



Having quite rightly stayed out of the property market for the past few years, given the statistics which show almost six years of lack lustre UK property investment performance, RIO Property Group Ltd has once again entered the market well ahead of what is seen as the start of a UK property boom. The sector is once again looking very attractive to investors both in the UK and around the world.

In fact money is flooding in, with new investments in UK property funds at their highest levels for more than three years. RIO Property Group Ltd was ahead of the game when they forecast an uptrend in this sector. Funds investing directly in UK properties and shares in property companies attracted net retail sales of £177m in September.

Our research indicates that investment in property funds have been steadily increasing every month since the start of the year, and sales in the third quarter that ended in September were the strongest for more than three years. (Source; Investment Management Association report).

The only real problem for property funds as always is liquidity. One key feature of an investment is that it can be realised quickly without affecting its price. Property funds have a small problem. They don't generally offer instant liquidity to investors since assets can take months to realise even though in today's market one will be rewarded for the wait.

With the number of mortgage approvals now reaching a 6-year high, it is little wonder that there is so much interest in the now booming UK property market and associated investment instruments. (Mortgage data released by the British Bankers' Association).

Adding to this data, the latest major reports from Halifax and Nationwide put annual house price inflation at 8.7 per cent and 9.5 per cent, while the Royal Institution of Chartered Surveyors (RICS) said buyers are more often than not chasing a short supply of decent homes available for sale. This will likely drive house prices up even further.

RICS forecasts the average UK house price will rise by six per cent a year for the next five years, pushing prices up 35 per cent by 2020.

Although the effects of the above are widespread, meaning that almost every region in the UK has seen a rise in average property values, RIO has concentrated on Scottish properties, primarily with sea views, as these properties offer not only the best possible return in Scotland, but have the added attraction of swift sale and turn around. These properties invariably sell at a premium, thus offering a buffer on any market corrections seen over the period invested.

Why has RIO Property Group Ltd based all development projects by water?

As stated above, it is very clear that the current conditions in the UK housing market are unlikely to be temporary, that is if the demand for our properties is any benchmark. In turn, the market conditions seen ten years ago will not resume anytime soon.

The structure of the housing market has very much changed, as predicted, if not permanently then at least for the foreseeable future. RIO Property Group Ltd is building units into what can be seen as

a serious up cycle in property prices. The benefits are obvious with potential profits simply rising substantially as we build. As I mentioned in earlier reports the first project sold out pre-completion with the second project having over fifteen noted interests and it's just begun construction.

Sea and River view premiums are typically paid in Scotland!

Comparing the value of a waterside property to the value of the same property located five to six miles inland, several expert property value assessments have showed that properties with a river or sea view attract a premium of up to 29% in Scotland and that is why RIO focus on such properties.

River views benefit from the changing environment, and many people find them even more attractive than a sea view but all are superior to a simple street view. RIO's five seaside property developments are ongoing with only one river view development confirmed. We are currently investigating, however, a second development location which is likely to be secured in the next few weeks. This will be the seventh project when it is successfully secured.

The UK property market in general.

The Office of National Statistics figures showed property values rose 9.1 per cent in February compared with a year earlier, the highest annual increase in property values since June 2010. Once the London property market have been stripped out of the data, average house prices nationally rose by a still substantial 5.8 per cent annually.

The RICS report suggests that many middle-income families will soon be frozen out of what is fast becoming a very hot property market indeed especially if you're on the coast with a sea view.

Industry professionals have recently raised concerns that the market is not seeing enough houses coming onto the market to support demand. The result of this will be that the market will not operate normally; it will, however, enter a supply-demand situation as this kicks in, especially in areas where people want to buy and want to live, and prices will rise even faster.

UK annual house price rates of change (%), Jan 2004 to Feb 2014



The RCIS report says house prices will rise nationwide for the next five years.

Just as I had said in my previous reports this market would be bolstered by low interest rates, lack of house-building and the Government's help to buy- mortgage guarantee scheme.

For members who may not be aware of these schemes the Funding for Lending scheme passed cheap money through banks and building societies to be lent out as mortgages, and then the Help to Buy part gave homebuyers interest-free loans to buy new-build homes. The second part of the scheme on the help to buy gave mortgage lenders an indemnity against losing money on riskier small deposit mortgages.

The result simply renewed confidence by banks and has combined with more confident homebuyers and a resurgent economy to drive prices higher.

Those not already invested in RIO Property Group should take note of the above; the potential for gain is more than obvious from the statistics. But even more attractive is that there is little down side in the current market.

William Gray
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