



RICHMOND

Company & Market Update

1 February 2023



London Richmond is a real estate development and investment group focusing on the purchase, refurbishment and sale or letting of residential properties in the capital and surrounding areas. Our directors have been successfully investing in London property since 1998, transforming discounted properties into luxury homes and generating substantial profits.

In this newsletter, we will look at developments in the property market in the fourth and final quarter of the year and offer our predictions for what will happen to house prices in London over the coming year. You will also find details of our recent successful IPO at a market valuation of £64million and information on a large property in Wimbledon that we have added to our portfolio.

If you would like to learn more about our mission or our current portfolio of investment properties, please don't hesitate to get in touch on +44 (0)207 183 2150.

London Richmond Stock Exchange Listing

We are delighted to tell you that we have now completed our listing on the MERJ Stock Exchange, successfully listing the company at a value of £63.3million. MERJ is an HMRC Recognised Stock Exchange under Section 1005 of the Income Tax Act 2007. Our strategy for 2023 is to deploy our funds purchasing and redeveloping large family houses where there is potential for loft, rear and/or basement extension works. By using our own construction company, to complete these works, we can reduce build costs and increase our profit margins, as well as retaining an additional degree of control over the build process.

This year is likely to provide a whole host of excellent opportunities for us, with the recent increases in interest rates driving a steady pipeline of distressed sales and the prospect of house price falls this year motivating more sellers to seek a quick cash sale. Adding to our portfolio under these conditions will see us well-positioned to reap the rewards when prices begin to rise again from next year onwards.



Current Share Price: £6.33p
Market Capitalisation: £63,300,000
Stock Ticker: LONDON

[See the Listing Here](#)



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Latest Project

21 Springfield Road, Wimbledon SW19 7AL

We recently purchased this five-bedroom semi-detached house in the South-West London suburb of Wimbledon for £1.3million. The purchase price was 30% below its market value of £1.85m and we exchanged contracts within 72-hours to take advantage of this exceptional deal. Two weeks after exchange, we were called by a local agent and offered £1.8million for the property, which would have represented an easy £500,000 profit. However, we have decided to fully refurbish the property and extend it by adding a basement, loft conversion and rear extension to increase its size from 2,129 square feet to over 3,500 square feet. Once completed, the gross development value of the house will be £3million, giving us an expected profit of over £1million.

- ▶ Attractive five-bedroom period property over 2,000sq foot
- ▶ Conversion to seven-bedroom property over 3,500sq foot
- ▶ Well-located to shops, cafes and bars of Wimbledon Village
- ▶ Close proximity to the green spaces of Putney Heath and Richmond Park, as well as the famous 'All England Lawn Tennis & Croquet Club'
- ▶ Accessible via the A3 and the A24, which also provide good road connections into central London and Surrey





Property Market News



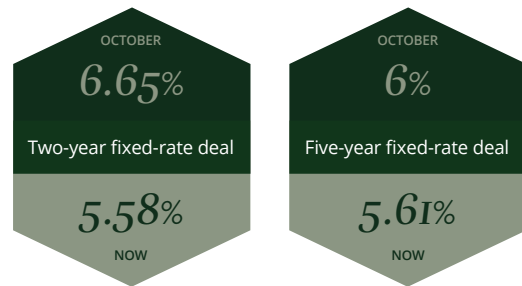
Mortgage Rates Starting to Fall

Following nine consecutive increases since December 2021, the Bank of England base rate now sits at a 14-year high of 3.5%. This has naturally had an impact on mortgage borrowing costs. However, it now seems extremely unlikely that the dizzying highs of circa 10% fixed-rate mortgages that were being predicted in the autumn will come to pass.

The market jitters that followed the Truss/Kwarteng mini-budget have largely been quelled, and the latest figures from the Office of National Statistics indicate that inflation probably peaked in October, with consecutive drops in November and December of last year. "Monetary policy feels like it's on an even keel, with more sensible fiscal policy reducing the need for drastic action," says Nicholas Hyett, investment analyst at Wealth Club. The market expectation is therefore that the base rate will peak at 4.25-4.5% this year (far below the 6% that was being predicted last year) and then quite rapidly decrease.

