

## April 2022

### We are in the **co-living** sector, not the homeless sector

As our clients and readers of our newsletters will have seen, we have regularly commented on the plight of the homeless in our newsletters.

As a result of this we may have created the impression that our activities are associated with, or we develop properties for, the homeless sector.

This is not the case. We focus on providing shared accommodation in the **co-living** sector.

Some of the properties we develop for this sector are licensed HMOs (Houses in Multiple Occupation), some are not.

All of them are developed to a high standard with quality fixtures and fittings so that we have quality tenants who can pay their rent.

Importantly, they are trouble-free investments that provide attractive and secure rental incomes and capital growth in line with the market.

Unfortunately, properties in the homeless/government dependent sector are rarely trouble-free and may be far less profitable. It's why landlords are reluctant to take such tenants.

We never forget that our focus is on maximising the rental income for our clients.

As you might expect, government dependent tenants pay less rent than private sector tenants so our focus has to be on developing properties that secure higher quality tenants who can pay more rent.

Our tenants are typically semi-professionals, tradesmen, administrative and manufacturing staff; i.e. people who are gainfully employed. They pay their rent on time and look after the properties.

In our early days in this sector we did try, with local councils' support and based on their promises of support (which proved to be non-existent), to have a mix of working and government dependent/ex-homeless tenants in our properties.

We quickly came to realize that whilst in theory such tenants should have been able to pay their rent and not engage in anti-social behavior, the reality was very different.

We have an obligation to our clients/landlords to protect their position and we had no alternative but to step in and secure alternative tenants.

The good news is that there is a no shortage of quality tenants for the right shared accommodation.

Rental demand is strong and is going to remain so for the foreseeable future. There is no need to target government dependent tenants

The bad news is that there are now around 275,000 homeless people in the UK, many of whom find themselves in this position through no fault of their own.

Whilst we can't develop homes for them, we can highlight their plight in our newsletter.

If you would like to help us support homeless people in the UK, you can find details on how you can do this on the last page.

# Views from the rooftop

*The sector has grown up*

It is fair to say that in the not too distant past the HMO sector was plagued by rogue landlords offering sub-standard accommodation.

The good news is that it has moved considerably up market in recent years.

This is partly due to government regulations, but also by more professional investors/landlords entering the market.

There are also more professional property management operations which can let and manage such properties.

It all adds up to a great sector to develop and invest in.

### **New Fixed Interest project**

We are please to announce we have launched a new fixed interest opportunity:

### **St David Birkdale FI**

Thanks for everyone's patience while we were finding a suitable project.

You can find details on page 2.



**Tony Davies**  
Managing Director

# OPPORTUNITY



## Fixed Interest opportunity

Birkdale, Southport

*(one of the premier residential areas in the North West of England)*

Investment period - 12 months

Interest rate - 10% p.a.

**8% p.a. after UK withholding tax with no UK tax liability for overseas investors**

Interest paid quarterly

Minimum investment - £40,000

**No bank debt or finance**



We will be refurbishing the property to provide a retail store and an 8 room **acol co-living** property

**acol**  
by david

**Delivering the promise**

Totally refurbished freehold properties offering a guaranteed **7% p.a. net** after all costs



Our Merseyside **acol co-living** properties have enjoyed superb rental demand and we expect our latest project to be the same. It will be ready for occupation **in May**.



**Frequently asked questions**

**Q. Should I invest in a fixed interest project or buy an **acol co-living** property?**

**A.** Our fixed interest opportunities are relatively short term loans which we use to fund our projects. When the refurbishments are completed and the properties sold the funds are returned to the clients.

Our **acol** properties can be bought fully refurbished and tenanted and are owned in the investor's name, which some investors feel more comfortable with. They provide a longer term attractive and secure income stream and are a trouble-free investment.

We build long-term relationships with our clients/investors and some start off investing with us in one type of opportunity and then add to it with another type. We are happy offering both and letting our clients decide which appeals to them.

## Don't compare the headline rents for our **acol co-living** properties with other units

We are often asked why someone would rent an **acol co-living** room for say £120 per week when they can rent a slightly bigger self contained studio or even a small one bedroom unit for £150 per week. The answer is fairly simple:

- Our properties are refurbished to a high standard and are offered fully furnished. Most tenants in smaller accommodation prefer not to have to buy furniture and want to move in to a 'ready to live' home.
- Our tenancies are on a 'bills inclusive' basis. This means the price includes utility costs, council tax etc. Tenants prefer to have a set amount they have to pay each month and not have to set up their own accounts with utility providers etc. These costs can add up to 30% of the actual rental sum so the £150 quickly jumps to £200.
- All our rooms have at least a kitchen cabinet comprising a microwave, fridge/freezer, kettle - in addition to a fully fitted communal kitchen and dining area. This satisfies the needs of most single people
- Single tenants often don't want to pay additional rent simply to have extra storage space.

