



This investment has far surpassed its 10% pa target return set at launch and the actual gains recorded during 2014 were +17%.

When you consider that RIO's property investment offering has also just recorded its fourth consecutive gaining quarter it's even better and RIO Property Group ended 2014 at an all time high. Statistical facts clearly show that the investment return produced last year also exceeded almost all comparable UK property investment funds tracked over the same period.

Perhaps more importantly, looking forward in 2015 this investment is set to continue outperforming. During the first half of the year alone RIO Property Group is set to complete and invoice the UK Government for renovation works undertaken to restore listed building to prime condition. This coupled with the commencement of works on two further development projects during the spring will likely set the stage for positive returns during 2015. Both projects have already seen significant interest from potential buyers.

### **UK Property market overview**

#### **Residential development sales see strong improvement**

The obvious improvement in market confidence has given way to an increase in demand for good quality homes from a range of buyers, from young families to downsizers, second home buyers and owner occupiers generally. This is impacted strongly by the limited availability of new homes in core locations; the market has seen an increase in off-plan demand and at present some developments are selling out in advance of any show home being available for viewing.

#### **A continued recovery in Scotland's Prime Residential Market is evident**

There is very strong evidence of a steady recovery in Scotland's prime residential market. During 2014 there has been an upswing in values, with transaction levels also up as well as a 20% rise in million pound sales seen by the end of 2014.

RIO property developments will likely benefit further due to the effects from the recent stamp duty announcements made by the Westminster and Scottish Governments. I believe they are motivating buyers and sellers of Scottish property to do a deal prior to 1st April, since after which date the new Land and Buildings Transaction Tax (LBTT) rates will be introduced, penalising buyers of mid-market properties upwards. If I am correct we should see a strong first quarter.

There is a distinct lack of prime property available favouring our selected investment market. Properties of this kind do not yet meet the demand, especially in city hotspots such as Aberdeen and perhaps this has been the unseen contributor to an apparent slowing in the rate of sales growth. This same factor will inevitably favour RIO's property developments given that such forces keep prices strong this is another benefit for RIO Property Group development projects in 2015.

## **The Prime Residential market**

Given my +20 years experience in the property market it perhaps comes as no surprise to members that markets moved just as predicted.

The facts indicate very clearly that the prime residential property market continues to lead the Scottish housing market (£400,000 and above). This is exactly why I initially selected this sector and have since totally focused almost all of RIO Property Group's planned developments in this market. Incidentally the sector has seen a massive annual increase in activity up 43%, falling right within RIO Property Group's remit; thus a repeat of the outperforming situation recorded during 2014 can be expected.

In addition to the above, recently released statistics have shown a 20% annual increase in Scottish million pound home sales. There is also an additional increase in buyer interest, which has just become apparent across the prime market following the results of Scottish Referendum.

The Scottish prime market is mainly represented by Aberdeen , Edinburgh and Greater Glasgow, where the activity collectively increased by 46%. Together these regions account for 75% of Scotland's prime transactions, which reinforces why RIO selected Aberdeen and Aberdeenshire as its target region for residential development projects.

## **2015 Property valuation forecast**

Despite the additional tax, the value gap between Prime Scotland and other parts of Britain will remain. The possible introduction of a mansion tax under a Labour government, would be confined to properties over £2 million, and as such would have the greatest impact in the prime London area. All indications reviewed seem to indicate an annual growth rate of 3.5% in Scottish mainstream values by the end of 2015, the strongest level across the UK, given the favourable impact of LBTT north of the border for purchases below £254,000.

Finally, I am in the process of writing several updates, the first of which to be circulated on Monday. This will feature The RIO ARC Bullion Account, another RIO investment which has done exactly what it was designed to do and more. The account has not only outperformed gold bullion in bar form and it also clearly demonstrates the advantage of trading bullion versus the usual lackluster buy and hold industry standard investment offerings in this commodity.

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