

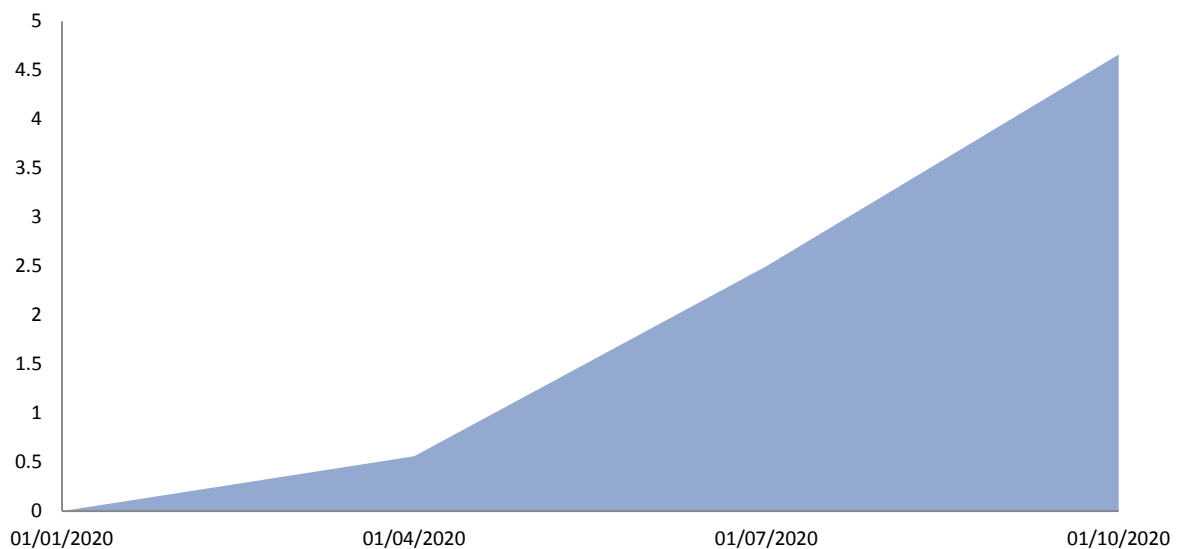


**RIO Property looks set to benefit from ongoing recovery in the market!**

This is the third in the series of RIO Property Group investments and many club members whom had invested in the previous 2 accounts immediately requested the Terms & Conditions for this third offering. The current property portfolio's asset base includes commercial properties which were acquired without lien; and three land parcels also purchased without lien which lowers the risk profile.

Looking back, the two previous 5-year fixed term issues were very well received, both closed exceeding their target returns of 60%. Importantly both were also closed on schedule, remitting the original capital investment and profit to investors.

RIO Property series three was launched in January 2020 and again it is a basic a 5-year investment. Please note that if you are considering investment in the current series we are already nine months in to the fixed five year period. The target exit date remains January 2024, however, due to ongoing negotiations and commitments we are still accepting inward investment at this time.



To date those invested have profited from the fact that RIO took full advantage of the Brexit turmoil, which in turn had led to a beaten down UK property market. The significant downturn produced investment opportunities for RIO Property, who armed with more than two decades of experience were ready and able to move swiftly. Our team helped identified and acquire property and land which was undervalued, this platform now has the potential to bag further gains for those invested as this market continues to recover.

RIO Property currently holds both commercial property interests and three land parcels, two of which are city centre and the third is rural. All three land plots are specifically for residential development. Two of these sites have already gained planning permission, with the third parcel pending approval, which we expect to be granted by mid-December 2020.

The first parcel of land is now in the final stage of negotiation to secure the sale, the purchaser is a developer who RIO knows very well. Our legal team has informed me that the negotiations are going well and should be finalized in the coming weeks, if so this sale will bolster the potential returns of RIO Property in the first quarter of 2021.

### **In the current market builders are focused on small sites**

Smaller sites continue to attract the most interest in the current land market with local builders showing a strong desire to fill gaps in construction pipelines. They are sourcing sites which can accommodate quick builds, and two RIO Property sites fit this bill exactly. Sites with planning for construction below 50 units are also attractive to SMEs which are active currently. In fact, the number of bids for such sites are recovering swiftly and are relatively strong in our land area now. Larger sites appeal to regional house builders, housing associations and also major housing developers.

As we look forward, RIO Property's land parcels are ideal for developers in the current market. RIO Property is in the final stage of negotiation with a developer who we have worked with previously and we expect to close the deal on the first parcel in the coming weeks. With an agreement in principle possibly finalized by the first week of November at the latest. RIO Property's remaining parcels are in an ideal location, and I anticipate a healthy alignment and demand for each site, the developer who is about to finalize negotiation on first parcel has now shown interest in the second.

### **The UK property Market has improved**

I can now report that my predicted and anticipated recovery of the UK housing market is underway. In fact, since the government lifted restrictions imposed by the initial lockdowns and formally reopened the property market in May, certain property sectors have significantly improved. At this point I would bring attention to the fact that RIO Property's land parcels are situated in a sector which is enjoying a massive upturn in demand.

Looking at this more closely, the initial rise in demand was the net result of the lockdown; it appears that the limiting restrictions had given many people far more time to consider a home move. The fact that the government added fuel to this fire by introducing a stamp duty holiday helped things move along nicely. In short, the cut in costs of a move gave additional weight to the uptrend.

