Views from the rooftop

Property investment in the United Kingdom

August 2021

Why the market has boomed and why it will soon slow down

There is certainly strong demand in the housing sector, evidenced by Knight Frank reporting that in June there were 11.4 buyers for each new property compared with 7.5 in June 2019.

There are multiple reasons for this, including; low interest rates, the desire for more living and outdoor space, quantitative easing, good rental income streams, the attraction of second homes, swollen bank accounts as people spend less on travel and entertainment, housing being seen as a safe haven and of course the stamp duty holiday. It is quite a long list.

However, there are already signs that price growth is slowing and a recent Royal Institution of Chartered Surveyors survey highlighted an expectation of falling demand and sales.

One factor supporting that expectation is the end of the stamp duty holiday in October. The holiday brought forward a number of transactions which should result in a period of 'catch up' when it has ended.

Affordability issues will also hold the market back as wage growth has lagged behind house price growth.

Other factors include the possibility of the Bank of England increasing interest rates and reversing its approach to quantitative easing.

In the market's favour is that employment is recovering as the pandemic recedes, mortgages are likely to remain available and any increase in interest rates is unlikely to be excessive.

Additionally and perhaps surprisingly in the light of the pandemic, consumer confidence is relatively high and the appeal of more living space is set to grow.

Some analysts and 'experts' feel that price growth will slow in the year ahead. Others think it will stall and that capital growth over the medium term will be less than that experienced in the recent past.

The good news is that most believe that the chances of a major correction are minimal.

More good news is that they also believe the rental market should continue to perform well. The ongoing housing shortage will see to that.

Of course, things might change. The government could suddenly come up with a plan to build 1,000,000 homes a year. It could actually work and there would be no housing shortage. Brexit could also result in us having the strongest economy in the world and all of us end up owning, mortgage free, a grand home with an indoor swimming pool and outdoor BBQ patio. Martians could also land……

The safer bet is that over the medium to long term house price growth will at least match inflation and rental income will remain attractive and secure. I wouldn't bet against it.

There is a reason we haven't asked

In last month's newsletter we mentioned that we are always keen to receive referrals and hoped that no-one would be offended if asked to help.

Unfortunately, we do not have a project ready for funding so we have delayed asking most of our clients.

However, a new project is never that far away and we will take the liberty of approaching clients as we head into Autumn.

Thanks in advance for your support.

Tony Davies
Managing Director

In this edition

Majestic by st david

acol by st david

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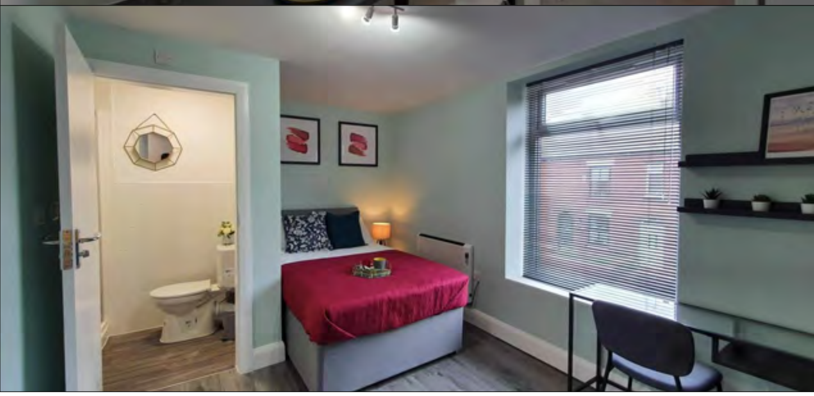
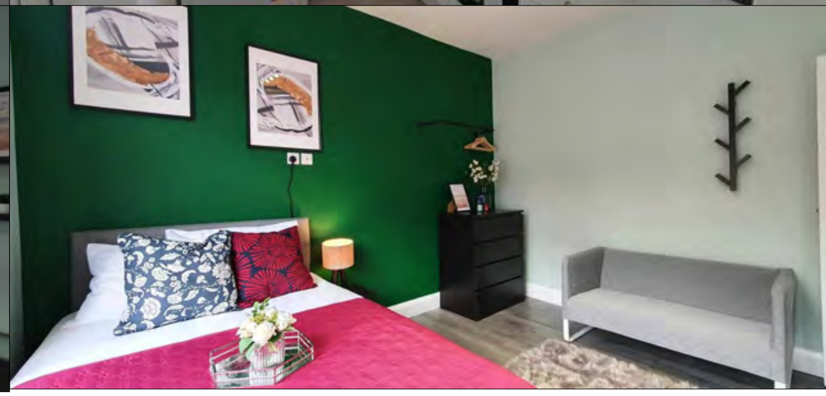
We have recently completed another **acol co-living/hmo** property in Greater Manchester.

