



RIO Property Group is set to benefit from the continued uptrend in the UK property market. Despite both increased material costs and supply issues we are looking good as we move through the last quarter of 2021.

Since launch, this investment has been on target and posted net returns to date of 17.61%, with the year-end drawing closer I hope to see this investment push closer to the 20% mark. That said, this is yet another investment that has outperformed, recording seven consecutive gaining quarters, much to the satisfaction of investors.

Overall two of our four projects are firmly on target, this despite lockdowns, material shortages and delivery issues mentioned previously. The team have continued to deliver what can only be described as a considerable effort to overcome these issues and ensure that projects remain on schedule. While rising inflation is currently grabbing the headlines, the direct effect on pricing could be minimal, as property values have a much stronger link with economic growth.

The UK Property Market

Nationwide has recently updated its House Price Index, and the statistics indicate a year-on-year growth in UK property prices which have continued to rise since the beginning of the pandemic. The House Price Index' (or HPI) shows data on how property values have risen or fallen. (To be clear there are different HPI's released by property portals Nationwide, the Halifax, the government, and or big mortgage lenders).

As I mentioned in July's comments, the UK confidence remains strong in the house building and construction sectors. Although I am mindful of coming interest rate rises.

For now, Nationwide's latest HPI has reported that price growth remains strong. This despite the end of the stamp duty holiday, with average house prices up by 0.7% since last month.

To put it in context, in September 2021 the average house price was £248,742, today the average house price is £250,311. Looking back to October 2020, the growth in 2021 has improved, with house prices a significant 9.9% higher than in October 2020. This could be the peak as this is the first time that I have seen the average house price over a quarter of a million pounds.

For an indication on whether this could be the case, mortgage applications show demand is still high. In fact, during September, mortgage applications made to Nationwide stood at close to 73,000. That's 10% more than the monthly average recorded in 2019, this shows that demand remains very strong.

Will house prices keep rising in coming months?

If seasonal trends hold, then we will see the market start to slow down for Christmas and New Year. Looking forward, I expect to see a strong start in early 2022. The reason for this being simply the demand, which for now remains high, and my research has shown that the supply is still very tight, so this will continue to support values.

Looking further forward, I forecast that as we move through next year we will almost certainly see a slowdown. The reason, as always, is that the property market is affected by mortgage rate interest rates; these are set to increase from their current all-time low point. Given the Bank of England did not raise rates as expected in November, and with inflation now rampant and less transitory, I would predict that we will see two rate hikes in 2022.

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