Our properties appeal to a segment of the market that is never going to disappear - single, semi-professional and other working people who want to live in a great room in a convenient location at an affordable price.

They don't appeal to everyone, but they appeal to more than enough people to allow our clients to invest in them with confidence.

## Ongoing shortage means demand will remain strong, even if there are blips along the way (and there will be)

### Comment

It is universally accepted that the UK has a shortage of housing. It is also accepted that successive governments have made grandiose statements that they will eradicate the problem and build more homes. They have all failed and the problem persists.

The current government is no exception. In 2020 it has pledged to create 300,000 new homes by the mid 2020s. Sadly, only 216,000 were created in 2020/21, a slight fall over the previous year.

To meet the pledge of 300,000 new homes, the 20 largest cities would need to increase their existing home-building targets by 35%. According to most people involved in the industry, including leading businesses and councils, there is no likelihood of it being met.

Some cities such as Manchester have sufficient land to meet its target. Having the political will to do so is of course another thing - local interests always prevail and the NIMBYs (not in my back yard) are never far away.

Some cities, such as Bristol for example, claim they do not have enough suitable land. It needs 3,300 new homes a year while it is currently creating only 1,700.

The position in London is even worse. Factor in the targeted growth and it needs to produce an additional 97,000 homes a year. Since 1981, on average, fewer than 17,000 homes have been built each year. Between 2017 and 2020 only 37,000 were produced.

To meet its targets some cities have recently claimed they would have to re-allocate land designated for business use to housing. This will adversely affect the creation of new jobs as well as the government's attempts at leveling up the economy. They may have a valid point, as do the numerous people who have nowhere to live and little prospect of finding a suitable home.

It is going to need strong central government intervention to force councils to create the right planning environment and availability of land to create the required mix of new homes and employment generating sites. On the basis of the last ten years plus of the current Conservative government, or Labour governments of the past, this is not going to happen.

The conclusion is that the ongoing housing shortage will persist, which means demand will remain strong for the foreseeable future. High demand and low supply will inevitably result in price growth over the medium to long term, even if there are blips along the way.



**Annual House Price Inflation  
Soars To 10.9%**

- Average cost of UK home at £277,000
- Wales is best-performing area

Average UK house prices rose by 10.9% in the year to February 2022, up from the 10.2% the previous month, according to the latest figures from the Office for National Statistics (ONS).

**Something to consider;**

Recent analysis by Knight Frank shows that more than half a million extra households will be renting by 2023.

*More tenants on the way.....*

A recent survey showed that 24% of landlords say they plan to reduce the number of properties they let.

*..... as the number of existing properties for rent drops.....*

Capital Economics has warned that the supply of rental stock could fall by more half a million over the next ten years.

*..... so there will be a huge shortfall of properties to rent which will inevitably force up rental values.*

According to data from Savills estate agency, 56% of purchases last year were made by cash buyers or homeowners who had sold their homes and reinvested the equity to buy another property.

The cash/equity method of buying has increased most in popularity in recent years, growing 54% in 2019 and 58% in 2020.

Demand is growing for areas outside of price hotspots that offer the opportunity of lower rents, while still being in commuting distance of the major cities for work or leisure.

**Manchester and Liverpool** are two of this quarter's top five rental price hotspots, with asking rents increasing by 19.3 % and 17.1% respectively compared to this time last year.

At the same time, demand has increased in areas surrounding Manchester and Liverpool with lower average asking rents - seven of the top ten rent demand hotspot are nearby the cities.

A report by the all-party Public Accounts Committee of the House of Commons claims some 13% of the private rented sector stock poses "a serious threat to the health and safety of renters".

It is costing the NHS an estimated £340m each year.

The committee goes on to claim that there is also evidence of unlawful discrimination in the sector.

25% of landlords are unwilling to let to non-British passport holders and 52% unwilling to let to tenants who receive Housing Benefit.

*Inevitable unless the government changes the current system*

# Focus on Birkdale, Southport

Southport is a resort town with a population of over 90,000.

