



PROPERTY MARKET REVIEW

JULY 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.

Blackstone closes £500m deal to grab majority stake in The Office Group

Blackstone, one of the largest private equity houses, who currently manage over € 140bn of real estate assets globally, has acquired a majority holding in temporary workspace business The Office Group (TOG), itself a privately-owned company and landlord to several major corporations.

The deal, believed to be valued at £500m, represents a vote of confidence in the UK's commercial property market and confirmation that global investors still see the UK as a good investment opportunity. The acquisition is aimed at consolidating expansion plans for TOG, which currently has a portfolio of 36 properties, offering flexible workspace to businesses, from established firms to start-ups, freelancers and entrepreneurs.

Non-prime high streets and shopping centres still popular in the retail sector

Savills recent 'Retail revolutions' report entitled 'The rise of the community shopping centre' has highlighted the continuation in popularity of non-prime high streets and shopping centres, despite the massive increase in internet shopping. The research outlines that the combination of modern lifestyles, the economic environment and significant advances in technology have altered consumer behaviour and shopping habits. As a result, convenience retail is a beneficiary subsector of these trends.

The research summarises that: *"community shopping centres are an important asset class in their own right and there is good reason to believe that their offer, tuned to the local shopper, is more defensive than other kinds of retail location, given further challenges anticipated in consumer spending and the wider economy."*

Convenience is a key driver of visits (65%) and frequency is high (78% at least weekly); higher than regional malls, major high streets or online purchases. The demographic profile shows that the offer suits the needs of all consumer groups. The need for many retailers to have large portfolios means a strong reliance on Secondary and Community shopping centre locations. Lower occupational costs mean stronger retailer affordability, profitability and sustainability.

Appetite remains for UK commercial property

Data compiled by 'BrickVest' in their latest commercial property barometer indicates that almost a third (31%) of international commercial property investors would choose the UK for further investment. Despite the UK's decision to leave the European Union, this number has remained the same since June 2016.

Other investment opportunities were identified, with 24% of real estate investors favouring Germany, a fall from 28% last year. The 22% recorded for the United States was the same as last year and the 15% recorded for France was an increase of 2% on last year. The average risk appetite index for commercial real estate was recorded at 49% in 2017, an increase from 47% reported in 2016. The risk appetite for UK investors, increased to 51%, compared with 49% recorded last year.

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HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (MAY 2017)*	115.8*
AVERAGE HOUSE PRICE	£220,713
MONTHLY CHANGE	0.5%
ANNUAL CHANGE	4.7%

*(Jan 2015 = 100)

- Average house price stands at **£220,713**
- UK house prices grew by **4.7%** in the year to May 2017, 0.6 percentage points lower than in the year to April 2017.
- East of England showed the highest annual growth, with prices increasing by **7.5%** in the year to May 2017

Source: The Land Registry / Release date: 18/07/2017
Next data release: 15/08/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.5	5.0	£237,662
NORTHERN IRELAND (QUARTER 1 - 2017)	-0.8	4.3	£124,007
SCOTLAND	0.7	3.5	£143,106
WALES	0.6	3.8	£149,817
EAST MIDLANDS	1.3	7.2	£180,903
EAST OF ENGLAND	0.7	7.5	£284,097
LONDON	-0.3	3.0	£481,345
NORTH EAST	1.8	1.6	£126,738
NORTH WEST	0.7	3.8	£153,297
SOUTH EAST	-0.3	4.8	£315,807
SOUTH WEST	0.4	5.5	£243,969
WEST MIDLANDS REGION	0.8	5.3	£183,942
YORKSHIRE AND THE HUMBER	1.1	4.4	£155,268

UK UNEMPLOYMENT FIGURES

- The unemployment rate is **4.5%**, down from **4.9%** a year earlier
- There were **8.83** million people aged from 16 to 64 who were economically inactive

Jobless total

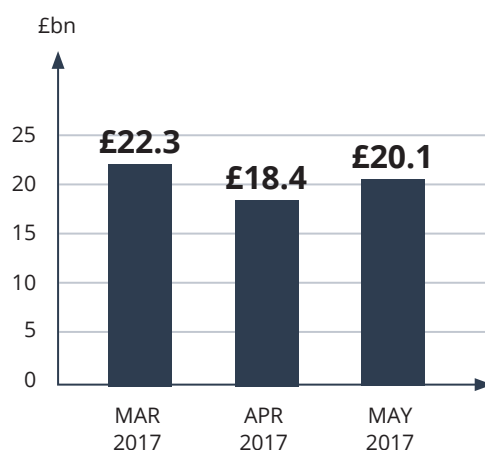
1.49m

Unemployment rate

4.5%

Source: Office for National Statistics
Release Date: 12/07/2017

MORTGAGE ACTIVITY



Source: Council of Mortgage Lenders
Release date: 22/06/2017

- Gross mortgage lending reached £20.1 billion in May
- CML says: "Buy-to-let had a weak start to 2017, and the sector's contribution to overall net mortgage lending has fallen considerably over the last year."

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