It is a five bedroom, three en-suited property which will produce a net yield after all costs of 7.5% plus p.a. A dvd showing the property can be found at; https://vimeo.com/582413207/a41df66018 We hope everyone likes it.





Over the next six months we will totally refurbish and convert it to an **acol co-living/hmo** property comprising five bedrooms, five bathrooms and a communal kitchen/dining area.

The property will show a real net yield after ALL costs of 7.5% plus p.a.

Our fixed interest opportunity has closed

Many thanks to those investors who invested with us

For further information on opportunities and projects please contact us.

£30 to view a property?

One of the UK's most popular pastimes is apparently surfing on Rightmove to see what properties are available. Another is then spending a pleasant day visiting houses when there is no intention of actually buying anything.

Regrettably, at least from the estate agent's point of view, a large number of those people are not turning up for the inspections and do not have the courtesy to cancel beforehand.

The problem is not confined to house inspections. Many restaurants now take a booking fee when reservations are made and the system does not appear to have adversely affected them.

Estate agents are about to follow suit with the launch of a new website, ViewRabbit. The site allows agents to send a web link to prospective buyers and tenants who will be asked to pay at least £30 to guarantee a viewing.

Paid-for viewings would take place before free ones, and viewers who went on to purchase the property or sign a tenancy agreement would receive a full refund. There are plans for any income generated from the first 30 days of viewings to be donated to charity - which we doubt will happen.

Not everyone is happy with fees being charged, the argument being that agents are paid enough when they sell the property and viewings are all part of the sales process. They believe that allows people to not turn up with no recourse.

Not every agent will jump on board and start charging inspection fees. Nevertheless, while the market remains hot more agents will adopt the system. When the market cools and there are fewer buyers around it will be interesting to see if they have the backbone to continue demanding them. Without sounding cynical, we doubt they will.

As for St David, we rarely do inspections as our service is tailored for overseas investors. However, we often send information that has been requested only to find the recipient can't be bothered to reply to us. Of course, people are busy and the argument is that if they were interested they would let us know.

Nevertheless, an age old expression springs to mind; treat people as you would want to be treated. It is why we always respond to enquiries quickly and try not to waste people's time. Whilst we won't be charging fees to send information out, the thought does occasionally cross our minds…..

Our Chicago project
A resounding success

Five years ago we formed a private syndicate which acquired a retail property in Chicago.

It has been a 'hands off' investment for our investors as we have managed all aspects of the project for them.

The good news is that, despite Covid 19, the investors have enjoyed a regular rental income of 7.5% p.a. after USA tax.

Given the secure and attractive return the investors have now decided to continue holding the property for a further three years, and of course, we have agreed to extend our management of it.

Building trust and long term relationships takes time. Our thanks go those investors who placed their faith in us then and now - it is, and always will be, greatly appreciated.

HOT OFF THE PRESS *and market updates*

Can money buy you influence?

Under the leadership of ‘Boris” the Conservative party has received almost £18m in donations from 154 donors with property interests.

