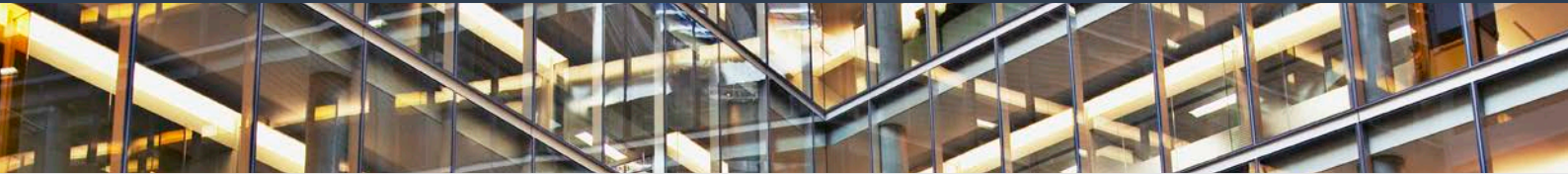




PROPERTY MARKET REVIEW

OCTOBER 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.

Scottish and London commercial property "lag UK"

The Royal Institution of Chartered Surveyors (RICS) have reported in their most recent UK Commercial Market Survey, that in the third quarter of the year, occupier demand increased across the majority of the UK. The industrial sector was pinpointed as the main driver of improvement. Office space demand remained flat.

Contrary to this increase, central London saw demand fall for the second consecutive quarter. Scotland followed suit, showing the biggest fall in demand across the UK. In fact, 24% of the survey respondents reported a fall in demand in their region. These areas were the only two who reported that their near-term rent expectations did not manage to rise into positive territory.

Reporting on these findings, Simon Rubinsohn, RICS Chief Economist, commented: *"Interestingly, the feedback we have received was noticeably more cautious in Scotland and parts of London but despite this, the RICS results do suggest that the drop in the pound is encouraging foreign investors to show interest in the market, particularly in the capital."*

Google 'landscaper' London HQ

In a vote of confidence for the UK, the search engine corporation 'Google' has submitted plans for a new UK headquarters in London that will span 92,000 square metres. When completed (with construction planned to commence in 2018) the 'landscaper' building will be as long as the Shard is tall, stretching parallel to the length of the King's Cross railway platforms.

The new building will accompany Google's current King's Cross office, together with a nearby third building Google plan to

occupy soon. The three properties combined will house 7,000 Google employees. The new building will be the first property wholly owned by Google outside of the United States.

Retail investors heavily biased towards prime

In its third quarter 2017 'UK Shopping Centre and High Street Spotlight', Savills expect cost pressures on retailers to soften in 2018 as the initial shock of weaker sterling subsides. However, the ongoing burden of business rates and staffing means the tight relationship between retailers' margins and rental growth will make it extremely challenging for landlords to increase rents. Retail rental growth only looks likely in the strongest trading locations and the prime pitches in central London and a selection of key regional prime pitches. Retail void rates are expected to continue to fall in strong locations, delivering some net-effective rental growth for landlords.

Gentle increases in store portfolios are expected next year, with particular positivity noted amongst value retailers as consumers remain value-conscious. Expansion plans are likely to remain cautious and selective.

Shopping centre investment volumes have been subdued in Q3, as investors are targeting prime, dominant and community/convenience schemes.

"...the RICS results do suggest that the drop in the pound is encouraging foreign investors to show interest in the market, particularly in the capital."

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (AUG 2017)*	118.5*
AVERAGE HOUSE PRICE	£225,956
MONTHLY CHANGE	0.5%
ANNUAL CHANGE	5.0%

*(Jan 2015 = 100)

- UK house prices grew **5.0%** in the year to August
- The main contribution to the increase in UK house prices came from England
- The largest annual growth was in the North West at **6.5%**

Source: The Land Registry / Release date: 17/10/2017
Next data release: 14/11/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.7	5.3	£243,520
NORTHERN IRELAND (QUARTER 2 - 2017)	3.1	4.4	£128,650
SCOTLAND	-0.7	3.9	£146,354
WALES	-0.1	3.4	£150,258
EAST MIDLANDS	0.3	6.4	£183,762
EAST OF ENGLAND	0.0	6.4	£288,440
LONDON	-1.0	2.6	£484,362
NORTH EAST	1.4	3.7	£130,731
NORTH WEST	2.3	6.5	£159,865
SOUTH EAST	1.1	4.8	£324,983
SOUTH WEST	0.6	6.4	£251,984
WEST MIDLANDS REGION	0.6	5.3	£188,447
YORKSHIRE AND THE HUMBER	1.4	4.8	£158,689

UK UNEMPLOYMENT FIGURES

- The unemployment rate was **4.3%**, down from **5.0%** for a year earlier and the joint lowest since 1975
- There were **1.44** million unemployed **215,000** fewer than for a year earlier

Jobless total

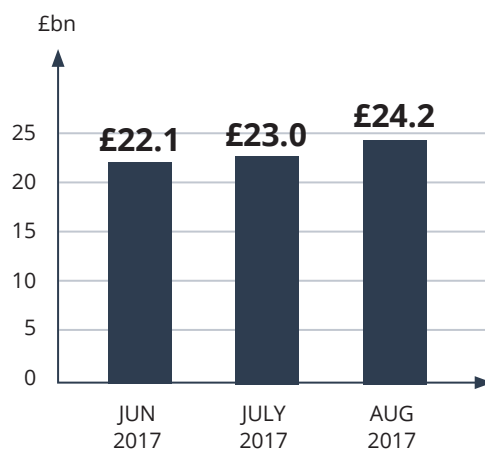
1.44m

Unemployment rate

4.3%

Source: Office for National Statistics
Release Date: 18/10/2017

MORTGAGE ACTIVITY



- Gross mortgage lending for August is estimated at £24.20 billion
- Of which £15.10 billion was lent by High Street Banks

Source: UK Finance (formerly Council of Mortgage Lenders)
Release date: 26/09/2017

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