



# Interest Rate Risk and Land Prices

---

Jonathan Allright

Head of AMC

Email: [j.allright@amcplc.com](mailto:j.allright@amcplc.com)

Tel: 01264 386321

13 November 2013

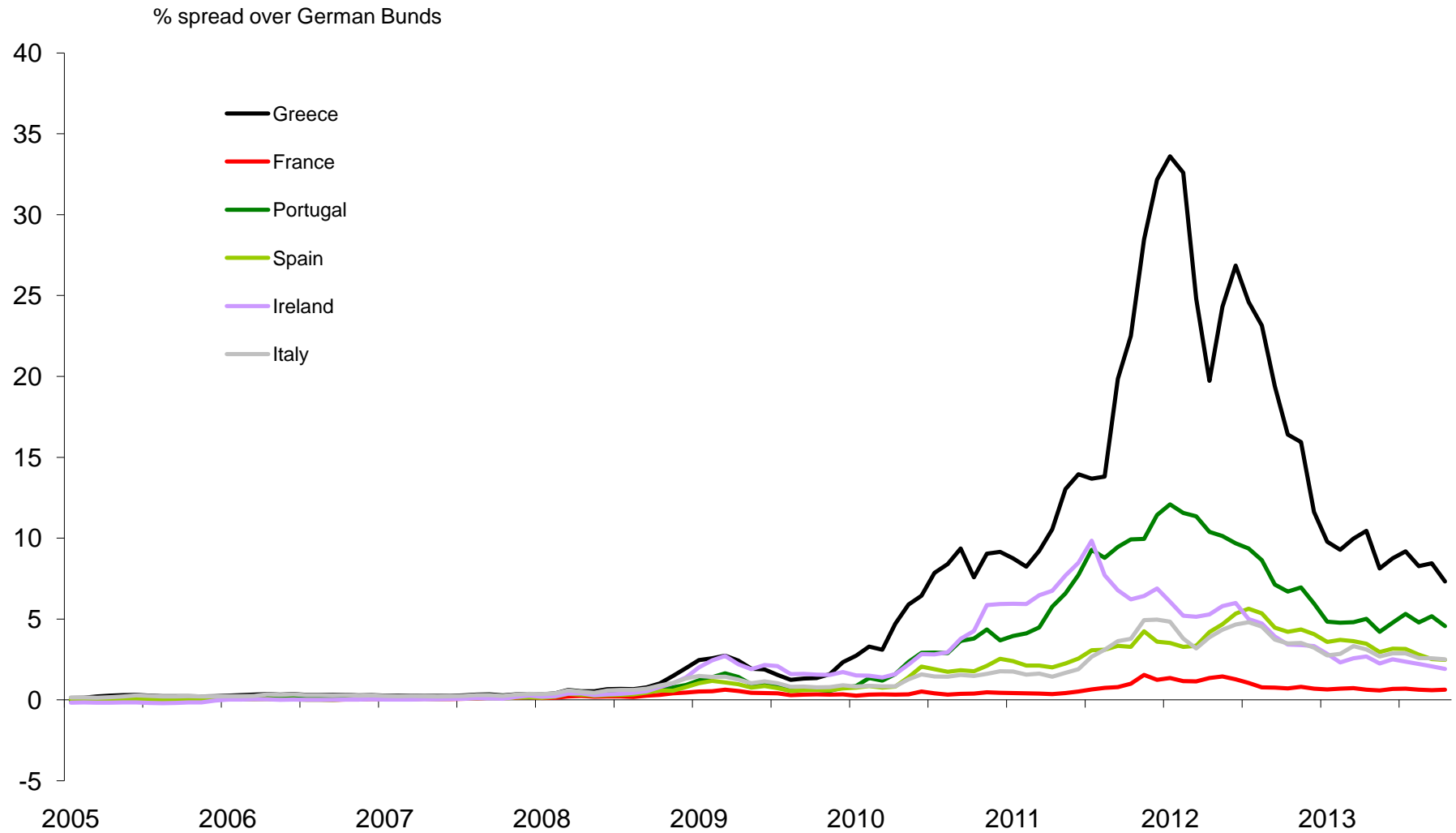
