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PROPERTY MARKET REVIEW

AUGUST 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.

Prime UK commercial property rent values rise by 0.7%

Commercial real estate services and investment firm, CBRE, have announced in their latest Prime Rent and Yield Monitor, that UK prime commercial property rental values saw an increase of 0.7% in Q2 2018. However, at the All Property level they revealed that prime yields were fairly flat, rising by only one basis point (0.01%) to 5.3% over the quarter. They believe the outperformance of the industrial sector boosted these results in both prime rents and yields.

As a result, Q2 was the seventh consecutive quarter of industrial outperformance. Prime rental values increased 2.1% in the quarter, following the 2.3% increase recorded in Q1 2018.

Regionally, prime North West industrials outpaced all other submarkets, recording an increase in rental values of 5.9%, which represents the highest increase in the region since 1990.

In Q2, High Street Shop prime rents decreased -0.5%, the biggest quarterly fall for the sector since Q3 2012. Most regions recorded falls in prime rents, with the largest recorded in Wales (-2.6%) and South West (-2.5%).

Head of UK Research at CBRE, Miles Gibson, commented: *"All Property results continue to demonstrate the resilience of prime commercial property, although performance continues to be boosted by the Industrial sector"*.

Sting in the tail for UK commercial property held offshore

Commencing in April 2019, UK commercial property held offshore will be subject to Capital Gains Tax when it is sold. So, commercial property held in trust in jurisdictions such as the Isle of Man, Guernsey and Jersey will be brought into line with those currently held on the UK mainland.

Catx, a specialist tax relief company, has reported commercial property owners could be forced to pay in excess of £8.6bn if they fail to revalue properties in advance of the tax change. It is therefore advisable for offshore commercial property to be urgently revalued to reflect their current value, prior to this date, to minimise any future liability to tax.

The Chief Executive of Catx, Mark Tighe, was reported as saying: *"Although April may seem like some way away, the reality is that commercial property owners are going to be stung quite badly if they don't act quickly. Whether it's an office building in the Gherkin, a hotel in Manchester or even a dockyard in Dartford, property values have only been going one way. The cost of not acting could be catastrophic for these offshore trusts. It is so simple to revalue a property and can often be done in conjunction with a Capital Allowances survey, which could see an immediate financial benefit to property owners"*.

UK retail warehouse property sector thrives

The UK's retail warehouse commercial property sector continues to do well. Savills have reported that this sector has seen the fastest growth than any other commercial property market over the last thirty years with annual returns of 11.5% since 1980.

They went on to add that over the last 37 years, rental growth in retail warehousing averaged 4.3% and suggested that there is *"very little evidence"* supporting the theory that online retail enjoys better profitability than 'bricks-and-mortar' retailers.

Much of this upbeat analysis can be attributed to the fact that large scale retail parks have proliferated across the UK in recent years, despite initial concerns that online retail would succeed in undercutting demand for physical retail outlets. Extra delivery prices for online shopping has helped to push customer appetite back towards larger scale shop alternatives.

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (JUNE 2018)*	119.8*
AVERAGE HOUSE PRICE	£228,384
MONTHLY CHANGE	0.4%
ANNUAL CHANGE	3.0%

*(Jan 2015 = 100)

- UK house prices rose by **3.0%** in the year to June 2018
- West Midlands was the fastest growing region with an annual growth rate of **5.8%**
- London was the slowest growing region, falling by **0.7%** in the year to June 2018

Source: The Land Registry / Release date: 15/08/2018
Next data release: 19/09/2018

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – JUNE 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £342,739	(3.2%)
SEMI-DETACHED £216,218	(4.4%)
TERRACED £185,623	(3.6%)
FLAT / MAISONETTE £204,247	(0.5%)

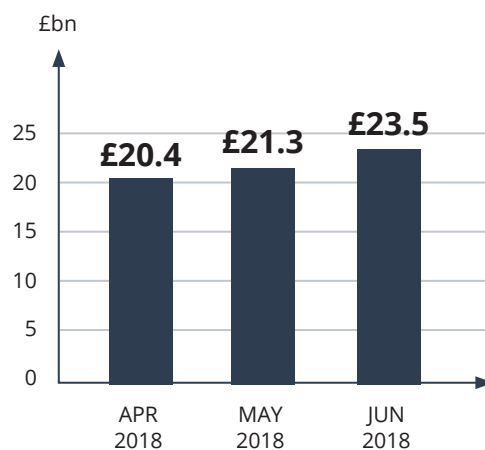
Source: The Land Registry
Release date: 15/08/2018

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HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.3	2.7	£245,076
NORTHERN IRELAND (QUARTER 1 - 2018)	-1.0	4.4	£132,795
SCOTLAND	0.8	4.8	£150,472
WALES	1.7	4.3	£156,886
EAST MIDLANDS	-0.5	4.1	£187,553
EAST OF ENGLAND	1.0	3.3	£292,632
LONDON	-0.6	-0.7	£476,752
NORTH EAST	-1.9	-0.6	£127,271
NORTH WEST	0.5	3.1	£159,801
SOUTH EAST	0.6	2.1	£325,107
SOUTH WEST	-0.5	3.1	£252,558
WEST MIDLANDS REGION	1.9	5.8	£196,015
YORKSHIRE AND THE HUMBER	0.9	3.2	£160,727

MORTGAGE ACTIVITY



- "Remortgaging continued to dominate in June with borrowing figures up 13% on the same period last year as existing two and three year products came to an end and borrowers opted for new deals. Despite a boost in recent months, speculation of a base rate rise saw the market remain relatively subdued with year-on-year declines in activity among both first time buyers and homemovers as customers adopted a 'wait and see' approach."

Jackie Bennett, Director of
Mortgages at UK Finance

Source: UK Finance
Release date: 14/08/2018

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