



RIO Property Group gained 6.87% during 2016, producing an outstanding twelve consecutive gaining quarters since launch. With returns to date at 44.92% it is the envy of the UK property sector and the investment industry.

But what lies ahead? Well short term indicates that it is more good news, since this quarter is already in positive territory, up over 2.65% as I write. This is mainly due to completion of RIO's third project, from which it is due payment for land sold to the developer. Accordingly, RIO Property Group is certain to record its thirteenth consecutive quarterly gain as 2017.

This investment is similar to almost all RIO lump sum products in that it continues to outperform both its benchmark (UK Property market), and its target return of 10% pa, which was set at launch. RIO Property Group results have exceeded the target return and averaged 14.98% pa since launch.

### **Scottish Property market**

Scottish property has and will likely continue to benefit from any flight to safety this year, as it did in 2016. Members who are considering inward investment should note that this investment focuses primarily on commercial property, which has purposely been acquired to undergo a change of use to that of residential development. This factor in itself is an investment opportunity with several benefits.

Additionally, RIO Property Group seeks to identify land which is suitable to obtaining government planning permission. In doing so, the Account has the opportunity to achieve exponential capital growth, and RIO holds a diversified portfolio of development land sites. This has been borne out by the fact that most have now been developed, the remaining site is now at an advanced stage of development.

The completions at the end of 2016 are now due their final payment from the developer for land parcel as per terms and conditions of land site /sale, this has been invoiced and is due to be settled in first quarter of 2017. That said, it will be a more than rewarding quarter, and perhaps it will be the best quarter in terms of return within the past two years.

Going forward, RIO Property Group has submitted applications for planning consent on additional land. As always, the company continues to work closely with local authorities to obtain ultimately the planning approval for further residential housing development. Hence, over 85% of our land bank has already been granted planning permission, this being one reason for our successful return on investment.

Our successful property development has, in turn, led to sales, and ultimately profits for those members invested over the past three years. As we enter year four I am confident that we will have further planning permission granted during 2017.

### **The total number of residential transactions in Scotland in 2016**

The year 2016 ended with a total of 100,081 residential transactions recorded across Scotland, the highest annual number since 2008 and indicates the strength of this market at that time. The bulk of

the market is being assisted by low mortgage and taxation rates, along with government initiatives such as Help to Buy. The number of transactions compared to 2015 had increased by a marginal 3%.

In short 2016 was undoubtedly the best market condition since the 2008 'crash', although there was a slight slowdown in the oil-dependent Aberdeen area, where the number of transactions dropped annually by nearly 15% last year.

The drop after all was to a large degree due to the surge in activity that took place during the first three months of 2015, ahead of the introduction of higher taxation rates under LBTT from April 2015. In comparison with 2014, the number of prime transactions during 2016 was a mere 3% lower and as such in my opinion more accurately reflects the true picture of the market last year.

As I had anticipated, RIO Property benefited in 2016 due to the Scottish property sector attracting increased high-end purchasers, with many of these buyers from outside Scotland. This was in line with my 2016 forecast, fueled by the very favorable exchange rates, Sterling being arguably over sold. **This trend is likely to continue short term as the pound is currently the most undervalued reserve currency in the world.**

Hence, given that historically in times of uncertainty, high net worth investors are attracted to hard assets, and undervalued property in prime central hotspots, the current value of Sterling in US dollar terms suggests that an investment in the UK could easily be considered a safe investment, and good value for money in USD terms.

Studying the statistics it can be seen that 2016 witnessed the highest number of transactions at mid-level priced property since 2008. There was a strong demand for high quality builds, with 27 new build transactions above £1 million in 2016 and, most significantly, this was the highest ever in Scotland in a calendar year. As predicted, due to Sterling collapse, last year saw the highest ever number of buyers originating from outside Scotland in over a decade, these accounting for 44 of the 165 transactions seen. The mix included 21 buyers from outside the UK, 12 from London and 11 originating from the rest of the UK.

### **Aberdeen area market**

The residential property market in the Aberdeen area has been impacted due to cutbacks within the oil and gas sector, resulting in decreased consumer confidence in 2016. This has, in turn, resulted in a fall in the annual number of overall transactions.

Given that more than two thirds off RIO's developments are high quality builds, with excellent landscaping and location in their favour, these continue to attract buyers.

### **A positive factor being the continued housing shortage, which has lifted property prices!**

Even though the growth in overall transactions has been reduced, RIO has witnessed a rise in house prices, this being underpinned by the housing shortage.

This data is supported by recent surveys executed by the RICS, their analysis reporting that the level of properties coming onto the market continues to fall, with the existing stock being absorbed. The encouraging statistics further show that the actual time taken across Scotland's cities for properties coming onto the market to reach a sold status has dropped to 12 weeks, compared to 16 weeks in February 2014. This is a significant improvement and bodes well for the first half of this year.

In summery, this market looks set to see stability, certainly to mid-2017 but, due to negotiations on Brexit, I will continually reevaluate the position.

The profits to date have been taken, and hence any potential downside is limited this year.

William Gray  
The RIO Club