# Agenda

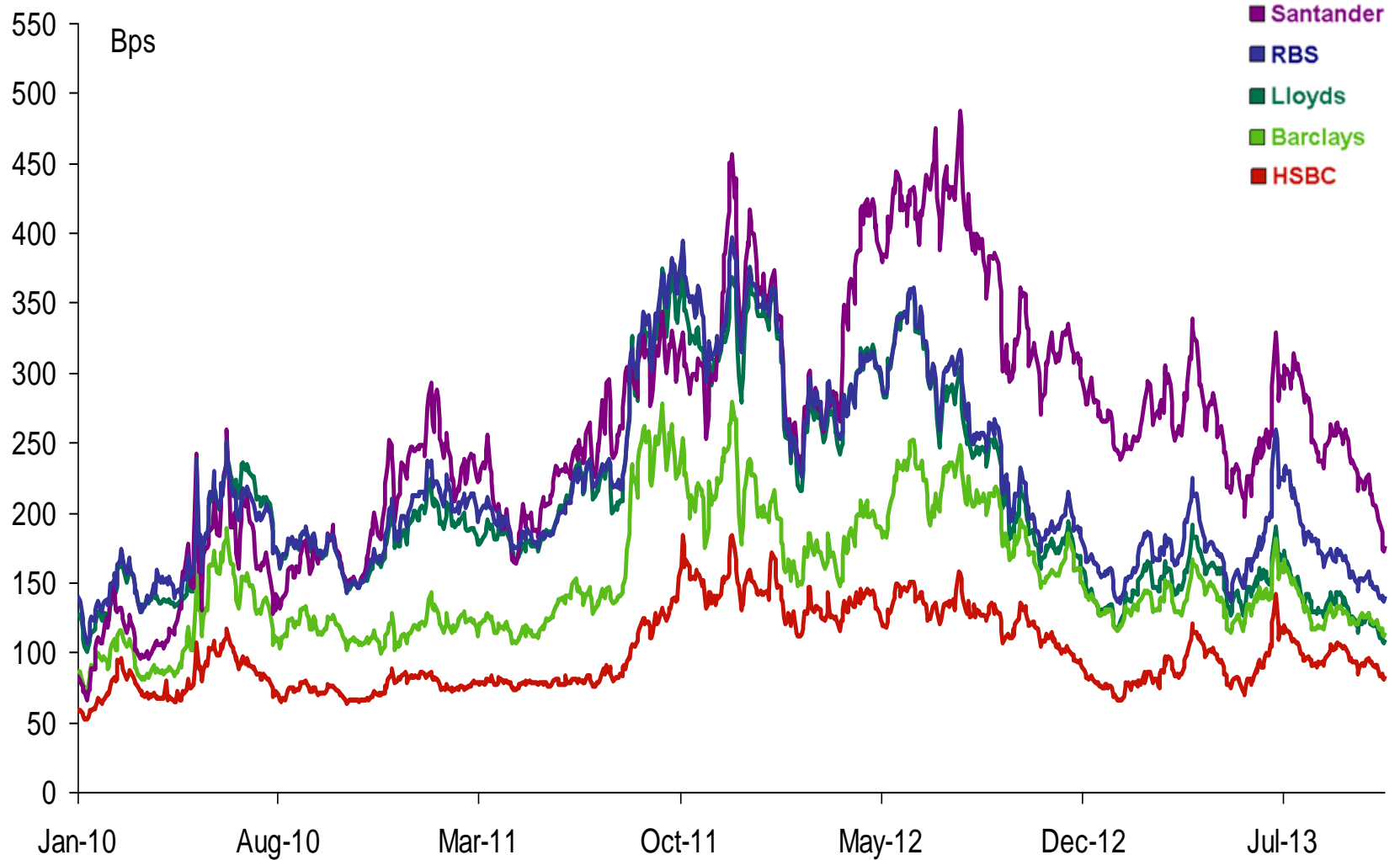
---

- Interest Rates - Risk
  - Volatility
  - Base Rate (Official Bank Rate)
  - Fixed Rate
- Land Prices - risk
  - Interest Rate
  - Poorer returns
  - Less investment money

