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PROPERTY MARKET REVIEW

SEPTEMBER 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 hotels attract overseas investors

Whilst some areas of the commercial property market are marking time post-Brexit, the Scottish hotels sector appears to be bucking the trend.

Respected commercial and residential agents, Savills reveals that this particular market has attracted overseas investment of over £51m in the current year to date. This represents a six-fold increase on last year's annual total of £7.8m.

A large proportion of this investment has come from US investors, who have pumped over £35 million into hotel investment in Edinburgh so far this year.

Indian investors also have shown increased interest with investment in the sector estimated at £8.3 million.

Industrial and distribution sector outperforms

The UK commercial property market saw capital values increase by 0.4% in August, according to recent research by CBRE. Reassuring as this is, it is interesting to note that the industrial and distribution sectors in particular saw capital growth double that return, with an increase of 0.8%.

Meanwhile, rental values within the industrial sector grew overall by 0.4%, with the south east region boosting that sector average figure with rental growth of 0.6% in August.

The Head of UK Research at CBRE, Miles Gibson reported that: "Overall in August, performance in the main sectors was steady compared with July's results. It is a traditionally slow time of the year for commercial real estate. The Industrial sector continues to outperform the other main sectors as it has done for most of 2017."

Pension funds still keen on commercial property despite Brexit

In its latest survey of 99 property-focused European investors, property investment platform, BrickVest has shown that 40% of their respondents, including pension funds, are looking to add to their commercial property portfolios over the next 12 months, despite the uncertainties inherent in the UK's Brexit negotiations.

However, the current political environment between the UK and the EU has led 60% of their respondents to believe that the ongoing negotiations will pose the greatest challenge for commercial property investors over the next year. With just under 40% of respondents believing that Brexit will increase investment opportunities in European commercial property over the course of the next year.

The Chief Executive of BrickVest, Emmanuel Lumineau, commented: "Commercial real estate has seen increased inflows from institutional investors for a number of years as the asset class has become more and more mainstream.

"Clearly Brexit has created some uncertainties and will certainly present challenges for institutional real estate investors. However, our research shows that European investors believe investment opportunities could increase. We are experiencing strong levels of demand from investors for property as an asset class and it is clear that many of our users want to take advantage of the vote."

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HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (JULY 2017)*	118.6*
AVERAGE HOUSE PRICE	£226,185
MONTHLY CHANGE	1.1%
ANNUAL CHANGE	5.1%

*(Jan 2015 = 100)

- UK house prices grew by **5.1%** in the year to July 2017
- The highest annual growth was in the East Midlands (**7.5%**)
- The slowest annual growth was in London (**2.8%**) in the 12 months to July 2017

Source: The Land Registry / Release date: 12/09/2017
Next data release: 17/10/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.0	5.4	£243,220
NORTHERN IRELAND (QUARTER 2 - 2017)	3.1	4.4	£128,650
SCOTLAND	2.8	4.8	£149,185
WALES	-0.3	3.1	£150,846
EAST MIDLANDS	1.1	7.5	£184,676
EAST OF ENGLAND	0.8	7.1	£289,948
LONDON	0.3	2.8	£488,729
NORTH EAST	3.3	4.1	£132,999
NORTH WEST	1.4	4.7	£157,427
SOUTH EAST	-0.4	3.8	£320,905
SOUTH WEST	1.6	7.0	£252,213
WEST MIDLANDS REGION	1.8	6.9	£189,077
YORKSHIRE AND THE HUMBER	1.1	4.5	£158,220

UK UNEMPLOYMENT FIGURES

- (those without a job who have been actively seeking work in the past 4 weeks and are available to start work in the next 2 weeks. It also includes those who are out of work but have found a job and are waiting to start it in the next 2 weeks) was **4.3%**, down from **4.9%** a year earlier

Jobless total

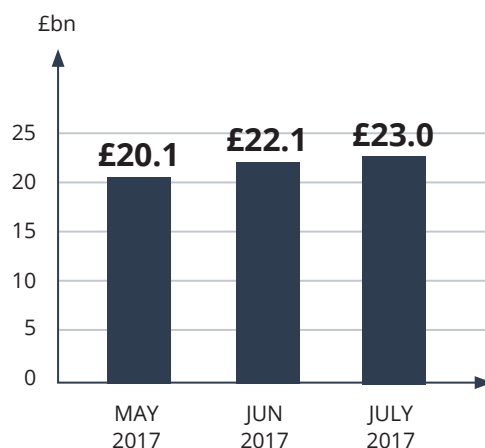
1.46m

Unemployment rate

4.3%

Source: Office for National Statistics
Release Date: 13/09/2017

MORTGAGE ACTIVITY



- Gross mortgage lending for July is estimated at £23.0 billion
- Accounting for seasonal factors, this figure is above the average lending figures seen over the past year

Source: UK Finance (formerly Council of Mortgage Lenders)
Release date: 24/08/2017

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