Investing in Residential Property - The Auction Option

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Presentation to Investors Chronicle

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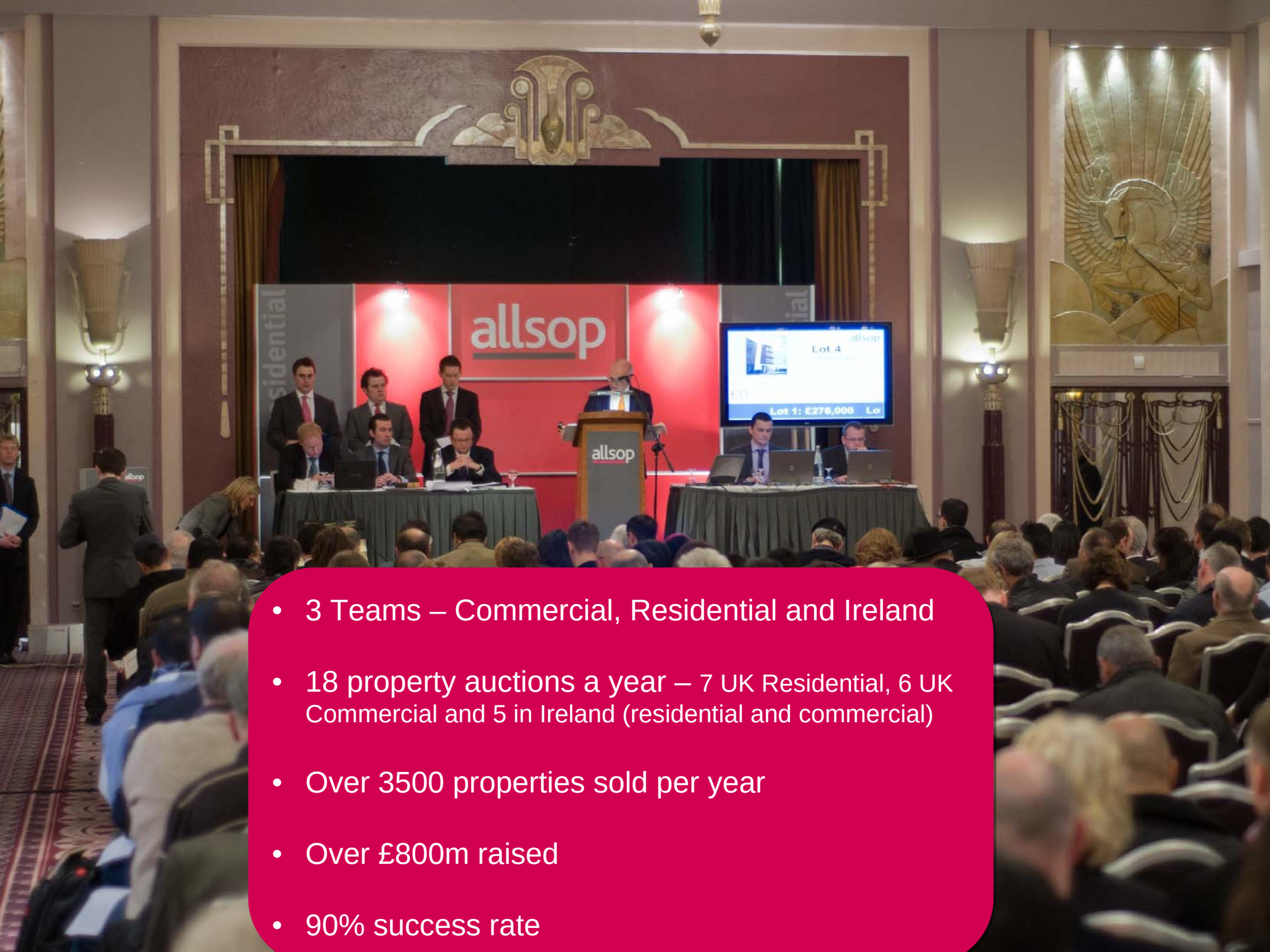
Agenda

