



A point of view



I will be back in Asia this month meeting clients and associates

If you would like to meet me while I am there please contact us

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We have moved offices in the last two weeks and to say it has been an interesting experience is an understatement. After over 18 years in our last office it is only natural that we accumulated things that can be thrown out—the amazement was how much there was of it. As for the move, we pride ourselves on being organised when it comes to things like refurbishing and managing properties. Moving office should have been a simple task, or so I thought. Unfortunately, despite all the plans that were made and the best intentions and hard work of everyone, it didn't go entirely smoothly in my view. The team told me everything went okay and that I am a perfectionist and they are probably right.

Why am I mentioning this? For several reasons the whole exercise struck me as similar to property investment. The first is that it seems like just yesterday that we were moving into the old office—in a blink of an eye 18 years have passed. Whether its using office space or holding a property investment time passes before you know it. Blink and almost twenty years will have passed and your property will be worth considerably more. As you get older and you look back, you realize it is just a blink. I was once told 'the time to invest for the future is now, not in the future'. It sounded like sound advice and I am glad both we and our clients followed it.

The second reason is that when we moved offices in Hong Kong several times I managed to never be there and so missed all the fun. We had a great team and I was told to leave the move to them and to focus on the end result - a great new office. The same principle applies to our approach to our clients. They have trusted us with the responsibility of providing them with a quality property and managing it properly for them. This means that if there is a problem we get on and deal with it, allowing them to focus on the end result - a trouble free and profitable investment. Delegation is great thing, but only when you have good, responsible people you trust. Office moves and property investment - good people make all the difference.

Finally, I am sure that when I look back in ten years time the disruption caused by the recent move will not seem important in the grand scheme of things. Similarly, many investors who bought a buy to UK let property before the GFC in 2008/9 and held on to it until now will have forgotten that values dropped alarmingly at that time. Buy a property, appoint the right manager, enjoy a good rental income and hold for the long term. Whilst there will always be blips along the way, just like office moves, the rewards will be there over time.

On another note, twenty years ago London was the only UK city attracting international attention. The internet has changed all that and with so much information readily accessible investors are prepared to look at other locations. Manchester has been the primary beneficiary, with other cities such as Birmingham, Liverpool, Leeds and Sheffield starting to draw in investors. In **Manchester**, major developers have entered the market and as each new development comes on line they are slowly pushing prices up. The resulting price growth of 7% in 2017 (which far exceeded London) has attracted more buyers so developers push the prices a little higher, buyers wade in and snap them up and the cycle begins again. It is what has kept the London market ticking along for the last five years.

As far as the 'not so grimy North' is concerned, the market fundamentals are sound so investors can expect solid returns over the next few years. Of course, all good things come to an end. Although it is some way off yet, eventually Manchester for example will seem expensive compared to other cities. In the meantime, it's a great place to invest, if only because everyone else is investing there and they and the developers will push prices up.

Tony Davies
Managing Director

The interview

Ms Denessa Chan runs our lettings and management operation and is the person our clients receive emails from and occasionally speak to over the phone regarding their UK properties. Denessa is always smiling and laughing and whilst some clients have not actually met her hopefully that can be rectified when she is in Hong Kong this month. After a little persuasion (and a glass or two of wine) she kindly agreed to step into the limelight and share her views on the UK rental market and property management in general.



How long have you worked with St David?

I joined the Hong Kong office seven years ago. I was originally helping Diana and Shiny report to our clients there. When Diana retired we moved the admin function to London and I have been here for four years now.

Tell us about your job?

I oversee the properties we manage in London, Stoke and Manchester for our clients. We always use outside letting agents so we don't have to worry about finding tenants, the agents are happy to do that so we focus on the day to day management, minimizing costs, dealing with tenant issues, reporting to our clients.

What are the challenges?

Where do I start! Some tenants are hard work and we need to be quite firm with them, but most are fine. We realise that a happy tenant is more likely to stay long term and that is better for our clients. It is pretty full on here and there always something to do. Fortunately, we have a great team and there is plenty of experience in the office so everything runs smoothly. I like to get out so I help Tara with our regular property inspections and I enjoy helping to arrange refurbishing the properties we manage. 'On time and on budget' brings a lot of stress but it is all part of the job. The boss just bought me a new computer and we have cakes and coffee two mornings a week and Prosecco every Friday evening in the office so I can't complain (laughter).

The positives?