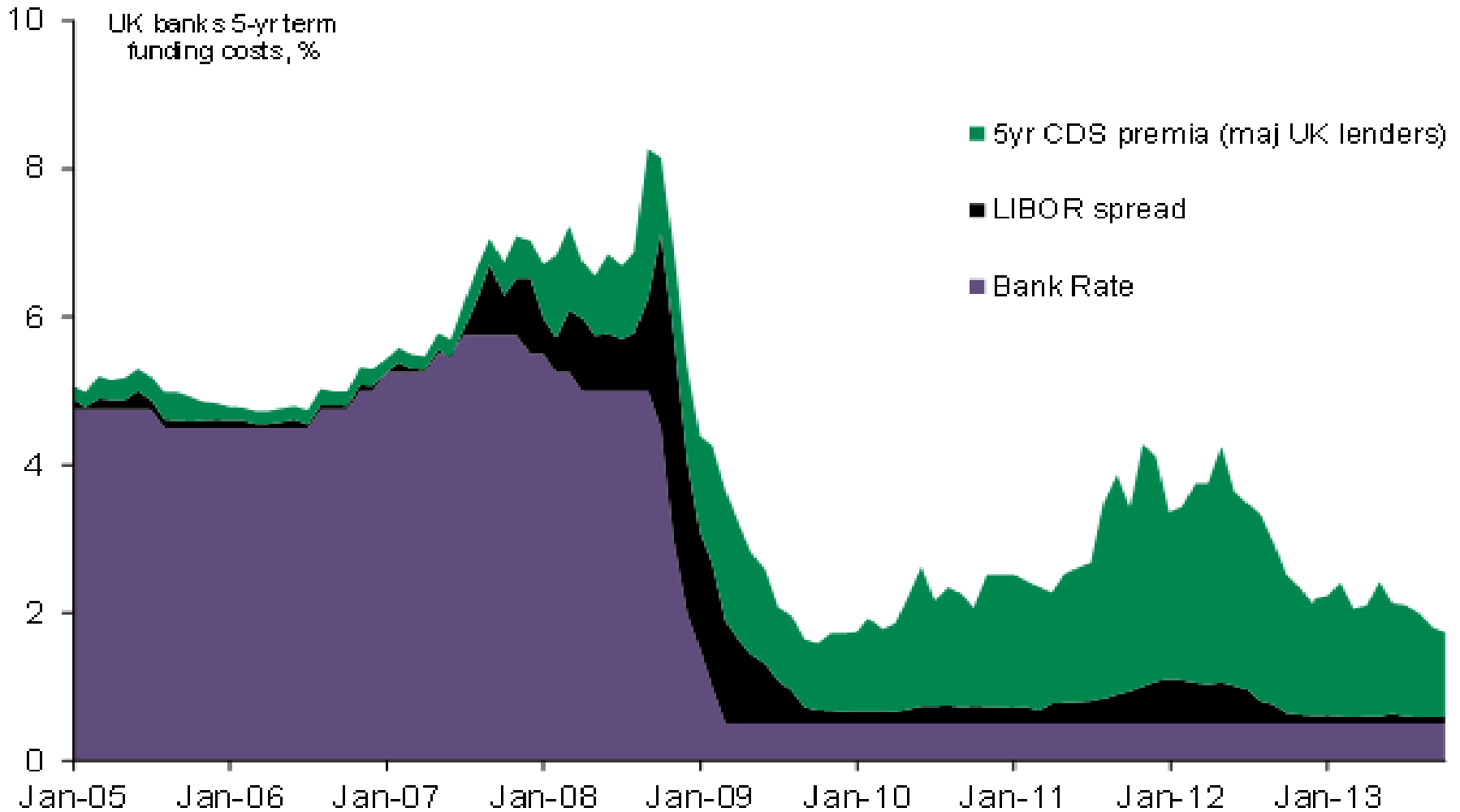
# VOLATILITY

# IMPROVING SENTIMENT IN EURO AREA BOND MARKETS

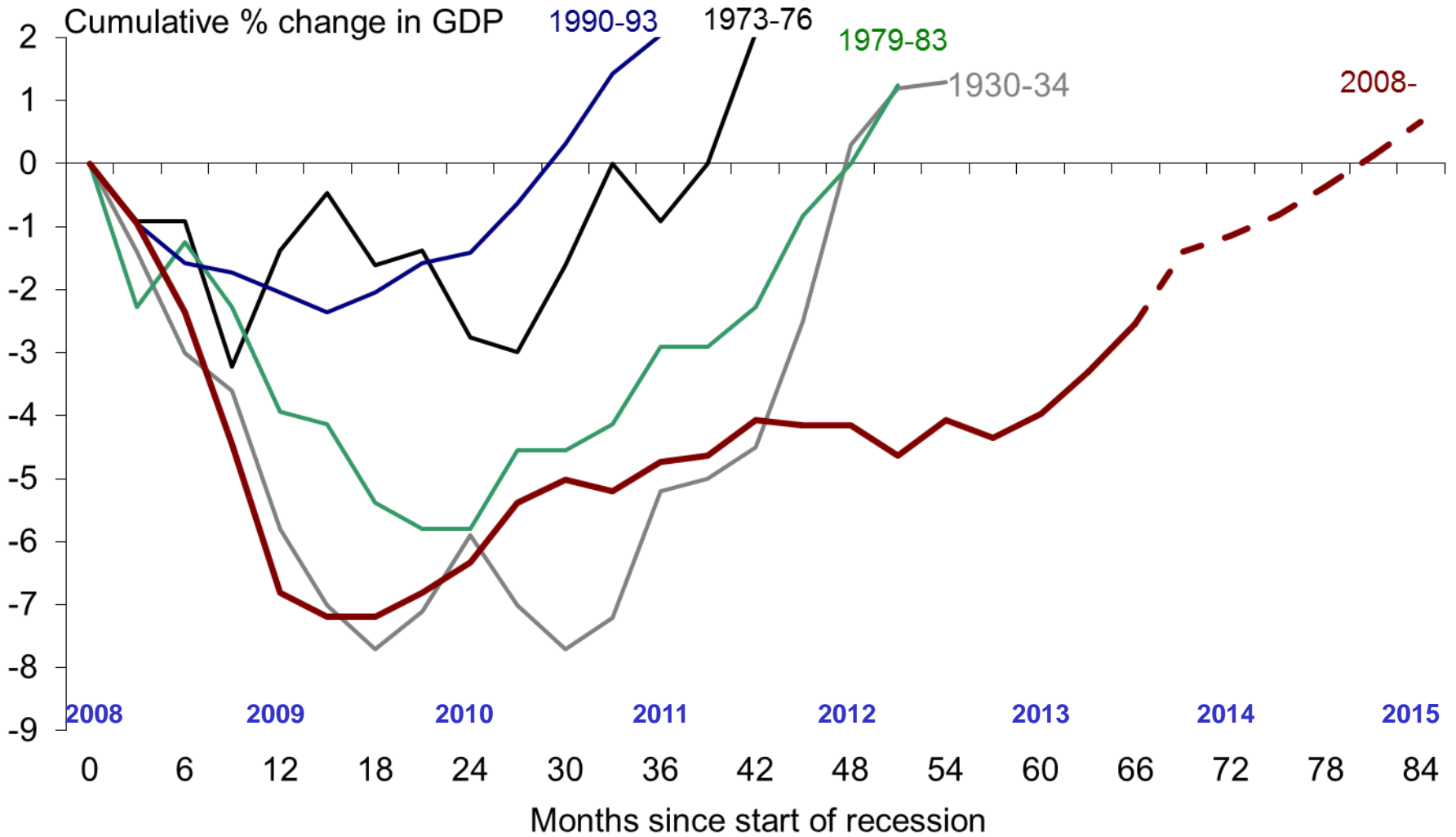




