

Property Commentary March 2010.

CAPITAL GAINS PROSPECTS - MAYBE

We all know there is a shortage of stock within the marketplace. Demand is still strong but supply is weak. We also know that even though there is much discussion against it there is a formulated government policy which sets out that rear garden sites are brown field sites. We also know there has been a growth of interest in properties which sit on the fringe of or are surrounded by residential housing which does not have any form of planning consent but sits adjacent to or close to a new scheme. So where do those facts take us?

Cast your mind through some of the results that you see coming through in the auction houses and you will find an interesting pattern developing. There are a lot of punters out there who are buying stock and are prepared to work the planning process in the expectation of receiving a planning consent for a selection of flats or houses for onward sale with the benefit of that planning consent. What are the characteristics of those sites? Most of them tend to be sites which would have the potential to develop smaller sized schemes, maybe two or three houses or upwards of six to nine flats. This has the beauty of keeping it isolated from the social housing/ affordable housing planning issue.

The obvious bonus is as opposed to buying sites which have the planning consent and by so doing tying up your capital for between 12-15 months, if you did it this way around you are tying up a small amount of capital but are looking to boost your capital gains. Depending upon what business you are in, you might end up only paying tax at 18%.

Now I suppose none of these earlier statements are going to come as any surprise for the seasoned developers who may be reading this newsletter, but what it does go to show is that in any type of market you can make money from property. If you choose your assets correctly and wisely, and in this case you have got to be sure there is a reasonable expectation of being able to get the planning, then there is no reason why you should not enter into the arena.

Speaking of arenas, not many of you may be aware but Switzerland, a land locked country with no coast, was recently the holder of the Americas Cup - the crème de la crème of the sailing world. They won it from New Zealand who, if my geography teacher was correct, has a fair degree of coast. As a born and bred Kiwi no hard feelings there! There was a recent contest in the Mediterranean. The cup was won by the USA. It was sailed in multi hull yachts. The sheer size of these beasts is staggering - 120 ft long, 120 ft. wide. The fixed planing sail on one of these boats was bigger than the wings of a jumbo jet. Not a bad way to sail in the Mediterranean, but deep on your pocket! Each syndicate is estimated to have spent something in the order of £15-£20 million. Nice if you can get it!



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