



## **PRESS INFORMATION**

10 March 2008

# Young Index Reveals Stable Property Market Sentiment

*"For some it may be the best of times and the worst of times, but the UK's property market in now A tale of Just One City...London, as Young Index data for the first quarter of 2008 reveals that investor sentiment is robust in the capital"*

**Neil Young, CEO, Young Group**

## **Young Index: Summary Results**

For detailed results, see pages 2/3

- 86% of investors believe residential property values in London will rise or remain static over the next 12 months (compared to 82% in Q4,2007)
- 39% of investors believe UK residential property values outside of London will rise or remain static over the next 12 months
- 95% of investors intend to hold their residential property investments for at least the next 12 months
- 50% of investors intend to buy residential property investments within London within the next 12 months
- 6% of investors intend to buy UK residential property outside London
- 84% believe the proposed changes to Capital Gains Tax (CGT) has had no impact on their investment plans or behaviour
- 89% of investors expect the Base Rate to be below 5.00% at Q1 2009

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Neil Young, CEO of Young Group, commenting on the latest Young Index figures, points out: *"As purchase transaction volumes in the residential property investment market reduce, it is increasingly evident that the London market is distinct from that of the UK as a whole. Both property and rental values in the capital are cushioned from the cooling in the housing market, buoyed as a result of the inherent disparity between supply and demand."*

The capital has the advantage of strong demand for housing from a population that is expected to swell from 7.2 million to more than 8 million by 2020 (GLA and ONS). London is also the city most effected by changes to the UK demographics; as a nation we're living longer, marrying later and more likely to live alone than ever before. This growing demand for housing, coupled with a house-building industry that is delivering new homes at the lowest rate for 70 years (Barker Report), buoys property prices.



The uncertainty created by the current economic climate also means that there is record rental demand for homes from those choosing not to buy, and those not able to buy (affordability is at an all time low according to the latest figures from Halifax). This record demand means that landlords are benefiting from record rental income and experiencing the highest rental yield for two years (according to specialist mortgage lender, Paragon).

The same cannot be said for locations outside of the capital where the disparity between supply and demand is not as pronounced and is reflected in the Young Index results which show that over the next 12 months, only 6% of investors expect to buy additional UK residential property outside of London, compared to 50% who expect to add a London property to their portfolios.

Perhaps surprisingly given perceived general public sentiment to the contrary, confidence in the buy-to-let sector remains high, at a similar level as at the end of 2007 with almost all investors (95%) intending to hold their property investments for at least the next 12 months, into 2009.

This confidence is mirrored anecdotally by professionals operating in the market. Neil Young, comments; *"Dealing with property and land agents, mortgage lenders and the major banks on a daily basis, it is clear that London stands apart from the UK as a whole and almost without exception, the sector is focusing on the capital. It is very much business as usual."*

However, Neil Young, delivers a note of caution; *"As with any investment asset class, it's imperative to scrutinise each opportunity carefully and ensure that it is supported by sound fundamentals. In the case of buy-to-let, investors need to ensure that the balance between property supply and demand is in their favour and the strongest market for buy-to-let investments is London. Young Index figures show that confidence in the London market outstrips the rest of the UK by more than eight times, which is a consequence of the continued undersupply of property in the capital and London's dominant position as the world's leading centre for global business and finance."*

London's dominance is also reflected when looking at property prices. 86% of investors believe that property values in London will not fall over the next 12 months (and 29% expect prices in the capital to rise). This compares to just 1% of investors expecting the price of UK property outside of the capital to rise and only 38% expecting it to remain static. Of those predicting a drop in prices, a fall in value is expected to be more than four times likely outside of the capital than in London itself.

*"We always urge investors to take a long term view and ensure that they are financially able to accommodate any short term fluctuations in market conditions that may occur. The Young Index results clearly show that buy-to-let investors continue to have confidence in the sector."*

With regards to the ongoing effects of the credit crunch, Neil Young concludes: *"The world has not come to an end; mortgage funding has become more difficult to come by. Lenders have tightened their lending criteria, which has created a shakedown in*



*the property sector. This is no bad thing as it encourages investors to think appropriately about their investment decisions and ensure that they approach buy-to-let with the same analytical mindset as they would equity or commodity investments."*

Concluding, Neil Young, rounds off; *"Buy-to-let property remains a solid medium to long term investment class, provided that people do their research and look at the facts and fundamentals of each opportunity, without being swayed by marketing spin or doom-mongering press reports."*

Young Index figures for Q1 2008 show that 84% believe the proposed changes to Capital Gains Tax (CGT) has had no impact on their investment plans or behaviour.