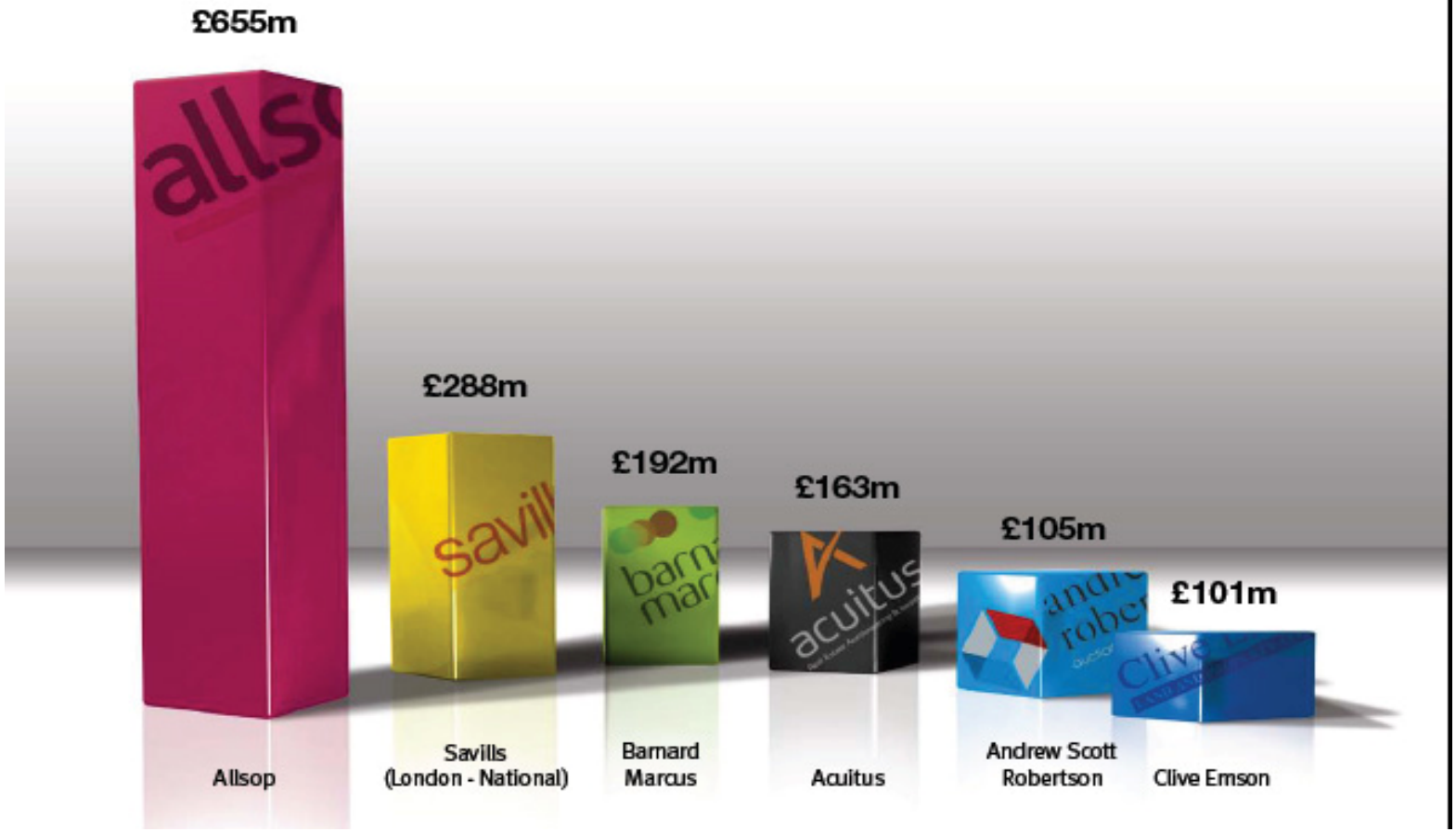
- Allsop Auctions
- Benefits of Buying Auction
- What sort of returns to expect
- Investment Decisions
- Auction Market overview
- Questions



