RIO Property Group gained 14.72 % during 2015, producing eight consecutive positive quarters since launch. With returns to date an astounding 35.42%. Better still, this quarter is already in positive territory as I write. Accordingly, RIO Property looks set to record its ninth consecutive positive quarter.

This investment, like most RIO lump sum products, continues to outperform both its benchmark (UK Property market), and its target return of 10% pa, set at launch. The target return has been exceeded by 15% in the past two years alone.

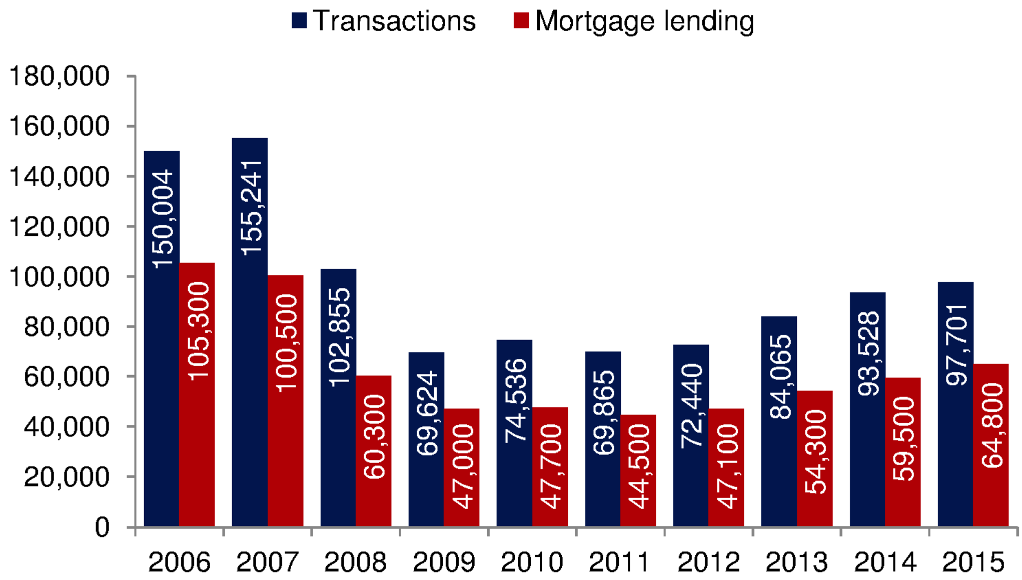
In the December 2015 report, I had forecast that the stock market would have a volatile start to 2016, and highlighted that this volatility could last well into the second or third quarter of this year. Accordingly, property has and will likely continue to benefit from any flight to safety, just as it did in January this year.

Those who are considering inward investment should note that the account invests primarily in commercial property, which has purposely been acquired to undergo a change of use to that of a residential development. RIO Property also seeks to identify land which is suitable towards obtaining planning permission. In doing this, the account has the opportunity to achieve exponential capital growth and already holds a diversified portfolio of development land sites. Most of these are now at an advanced stage of development, with completions to be realized between the end of 2016 and mid-2017.

That said, RIO Property Group has submitted applications for planning consent on additional land, they continue to work closely with local authorities to obtain ultimately the planning approval for further residential housing development. Two thirds of our land bank has already been granted planning permission, this has added to the recent success of the investment. Our successful property development in turn led to sales and ultimately profits for those invested over the past two years. I am confided that we will have further planning permission granted during 2016.

Scottish Mortgage statistics

The number of residential transactions across Scotland increased by 4% last year, from 93,528 in 2014 to 97,701 in 2015. This compares with 11% growth the year before. The measures brought in by those in power to toughen mortgage lending conditions during the first half of 2015 impacted the recovery of Scotland's housing market, just as highlighted in previous reports. This was followed by the subsequent improvement predicted during the second half of 2015, the upturn being a direct result of the recovery in mortgage lending for residential purchases across Scotland, with transactions increasing by over 9% from 59,500 in 2014 to 64,800 in 2015. In the diagram below are shown Scottish residential transactions set alonside mortgage lending statistics.



Source: Registers of Scotland and Council of Mortgage Lenders

The improvement in demand continues to drive up the development land market. Market sentiment for development land in Scotland's cities is positive, and recently there has been strong annual growth in residential development land. For example, green belt land in Scotland has improved year on year, with a 9.6% during December 2015 compared with December 2014.

The development market continues to be bolstered by UK Government incentives with, for example, the Help to Buy Mortgage Guarantee and new build schemes. These have accounted for 8% of all residential activity in Scotland between October 2013 and September 2015. The announced extension to this scheme to 2019 will most likely continue to underpin Scotland's new home sales.

The rise in demand from housebuilders and developers reflects the increase in values, in most part due to stronger markets and increased viability.

As we draw near to the end of March, I am forecasting that this quarter's performance will exceed 2%. More importantly for those invested is that I am confident that 2016 will produce the target returns. Given that the stock market volatility is likely to continue, members should take this opportunity to invest in an alternative holding such as the RIO Property Group. This is low risk but offers the potential to realise a more than reasonable return.

William Gray
The RIO Club