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PROPERTY MARKET REVIEW

JUNE 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.

British business rates risk damaging UK commercial property market

The UK government's re-assessment of the value of properties, undertaken in 2015, had the effect of either increasing or decreasing the rates owed by business owners. Any increase in rates took effect from April 2017, a full two years after valuations were made.

Business rates are based on the rateable value of the property and are dependent on the location of the property within the UK. Businesses assessed as having a rateable value above £51,000 are multiplied by 49.3p to arrive at the rates bill, whereas properties with a rateable value under £51,000 are multiplied by 48p.

Online retailers such as Amazon have benefited as their business model allows them to use cheaper real estate such as large warehouses outside town and city centres. Many retail outlets based in city centres, have experienced increases in their business rates. This has resulted in large amounts of retail property being vacated, affecting the commercial property marketplace.

Aberdeen hotel sector looks positive

In their recently released 'Aberdeen Hotel Spotlight', Savills outlines that the city is benefiting from the recovery in the oil price and infrastructure projects, which are boosting the city's hotel sector. Investor demand looks set to intensify, with the report suggesting revenue per available hotel room will move into positive territory in the second half of the year, reversing a trend dating back to 2014.

Hoteliers are prospering from major infrastructure projects in the city, including the new exhibition and conference centre opening next year, which is expected to attract 4.5 million visitors in six years; and the airport expansion, which is set to increase terminal capacity by 50%. The development of the £335 million offshore wind farm and £350 million expansion of the harbour are contributing factors. The city is welcoming new hotels which will increase the total room count by 10% by the end of next year.

Steven Fyfe, the Associate Director of the hotels agency of Savills, commented: *"While there has been a historical dominance and reliance on the oil industry, there are efforts to diversify Aberdeen's economy and this will prove positive for hotel operational performance over the long term."*

Growing divide between retail and industrial property sectors

In June, the Royal Institution of Chartered Surveyors released the results of their UK Commercial Property Market survey of Q1 2018. The survey clearly highlighted the growing divide between the struggling retail sector and the healthy backdrop in the industrial sector. Demand for industrial space is solid and continuing to rise, rental projections are robust. Tenant demand for retail space declined further in Q1 and at an accelerating rate, contributors to the survey expect downward pressure on retail rents to intensify.

Respondents are confident in seeing prime industrial capital value gains over the year ahead, across all regions. Retail capital value projections are negative in every UK region, further highlighting the divergence between the two sectors.

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (APR 2018)*	119.0*
AVERAGE HOUSE PRICE	£226,906
MONTHLY CHANGE	1.2%
ANNUAL CHANGE	3.9%

*(Jan 2015 = 100)

- UK house prices rose by **3.9%** in the year to April 2018
- London was the slowest growing region at **1%**
- The South West was the fastest growing region with an annual growth rate of **6.1%**

Source: The Land Registry / Release date: 13/06/2018
Next data release: 18/07/2018

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.1	3.7	£243,639
NORTHERN IRELAND (QUARTER 1 - 2018)	0.3	4.2	£130,026
SCOTLAND	2.5	5.6	£148,952
WALES	1.6	4.4	£156,495
EAST MIDLANDS	1.3	4.8	£186,480
EAST OF ENGLAND	-0.8	2.5	£286,447
LONDON	2.4	1.0	£484,584
NORTH EAST	4.2	4.5	£130,489
NORTH WEST	0.0	2.4	£155,868
SOUTH EAST	0.9	3.5	£324,530
SOUTH WEST	1.8	6.1	£255,207
WEST MIDLANDS REGION	0.8	5.9	£192,090
YORKSHIRE AND THE HUMBER	1.4	3.5	£158,545

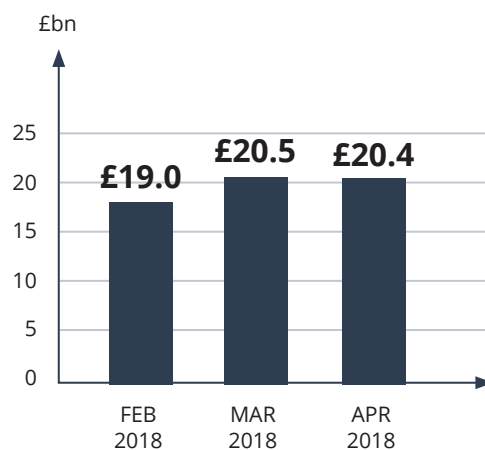
AVERAGE MONTHLY PRICE BY PROPERTY TYPE – APR 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £342,154	(3.8%)
SEMI-DETACHED £214,717	(5.3%)
TERRACED £184,304	(4.7%)
FLAT / MAISONETTE £202,052	(1.0%)

Source: The Land Registry
Release date: 13/06/2018

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MORTGAGE ACTIVITY



- There were 26,700 new first-time buyer mortgages completed in the month, 3.5% higher than April 2017
- “The number of first-time buyers has grown year on year, outstripping the number of homemovers”
- There were 5,000 new buy-to-let house purchase mortgages completed in the month, 5.7% fewer than April 2017

Source: UK Finance
Release date: 25/05/2018

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