- 3 Teams – Commercial, Residential and Ireland
- 18 property auctions a year – 7 UK Residential, 6 UK Commercial and 5 in Ireland (residential and commercial)
- Over 3500 properties sold per year
- Over £800m raised
- 90% success rate

Allsop Auctions

Commercial & Residential Auction Results
April 2012 - April 2013



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Benefits of Buying Auction

- Binding on the fall of the hammer
- Transparent
- Fair and level playing field for buyers
- Usually 90% certainty of sale
- Choice

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What sort of returns to expect

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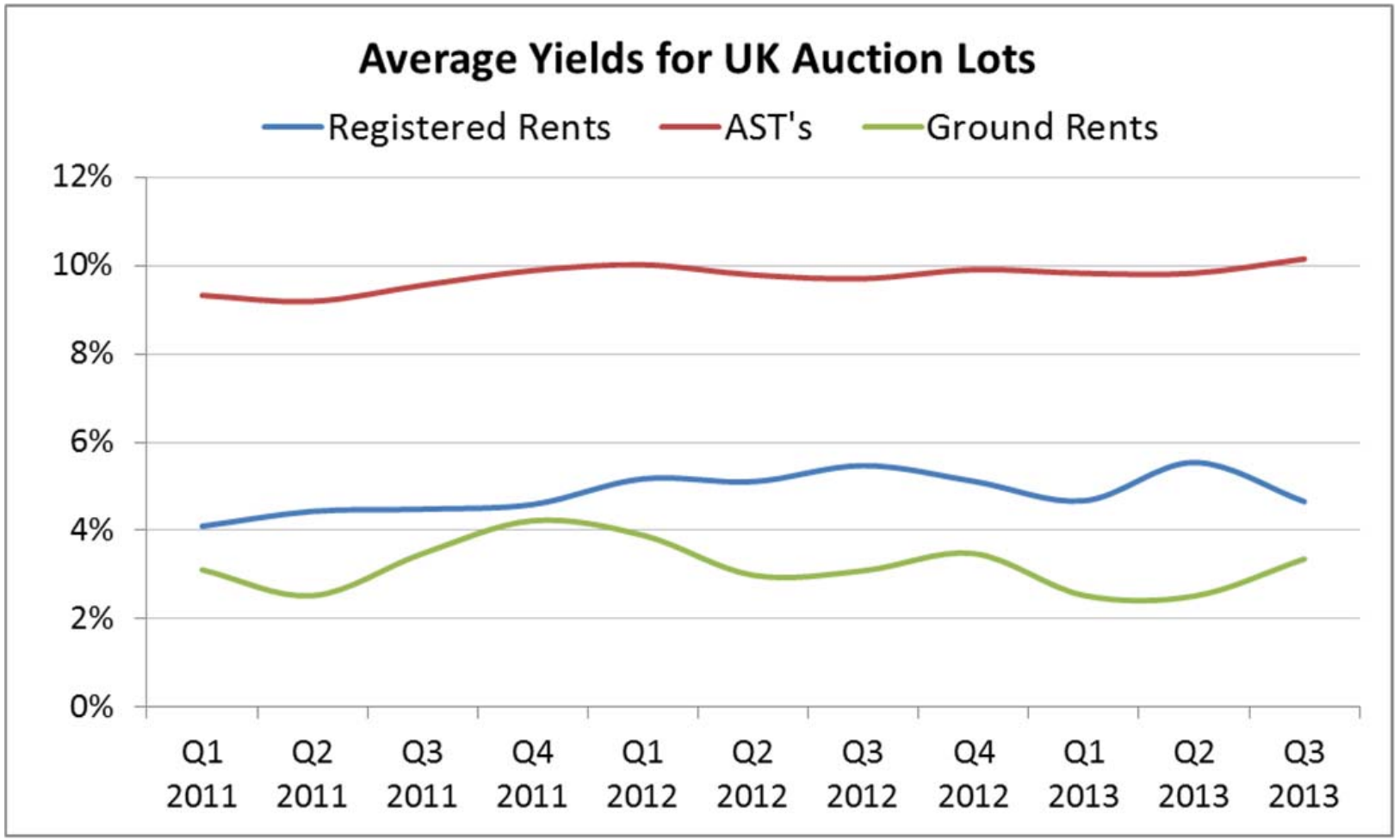
Yield Comparisons and Trends



