RIO Property Group is well prepared to take advantage of the current market and launched series three of the property portfolio to members late last year.

This series could be the most rewarding yet!

RIO Property Group series one and two were very well received, with both fully subscribed within a year of launch. More importantly, both far outperformed their bench market return namely the UK property market.

Series one exceeded 57% in its 5 year period while series two closed 3 months early after producing a strong net gain of 69.43%. It is worth noting that both versions exceeded their 5-year target return. Series three has the potential to outperform series one and two due to a recent acquisition.

The Property market in England has been open for a couple weeks, as for the Scottish property market, the Government have announced it will officially reopen on June 29th.

Due to lockdowns the entire sector was put on ice at the end of March causing a total of 373,000 sales to be suspended which was good news for those buying property like RIO Property Group. The property market freeze had by mid-April already brought extreme falls in sales with the drop witnessed far exceeding that seen during the 2008 financial crash. Statistics revealed that since the lockdown began newly agreed transactions had dropped by 92%.

For members contemplating buying in this market, a word of warning, don't expect to make a quick profit. I predict that when the restrictions are lifted there is likely to be a short surge of sales which is almost certain to be followed by a fall in sales figures as pent up demand dissipates causing a drop in values in the coming months. Should you believe I may be overstating the downside, the market condition is hardly ideal, even The Bank of England is anticipating Britain's sharpest economic downturn since 1706. The BoE’s latest Financial Stability Report indicated we could see a 16% drop in UK house prices.

Most property experts are predicting a drop in value, Savills are forecasting that there will be short-term falls of 5% to 10%, JLL predicts an 8% drop and the Centre for Economics and Business Research (CEBR) has calculated a 13% fall. Seasoned lender Lloyds Banking Group said the worst-case scenario forecast is a 30% fall, while Deutsche Bank expects falls of as much as 23%. Lenders will be reading these same reports and as a result loans will be difficult to attain without substantial deposits and/or collateral.

This will cause the market to become a buyer’s market for sure; one of several factors for the launch of RIO Property Group series three!

There are plenty of reasons to expect prices to fall; one being disposable incomes are forecast to drop by 5%. As people purchase homes with lending, this number gets multiplied up when it comes to its relation to house prices. This position will be compounded by the fact that lenders are already becoming far more risk averse due to the current market condition. Both in turn can create further opportunity for cash buyers such as RIO Property Group.

So far there has been little evidence of a fall in house prices, this is largely due to a fundamental lack of activity. The fact remains that forced sellers would normally drive down prices in a crisis, the time lag on this occasion is caused by the Government job protection schemes which have been supported by the availability of mortgage holidays. This has in turn resulted in fewer distressed vendors entering the current market.

My thirty years plus experience in the UK property market would lead me to forecast that the real effects of coronavirus on the property market will likely be seen in autumn this year. RIO has already identified several properties earmarking them for potential acquisition. All require conversion and or redevelopment; such property is difficult to sell in current market which greatly assists us in acquiring these at a more than reasonable discount on their current value.

Members looking to buy a house following the lockdown beware!

Buying into a falling market brings additional risks, one of which is getting into negative equity. You could easily end up with a property that is worth less than what you borrowed to pay for it. This can become a serious issue for buyers with high loan-to-value mortgages.

Should you wish to take advantage of the fall in property values, investing in a portfolio of property such as RIO Property Group allows you to capture the benefits but minimize the risk. If you have a long-term view it is a great time to enter the down trodden UK property market. Today, RIO Property Group offer what represents an excellent opportunity to bank gains over the next two to three-year period; RIO forecasts the five-year period will produce a strong return for those invested.

Should you sell a house in current market?

I forecast that agents will soon be reporting an increase in enquiries due to lifting of lock downs and buyers returning to the market. In recent surveys I noted that Knight Frank had estimated that values have fallen by 5% during the lockdown period but the market is a seller's market. Our analysts are expecting house prices to fall further.

How much they fall will depend on the UK's unemployment rate of which we'll have a better handle on in coming months. The only positive note is the mortgage holiday extension, which has delayed the impact of coronavirus on UK property, however, this is only a delay and will be short lived.

The mortgage market has reduced its product range significantly!

There are now far fewer mortgages available and this is also a negative. Since the lockdowns were announced banks withdrew more than 1,500 products from sale, that's the equivalent to 30% of the total mortgage market; that will certainly slow the market down.

From past experience I am expecting that after summer we will begin to see the emergence of forced sellers. These sellers will have no choice but to accept price cuts and these sales will drive the price statistics down. Their numbers will be reduced by record low interest rates which will make their mortgage debt less of a problem than in previous recessions, but even so, the Bank of England agrees with our take on the market and still expects values could fall by as much as 16% .

Will the Government help?

Many in the property sector are calling for Government stimulus. A stamp duty reduction or holiday is at the top of the wish lists of estate agents. The Royal Institute of Chartered Surveyors (RICS) is among the trade body’s that are calling loudly for tax cuts. Personally, I don't see this being on the cards as a reduction in tax revenue is unlikely while the UK Government is stretched and struggling with what could be the worst economic downturn in 300 years.

Despite all the negatives today's market still provides a very good opportunity for the right investor. It is not for neophytes. RIO Property Group has a proven and successful track record and as seasoned property experts are well prepared take advantage of this market.

William Gray
The RIO Club