

PROPERTY MARKET REVIEW

NOVEMBER 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.

The Chancellor hands out a lifeline to the high street

In this year's Autumn Budget, Philip Hammond spoke about how high streets are a crucial part of our communities and local economies. He will put together a dedicated task force to address the pressure that high street retailers are experiencing as more people embrace online shopping, to the detriment of the high street. In his own words, high streets have come under pressure *"as never before"*.

To support transformation of the high street, the Chancellor confirmed £900m of business rates relief for small retailers as well as a £675m fund for projects such as improving high street transport links and refurbishment of historic local buildings.

The Government will also trial a register of vacant retail properties to help prospective retailers find empty properties and help local stakeholders tackle fragmented ownership on their high street.

The British Property Federation reflects on the Budget

It is rare to see the introduction of a new tax relief, but commercial property owners have been given a valuable one, coming into effect on the day of the Autumn Budget.

If you enter into a contract on, or after, 29 October 2018, to construct a new commercial building, or to improve an existing one, which is for use in your business or for rental purposes, you can now obtain tax relief for 100% of the build cost, under the new 'Structures and Buildings Allowance'.

Chief Executive of The British Property Federation (BPF), Melanie Leech said: *"A new tax relief for commercial property owners is a real surprise. This move brings the UK more closely in line with the many other countries that already provide tax relief for the cost of building commercial property, making the UK more attractive to invest in. It makes investing in new and refurbished buildings cheaper from a tax perspective and is a welcome move."*

Major sale announced in the commercial sector

The iconic former UK Stock Exchange Tower in the City of London, has been sold for £385m by the US-based private equity group Blackstone, to a Singaporean investor, in what has been described as a Brexit-linked opportunity to acquire *"deep value"*.

City Developments Ltd (CDL), which is chaired by Kwek Leng Beng, a Singaporean billionaire, has purchased the freehold of the 27-storey building at 125 Old Broad Street. It is reported that the building was earlier valued at approximately £430m.

Frank Khoo, the Chief Investment Officer of CDL, was reported to have said: *"We have confidence in the long-term fundamentals of London as a global financial hub with a robust office market. The short-term uncertainties surrounding Brexit have presented us opportunities to acquire assets with deep value."*

Competition increases in flexible office space sector

CBRE, one of the world's largest property services giants has thrown down the gauntlet to flexible office space stalwarts such as WeWork, Knotel, and IWG, the owner of the Regus brand.

CBRE has recruited former Zipcar executive Andrew Kupiec to head up its new subsidiary company Hana, which has been charged with establishing a major presence in the flexible office sector.

Unlike the competition, Hana will not lease properties, but rather they intend to join partnerships with landlords through joint venture arrangements, where revenue generated will be shared through a profit sharing arrangement. Detailing their objectives, Mr Kupiec stated: *"We've seen that the leasing model has its limits. Specifically, owners are looking to share in the upside of this growing flexible space market, and they are also looking for more control."*

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (SEP 2018)*	122*
AVERAGE HOUSE PRICE	£232,554
MONTHLY CHANGE	0.0%
ANNUAL CHANGE	3.5%

*(Jan 2015 = 100)

- UK house prices rose **3.5%** in the year to September 2018
- On a non-seasonally adjusted basis, average house prices in the UK were unchanged between August and September
- House prices grew fastest in the West Midlands region, increasing by 6.1% in the year to September

Source: The Land Registry / Release date: 14/11/2018
Next data release: 19/12/2018

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.0	3.0	£249,408
NORTHERN IRELAND (QUARTER 3 - 2018)	2.3	4.8	£135,060
SCOTLAND	-0.1	5.8	£152,961
WALES	0.5	5.8	£162,089
EAST MIDLANDS	1.1	6.0	£194,803
EAST OF ENGLAND	-0.1	2.0	£294,027
LONDON	-0.4	-0.3	£482,241
NORTH EAST	0.8	3.5	£132,049
NORTH WEST	-0.8	3.3	£162,915
SOUTH EAST	-0.2	1.7	£328,059
SOUTH WEST	0.3	4.3	£260,142
WEST MIDLANDS REGION	1.1	6.1	£199,763
YORKSHIRE AND THE HUMBER	-1.1	2.6	£162,009

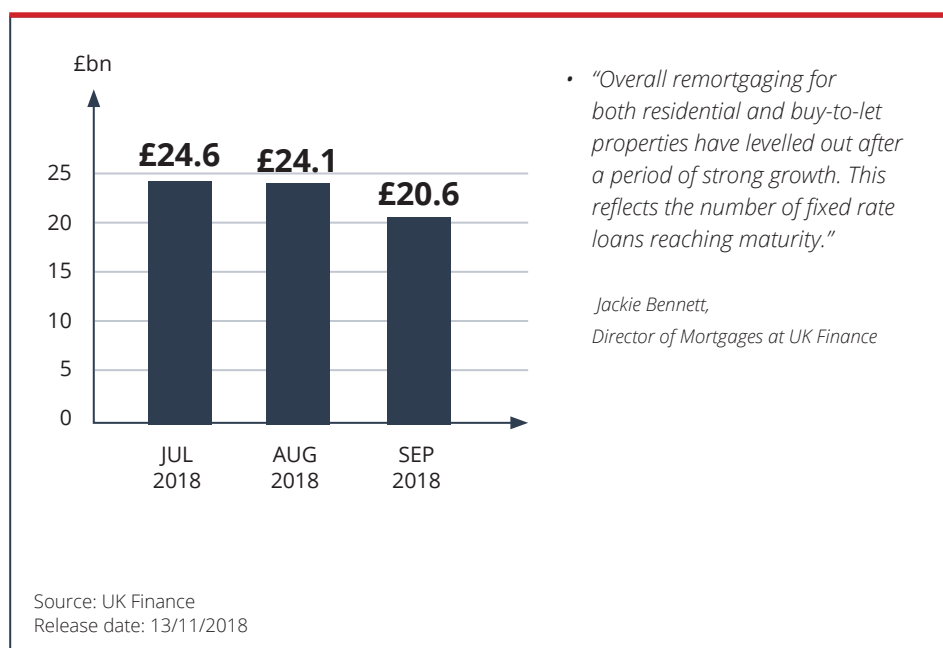
AVERAGE MONTHLY PRICE BY PROPERTY TYPE – SEP 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £356,912	5.2%
SEMI-DETACHED £219,776	4.5%
TERRACED £188,629	3.8%
FLAT / MAISONETTE £203,374	-0.3%

Source: The Land Registry
Release date: 14/11/2018

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MORTGAGE ACTIVITY



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