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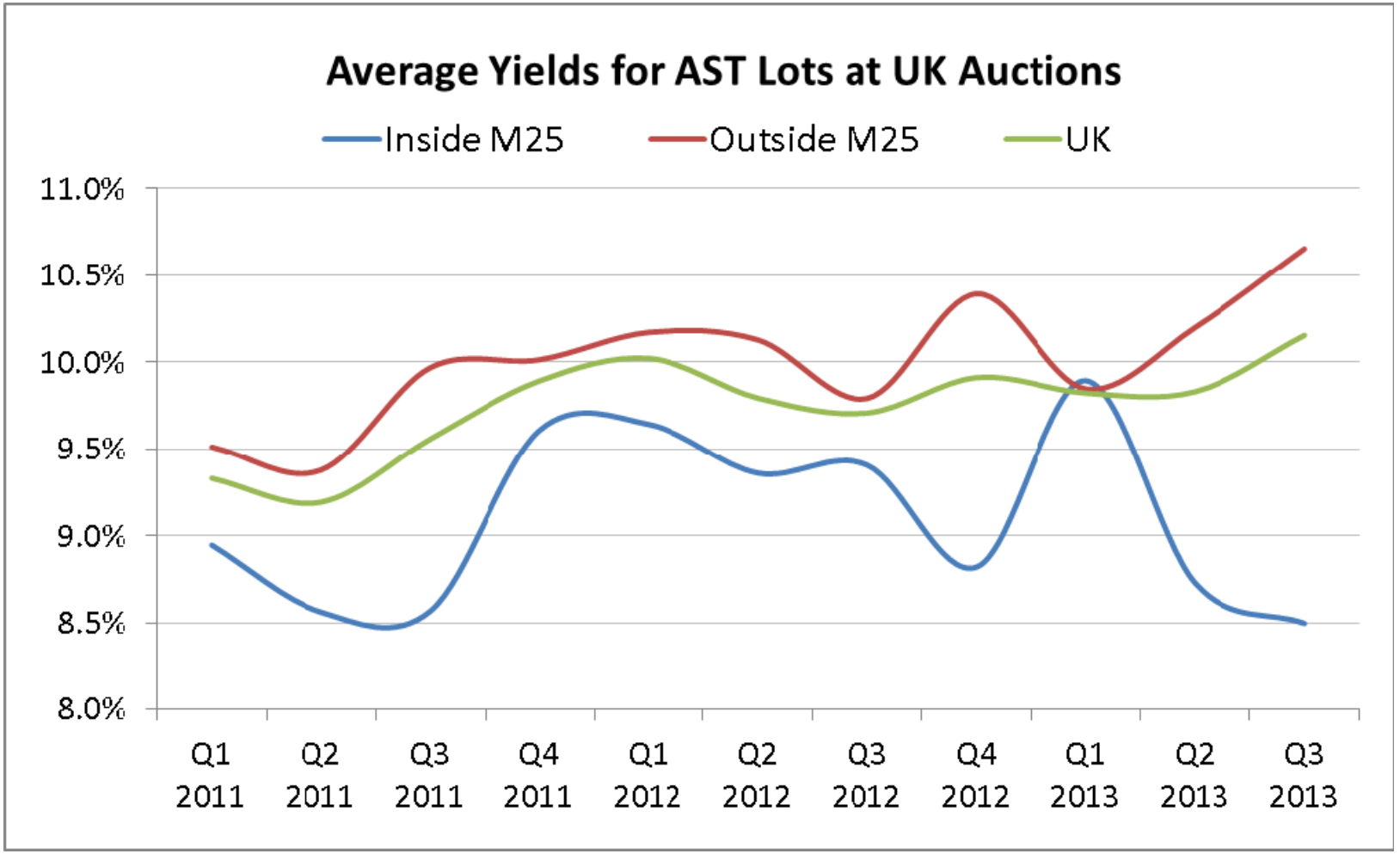

