 million new homes, including 100,000 council and housing association homes by 2022 *(Thanks Jeremy, you won't even by in power by 2022, let alone after this election)*	300,000 homes each year until 2022 *(Does anyone take them seriously when they will have so few seats in Parliament?)*
Government to build 160,000 houses on its own land *(The problem is, by its own admission, it does not have the money to do it)*	Help-to-Buy scheme guaranteed until 2027 *(This will actually help, but see above)*	500,000 energy-efficient homes by 2022 *(What you would expect to hear from a 'green' party)*
10 to 15-year fixed-term social housing, with subsequent right to buy *(No detail provided - as you would expect)*	A new Department of Housing (J*ust what we need - a new government department and more bureaucracy)!*	Ten new garden cities in England *(The legislation and compulsory land purchases make it a huge and complicated exercise - enough said)*

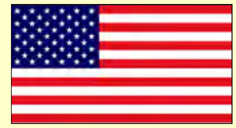
If the above looks familiar, it is because all the parties at the last election (and the ones before that) made similar promises. You can guess what happened - nothing! Two things are clear **:** the housing shortage is going to continue for the foreseeable future and we are highly cynical of the promises politicians make. **Enough said. Here ends our coverage of this issue in the context of the UK election 2017 (and unlike many politicians, we keep our promises).**

Crossrail 1 — should you have bought when the route was announced?

When Crossrail 1, known as the Elizabeth Line, was granted royal assent in 2008 it was expected that house prices along the route would appreciate faster than the general market. The good news for people who bought in the right areas at that time is that house prices have outperformed the wider local markets by an average of 7 %. On average, property surrounding Crossrail stations have increased by 80% in the past ten years, 3% more than London as a whole. The price rises were calculated by analysing homes within a ten-minute walk of central stations and within a 15 minute walk of stations farther east and west.

Major infrastructure projects have an impact on house prices, but the key is timing. 'The early bird catches the worm' springs to mind. The good news for investors is that major infrastructure projects are scheduled for various locations in the UK. This includes the high speed rail line - HS2. However, it can be a long wait and a longer term perspective may be required. If you can enjoy a secure and attractive income stream from the right property over the period, there is little downside in investing sooner rather than later.

‘It’s the fish John West reject that makes John West the best’



The above was the theme of a UK television campaign in the 1970s., which recently sprang to mind. What has it got to do with our USA activities? With Michael, our USA partner, we have been diligently looking for a suitable Chicago project for the last six months. We have reviewed a number of opportunities but none has met our conservative criteria and risk profile. This is extremely frustrating for all concerned as we have clients waiting to invest in this sector.

The good news is that the USA economy is moving along steadily and the ’Troubles of Trump’ are not affecting the property sector. Everyone’s patience is greatly appreciated while we continue our search for our next project and as soon as it is available we will be in touch.

Don’t forget!

We recently produced a guide to investing in the UK called;

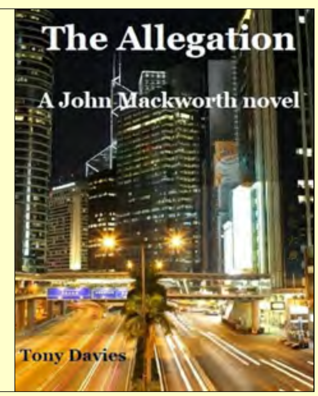
The UK property market
Useful information for offshore investors

If you would like to receive a copy please contact us

Summer is almost with us and we are expecting a number of our clients and readers of this newsletter to visit the UK in the coming months.

If you are interested in using our London Search Service, or would just like to visit us in Fulham to discuss property in general or our opportunities etc., please contact us.

Sales of The Allegation have gone through the roof (well, perhaps not) since we mentioned it in our first edition of *From The Property Pulpit*. Please help poverty stricken families in Cambodia by buying a copy. You can find it at Amazon.



We hope you enjoy reading *From the Property Pulpit*. If you have any thoughts or ideas on how we can improve the content or format please let us know. Your feedback and input would be greatly appreciated.

Additionally, we are keen to expand the readership so if you know anyone who might find it interesting and informative please let us have their email address. We have a low key approach to marketing and promise not to drown them in spam or cold call them in any shape or form.

A thought from The Property Pulpit

Opportunities are like buses.
You wait a long time for one and
then three come along at the same time.

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