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Welcome to this latest edition of our newsletter for current investors and landlords.

This newsletter will be quarterly and the focus will be on current news items about the property market and information updates which could affect you as landlords.

This will be supported by a full range of additional literature available, including a two page information sheet commenting on the investment potential of the market and also passing on our advice with regard to what makes a good investment property.

Personal Homefinders Update

I am pleased to be able to report that we are continuing to develop and grow as a business to maintain our enviable position as the premier independent property investment and management service in the Southampton and Winchester area.

We are continuing to invest in each of our three branches, replacing and upgrading the systems and processes to ensure that we can continue to work efficiently as the business grows and taking advantage of newer technologies.

We have also been decorating the offices and are looking to introduce more consistency across the three locations, in terms not only of the working environment and processes, but also in the way that we advertise and market both the company and the properties we manage.

You may have already visited our website and seen some of the changes that we have implemented. This is Phase 1 and there are more exciting developments to follow!

We have excellent teams in each branch and are committed to ensure that they receive the training and support needed to develop their career with Personal Homefinders. We are also recruiting additional support during our busiest period from Spring throughout Summer, to ensure that all of our customers, both landlords and tenants, continue to receive excellent service with properties fully checked, cleaned and maintained during the hectic summer change over period.

Predictions For The UK Property Market

Despite many negative articles and news stories of the slowing property market in the UK in recent months, it continues to grow and remains a strong investment option. The overall forecast for 2004 is growth of +9% and although this is less than the +15% of last year, it is still an excellent return on money, especially when compared to other methods of investment;

Typical return rates	
Property forecast	+9%
Cash ISA	+4.6%
Savings Account	+4.1%

*Based on cash purchase. The return on 25% deposit & 75% mortgage would be +36%

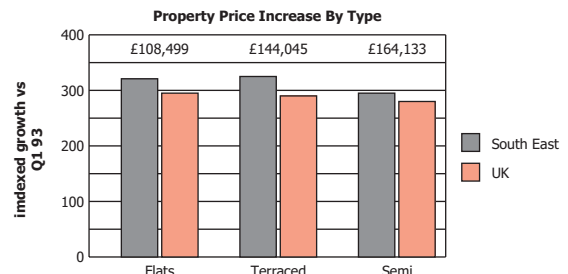
In addition, the recently released February 2004 figures show a monthly increase of 3.1%, the highest since April 2002, and +18% for the last 12 months, causing many to already increase their predictions for the full calendar year.

The key drivers of market growth are;

- Continued decrease in unemployment figures, now at a 28 year low
- First time buyers continuing to decrease in numbers, at the lowest level now for more than 20 years.
- An increase in demand in rental properties and therefore investment purchases
- Shortage of properties available to purchase in the UK
- Low interest rates
- Increased flexibility in mortgage packages offered

It is anticipated that bank base rates will increase to 4.5% in 2004, but this is unlikely to have a major effect on the market as mortgage payments would still be very affordable at approximately 16% of gross earnings on average, well below the long term average of 21%.

In the South East, overall growth by Property Type has exceeded that of the rest of the country over the past few years. Average prices in the SE are also shown in the chart.



Specifically, the areas in which Personal Homefinders specialises are continuing to perform well with rental demand still high as increasingly people are looking to improve their work/life balance and relocating to the South coast.

In addition, the number of Buy To Let loans in the South East has increased by 50% with an average value of £112,000.



The Sceptics are Changing Their Tune!

For some while there have been many press articles predicting a downturn in the UK property market, with the pessimists hoping that if they say it long enough eventually they may be proved right. However, along with a new year comes all the statistics about house prices, and yet again they have grown approx 12% nationwide and 15% locally in 2003. The experts, RICS, National Association of Estate Agents and other leading financial institutions, are all predicting long term growth in the UK market and the sceptics have gone quiet. Even a second 0.25% interest rate rise in 3 months has not deterred the experts from continuing to predict rises this year of 8 – 10% nationally and 12% locally.

The current base interest rate is 4% (as at 13 February 2004) and even with the forecast of interest rates rising to 4.5% by this year end has not had an effect of slowing up the rises. The last time the UK saw negative rises was when interest rates were above 10%. There is no view that rises will ever reach this high in the next 5 – 7 years (which is as far ahead as anyone will predict!).

The ties with Europe and the prospect of the UK joining the Euro become closer, and with the European base rate still at 2%, the UK bank rate will not drift too far away.

The UK planning laws are very strict with no chance of obtaining planning permission on any area of 'green belt' land. As a consequence the demand for property continues to outstrip the supply, with the latest forecast that there needs to be another 40 – 50,000 additional new homes built each year to keep up with demand.

All this is good news for the home owner and property investor.

Cashflow Example

Purchase price	£180,000	
Deposit	£45,000	(25%)
Mortgage	£135,000	(75%)
Gross rental	£900.00	
Agency fee @ 15% +VAT	£158.63	
Net rental income	£741.37	
Buildings insurance (est.)	£30.00	
Mortgage Interest @ 5%p.a	£562.50	
Surplus income per month	£148.87	

Investor Facts!

A recent Paragon survey of investors threw up some interesting facts!

- The average property investor now owns 11 flats or houses, up from 9 last year
- They will own on average an additional 1 property by the end of 2004
- The average buy-to-let property is showing a 7.49% return on the purchase price over last 6 months of 2003

Insurance for Landlords

Personal Homefinders has always offered a service to landlords whereby they arrange Insurance for buildings and contents relating to rented property.

This service has now been reviewed and improved with effect from 1st February 2004.

We have negotiated a block insurance policy for all of our fully managed properties, excluding student lets, at extremely competitive rates. The insurance policy is underwritten by the Royal and Sun Alliance Insurance, and includes cover for malicious damage by tenants as well as the standard accidental damage.

The cost of this insurance is £2.00 per thousand pounds insured for Buildings based on the re-build cost and £4.50 for landlords contents based on a minimum of £10,000 insured. Insurance can also be arranged for landlords who wish to manage their own properties or specifically for student properties. The rate is slightly higher but still very competitive.

We recommend that even unfurnished properties have their contents covered in order to protect carpets, curtains, kitchen fittings including white goods and bathroom fittings.

In order to further protect our landlords we have introduced a system whereby all tenants will need to declare they have insurance cover for their own possessions. Should any of the tenant's property cause any damage, for example in the case of an electrical fire, then the claim would be made on the tenant's insurance policy.

Please pass us your comments.....

We are continuously looking at ways to improve, not only how we operate but also how we communicate with our landlords and would welcome any feedback or suggestions from you, including what you would like to see in this newsletter.

Please contact Shelley Cole at any time with your thoughts and ideas via shelley.cole@personal-homefinders.com

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