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PROPERTY MARKET REVIEW

MAY 2019



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.

Hotels resist wider investment trends

Savills recent UK Commercial 'Market in Minutes' report has revealed that in 2018, all sector investment volumes totalled £62.4bn, a decrease of 4.8% on the previous year. The trend has continued this year, with volumes to the end of April down 15.7% on the same period last year. Interestingly, UK hotels have avoided this wider trend, with total hotel transaction volumes reaching £7.8bn last year, up 45% on 2017 data. The sector has been boosted by the acquisition of a number of large portfolios.

So far, the UK hotel sector has experienced more modest growth in Q1 2019; a 2.7% year-on-year increase on Q1 2018, boosted by the acquisition of the Grange portfolio by Queensgate Investments for £1bn. Queensgate acquired the Grange's upmarket hotels at St Paul's, Holborn, Tower Bridge and the City. In total the portfolio comprises 1,345 rooms and 930,000 sq. ft of real estate.

This appetite for hotels has led Savills to expect some potential downward shifts in yields going forward.

16-year low for UK shopping centre development

During the first quarter of 2019, shopping centres worth only £20m changed hands. According to statistics from commercial property data specialists Costar, this compares with a 10-year quarterly average of £783m. Mark Stansfield, Head of UK Analytics at CoStar commented that this was the weakest quarter in 16 years and "probably this century".

The downturn in the sector has been prompted by retailers grappling with higher costs and consumers transitioning to online purchases.

Mark Garmon-Jones, director of UK retail investment at the property agency Savills, said the slow market was because of: "occupational uncertainty, and political and economic uncertainty around Brexit".

Edinburgh next on the flexible workspace agenda

Edinburgh is the next destination that flexible office provider WeWork has selected as its third city in the UK to establish. Backed by billions of pounds of investor cash, the New York based start-up is opening 46,000 sq. ft on George Street, which will accommodate around 800 tenants. The premises, in the city's New Town district, will be ready towards the end of 2019.

Wework's UK and Ireland General Manager, Mathieu Proust, commented that opening space in Edinburgh was the "logical next step" after London, where it has 50 buildings planned and open, and Manchester, where it has four sites.

Industrial property sector continues to look strong

The recently released RICS commercial market survey of Q1 2019 concludes that conditions in the sector remain varied, with industrial property experiencing solid growth and retail displaying little sign of improvement.

In Q1 2019, UK commercial property demand from occupiers saw an overall decline, which stemmed from the retail sector, where 57% of respondents reported a fall in demand. Investment demand for industrial units remains positive, with prime assets predicted to post the strongest capital value gains on a sectoral comparison over the coming year.

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (MAR 2019)*	119.0*
AVERAGE HOUSE PRICE	£226,798
MONTHLY CHANGE	- 0.2%
ANNUAL CHANGE	1.4%

*(Jan 2015 = 100)

- UK house prices grew by **1.4%** in the year to March 2019, up from **1.0%** in the year to February 2019
- House price growth was strongest in Yorkshire and The Humber where prices increased by **3.6%** in the year to March 2019
- The lowest annual growth was in London, where prices fell by **1.9%** over the year to March 2019

Source: The Land Registry
Release date: 22/05/2019
Next data release: 19/06/2019

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	-0.5	1.1	£243,128
NORTHERN IRELAND (QUARTER 1 - 2019)	-1.0	3.5	£134,811
SCOTLAND	1.9	3.3	£149,461
WALES	0.0	3.0	£158,696
EAST MIDLANDS	-0.4	2.9	£190,171
EAST OF ENGLAND	-1.1	0.0	£286,611
LONDON	-0.4	-1.9	£463,283
NORTH EAST	-1.1	-0.8	£123,046
NORTH WEST	-1.7	2.5	£159,471
SOUTH EAST	-0.6	-0.4	£318,491
SOUTH WEST	-0.3	1.3	£253,752
WEST MIDLANDS	-0.5	3.4	£196,571
YORKSHIRE AND THE HUMBER	1.8	3.6	£162,129

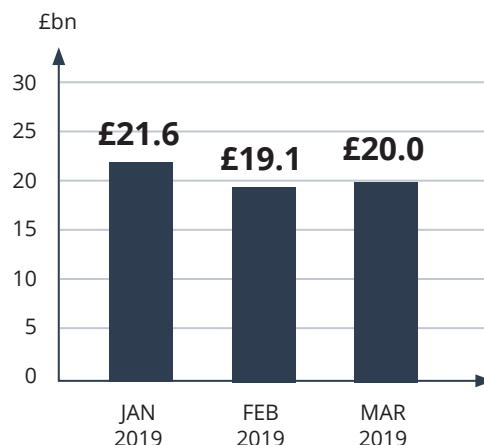
AVERAGE MONTHLY PRICE BY PROPERTY TYPE – MAR 2019

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £346,474	2.1%
SEMI-DETACHED £215,998	2.6%
TERRACED £181,995	0.6%
FLAT / MAISONETTE £200,335	0.1%

Source: The Land Registry
Release date: 22/05/2019

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MORTGAGE ACTIVITY



- Gross mortgage lending across the residential market in March 2019 was £20 billion, 0.5% lower than the same month in 2018
- The number of mortgages approved by the main high street banks in March 2019 was 9.1% higher than March 2018.

Source: UK Finance
Release date: 26/04/2019

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