# Easing in bank funding costs

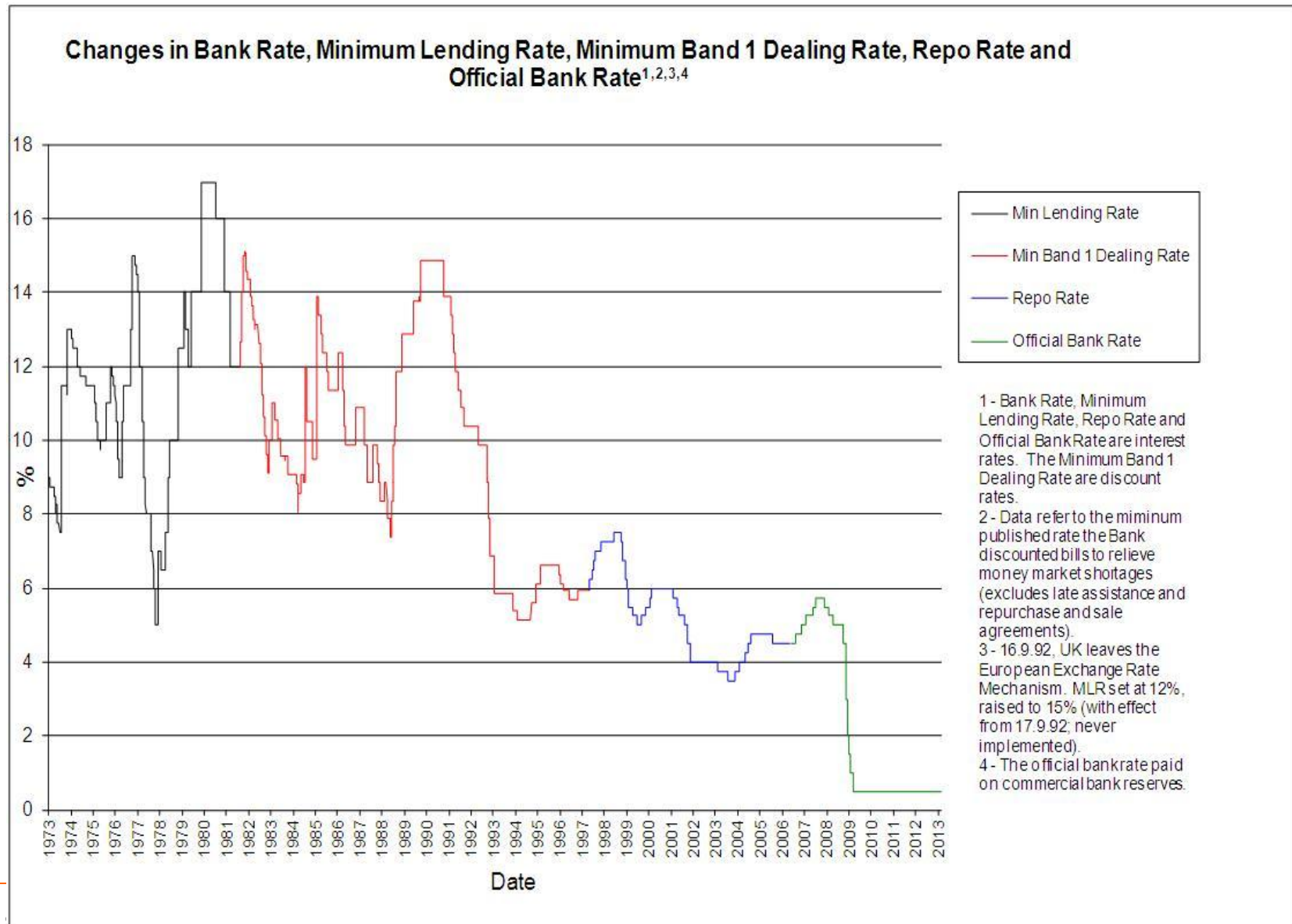


# The downturn in perspective



# BASE RATE







We get used to the current 'status quo' too easily....

Will interest rates rise – how quickly and by how much?