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Lenders are consequently offering cheaper fixed-rate mortgages, as they become more confident that base rate rises will not be as severe as once feared. Nationwide, for example, has reduced its mortgage deals by up to 0.6% in recent weeks and with a 60% LTV there are deals available around the 4% mark, with Lloyds for instance offering a 10-year fix at 3.99%. Average mortgage rates have been trending down since November – the rate for a typical, new two-year fixed-rate home loan peaked at 6.65% in October, but has now dropped to 5.78%. Five-year deals, which had also exceeded 6%, now have a typical rate of 5.61%. Many brokers



believe that the big hikes we saw from mortgage lenders in October mean that future base rate rises are already priced into the market.

Of course, the impact of mortgage rate rises is not distributed evenly across the country. Our conversations with estate agents indicate that the market over £1million is not seeing a huge amount of impact from rate rises, as the majority of transactions at this level and above involve an LTV of less than 50%. Around two thirds of the £1million+ properties in the country are located in London (Savills), which means the capital's market as a whole is better insulated from rate rises than other regions. And at the upper end, London's prime markets "will be cushioned from some of the affordability concerns governing the mainstream markets due to much higher levels of equity and cash buyer numbers," says Lucian Cook, Savills' head of residential research.

London Richmond believes that the spectre of a dramatic property crash in 2023 has now been laid to rest and that, with mortgage rates under control, there are plenty of factors to continue driving transaction volumes this year. Anthony Codling, CEO of property platform Twindig, agrees, saying: "The Bank of England has revealed that mortgage rates fell in December. If we combine the impact of falling mortgage rates and softening house prices, many would-be homebuyers may find themselves priced back into the housing market, suggesting that despite challenges elsewhere in the economy, it's not all doom and gloom."



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Repossession Opportunities

The Financial Conduct Authority warned this month that over three quarters of a million of UK households are at risk of defaulting on their mortgages within the next two years. Around 200,000 households have already fallen behind on their mortgage payments since June last year, while a further 570,000 are at risk of shortfalls because their mortgage costs will soon exceed 30% of their gross household income. Since 2008, borrowers have been subject to much more stringent affordability criteria, so many households will be able to weather higher monthly payments – we will not therefore be seeing a huge wave of forced sales and a resultant crash in prices. However, those borrowers who assumed that the era of sub-1% mortgage rates would go on forever, and who perhaps took advantage of their cheap monthly mortgage payments by taking on other forms of debt via loans or credit cards, may very well find themselves unable to meet their debt obligations.

As you know, London Richmond's business model is based on a policy of purchasing distressed properties at below market rates. A strong pipeline of properties where the owners are in mortgage arrears and facing a repossession by their lending institution is therefore very helpful to us as a company. We are able to enter that process before the threatened repossession takes place and offer the owner a quick cash sale, shielding them from the long-term financial implications of being subject to a mortgage repossession order. Purchasing these properties at below market rates gives us even greater profit margins when we come to resell them, usually following refurbishment and/or extension works.



London House Price Predictions

Real estate specialists JLL are predicting a short-lived fall of 4% in London property prices this year, followed by a sharp increase that would see prices in 2027 on average 14% higher than in 2022. As we have long predicted, the forthcoming and inevitable correction to the UK's housing market is likely to cut deepest in those areas that saw the biggest growth during the pandemic, e.g. Wales and Yorkshire where drops of around 8% are expected, while London (which saw more modest rates of growth) will be comparatively protected from dramatic decreases. In fact, JLL expects the centre of London to buck the downward trend entirely and enjoy growth of 2.5% in 2023.

The supply of new homes in the capital will remain constrained, thanks in part to build cost inflation and reduced development finance in a higher-interest-rate environment. UK housebuilder Taylor Wimpey Plc said last month that it would build fewer homes this year than originally planned, while its larger rival Persimmon Plc has said it expects 2023 land additions to be significantly lower. JLL predicts that just 16,000 new homes will be built in 2023, well below the Greater London Authority target for 52,000 new homes per year.

