



PROPERTY MARKET REVIEW

SEPTEMBER 2018



Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

CENTRAL LONDON REMAINS THE HOT-SPOT FOR GLOBAL COMMERCIAL INVESTMENT

Data recently released by Knight Frank outlined that the first half of 2018 saw commercial property investment in the UK total £6.89bn, surpassing previous expectations.

Seven of the eleven £200 million plus deals were completed by overseas buyers during the first six months of the year. Knight Frank's 'Active Capital' research indicates that there is *"significant, and growing, weight of capital targeting real estate as an asset class."*

These investor classes include private capital, global institutions and equity funds. There are indications that this trend will continue.

Central London remains the centre of investor interest because of the capitals perceived market liquidity, transparency and stability.

ATTRACTIVE OFFICE AND INDUSTRIAL SECTORS IN SCOTLAND

CBRE reveals in their quarterly Scotland Property Report that whilst Scottish commercial property returns fell slightly in Q2 2018, the office and industrial sector in this region hit 2.4% and 2.3% respectively, both of which were *"significant improvements"* over the first quarter of the year.

Overall returns reached 1.4%, a slight decline from the 1.7% recorded in Q1. Not surprisingly, the weakest sector was retail, reporting returns of 0.3%, with CBRE commenting that this was *"Reflecting the turbulence this sector has experienced so far this year."* The retail sector was also the only one to record a fall in capital values as well, down by 1.1%, as a result of a number of large high street retailers closing stores or seeking company voluntary arrangements (CVAs).

JOHN LEWIS PARTNERSHIP SELECTS SOUTHAMPTON FOR NEW WAREHOUSE

The newly rebranded John Lewis Partnership (JLP) has agreed a deal with Peel Logistics and Rockspring to pre-let warehousing in Southampton, amounting to 46,353 sq. ft on a fifteen-year lease at £9 per sq. ft. They intend to start using the site by April 2019.

This deal is part of JLP's desire to create a new delivery hub in the area and to replace their existing facilities which are currently in the city centre.

Director of Industrial and Logistics at Lambert Smith, Adrian Whitfield, commenting on this announcement, was quoted as saying: *"We were delighted such a household name as John Lewis chose South Central for their relocation and look forward to securing tenants for the remaining detached units of 40,000 sq. ft and 117,000 sq. ft."*

THE RETURN OF THE DOMESTIC INVESTOR

Savills have reported a 12.9% increase in domestic investors into the UK's commercial property market. This home-grown investor group now accounts for 59% of all property purchases in the year to July.

Given that non-domestic investment has seen a fall of 21% during the same period, the UK's commercial property market has, therefore, seen a net investment of £18.8bn from domestic investors.

This increased activity has been attributed to both the industrial and office sectors prime yields tightening by 75 basis points over the period in question.

Head of Commercial Research at Savills, Mat Oakley, commented: *"The UK commercial property market is in a period of relative stability with prime yields remaining at 4.56%, the same level as at October 2017."*

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (JUL 2018)*	121.4*
AVERAGE HOUSE PRICE	£231,422
MONTHLY CHANGE	1.2%
ANNUAL CHANGE	3.1%

*(Jan 2015 = 100)

- UK house prices rose by **3.1%** in the year to July 2018
- House prices grew fastest in the North West region, increasing by **5.6%**
- House prices in London fell by **0.7%** in the year to July 2018

Source: The Land Registry / Release date: 19/09/2018
Next data release: 17/10/2018

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – JULY 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £352,138	4.6%
SEMI-DETACHED £216,785	3.3%
TERRACED £187,242	3.4%
FLAT / MAISONETTE £207,639	0.6%

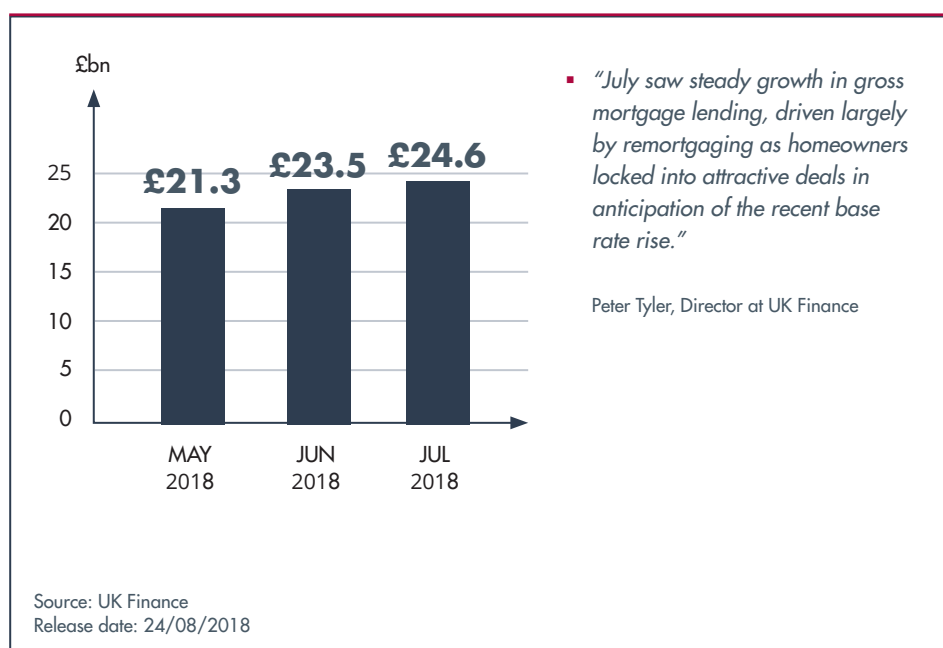
Source: The Land Registry
Release date: 19/09/2018

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HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.2	3.0	£248,611
NORTHERN IRELAND (QUARTER 2 – 2018)	-1.0	4.4	£132,795
SCOTLAND	1.4	3.2	£152,245
WALES	-0.2	4.2	£157,368
EAST MIDLANDS	-0.2	3.0	£188,716
EAST OF ENGLAND	1.3	2.4	£294,603
LONDON	0.6	-0.7	£484,926
NORTH EAST	2.6	2.8	£131,505
NORTH WEST	3.4	5.6	£165,529
SOUTH EAST	0.4	1.8	£327,002
SOUTH WEST	2.4	4.4	£259,971
WEST MIDLANDS REGION	0.6	4.4	£195,447
YORKSHIRE AND THE HUMBER	0.4	3.3	£161,712

MORTGAGE ACTIVITY



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