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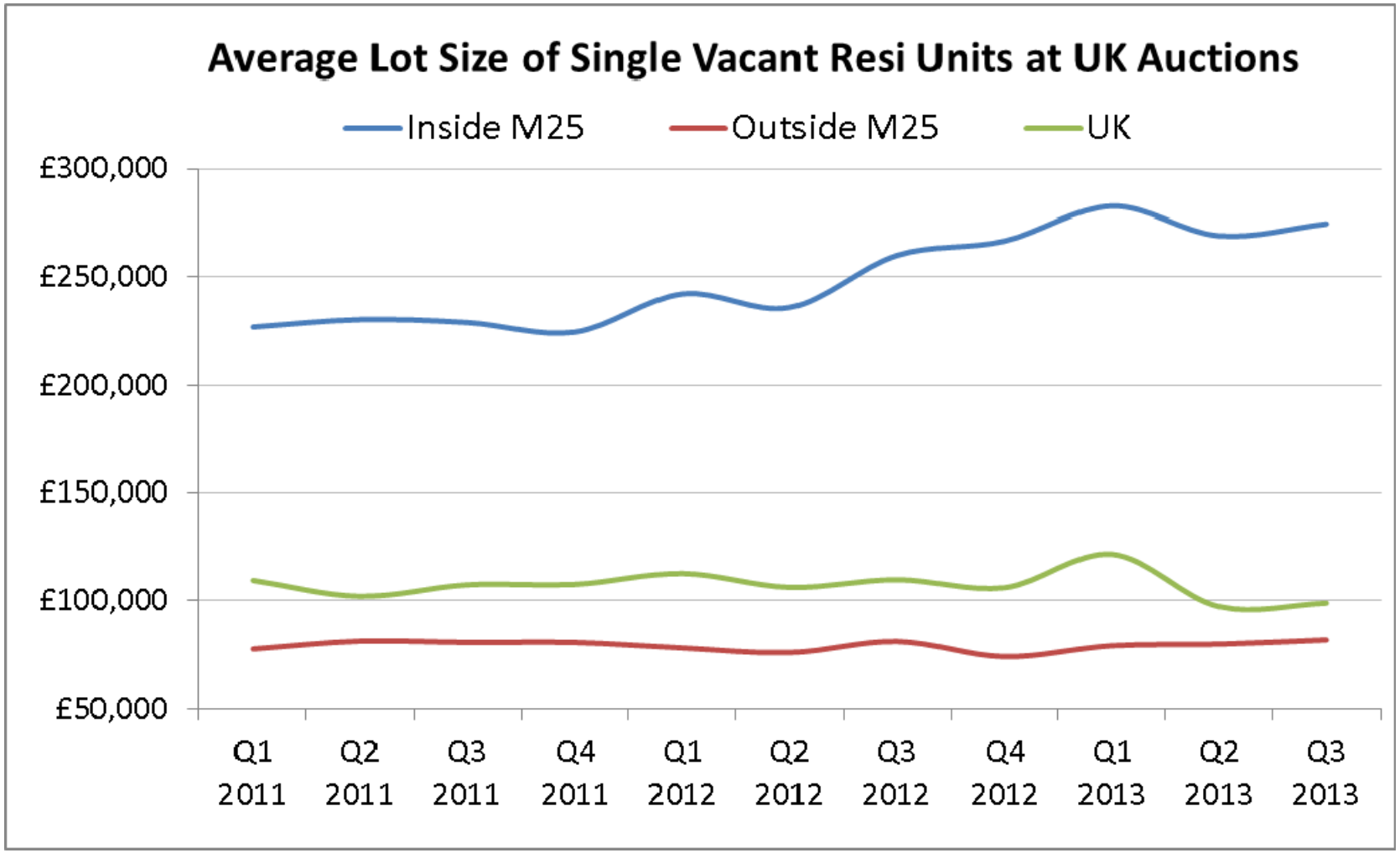
Yield Comparisons and Trends