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## **Young Index: Detailed Results**

### **Purchase Expectations (12 month outlook)**

#### **London**

- 50% of investors expect to buy London property (54% at Q4 2007)
- 50% of investors do not expect to buy London property (46% at Q4 2007)

#### **UK (outside London)**

- 6% of investors expect to buy UK property outside of London (10% at Q4 2007)
- 94% of investors do not expect to buy UK property outside of London (90% at Q4 2007)

#### **Overseas**

- 33% of investors expect to buy overseas property (21% at Q4 2007)
- 67% of investors expect not to buy overseas property (78% at Q4 2007)

### **Expectation of House Price Movements (12 month outlook)**

#### **London**

- 29% of investors expect London property prices to rise (39% at Q4 2007)
- 56% of investors expect London property prices to remain static (43% at Q4 2007)
- 14% of investors expect London property prices to fall (19% at Q4 2007)

#### **UK (outside London)**

- 1% of investors expect UK property prices outside London to rise (3% at Q4 2007)
- 38% of investors expect UK property prices outside London to remain static (33% at Q4 2007)
- 61% of investors expect UK property prices outside London to fall (63% at Q4 2007)



### **Holding Property Investments (12 month outlook)**

- 95% of respondents intend to hold their property investments (93% at Q4 2007)
- Only 5% intend to sell property and move investment funds to other asset classes (7% at Q4 2007)

### **Interest Rate Expectation (at Q1 2009)**

- 100% of investors expect the Base Rate to be at or below 5.75% (95% at Q4 2007)
- Average Base Rate expectation is 4.88% (5.18 at Q4 2007)
- 93% of investors expect the Base Rate to be at or below current level of 5.25%
- 89% of investors expect the Base Rate to be at or below 5.0%
- 75% of investors expect the Base Rate to be between 4.75% and 5.0%

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#### **About Young Index**

Young Index is a quarterly gauge of market sentiment within the buy-to-let sector, polling Young Group's client base of around 500 active investors who hold UK investment property.

#### **About Young Group**

Young Group specialises in providing Property Portfolio Management services to private investors, offering the best off-plan direct investment opportunities in London, as well as access to indirect, development fund investment opportunities through its development arm, Young Property. Young Group manages the entire investment process. For direct investments this spans from sourcing the opportunities through to financing, furnishing and letting. Young Group owns all the property that it sells, and also retains a number of units in each development for its own portfolio. As the principal in every transaction, Young Group does not realise any profits until completion and has transacted in excess of 1,700 apartments, with a retail value of more than £700 million. The majority of our units are bought by clients for their private portfolios. The Group's portfolio managers liaise with the **Young Lettings** ([www.younglettings.co.uk](http://www.younglettings.co.uk)) team in advance of completion to let investors' apartments to quality tenants, often through corporate lets.

Young Group clients have access to all available finance products via Young Group's FSA regulated mortgage desk, **Young Finance** ([www.youngfinance.co.uk](http://www.youngfinance.co.uk)). Young Finance is an appointed representative of Thinc Assured Network, one of the UK's largest financial advisory firms and is not tied to any group of lenders, nor does it charge commission or transaction fees.



- Young Group's iconic Canary Wharf development, **The Landmark** ([www.TheLandmarkE14.com](http://www.TheLandmarkE14.com)), has been awarded two **Daily Mail Property Awards** in the categories of *best high rise development* and *best high rise architecture*. The Landmark East Tower rises to a height of 459 ft, making it one of the tallest residential properties in Europe.
- Young Group's COO, Sylvana Young, has just been named Bradford and Bingley's **Property Woman of the Year**, 2008 for London. The overall national winner will be announced on 13 March 2008.

Young Group supports NORWOOD and CHILDREN with LEUKAEMIA, two charities particularly close to our heart, donating £50 per property exchange and providing additional support throughout the year. Visit [www.younggroup.co.uk](http://www.younggroup.co.uk) to learn more.

### **Press Contact**

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