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PROPERTY MARKET REVIEW

FEBRUARY 2019



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.

Contradictory data from commercial property survey

Respondents to the latest Royal Institute of Chartered Surveyors (RICS) 'UK Commercial Property Market Survey' have blamed political uncertainty for the disparate performance of the three major sectors of the commercial property market – industrial, retail and office – as Q4 2018 saw all-sector occupier demand falling for the third consecutive quarter to -13% compared with the previous figure of -9%.

A large proportion of this decline can be laid at the door of the retail sector, with a sharp fall in tenant demand, which reported a net balance of -58%. In addition, there was a decline in demand for office space at -9%. In contrast, the industrial sector saw a far more positive result of +21% of respondents noting an increase over the period.

In terms of the investment market, investment enquiries (in net balance terms) in the retail sector, also declined at their highest quarterly rate, whilst industrial assets saw a rise in investor interest.

Shared office space property values soar

A recent report from real estate lawyers, Boodle Hatfield, reveals that the top ten shared office providers saw their property values rise by 35%, to a total of £13.6bn in 2018.

The data also shows growth in demand for shorter leases from major companies. To put that into perspective; 1987 saw the average new commercial property lease duration of 25 years, whereas in 2017, that lease period had been reduced to 7.1 years on average.

The report went on to add that there appeared to be increased demand from established property investment companies, such as Great Portland Estates, Landsec and British Land, to investigate this sector for opportunities.

Simon Williams, a Partner at Boodle Hatfield, commented: "Shared workspaces have now gone beyond being a cool place for media and

tech start-ups – they are now a substantial part of the commercial property market in major cities worldwide."

Scottish commercial property sector has a good year

Estate agency, Knight Frank, reported a total of £2.5bn invested in the Scottish commercial property market in 2018. This figure exceeded the annual £2.46bn average seen since 2014.

They went on to add that UK funds increased their investment in the sector by more than 58% during the year, to a total of £771 million, compared with last year's £487 million. Overseas investors in Scotland, accounted for £920 million, which represented 36.8% of the overall figure.

Whilst the retail sector saw a decline in investment by £115 million, office space thrived, with £1bn invested across the country, with Glasgow, Aberdeen, and Edinburgh accounting for £897 million of this.

'Crane Index' points the way to high confidence in city development

Deloitte has revealed, in its crane survey, that property developers sustained new activity during 2018, right across the regions of the UK.

The survey shows that there were 34 schemes under construction in Belfast city centre, with 21 schemes completed in 2018 and nine set for completion this year. The report confirms it was a healthy year for office development in Belfast, as work began on over 400,000 sq. ft. of office space, making good progress against the Belfast Agenda target of 1.5 million sq. ft. by 2021. Birmingham boasted 23 new sites developed, and Leeds saw its largest development total since 2002 – when the survey began – as 21 new sites were developed; including seven office projects that will deliver a total of 844,986 square feet of space.

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (DEC 2018)*	121.0*
AVERAGE HOUSE PRICE	£230,776
MONTHLY CHANGE	0.2%
ANNUAL CHANGE	2.5%

*(Jan 2015 = 100)

- UK house prices grew by **2.5%** in the year to December 2018
- House price growth was strongest in Northern Ireland where prices increased by **5.5%** over the year
- The lowest annual growth was in the North East, where prices fell by **1.0%** over the year

Source: The Land Registry / Release date: 13/02/2019
Next data release: 20/03/2019

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.3	2.3	£247,886
NORTHERN IRELAND (QUARTER 4 - 2018)	1.3	5.5	£136,669
SCOTLAND	-0.9	2.4	£148,711
WALES	0.8	5.2	£161,845
EAST MIDLANDS	-0.2	4.2	£192,748
EAST OF ENGLAND	-1.1	0.2	£289,602
LONDON	0.1	-0.6	£473,822
NORTH EAST	-0.4	-1.0	£128,756
NORTH WEST	0.4	3.5	£164,352
SOUTH EAST	0.1	1.2	£324,729
SOUTH WEST	-0.3	2.9	£256,427
WEST MIDLANDS REGION	2.0	5.2	£200,388
YORKSHIRE AND THE HUMBER	2.0	4.2	£165,119

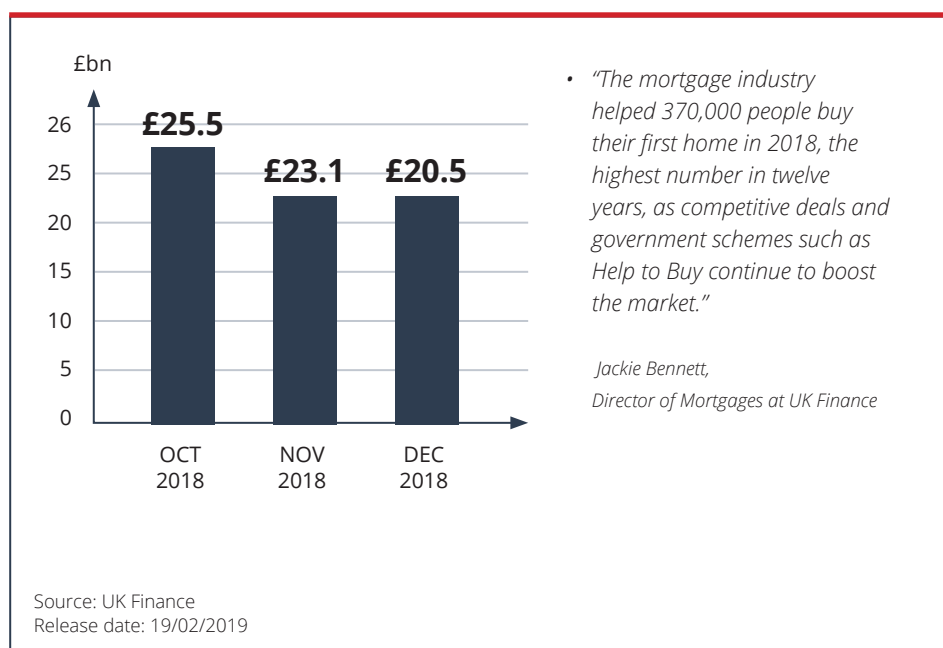
AVERAGE MONTHLY PRICE BY PROPERTY TYPE – DEC 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £349,871	3.2%
SEMI-DETACHED £219,116	3.5%
TERRACED £187,198	2.7%
FLAT / MAISONETTE £203,578	0.2%

Source: The Land Registry
Release date: 13/02/2019

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MORTGAGE ACTIVITY



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