I get to work in an interesting job. Our clients are great and many have become friends over the years. It sounds corny, but I like helping people and when things go well and everyone is happy it's great. The office atmosphere is really fun, three girls chatting away can be distracting though (laughter).

What is happening with the London rental market?

It is going along nicely, it never seems to change much. Some agents have said they have seen a slight drop in demand from tenants but so far we haven't seen any. Rents seem stable with some clients enjoying slight rental increases over the last year. Where clients have asked us to sell their properties we have a problem though. Sales agents are telling us there is no demand for London properties so the only way to sell them is to lower the price. There isn't much anyone can do about that at the moment.

What about Stoke and Manchester?

Our Stoke apartments have always been fully let, which has surprised some people as they weren't aware of just how strong the demand is there. I can't see that changing any time soon. We let the Manchester ones quickly, but that was expected as it was Manchester. The letting agents in both places are saying that Brexit has not affected the rental market and people are still buying up there.

What are the prospects for the future?

For our clients, they are very good. There will always be tenants for good properties, whether in London or elsewhere. The rent comes in and goes out to clients so for those with the right property and management the income should remain good. As for St David, we look after the properties we sell to our clients and this means the number we manage will increase over time as everyone is committed long term to the business. Of course, we are always looking for more properties to manage, whether we have sold them to a client or not so there are plenty of challenges. Overall, I think the prospects are good for our clients and us.

How do you maintain a good work/life balance?

It is hard sometimes. I often wake up thinking about work and since I get up early I am usually in the office around 7.30 so it can be a long day. But I really like my job and you have to learn to switch off and relax sometimes so there is no problem. At home we have to avoid taking about work and most of the time we manage that (laughter). I like London and think of UK as my long term home now. I enjoy yoga, keeping fit, movies and travelling and London is great for that. I expect to be in this job for a long time, assuming the boss is happy with me!

Any message you would like to pass on to our readers?

Yes, if you have a UK property and want a good property manager come and see me when I am in HK (laughter).

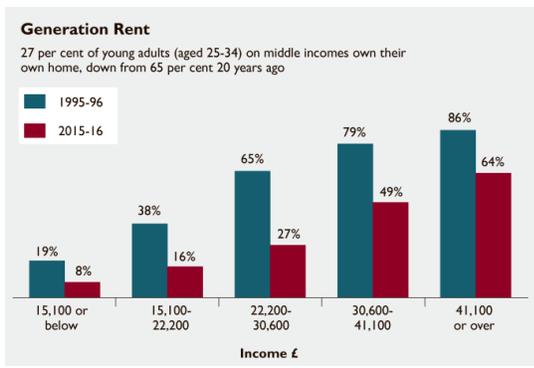


House prices in Birmingham, Edinburgh and Manchester are set to rise rapidly over the next few years. According to a new index the three cities are forecast to experience price rises of between 20% and 30% over the next four years, closing the gap with London. Hometrack's UK cities house price index has recorded year-on-year increases of **7.7 % in Edinburgh, 7.3 % in Birmingham and 6.7 % in Manchester, well ahead of 1.6% in London.** "The income to buy a home in regional cities is well below the London average so, in the near term, we expect to see rising

house prices, stimulating additional buying and market activities in those areas," Richard Donnell, of Hometrack, said. Hometrack is not expecting price growth in London and the southeast to match that of the past decade, although it said that further growth was likely, pointing to the high levels of interest from international buyers as well as a larger proportion of purchases made by investors. It said that it expected average house prices in London "to drift lower in real terms in the coming two to three years, with lower turnover, down 16% since 2014, creating scarcity and supporting price levels". ***It is all happening up North***

Rental demand remains strong The demand for private rental properties increased by 19% in January 2018 in the UK even as supply fell by 8%, according to ARLA. Letting agents registered 70 house-hunters per member branch in January 2018, compared to just 59 in December 2017. It meant that the gap between supply and demand widened in January with more prospective tenants coming onto the market. However, the supply side is facing pressure, as the number of homes entering the private rented sector is falling. This will invariably lead to increase in rents for prospective tenants. ***This bodes well for landlords but not for tenants***

