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PROPERTY MARKET REVIEW

AUGUST 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.

Record breaking transaction for the Walkie Talkie

Making it London's most expensive property ever sold, 20 Fenchurch Street is to be purchased for £1.3 billion, by LKK Health Products Group, a Hong Kong based company. Commonly referred to as the Walkie Talkie, LKK will buy out the Canary Wharf Group and Land Securities to acquire the prime commercial real estate in the City.

LKK Health Products is eager to make its mark on the London market following its unsuccessful bid for the Gherkin. The fully-let building covers 34 floors and, in addition to commercial space, provides various eateries and an open air viewing area.

James Beckham of Cushman & Wakefield, who advised on the deal, commented: *"This record-breaking deal demonstrates the enormous investor appetite in London, and in the City's reputation as the global place to do business. Since the vote to leave the EU, capital targeting London from the Asia-Pacific region has increased to record levels. This is partly due to currency fluctuations but is more indicative of longer-term confidence in London and investment strategies which are not derailed by short-term political uncertainty."*

Warehouse demand continues to outstrip supply

Demand for large warehouses has continued to gain momentum, largely fuelled by delivery companies and internet retailers, who require what's referred to as 'big box' logistics buildings, which are typically 500,000+ sq ft. Following several years of rental growth in the sector, the imbalance that exists between supply and demand remains in favour of landlords.

Tritax Big Box REIT, one of the main listed participants in the market, acquired three sites in the first six months of the year, for a total of £142.5m, and recently bought a 124-acre

development site in Dartford for around 1.7m sq ft of new logistics buildings. Tritax did caution that finding and buying sites at *"attractive prices"* was becoming harder as competition for premises intensified.

Colin Godfrey, Fund Manager of Tritax, commented: *"The logistics market continues to dynamically influence the UK economy. We believe that the development of the 'big box' logistics market remains in its infancy, with operational efficiencies and e-commerce likely to drive occupational demand for some time to come."*

UK office take-up strong in Q2

Lambert Smith Hampton's (LSH) recent National Market Pulse reported strong office take-up across the UK in Q2, boosted by an increase in larger grade A space transactions. Q2 UK-wide take-up of 6.8m sq ft represents a 12% increase on the previous quarter. Developers are now focusing on refurbishments to capitalise on tightening in supply, which is helping to maintain pressure on rents. Leeds recorded the strongest increase in rental growth, rising 9% to £30 per sq ft, following Burberry's Queens Street deal.

LSH comments on current market conditions: *"Despite signs of moderating growth in the economy, the occupier market has confounded initial expectations of a downturn in the wake of last year's Brexit vote. The fundamentals are relatively sound, with above average take-up in Q2 and tight supply evident throughout most markets. While rental growth has slowed, the corrections that many had feared have not materialised."*

"The recovery of capital values and ongoing growth in rents in the 12 months since the Referendum has prompted investors to raise their total return aspirations significantly for 2017. This improving picture should encourage more stock to the market and, while Q3 may prove to be quiet as it often is over the summer, Q4 could be a busy quarter."

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (JUNE 2017)*	117.1*
AVERAGE HOUSE PRICE	£223,257
MONTHLY CHANGE	0.8%
ANNUAL CHANGE	4.9%

*(Jan 2015 = 100)

- Average house price stands at **£223,257**
- UK House prices grew by **4.9%** in the year to June 2017
- While the annual growth rate has slowed since mid-2016 it has remained broadly around **5%** during 2017

Source: The Land Registry / Release date: 15/08/2017
Next data release: 12/09/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.8	5.2	£240,325
NORTHERN IRELAND (QUARTER 2 - 2017)	3.1	4.4	£128,650
SCOTLAND	0.1	2.9	£144,253
WALES	2.9	3.6	£151,672
EAST MIDLANDS	1.0	7.1	£182,166
EAST OF ENGLAND	0.3	7.2	£286,623
LONDON	-0.7	2.9	£481,556
NORTH EAST	1.9	2.5	£130,065
NORTH WEST	1.9	5.5	£156,392
SOUTH EAST	0.6	4.9	£320,168
SOUTH WEST	0.7	5.3	£246,159
WEST MIDLANDS REGION	0.5	4.7	£185,082
YORKSHIRE AND THE HUMBER	2.2	4.9	£157,762

UK UNEMPLOYMENT FIGURES

- **32.07** million people in work, 125,000 more than for January to March 2017
- **883,000** people (not seasonally adjusted) in employment on "zero-hours contracts" in their main job, 20,000 fewer than for a year earlier economically inactive

Jobless total

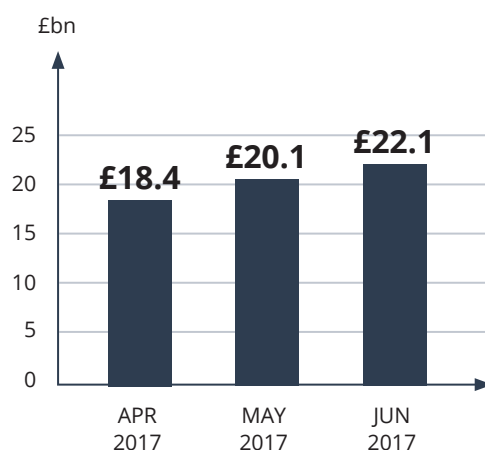
1.48m

Unemployment rate

4.4%

Source: Office for National Statistics
Release Date: 16/08/2017

MORTGAGE ACTIVITY



- UK Finance estimates that gross mortgage lending reached £22.1 billion in June
- Gross mortgage lending for Q2 increased 3% on Q1

Source: UK Finance (formerly Council of Mortgage Lenders)
Release date: 20/07/2017

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