home investor fund
RESIDENTIAL PROPERTY BY HEARTHSTONE
www.homeinvestor.fund

Hearthstone Investments: Valuation uplifts and rent collection at 99% resulting in 0.34% performance in April.

UK residential property market

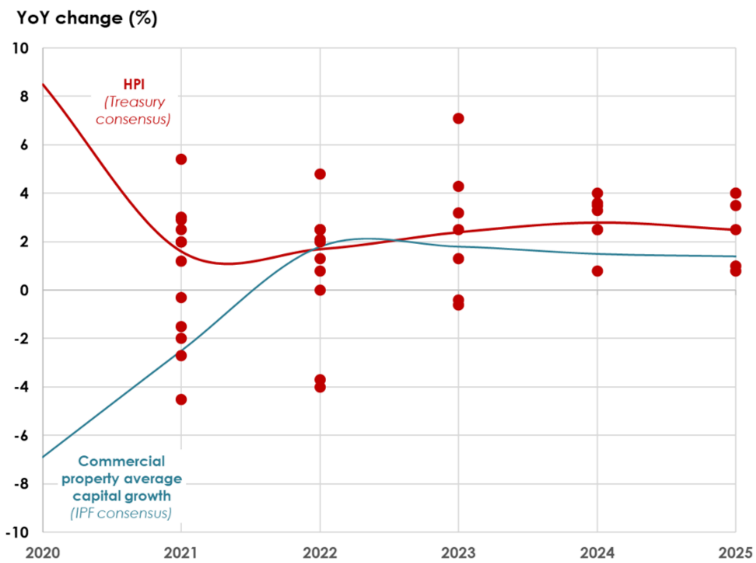
A lack of supply coupled with high demand continue to define the shape of the UK housing market – both for lettings and sales.

Average Rents

	Feb-20	Feb-21	YoY
Greater London	£1,763	£1,759	-0.2%
Inner London	£2,654	£2,185	-17.7%
Outer London	£1,594	£1,678	5.3%
South East	£1,070	£1,184	10.6%
South West	£831	£908	9.2%
Midlands	£696	£718	3.2%
North	£643	£686	6.8%
Wales	£653	£694	6.3%
Scotland	£660	£685	3.8%
Great Britain (Ex London)	£845	£913	8.0%
Great Britain	**£1,006**	**£1,062**	**5.6%**

Source: Hamptons

House price Forecasts



Source: Residential - HM Treasury Comparison of Independent Forecasts, April 2021; Commercial – IPF UK Consensus Forecasts, February 2021

Note: Dots show individual residential forecasts for each year from organisations participating in the Treasury survey. The red line shows the average. The blue line shows the average "all property" capital growth forecast from the IPF survey

Rents increased by an average of 5.6% from February 2020 to February 2021. Behind this is a reduction in supply during the pandemic which should improve over the coming months. However, a recovering economy with a better-than-expected job market should ensure ongoing rent increases in line with wage inflation.

The outlier to this trend over the past year were Central London and the Edinburgh City Centre. Interestingly, there are now indications that some renters returning to Central London where rents have become relatively more affordable and the social and other benefits of city-living re-emerge.

On the sales side, there is an expectation that more supply will come into the market as lockdown restrictions ease and potential sellers become more confident in allowing viewings. However, supply of new homes will remain a bottleneck, as it has been for some time well below the pandemic.

We introduced this more in-depth monthly report in April 2020 during the early days of the first lockdown. Our aim was to provide as up-to-date information as possible on the housing market and the TM home investor fund.

We always emphasise the importance that any allocation to a residential property fund should be long-term. As such, we fear too much focus on short-term reporting can be distracting. Whilst the pandemic will continue to influence our lives and the residential property market for some time, we feel the first and most intensive phase is now behind us – a good time to return to our normal reporting cycle with includes the monthly newsletter mailing and factsheets.

TM home investor fund

The TM home investor fund has recorded 0.69% total return YTD, and 1.81% over twelve months (Class C Gross Accumulation, net of charges).

Rent collection continues to be strong at c. 99% for the month of April maintaining its long-term trend and demonstrating the value of the Private Rented Sector as a resilient source of income to investors.

The Fund's property valuations for April increased by 0.31% with uplifts across a number of regions, with both houses and flats increasing in value. This most recent uplift equates to 1.23% valuation uplift over the last year and 1.8% since the end of the first lockdown. The houses that increased in value this month are located in the well-publicised "hot" areas of the country – South West, Nottingham and Yorkshire and Humber, with twenty houses increasing by c. 2.3% on average. The flats which increased in value were in the South West and London, with twelve units increasing by c. 1.6% on average. The Standing Independent Valuer, CBRE, has indicated there are several imminent comparable transactions they are waiting to see progress which may then allow them to revise valuations on other properties held by the Fund over the coming months.

In a further sign of solid rental growth, rents on re-lets and the recently re-introduced rent reviews have increased by 3.5% over the past quarter, versus a market average of 1.3% according to the Office for National Statistics, and percentage occupancy levels continue to be in the high nineties. As mentioned last month, the lettings market has significantly improved over the last nine months and not only are occupancy rates staying high, but rents are increasing. This has resulted in the Net Initial Yield at property level remaining at 3% for the second month in a row - With the continuing success of the vaccination rollout and easing of restrictions we are cautiously confident this will continue throughout 2021.

The following table summarises the latest performance metrics for the Fund:

TM home investor fund

Key Performance Metric	2019 Full Year	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020 Full Year	Jan-21	Feb-21	Mar-21	Apr-21
Total return, C-Class Acc, period stated	1.70%	0.21%	-0.28%	0.35%	0.76%	1.04%	0.28%	0.07%	0.00%	0.34%
Property valuations, as % of property portfolio	0.53%	0.01%	-0.46%	0.30%	0.67%	0.60%	0.33%	0.09%	0.00%	0.31%
Rent collected as % of rent invoiced	100%	100%	96%	99%	98%	98%	99%	96%	101%	99%

Class C performance shown bid to bid, net of charges with gross income reinvested (Source: Financial Express).

Stuart Springham

Fund Manager

5th May 2021

Important information

Past performance is not necessarily a guide to future performance and future returns are not guaranteed. Investors may get back less than the amount invested.

Residential property values are affected by factors such as interest rates, economic growth, fluctuations in property yields and tenant default.

Property investments are relatively illiquid compared to bonds and equities, and can take a significant amount of time to trade.

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