The donations made by individuals and companies in the property sector account for a quarter of the total donations made to the Tory party since July 2019.

Under the previous two prime ministers such donations ranged from 4% to 12% of the party’s income between 2010 and 2018.

Estate agents are in the money

London focused estate agent Foxtons has swung to profitability thanks to the very busy housing market.

The group has just reported a pre-tax profit of £3.3m for the six months to 30th June.

Revenues of £67m were two thirds higher than the equivalent period of 2020 and up 29% on the first half of 2019.

The government backs down on cladding issue

Owners of up to 800,000 flats left in limbo after the Grenfell disaster may now be able to sell them following a government U-turn over fire safety guidance that landed them with life-changing bills.

Robert Jenrick, the housing secretary, has advised that an independent panel of experts had found that blocks of flats less than 18 meters high posed “no systemic risk”. Their report stated: “It is now clear that there has been an overreaction and excessive risk aversion in some parts of the market”.

The move could pave the way for owners of more than 800,000 flats in blocks under 18 meters high to sell or switch mortgages without needing an external wall fire safety certificate (EWS1).

Twenty years performance

Research from Zoopla, one of the UK’s biggest property portals has revealed that house prices have tripled over the last twenty years.

Prices had risen steadily until the global financial crisis in 2008 when prices fell. They started rising again in 2013 and have not stopped since.

The result is that the average home in the UK is worth £163,700 more (£106,800 once adjusted for inflation) than it was in 2001.

The changing of the High Street

From the 1st August developers are allowed to turn a range of high street businesses into apartments without planning permission.

The change will affect shops, restaurants, bars, cafes, pharmacies, crèches and gyms that have been empty for three months.

It is estimated that in some towns around 80% of shops and other commercial buildings could be converted in the coming years.

Grand designs

Hong Kong’s Cheung Chung-kiu, chairman of property group CC Land has just received planning permission to create a mega-mansion in his 45 room property overlooking Hyde Park, London.

The completed ‘house’ of approx. 62,000 sq ft will comprise; a roof garden for entertaining, 20 bedrooms, pool, gym, spa and beauty salon, parking for 20 cars and 116 bulletproof windows.

Once completed it could be worth up to £700m.

rental update

The Royal Institution of Chartered Surveyors (RICS) has reported that tenant demand for private rented property in the UK has risen for the fifth consecutive quarter.

The last quarter has seen increases in rental demand across all regions of the UK, including in London, where rents were significantly adversely affected during the pandemic.

Alongside this, RICS report that the national rate of new landlord instructions continues to fall and predicts that this combination of increased demand and reducing supply is set to see rental prices increase moving forward.

The five rights of property investment

Invest in the right property in the right location at the right time for the right price from the right developer/adviser

Frequently asked questions

Q. When will your next fixed interest project be available?

A. This will depend on when we next identify a suitable property for refurbishment, probably in the Autumn. We have to pay the agreed interest irrespective of whether we have bought the property and it makes no sense for us to raise money and for it to sit in our bank account needlessly.

Q. Can I start off with a low investment amount and top it up later?

A. The minimum investment level varies from project to project, but typically starts at £25,000. Once we have sufficient funds for a project we close it for subscription. You can of course invest additional funds in our next project

Something lighter

For our recent management meeting we decided to have an Hawaiian theme.

Denessa thought she would win it with her pineapple shoes (she has lots and lots of shoes to choose from!).

However, Si's outfit won the day, by a wide margin!

Thought of the month

….. and a guiding hand from a trusted developer/adviser

Our MD has delayed his return to HK/BKK until the current Covid-19 travel restrictions have eased

In the meantime, if you would like an obligation free discussion regarding our projects and services please contact us

Recommended method of communication

This newsletter is our way of staying in touch with everyone and providing an overview of the UK market and how we operate.

All referrals to potential recipients and feedback re content and format are always greatly appreciated

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