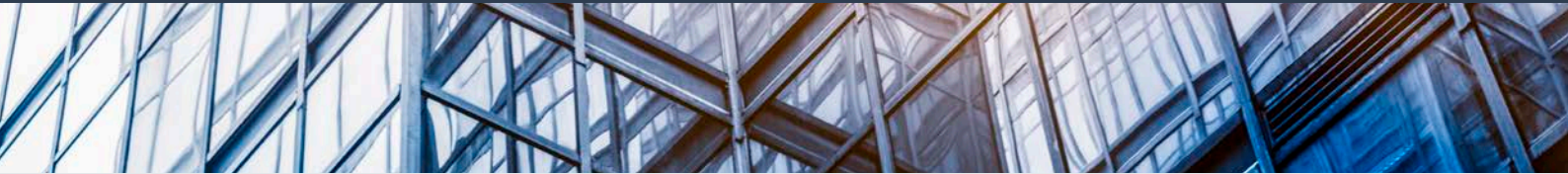




PROPERTY MARKET REVIEW

MARCH 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.

High level of investment seen in Europe

In their recent European Commercial Property Outlook for Q3 2017, Knight Frank have revealed that European investment volumes for 2017 are set to exceed those of 2016. Their report highlighted that in the third quarter of 2017, €47.4bn was invested, which represents a 13% increase on the same quarter one year previously.

Elsewhere, a report from commercial property firm Savoy Stewart, recorded that several European countries experienced a spike in commercial property investment last year. With a 121.6% increase on 2016 investment levels, Finland received investment of €5.6 billion (Q1-3). Other considerable increases in commercial property investment were experienced in Hungary (89.9%), Romania (73.5%), the Czech Republic (43.3%) and the Netherlands (41.7%).

The UK received commercial property investment of €37.6bn in the first three quarters of 2017, a 2.8% increase on the same period of 2016. According to the report, the recovery in UK volumes has been driven by the purchase of large assets in London by overseas buyers.

The report goes on to outline the favoured sectors for investors this year as Industrial and Logistics.

UK hotel investment alive and well

Savills 'UK Hotel Investment' paper for Q1 2018 has concluded that investor appetite for hotels looks robust - a theme set to continue throughout the year. Despite Brexit, fundamentals are supportive of operational demand over the long-term. This continues the healthy inflows of investment in 2017, where overseas buyers were the prime drivers of transactional activity. Last year, transaction volumes totalled £5.4bn, an increase of 32% on levels seen in 2016. The focus shifted regionally as availability, returns and pricing was favourable.

Interest from institutional and overseas buyers looks set to continue this year and regional investment remains popular. Operators will look to generate returns from space which is currently under-utilised, enhancing margins where possible.

A far more selective investment start seen in 2018

Despite a strong commercial property sector performance last year, commercial property investors appear to be increasingly selective in their investment decisions.

Recent auctions of commercial property in the UK saw high quality lots continuing to sell well, but below this premier level, other lots have started to struggle. Some of the leading auction houses saw mixed results with selling success rates dipping from their 100% rating seen throughout 2017.

Nilesh Patel, Group Director of real estate consultancy The Prideview Group was quoted as saying: *"There is still a hell of a lot of cash sitting on the sidelines, ripe for investment. But in the context of rising inflation and interest rates, that cash wants either solid long-dated income or genuine value-add opportunities i.e. investments that permit the investor to ride through the uncertainty ahead."*

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HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (JAN 2018)*	118.3*
AVERAGE HOUSE PRICE	£225,621
MONTHLY CHANGE	-0.3%
ANNUAL CHANGE	4.9%

*(Jan 2015 = 100)

- UK house prices grew by **4.9%** in the year to January 2018, down from **5%** in the year to December 2017.
- The largest annual price growth was recorded in Scotland, where prices increased by **7.3%** over the year to January 2018.

Source: The Land Registry / Release date: 20/03/2018
Next data release: 18/04/2018

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	-0.5	4.6	£242,286
NORTHERN IRELAND (QUARTER 4 - 2017)	1.0	4.3	£130,482
SCOTLAND	1.4	7.3	£148,512
WALES	-0.5	4.5	£153,034
EAST MIDLANDS	-0.1	7.3	£185,568
EAST OF ENGLAND	-0.7	5.3	£289,729
LONDON	1.0	2.1	£485,830
NORTH EAST	-5.5	0.7	£122,870
NORTH WEST	-1.5	4.3	£155,788
SOUTH EAST	0.2	3.4	£323,435
SOUTH WEST	1.4	6.9	£255,307
WEST MIDLANDS REGION	-2.0	5.3	£187,905
YORKSHIRE AND THE HUMBER	-0.7	5.1	£156,484

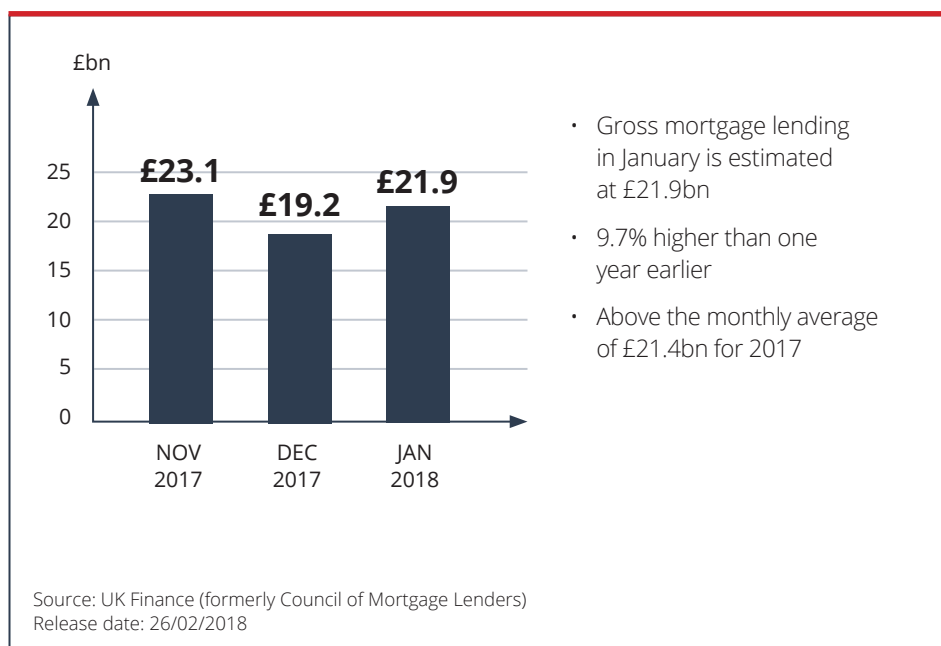
AVERAGE MONTHLY PRICE BY PROPERTY TYPE - JAN 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £341,478	(5.0%)
SEMI-DETACHED £212,833	(5.8%)
TERRACED £181,256	(4.6%)
FLAT / MAISONETTE £203,840	(4.0%)

Source: The Land Registry
Release date: 20/03/2018

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MORTGAGE ACTIVITY



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