RIO Property closed the second quarter of 2024 with a profit, up 1.34%.

Since its launch, RIO Property has filed nineteen consecutive gaining quarters, producing a net gain of 41.54%. The track record is just as impressive as the risk-reward ratio of 12.20:1, which the investment industry ranks as excellent.

This investment showed its true value during 2022 when it filed a net gain of 8.08% and massively outperformed its benchmark (the Nationwide House Price Index) return of just 4.77%; more importantly, that year, this investment had served as a welcome shelter from the stock market mayhem, which had resulted in the FSTE 100 falling over 14%.

The Market - The Government's plan to build 1.5 million houses a year is welcome news to some, but I would say they also need to ensure people can afford those homes. I noted that the new Labour Government was giving some thought to the role of equity release by older family members and how this could easily support many first-time buyers and/or young families on the housing ladder. I would comment that this would, in effect, give this buying group a boost and inject life into the lending sector; such a move could benefit the overall housing market. It could encourage activity from the Bank of Mum and Dad, which in turn could put more money into the housing market.

On the mortgage front, approvals in August were climbing back to pre-Covid levels, but they remained 3% below the 2017-19 average. The average rate for a 2-year fixed rate is now 4.8%, compared to 6.2% the year before. While affordability has improved, average housing costs are still far higher than before the pandemic, limiting price growth over the coming months. New sales agreed, and new instructions during September looked better; these are 8% above the 2017-19 average for the month. Demand and supply are rising together, so in short, there is currently little pressure on prices. Market conditions over the next few months will continue to be reliant on mortgage interest rates**.** Bank of England Governor Andrew Bailey commented that interest rates could fall faster than economists expect; if that were to be the case, this would be a shot in the arm for the housing market.

With the first cut in the UK base rate now almost three months behind us, there are some signs of improvement, with a further cut likely next month the housing market should be more stable. This was reflected in a recent RICS survey which has indicated that finally UK house prices are likely to rise, even if this is only marginally, it is the first true positive sign in two years.

The general property market has been relatively lacklustre since October 2022. After hitting a record high in August 2022, house prices plummeted in the wake of former Prime Minister Liz Truss's disastrous Mini Budget. Prospective buyers abandoned the housing market as interest rates and mortgage rates rocketed higher, competition between lenders temporarily collapsed, and the value of cash deposits was eroded by record inflation. Mortgage rates soared once more in mid-

2023 and also climbed higher yet again during the spring of this year, this as markets questioned the UK's ability to bring inflation down. It is important to note that the RICS survey is a sentiment survey rather than an actual house price index survey, however sentiment is an important driver of markets. It's not all roses, the picture is far less positive for buy-to-let landlords who are selling up!

The Budget on 30th October

Chancellor Rachel Reeves is set to deliver her first Budget on the 30th of October - which the government have already warned will contain "difficult decisions" and be "painful". I am almost certain that we will see tax hikes in the Budget, although it is being announced the day before Halloween, it's very unlikely to be handing out many treats. I recall clearly that in the lead-up to the general election, Labour had promised it would not increase taxes for working people. But they gave no such assurances about capital gains tax (CGT) so perhaps this is one tax which is likely to see increases, this they'll likely use to help fund any fiscal shortfalls. Changes to CGT may see the hiking of rates so they are in line with income tax or reducing the tax-free threshold further. The CGT allowance for 2024-25 is £3,000, half of what it was in 2023-23.

There been much speculation on what could be announced, from raising capital gains tax to slashing pensions tax-free cash. And let's not forget that just a few months ago the new Labour Government verbally attacked the inheritance issues, which they inherited from the previous Conservative Government. They may wish to raise revenue by increasing the rate of inheritance tax, and even cut the tax-free allowance (known as the nil-rate band), scrap gifting allowances or axe IHT reliefs.

Members concerned about inheritance tax should contact RIO, we have several options which can, in most circumstances, help minimise this vexing issue.

This budget, depending on what is announced, may have a marked influence on the UK property market.

The anticipated changes to capital taxation have already caused buy-to-let landlords and second homeowners to sell. The government is reconsidering planned changes to the taxation of non-doms (overseas individuals resident in the UK).

All UK-based assets are within the scope of IHT regardless of the owner's domicile or residence. However, overseas assets owned by non-doms only become taxable once that individual has been resident in the UK for at least 15 of the previous 20 tax years. At this point, they are deemed to be domiciled in the UK for tax purposes. Even then, any overseas assets held in a trust settled by a non-dom before they became domiciled in the UK are treated as "excluded property" and remain outside the IHT net.

To date, the Government has indicated that it intends to prevent long-term resident non-doms from shielding their overseas assets from IHT by placing them in trust. This change would also apply to existing "excluded property trusts."

These include the introduction of higher rates of stamp duty land tax (SDLT), including for second and subsequent properties, non-resident SDLT, the annual tax on enveloped dwellings, non-resident CGT on all forms of UK property, and IHT on enveloped UK residential property. With the worldwide nature of the current proposals, non-doms are far more serious about their plans to leave this time than in the past, and, again, many have already done so.

If CGT rates are increased in the forthcoming UK Budget, many business owners, both non-dom and otherwise, are planning to leave the UK before selling their businesses to avoid paying more tax. They will either do so permanently or for at least six years to prevent a charge on their return.

William Gray
The RIO Club