Understanding investors

Yolande Barnes, Director Residential Research
buy to let boom was important to industry

Source: Savills Research, CML
… but they have departed in droves

Source: HBF
transactions have never been so low

Source: HBF
prices have fallen quickly

with more to come…

Source: Nationwide/ Halifax
Development land values are in steep decline

Source: Savills Research, Home Builders Federation
delivery has fallen sharply

Source: GLA/ London Residential Research
we expect at least 6 years of lower development activity

but steeper fall in supply than demand will lead to housing scarcity, helping eventual market recovery
housing delivery targets are impossible using conventional business models
... no wonder commercial developers control more strategic sites than traditional housebuilders

- Commercial Developer: 29%
- Public sector: 26%
- Partnership: 20%
- Housebuilder: 13%
- Other private sector: 12%

Diagram shows the distribution of strategic sites among different sectors.
but underlying demand is still there evidenced by rental growth 

Source: RICS
Investors

Private v Corporate

Capital growth v Income

Gearing v equity
## Investor’s motives

<table>
<thead>
<tr>
<th>Motive:</th>
<th>Capital</th>
<th>Growth</th>
<th>Income</th>
<th>Gearing:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual investors</strong></td>
<td>High</td>
<td>None</td>
<td>High</td>
<td>None</td>
</tr>
<tr>
<td>Traditional buy-to-let investors – an extinct breed?</td>
<td>Long term asset investment – competes with gold etc.</td>
<td>Rarely a motive for individuals.</td>
<td>Will this be seen as a viable alternative to bonds and deposits?</td>
<td></td>
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<tr>
<td><strong>Corporate investors</strong></td>
<td>Usually a late-cycle play. Dependent on liberal lending policies</td>
<td>Co-ownership for longer-term participation. Creation of modern landed estates?</td>
<td>Rare. A specialist play from exceptionally high-yielding properties</td>
<td>Build to let.</td>
</tr>
</tbody>
</table>
so what is an irresistible yield?
... the story seems similar nationally

Source: Savills
development performance can boost returns e.g. regeneration

Source: Savills Research
there is a recovery play here