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PROPERTY MARKET REVIEW

FEBRUARY 2017



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.

Demand for commercial property remains strong

According to the latest UK Commercial Property Market Survey for Q4 2016, from the Royal Institution of Chartered Surveyors (RICS), demand for commercial property rose for the second quarter running following the Brexit vote. Investment enquiries rose across all sectors.

The survey outlines that 21% more of their respondents recorded an increase in demand in Q4 2016, up 9% from Q3, as overseas investors entered the market again, with 20% of respondents recording a rise in enquiries from foreign investors, up 7% on the previous quarter, partly due to the devaluation of Sterling.

Across London, 62% of respondents believe the market is in the early to mid-stages of a downturn, an increase of 44% in Q3. Feedback across the rest of the UK is more upbeat. When London is excluded, 62% of respondents feel the commercial property market is in the upturn phase of the cycle.

Business Rates regime called into question

The Chief Economist of the Confederation of British Industry, Rain Newton-Smith, has recently called on the government to clarify its long-term intentions around its "outdated" commercial property tax, known as 'Business Rates'.

In advance of the Spring Budget, he said that the government should consider tying any additional tax burden on commercial businesses to the Consumer Prices Index from the 2018/19 tax year.

He commented: "In a more challenging economic environment, the Government must be careful not to put further pressure on firms." He went on to add: "Top of the list for the high street and our manufacturers is for the Government to tackle the UK's outdated business rates system, as this seriously risks impairing their ability to deliver the jobs and investment in our economy."

The business rates bill for the City of London is set to rise by £1.4bn over the next five years, a sharp 33% increase. Rising rates, combined with Brexit, could serve to undermine the City's drive to retain its standing as a global financial centre.

Scottish office market buoyant

Recent Market Watch research from Savills, reveals that despite a year of political uncertainty, the Scottish office market experienced a strong finish to 2016, with take-up totalling 694,849 sq. ft. for Q4, 9% above the quarterly average of 640,352 sq. ft.

Prime yields also held steady, with Aberdeen experiencing a 7.25% average yield, and Edinburgh and Glasgow averaging 5.5%. The research highlights lower volatility in returns for the Scottish office market compared with the rest of the UK, with returns set to be income driven into 2017 and yields remaining attractive relative to the rest of the UK office market.

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HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (DEC 2016)*	115.2*
AVERAGE HOUSE PRICE	£219,544
MONTHLY CHANGE	1.4%
ANNUAL CHANGE	7.2%

*(Jan 2015 = 100)

- Average UK house price stands at **£219,544**
- East of England experienced highest annual change (11.3%) to average **£281,513**
- North East England experienced the highest monthly increase (2.3%) to average **£128,631**

Source: The Land Registry / Release date: 15/02/2017
Next data release: 15/03/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.6	7.7	£236,424
NORTHERN IRELAND (QUARTER 4 - 2016)	0.6	5.7	£125,480
SCOTLAND	-0.2	3.5	£141,553
WALES	1.0	4.7	£148,177
EAST MIDLANDS	1.0	7.1	£176,790
EAST OF ENGLAND	1.9	11.3	£281,513
LONDON	1.8	7.5	£483,803
NORTH EAST	2.3	4.1	£128,631
NORTH WEST	1.9	6.6	£152,259
SOUTH EAST	1.7	8.5	£316,026
SOUTH WEST	1.3	7.0	£242,808
WEST MIDLANDS REGION	0.4	7.1	£181,328
YORKSHIRE AND THE HUMBER	2.2	6.5	£154,985

UK UNEMPLOYMENT FIGURES

- At **4.8%**, the unemployment rate is down from **5.1%** one year earlier
- **8.86** million people aged from 16 to 64 were economically inactive
- **31.84** million people in work, **302,000** more than one year earlier

Jobless total

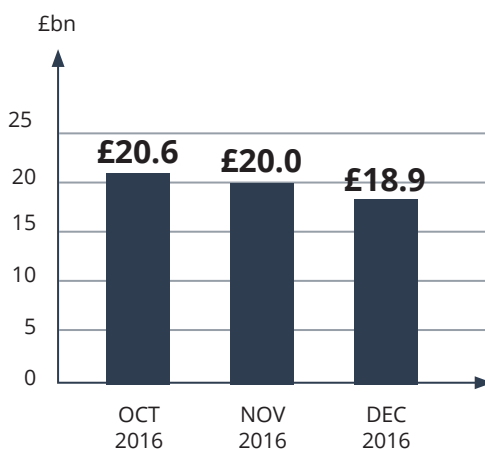
1.6m

Unemployment rate

4.8%

Source: Office for National Statistics
Release Date: 15/02/2017

MORTGAGE ACTIVITY



- Home-owner lending reached £11.6bn in December
- Q4 lending totalled 182,000 loans
- Buy-to-let lending down 7% by volume

Source: Council of Mortgage Lenders
Release date: 14/02/2017

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