



RIO Property Group gained 1.82% in the last quarter of 2015, ending the year with four consecutive gaining quarters and a return for the year of 14.72%.

I am proud to report that this investment, like most RIO lump sum products, exceeded both its benchmark (UK Property market) and its target return (10% pa set at launch). Since its launch two years ago RIO Property Group has produced a net gain of 35.42% and has outperformed its target return by over 15%.

It is also important to note that these returns have been produced with no volatility witnessed, this is validated by the account producing no less than eight consecutive gaining quarters. Looking back, most markets have fared far worse. Many members have commented on this point recently and I will add any written comment given to our members section, that said, I would just like to say thank you for positive feedback.

As for 2016, I expect that the stock market will have a volatile start to 2016, and this volatility could last well into the second quarter of next year. Accordingly, property is likely to benefit. As a hard asset it is perceived as offering safety and with a run to safety coming you can expect further gains.

The RIO Property account was established to offer long term capital growth through investment in a portfolio of strategic investment land assets, United Kingdom freehold residential and commercial property assets and development-related property investment opportunities. To date it has done so profitably.

The account invests primarily in commercial property which lends itself to a change of use to residential development, but it also seeks to identify land which is suitable towards obtaining planning permission. In doing this, the account has the opportunity to achieve exponential capital growth.

The investment strategy continues to promote a close working relationship with land agents and property consultants. This has been done throughout the recent period to identify and acquire strategic parcels of land that are suitable for residential development. With land duly acquired, we have then worked with local authorities to obtain ultimately the planning approval for residential housing developments, something expedited successfully over the past two years. The account already holds a diversified portfolio of development land sites. These are now at an advanced stage towards site development, with fruition to be realised between the end of 2016 and mid-2017. Looking further forward, our experienced property team continues to look for new investment opportunities within this market.

UK mortgage market update

UK mortgage lending is at full steam with lending in 2015 reaching the highest level seen for seven years according to recent analytical data. The total value of Britain's housing stock has passed the £6 trillion mark for the first time, after gains of £385 billion in 2015, according to new research.

UK residential Property market this month

The housing market has experienced an unusually buoyant December. Those in the industry have been speculating that this is the result of the Chancellor's stamp duty announcement on the housing market last November. Should they be correct then I would predict that potential buy-to-let investors will be looking to pick up properties before the increased stamp duty levy comes into force next April. If that is the case, then we can expect to see the housing market heating up further over the next few months which, in turn, will benefit the RIO Property Group.

The residential market in general in 2015

Housing wealth now stands at £4.84 trillion, net of mortgage debt, or 2.7 times GDP and, for owner occupiers with no mortgage, total property wealth exceeded £2 trillion for the first time. The private rented sector's total value is now £1.29 trillion, up 55% in five years, with the number of homes in the sector up 28%. Net wealth passed £1 trillion in 2015, overtaking that held by mortgaged owner-occupiers for the first time.

Recent studies show that residential property has become an increasingly important store of wealth. Total equity now stands at around £4.8 trillion net of borrowing, equivalent to over 2.7 times the GDP of the UK. More importantly, over the past 10 years the total value of the UK's homes has risen by over £1.6 trillion, but the largest growth, almost £1.2 trillion, was reflected in the past three years. This means the UK's 28.2 million homes of all tenure now have an average value of £218,474, up 18.9% in five years.

A study of recent statistics shows that owner-occupied homes are by far the largest store of value, at £4.16 trillion, but the private rented sector now accounts for property worth £1.29 trillion, surpassing the value of mortgaged owner-occupier stock for the first time in 2015. Some 8.4 million owner occupiers with no mortgage outstanding on their property now own homes worth around £2.1 trillion, equivalent to almost £250,000 per household, and the total value of this equity pot has risen 22% in the past five years.

In closing, due to ongoing projects I expect the RIO Property Group to be buoyant for the first and second quarters of 2016, and would be surprised if we did not outperform the UK property market return. As such any member not invested should take advantage of this opportunity to get involved, afterall a low risk investment of this nature is surely attractive in times such as these.

William Gray
The RIO Club