

Mid-year Market Update 2015

August 2015



"Game set and match"

Well, what a fascinating six months we have just witnessed in the London residential property market. Property investors must have felt like they were watching a nail biting Wimbledon tennis rally, not knowing whether the ball will be returned or hit out of the court. First it was the General Election and most recently the July budget. Here at Temple Field we saw a surge in demand immediately post the election and are now fielding calls from investors asking whether they should be concerned about the recent budget changes affecting buy to let investors.

We briefly discuss both these matters below and explain why we conclude that the London buy to let investor should feel confident that they will win this latest rally and in our view will take the match yet again. Like the tennis player selecting racquet tension and which balls to serve with, stock selection and good professional advice is also paramount to successful residential investing.

When there is uncertainty in the property market it is essential to stand back and understand the macro picture. From where we are sitting (privileged front row seats in Centre Court), we conclude that none of the fundamentals underpinning the mainstream residential market in London has or is likely to change in the foreseeable future.

First there is and will remain a chronic shortage of homes in London. Notwithstanding the strong desire to increase housing supply, no coherent plan is in place to do this.

Second, London remains the economic powerhouse of Europe with significant employment and GDP growth and wage growth massively exceeding inflation. Not even the threat of a Grexit has dampened outlook. Third, we have World beating infrastructure underway and more in planning and wherever we site an additional London runway or airport, the very fact this is a hot topic is because we have taken the initiative to plan to accommodate a growing city and it will happen. Fourth, our universities and schools remain World Class and a pull for many international investors, as is the perception and reality that London is a safe haven for international money. Yes, stricter rules for non doms will likely have some impact, but demand goes far wider than this select club. Last, but not least, London is a fantastic place to live and work.

I believe all property investors breathed a massive sigh of relief when in May the Conservative Government was elected on an (albeit slim) majority. We can look forward confidently to five years of business and property friendly stability. No more Mansion Tax nor rent controls (really...what were they thinking of?!). Yes there will be some tinkering around the edges, but fundamentally this is a very positive environment for investing into property and this seemed to be the conclusion of the investor community who came strongly back into the marketplace as soon as the General Election was announced.

As far as measures announced in the July budget, it was inevitable that the buy to let sector was going to have to help contribute to austerity measures and level the playing field with first time buyers. There has been growing concern as to how mortgage interest tax relief is disadvantaging first time buyers in the market and hence there will be a gradual phasing down to 20% relief for buy to let investors.

This, along with the continued threat of rising interest rates, will concern investors with high loan to value in low rental yield properties where there might now be a cashflow shortfall, however strong rental growth forecasts for the mainstream market in London (Savills forecasting 29.5% growth in next 5 years) could more than compensate for this change in rules. Likewise abolishing wear and tear allowance and replacing with actual costs incurred is likely to equal out over the long term. One way to insulate against these budget changes is to purchase higher yielding properties.

Investors might wish to consider our very popular Yield Plus strategy of buying ex

local authority property, where we add value day one by creating an additional rentable bedroom and boost the yield through a higher rentable value. The floor plates in many ex local authority properties are very generous by today's standards and enable a sitting room to be shrunk to add a bedroom - a refurbishment service we offer at Temple Field and have successfully completed on more than 60 such properties. [Please click here](#) for a brief overview ("Teaser") explaining this high yield strategy.

All of us here at Temple Field would like to thank you sincerely for your continued support and wish you success in your property investments.

Naturally we are more than happy to answer any questions you may have on our services as well as the market or specific locations or strategies.

Kindest regards

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Temple Field Overview

Temple Field was formed in January 2014. We provide an experienced independent residential purchasing service for those looking for investments in London. We also offer project management and asset management services. For a full background to our services and experience please take a look at our website:

www.templefieldproperty.com.

With kindest regards,

Temple Field

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