**Today**

Interest cost in  
2013

£100,000 at  
2.5% + 0.5%obr

£3,000

**5 years ago**

Interest cost in  
2008

£100,000 at  
2.5% + 5%obr

£7,500

**24 years ago**

Interest cost in  
1989

£100,000 at  
2.5% + 15%obr

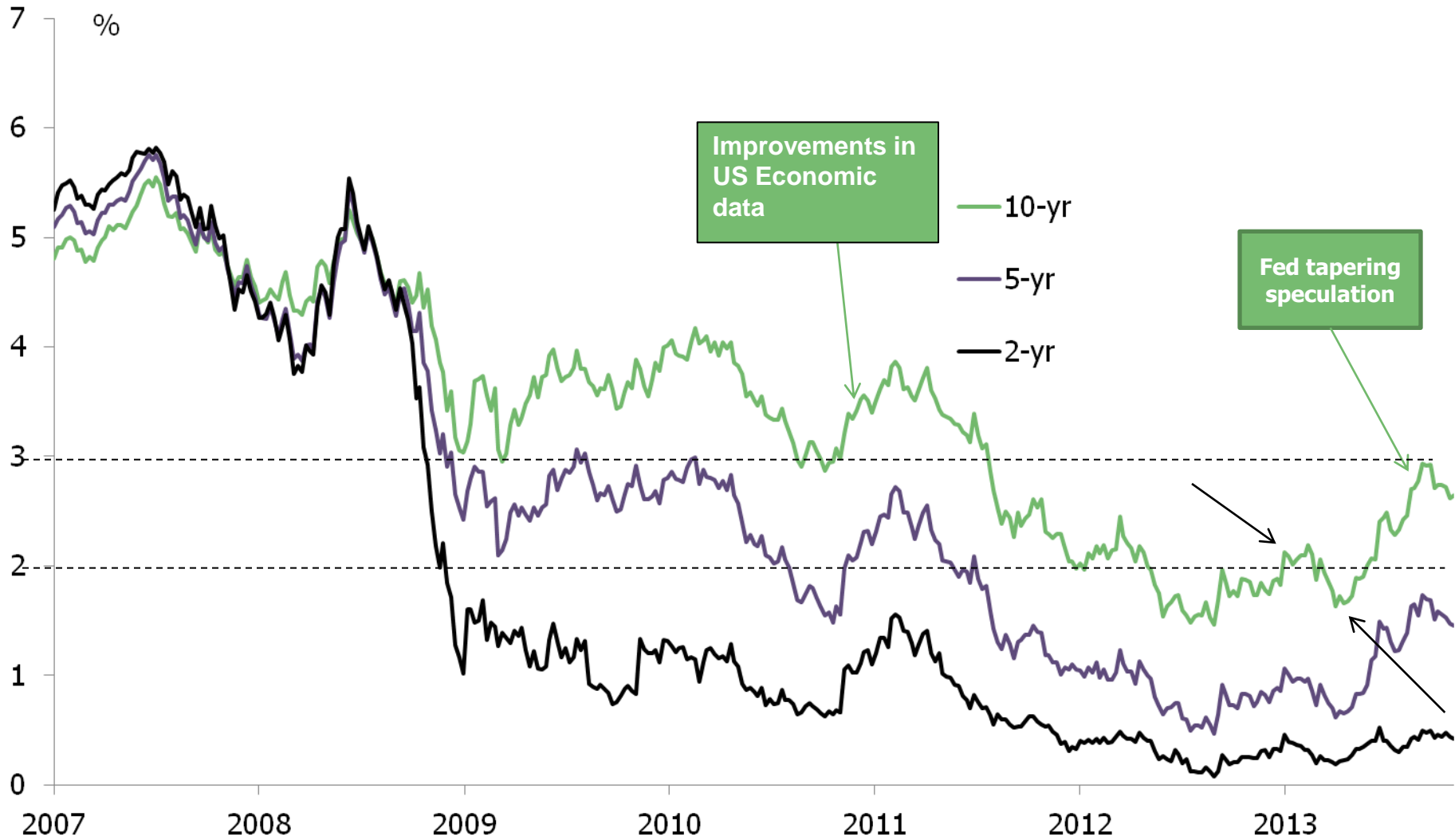
£17,500

# FIXED RATE

# Government 10 year nominal par yields since 1957



# Long term rates heading higher



# Agenda

---

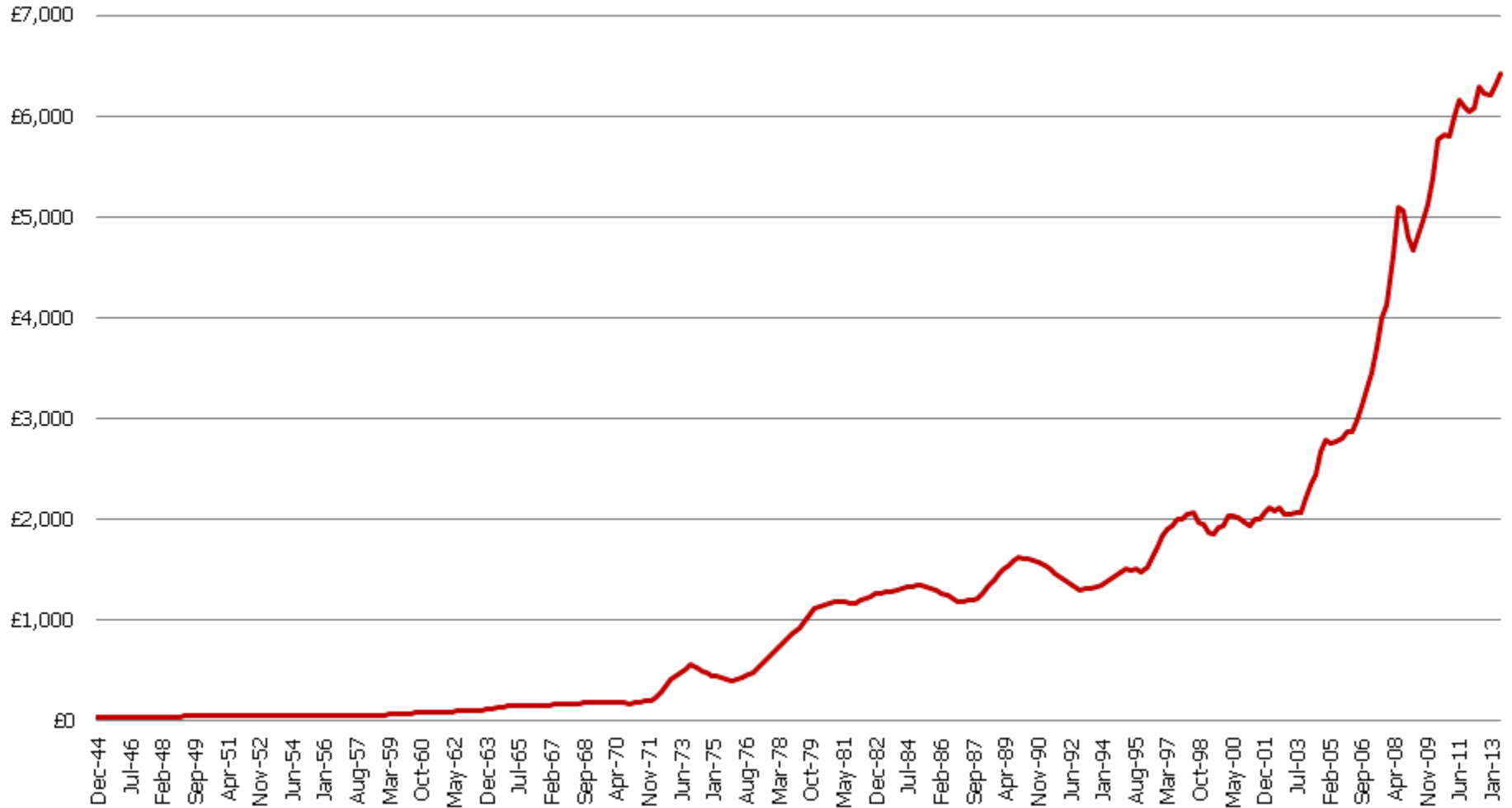
- Interest Rates - Risk
  - Volatility
  - Base Rate (Official Bank Rate)
  - Fixed Rate

# LAND PRICES



# Land Prices

## UK Land Prices since 1944



## Diverse market - how finely balanced?

### Upside fundamentals

- Low supply
- Safe asset – finite product
- Tax benefits
- Food & Fuel
- Population & wealth growth
  
- Demand Factors: Food, Energy, Housing, Commercial, Investor, Minerals, Leisure

### Downside risks

- Interest rates
- Debt + poor profitability
- Shift to resi & com property
- Tax changes
- Subsidy reduction Eurozone collapse? EU exit

## Summary

---

- Volatility – structure your debts correctly
- Artificially low rates – stress test your business at higher margins
- Land values – plan using average years
- PLAN and have a good team around you...