The above can be substantiated by the number of sales agreed to in the UK during September, which are promising in comparison to last year's figures. The reported number surprised many in the industry who were perhaps simply less seasoned in this market. For my part I had personally expected a rise in demand, forecasting a jump of over 80%; the actual statistics have revealed a 92% increase in recorded sales when compared to the same month in 2019. However, if you are considering a house purchase it is buyers beware, the strong recovery is not uniform across the UK and many areas are not experiencing this trend. While demand remains good for the city centre, the work from home regime has benefited rural property markets; it is these which have so far been the biggest beneficiaries of increase in demand.

### **Lenders and Banks have altered the risk to suit the coming economic condition**

My research has indicated that banks have shifted their priority to lower-risk lending due to the economic environment. This favours those who are holding strong home to loan equity positions. There has also been a massive reduction in high loan-to-value (LTV) mortgage products in the UK. This has significantly hampered first-time buyers. Recorded data shows that loan to value

products plunged over 90% by the end of August which has changed the purchaser demographic. Recent events are driving first-time buyers into the government Help to Buy or shared ownership scheme. The value of properties going to offer has shifted to properties priced between £200,000 and £300,000. Filed and recorded statistics show that the number is 88% higher in September 2020 than it was during September 2019.

### **The Government assistance to buy scheme ends March next year**

Buyers taking advantage of the current Help to Buy scheme will vanish as legal completion of this market assistance is set to end by 31 March 2021. For new builds the property needs to be completed by 28 February 2021. Looking forward it could mean that current sales rates could possibly be sustained in the run-up to March 2021.

The market is positive now and I note that buyers have been influenced by recent events. My thoughts on this market is that the effects of the lockdowns have led many to reassess their work and life schedule, with many trying to find a better balance, what they are now looking for in a new or first home has altered. This being so, the new build market looks well placed to adapt to this shift in changing preferences, which in turn favours RIO Property's new land parcels which have exposure to new build development.

It is fortunate that RIO Property's land parcels are green space developments; recent events have ensured that this type of development will almost certainly be the key driver in more urban areas. The fact that buyers are now more willing to move further afield to more rural markets has increased demand for RIO Property's third parcel of land. This being RIO Property's selected market at inception in January; this area is now positive, and currently this sector is experiencing the greatest increase in agreed sales of all the new builds nationally. Surprisingly, since lockdown this area witnessed a 7% lift compared to numbers bought last year. The quest for more space inside and out has seen the proportion of new build buyers who are upsizing jump from 34% of the market in 2017 to 50% in the first half of this year.

There is no doubt the housing market has seen significant recovery since lockdown, but can this momentum can be sustained? While agreed sales have increased across the UK, I would point out that so have price reductions. My take is that this market is very price sensitive and an expert eye is required to catch a bargain. It is not a market for the less informed. There is a big difference from buying a house as a home and acquiring land or property to make a profit, running a property portfolio requires experience and RIO Property has vast experience.

In the short term I predict that the property market will enter a hard winter, which will be coupled with the shaky economic climate, and may become unfavourable. The economic situation due to Covid 19 lockdowns, which lead to job losses across several industry sectors could restrict the amount of buyers in the market. But as 2020 ends and with the Brexit issue behind us, it will be the strength of the UK economy which will become very relevant to the housing market once again. In the short-term banks will continue to be risk-averse; this may continue to benefit the lower end of the new build market. I forecast that the demand is likely to be sustained throughout the first half next year in the run-up and through the end of the stamp duty holiday.

### **With sales on the increase builders are now searching for suitable land!**

The current market condition is good news for RIO Property, the facts indicate that due to recent events most major house builders are active and looking for small sites of 50-100 units. They are now more financially secure and are confident to pursue new land opportunities in the market,

albeit with caution. Additionally, they are drawing on confidence from a strong recovery in sales activity and they need to have a pipeline supply of land for the future.

Many developers had temporarily suspended land buying to preserve cash, we have noted that the majority of the major house builders have now re-entered the land market but are sourcing smaller plots. They are actively pursuing attractive opportunities such as the RIO Property land parcels to add to their pipelines. Many builders are now focused on a fast build and sell model. This favours smaller sites and opting for sites with strong margins is again to the benefit of RIO Property.

Over the next six months I forecast that we will see an active property market fueled by buyers searching for homes and communities that offer sanctuary and space. Given the factors impacting the market, which include an increasing supply level and the bottleneck of exchanges developing, as the end of the stamp duty holiday grows nearer, buyers and indeed developers and or sellers would all need to remain pragmatic if the current levels of activity in the market are to be sustained. Looking to the future, there is further encouragement from the fact that it has now become apparent that there seems to be pent up demand for certain property from international buyers. Another positive for the property market being a prolonged period of ultra-low interest rates, this is certain to be supportive on pricing in the medium term.

The performance in 2021 will much be dependent on the state of the UK's economic recovery. The progress made in the search for a Covid-19 vaccine will also be an important influencing factor, especially given the fact that the stamp duty holiday ends. Another influence being the prospects for a reduction in unemployment levels over the course of 2021.

William Gray  
The RIO Club