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Investment Decisions – What am I looking for?

- High Yield?
- Strong Capital Growth?
- Short Term Gain?
- Longer Term Security?
- Scope for Improvement?

All of the above?

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Investment Decisions – What am I looking for?

High Yield?

Multi Let Buildings in Weaker Locations

- Intensive Management
- Risk of Voids
- Income Less Secure
- Houses in Multiple Occupation (HMO) – licencing and planning issues
- Vacant Possession Value Barrier

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Priory Gate Road, Dover, Kent

Sold Oct
£282,500
Yield
12.3%

- 2 freehold buildings for Receivers
- Big corner plot (0.162 acres)
- 9 self-contained flats
- 8 let on ASTs, one sold on a long lease
- Producing £34,800 pa

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Investment Decisions – What am I looking for?

Strong Capital Growth?

Prime Central London

- Low Yield
- Higher Capital Outlay – More equity required
- Reduced ability to spread risk

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Myddelton Square, London EC1

Sold
July 2012
£685,000

- Self-contained third floor flat
- Two bedrooms
- 999 year lease
- On behalf of Mountview Estates

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Myddelton Square, London EC1

- Self-contained lower ground floor flat
- Two bedrooms
- 999 year lease
- On behalf of Mountview Estates

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Investment Decisions – What am I looking for?

Short Term Gain?

Buying Off Market

- Heavily dependent on buying well
- Short term funding costs could be crippling
- Stamp duty
- Deals very hard to find
- Requires excellent connections

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Thanet Road, Kingston upon Hull

Sold
Sept
£30,000

- A vacant two bedroom house
- Bought off market for £10,000 in August 2013
- Offered in September's auction

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Investment Decisions – What am I looking for?

Longer Term Security?

Ground Rents

- Dull
- Highly specialised
- Low unit cost means high purchase costs
- You'll need volume
- Heavily legislated

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Hayes Point, Sully, nr. Barry, South Wales

Sold Oct
£525,000
Yield 8.3%
(12YP)

- A freehold ground rent investment
- 236 apartments , 450 car parking spaces
- Site area 116 acres
- Producing £43,600pa fixed for 999 years
- Landlord insures and manages

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Investment Decisions – What am I looking for?

Scope for Improvement?

- Requires additional capital for works
- Risk of the unexpected – Latent defects
- Funding can be expensive
- No income to service debt
- Also dependent on buying well

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Tudor Cottage, Bures, Suffolk

Sold
Oct
£120,000

- A freehold and flying freehold cottage
- Grade II Listed
- Three bedrooms
- By order of executors
- Unmodernised

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The Old Chapel, Chorleywood Cemetery, Rickmansworth, Hertfordshire

Sold £275,000… to a Warlord

- A freehold former chapel
- 611 sq ft
- Planning permission to convert to a two bedroom house
- Offered in October's auction for Three Rivers District Council

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Lot 97
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SAMSUNG

Market Outlook

- London strong and improving for 24 months at least
- Prime postcodes will be fuelled by overseas money
- Inner London suburbs will be fuelled by domestic money that can't compete
- Home Counties will feel the ripple effect
- Regional growth will be stronger in established conurbations
- Rents will grow as first time buyers struggle
- Yields in the better locations will fall
- *Help to Buy* will assist capital growth

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Questions…

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