Meanwhile, demand for London property is likely to keep up momentum, as people across the world continue to return to and reconnect with city life. When Savills launched their Resilient Cities Index of 2022, their analysts noted that by January of that year, monthly office take-up in the City of London was the highest it had been since 2018, exceeding pre-pandemic figures. New York and London retained

the top spots on the Index, and London kept its crown as the most international real estate market in the world, with 62% of investment activity involving cross-border finance.

London Richmond predicts that prices in the capital will fall by around 5% in 2023, recover fully in 2024 and then start to boom in 2025. After such a frenzy of price growth over the past two years, it is only natural that the market will now see some correction in the wake of economic and geopolitical factors, but there is no reason to believe we are looking at a major crash. The majority of property experts seem to agree, with Chris Druce of Knight Frank saying: "There is a rebalancing but nothing like we saw after the global financial crisis" and Robert Gardner, chief economist at Nationwide, saying "There's good reason to believe that we can still achieve a soft landing."

The capital's rental market is looking even rosier for landlords, with uninterrupted growth forecast for the next five years. 2022 already saw staggering rental price rises, peaking at 17.8% for London rental properties in July. Savills has predicted that London rents will swell by another 5.5% in 2023 and by a total of 18.4% over the next five years. Andrew Wishart of Capital Economics thinks rental growth will be 5.1% this year and about double the average experienced in the pre-pandemic decade over the next five years, pointing out that the rise of home and hybrid working arrangements has made crowded house shares much less attractive and is driving demand from tenants wishing to live alone.



London House Price Affordability

In December 2022, Zoopla published their annual House Price Index. It showed that UK house prices had grown by another 7.2% over the course of the year, but that momentum was dropping away, with the final quarter of the year registering only 0.3% growth.

However, once again the devil is in the detail. Zoopla's data showed the flight to rural and coastal areas has begun to reverse, with urban areas and flats expected to fare much better in the coming year. Data from other sources backs this up, as Halifax recently announced that while prices for the average UK home fell 1.5% between November and December, London property prices in London actually saw an increase of 3% in the same period.

Zoopla's analysts also looked back over price growth over the past five years and how it was affected by affordability. Growth in more affordable markets like Oldham, Newport

and Bolton has outpaced more expensive areas, but has also drastically outstripped the five-year increase in average earnings, making those markets now less affordable. London has seen price growth in almost all neighbourhoods, but that growth has been slower and steadier, staying below the 22% increase in average earnings and making the capital comparatively more affordable than it was five years ago. This is likely to keep upwards pressure on transaction volumes and help to counterbalance increases in mortgage rates, helping to support steady long-term growth.

London of course remains the most expensive region in the UK, as it has been for decades. Its timeless desirability, flow of foreign investment capital and unshakeable position as the economic powerhouse of the country will always ensure high prices in the capital, but even a slight shift in affordability will drive first-time-buyer volumes and give the bottom end of the market an additional boost.

Share Our Future With Us

We will soon be offering our valued and trusted clients the opportunity to participate in our long term success by giving you the chance to own shares in London Richmond. The company has a bright future ahead of us and as we acquire more profitable projects over the years ahead the share price is likely to rise significantly. We are in the process of putting together some very good deals for our existing clients and we will provide more details in due course.

Summary

3%

Property Price Growth

Londons Average
Property Price Growth in
December 2022
(City AM)

20%

UK Rental Price Rise

In October 2022
Private UK Rents hit record
rises of up to 20%

We're going Monthly!

With the rapid progression
of the company and the recent
stock exchange listing we will
now be providing monthly
updates as opposed to quarterly
updates as we have
previously done.

Our new monthly update will be issued on 1 March 2023. For further information please email: info@londonrichmond.co.uk or call: +44(0)207 183 2150 to speak to a member of our team.

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