

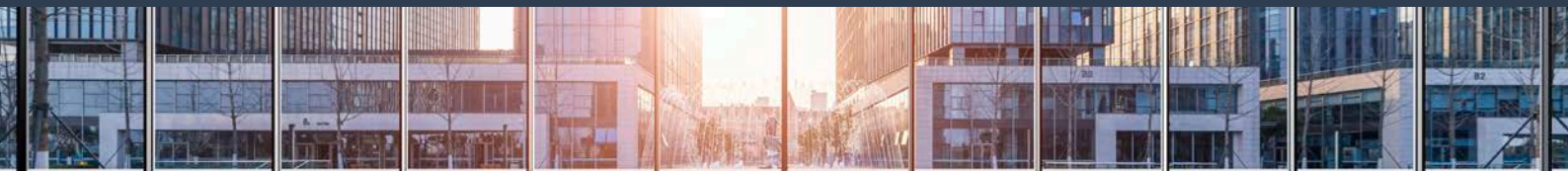
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PROPERTY MARKET REVIEW

DECEMBER 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.

Investor demand remains strong

The latest review from property adviser, GVA, indicates that mainland European investors appear to remain risk-averse to the UK commercial property market, as a result of the continuing uncertainty surrounding the Brexit negotiations. In contrast, other global investors, particularly those from the Far East and China, remain bullish, with demand from these regions strengthening in 2018. At the same time, UK based investors appear to have returned to the market this year and now account for approximately 12% more acquisitions compared to last year.

London remains the prime location for investors from outside Europe, but the North East has seen competitive bidding for prime, well-let assets, with an apparent lack of this type of property in that region at present.

Overall, the review finds that the UK commercial property market remains attractive, with the exception of retail assets.

Surge in demand for Central London office space

According to estate agents CBRE, central London saw a surge in demand in October for office space, with approximately 1.3m sq. ft of office space let, marking a 30% rise on the same month last year. This was primarily driven by the UK creative sector, who were responsible for nearly 20% of all deals contracted.

The largest deal of the month saw US advertising agency, McCann Erickson take 146,400 sq. ft at 135 Bishopsgate in the Square Mile's eastern area.

James Nicholson, Head of City Occupier Advisory & Transaction at CBRE commented: "One notable feature of the market is the increase in pre-letting activity, reaching a five-year high with 3m sq. ft of deals so far this year . . ."

Online retail market drives demand for logistics and industrial space

The bi-annual LOGIC Regional report from Knight Frank, which studies the occupier and investment market trends in the industrial and logistics sector, has revealed that the first half of 2018 saw 17 million sq. ft of industrial and logistical space acquired by participants in these sectors.

Given that most online logistics operations – who commanded 17% of retail sales in June 2018 – centre their distribution operations from the Midlands, it is no surprise that this region enjoyed 43% of take-up of warehouse space across the UK.

On the supply side, availability has increased slightly with new developments, that are over 100,000 sq. ft, both underway or recently completed, reaching 10.6 million sq. ft at the end of June 2018. Although this figure is a 20% improvement on the first half of 2017, it remains 7% below the 10-year average.

Scottish commercial property returns beat UK average

Although there is a 1.2% deficit between the Scottish and the overall UK total annual returns, with Scotland showing 7% against the UK average of 8.2%, three sectors of Scotland's commercial property market, 'offices', 'retail', and 'alternatives', are ahead of the UK average. Notably, the high street retail sector in Scotland shows total returns at 6.4%, against the UK average of only 4%.

This latest data, released by CBRE, shows that that the 'industrials' sector has bucked the trend due to exceptional rental performance in London and the South East, with UK total returns here showing an impressive 19.3% for the year ending September 2018 against Scotland's lower 8.4% return.

Martyn Brown, a Director of CBRE's investments team commented: "International buyers continue to be active in Scotland, attracted by the softer yields and higher returns on offer when compared to similar investment deals south of the border."

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (OCT 2018)*	121.2*
AVERAGE HOUSE PRICE	£231,095
MONTHLY CHANGE	-0.2%
ANNUAL CHANGE	2.7%

*(Jan 2015 = 100)

- UK house prices grew by **2.7%** in the year to October 2018
- This is the lowest annual growth for the UK since July 2013
- House prices grew fastest in the North West region, increasing by **4.9%** in the year to October 2018

Source: The Land Registry / Release date: 19/12/2018
Next data release: 16/01/2019

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	-0.2	2.4	£247,914
NORTHERN IRELAND (QUARTER 3 - 2018)	2.3	4.8	£135,060
SCOTLAND	-0.3	4.4	£151,508
WALES	-0.3	3.8	£160,874
EAST MIDLANDS	-0.6	4.3	£191,993
EAST OF ENGLAND	0.5	2.1	£294,548
LONDON	-0.3	-1.7	£473,609
NORTH EAST	-1.9	-0.1	£128,484
NORTH WEST	1.2	4.9	£165,007
SOUTH EAST	-0.4	1.5	£326,785
SOUTH WEST	-1.2	2.1	£256,167
WEST MIDLANDS REGION	-1.1	3.8	£196,073
YORKSHIRE AND THE HUMBER	1.0	4.4	£163,858

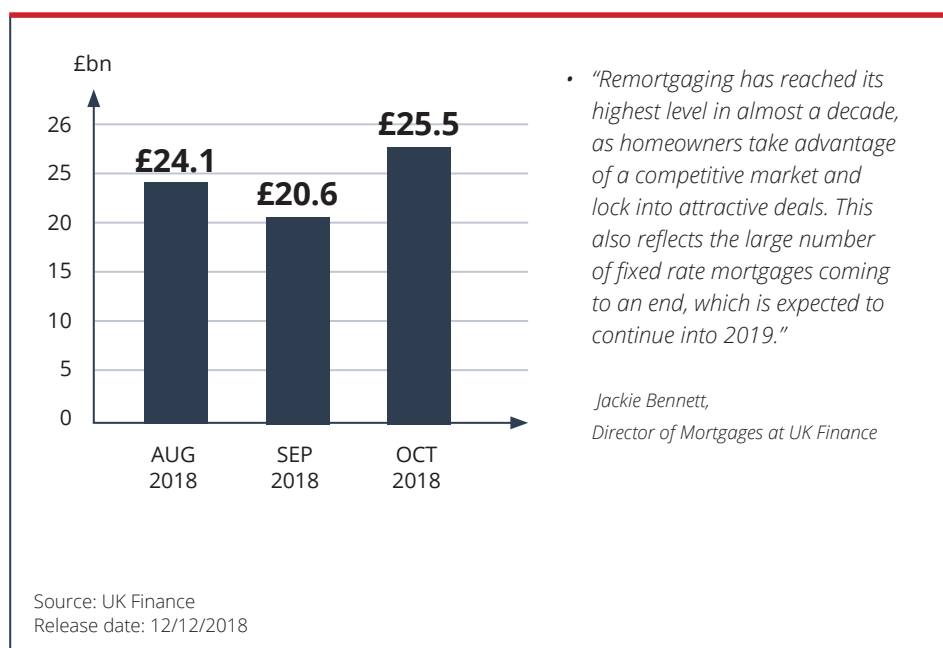
AVERAGE MONTHLY PRICE BY PROPERTY TYPE – OCT 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £351,531	3.5%
SEMI-DETACHED £218,619	3.4%
TERRACED £186,210	2.6%
FLAT / MAISONETTE £205,875	1.2%

Source: The Land Registry
Release date: 19/12/2018

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MORTGAGE ACTIVITY



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