Now that is a real discount There are not many people who would describe paying £40m for a home as a bargain — but it starts to look like a slightly better deal when you find out the original price tag was £105m. Richard Caring, the owner of the Ivy Collection and Le Caprice, is said to have negotiated the largest discount yet on a London property. The new home of more than 10,500 sq ft sits in half an acre and has seven reception rooms in the main house. The detached "cottage", known as Park House, in South Kensington was put up for sale in September 2013 for £105m. The owner is reported to have paid £4.5m for it in 1986, a record sum at the time. The massive price cut comes at a time when luxury homes in central London are typically selling at a discount of 10% or more to the initial asking price, according to LonRes, the data company. "I've never seen such a large reduction," said one luxury estate agent. "It might have sold at the asking price if it had been priced at £80m, but not £105m." ***A real bargain?***



We completed the purchase of our Chicago commercial property, Arlington Heights in September 2016. The election of Donald Trump subsequently created a great deal of uncertainty over the political and financial stability of the USA and the attitude of many overseas investors was to wait and see before investing there. Unfortunately, these investors missed a great opportunity. Over twelve months later and the country has not collapsed and people are still spending money and investing. Arlington Heights is fully let and our clients are getting 7.5% p.a. after USA tax (we expect this to continue for the duration of the investment period).

Since 2016 rental yields in the USA have fallen meaning investors can no longer enjoy the same return for the same level of risk. Does this mean investors have missed the boat? The answer is no, they haven't. It simply means they have to accept a lower return if they want the same level of risk. Projects where a higher yield can only be obtained by renting out vacant space in the property bring a higher level of risk—if those tenants are not found the yield will be less attractive. It doesn't necessarily mean a loss, but it may mean a minimal return and disappointment all round.

Not all projects will suit all people. One of the first questions every investor should ask himself is **'Is the return I am looking for likely to be achieved and given the size of the investment, can I sleep with the level of risk?'** When talking to new investors we always ensure this question is adequately addressed.

As a development and investment group we see our role as finding and researching great opportunities, presenting all the facts to investors and then managing the projects to the best of our ability. Our 'buy and hold' opportunities such as Majestic Victoria in Manchester are low risk with little down side and an attractive, secure return. For our clients seeking a higher return we offer fixed interest short term and joint venture opportunities. For some projects the risk is higher, for others it is lower. Rightly or wrongly we don't chase super returns as we want to sleep at night. So our advice to all our readers of this article is - **make sure you always ask yourself the above question.**



Our latest project, **Majestic Victoria**, in Manchester is attracting a lot of interest and over half the units have already been sold.

The units are priced from £100,000 and there is a guaranteed 6% net income for the first two years.

For further information please contact us.

Majestic
by **st david**

Character properties
with
classic designs

Did you know?

Five million UK households (21%) are in private rented accommodation, a quarter of whom are families with children. According to Knight Frank this number is likely to rise to 5.79 million (24%) by 2022 as people try, and fail, to afford to buy a home.

19 out of every 20 tenants rent a property owned by a landlord with four homes or fewer.

The total value of homes owned by private landlords is approx. £1.4 trillion.

The average house price in Edinburgh stands at £222,000, well ahead of Birmingham at £154,600 and Manchester at £158,800, while the average price in London is £487,500. Only Cambridge and Oxford, where average house prices are £427,700 and £412,000 respectively, come close to the capital.



Around the globe

A new skyscraper in **Tokyo** is set to break records by becoming the world's largest to be made of wood. The 350m tower, known as the W350 Project, will be the tallest building in Japan and the tallest wooden structure of any kind in the world. The building will be made of 90% wood around a steel frame will be erected in Tokyo's Marunouchi business district, near the central railway station and the Imperial Palace. Its 70 storeys will amount to 455,000 sq m of space, and will contain flats, shops, offices and hotels. It is estimated that it will cost 600 billion yen (£4 billion) to build, twice that of a conventional skyscraper of steel and concrete. Until the late 20th century all Japanese buildings were made of wood. The scourge of Japan's pre-modern buildings was always fire, meaning that the W350 Project builders' biggest challenge will be to persuade the authorities that their proposed skyscraper will be fireproof.



A thought from the Property Pulpit

If you do good work for good clients, it will lead to other good work for other good clients. If you do bad work for bad clients, it will lead to other bad work for other bad clients'

Michael Bierut

This newsletter is not an invitation to the general public to invest in a St David private syndicate.

For further information on our activities and how you can become a client please contact us.

We hope you enjoy reading *From the Property Pulpit*. If you have any feedback from us re content or format please let us know. We want to make it an enjoyable and informative read so all suggestions will be gratefully received.

If you know anyone who might be interested in reading it please forward it to them or forward us their email address.

Your support would be greatly appreciated.

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