It is less than twenty miles from Liverpool and the major employment centers in the North West.

The town enjoys the benefit of year round tourist attractions as well as being a commuter town for Liverpool.

Birkdale is a residential area of Southport and is regarded by the locals as a village.

It has its own identity and appeal and is regarded as one of the premier residential areas in the North West.

Whether it is strolling to the beach or relaxing at one of its restaurants and coffee shops, Birkdale is a great place to live.

The village offers a great mix of quality homes and apartments and property prices reflect the quality of the area:

Average property prices 2021 - 2022	
Manchester	£235,333
Liverpool	£205,395
Southport	£226,466
Birkdale	£289,403

Birkdale/Southport is a convenient location for the North West and has a direct train service to Liverpool, with onward connections to other parts of the country.

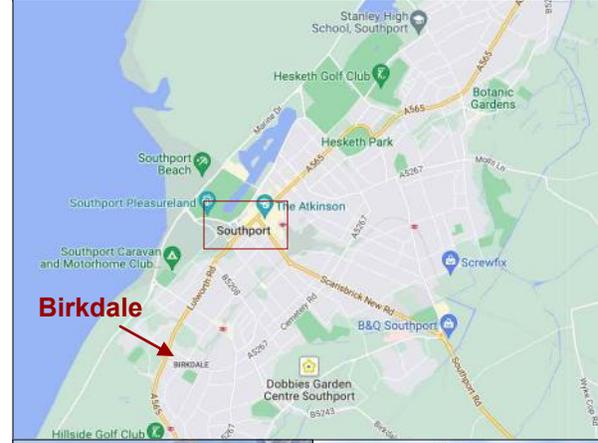
Whilst Southport attracts visitors as a resort area, it also has large manufacturing, public service and motor vehicle wholesale and retail sectors serving the North West.

Birkdale is within a thirty minute walk of Southport and enjoys all the benefits of a major town, whilst retaining its appeal as a vibrant, 'trendy' place to live.

There is strong rental demand for quality accommodation in Birkdale:

Average rental for one bedroom apartments	
Manchester	£563
Liverpool	£576
Southport	£589
Birkdale	£613

For information on our Birkdale Fixed Interest opportunity please [contact us](#)



Royal Birkdale Golf Club

One of the best courses in the UK

## Did you know?

The number of homes for sale is down by a third compared with what was available before the pandemic.

Demand for housing is so high that, if homes continue to sell at the present rate, 65% of local authority areas will run out of properties to sell in three months or less, according to Savills estate agents and TwentyCi, an independent data analyst.

## Can you help us out?

In our last newsletter we asked our clients to suggest names for our new, upcoming mixed use retail/acol properties.

Do you like the content of our newsletters or have any thoughts on how it can be improved or more relevant and useful?

Do you know anyone who might enjoy receiving our newsletter every month?

Please contact if you are able to help us with the above.

## Something lighter

## Thought of the month

Like most people, I sometimes  
look like a real idiot,  
But don't let that fool you,  
Sometimes, I really am.

*The MD*

You have  
to laugh  
sometimes....

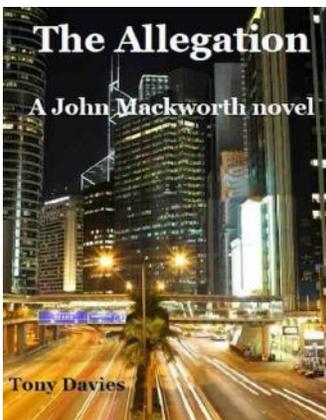
My wife has days when she wants us to "talk about things."

We were discussing aspects of our future recently, so when it was my turn I asked her, "What will you do if I die before you do?"

After some thought, she said that she'd probably look for an acol co-living house so she can live with some single or widowed women who might be a little younger than herself, since she is so active for her age.

Then she asked me, "What will you do if I die first?"

I replied, "Probably the same thing."



All the proceeds from sales of the book (a HK fiction written by the MD) are donated to homeless charities.

If you would like to support the homeless, please contact us for details about how you can acquire a copy.



**Quarantine restrictions have meant our MD has had to further delay his next visit to HK/Asia.**

**Until he returns, if you would like an obligation-free discussion regarding our opportunities and services please contact us**

The content herein expresses the views of St David and our MD.

No offence is intended to any party. All feedback on the content and format is always greatly appreciated.



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