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PROPERTY MARKET REVIEW

MAY 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.

LEVEL PLAYING FIELD FOR COMMERCIAL PROPERTY TAX LAW

The government has confirmed a radical change to tax law to take effect from April 2019. This will subject commercial property held by non-UK resident investors to both Capital Gains Tax and Corporation Tax.

The hotel sector is likely to be particularly affected as over half of the £5bn invested in UK hotels last year was funded by overseas investors.

These tax changes are considered to bring the UK's tax regime in line with other major tax jurisdictions across the globe and will create a level playing field for both UK and non-UK commercial property investors and developers.

BIRMINGHAM TO GET ITS TALLEST BUILDING IN NEW DEVELOPMENT

Plans have been unveiled, as part of a new £158 million development, to build the tallest office building in Birmingham. Kuwaiti developers, Salhia, plan to start work on the project later this year in an area close to the Bullring shopping centre. The development site, to be known as the Beorma Quarter, derives its name from the first recorded Anglo-Saxon settlement in Birmingham and will include offices, restaurants, retail space, a hotel, and a number of new homes.

Redevelopment plans for the 2.25 acre site have been in the pipeline for almost 10 years, having been delayed by difficult market conditions and the complex nature of the site.

COMMERCIAL PROPERTY LENDING RISES IN LATTER HALF OF 2017

According to recent figures from Cass Business School, commercial property lending in the UK surged in the second half of 2017, reversing a drop of 24% seen in the first half of the year. New commercial property lending for the year reached £44bn which equals the figure seen in 2016.

Cass also reported that the total loan book (both drawn and undrawn amounts) rose 4% by the end of 2017 to £199bn.

Commenting on the Cass findings, the Chief Executive of the British Property Federation, Melanie Leech, said: *"It is encouraging to see property lending in 2017 remain consistent with the levels seen in 2016, and it is hugely significant that development funding has reached a new high . . . "*

INVESTMENT LEVELS LOWER BUT PRIME YIELDS REMAIN STABLE

Savills' all property prime yield measure remained stable in April at 4.5%, its lowest level since November 2007.

The two areas which have experienced downward pressure on yields are industrial property and M25 offices. However, yields within the M25 are beginning to look attractive when measured against other major regional cities and as a result there has been increased institutional and non-domestic private investor interest within the M25.

With prime yields 50 basis points higher than in the same period last year, the shopping centre market is seeing additional upward pressure on yields, due to the recent number of compulsory voluntary arrangements (CVAs) and weakening investor sentiment. In addition, there is the expectation of more stock coming onto the market as a result of retail mergers and restructurings.

HOUSE PRICES
HEADLINE STATISTICS

HOUSE PRICE INDEX (MAR 2018)*	117.6*
AVERAGE HOUSE PRICE	£224,144
MONTHLY CHANGE	- 0.2%
ANNUAL CHANGE	4.2%

*(Jan 2015 = 100)

- UK house prices grew by **4.2%** in the year to March 2018
- Scotland showed the highest annual growth at **6.7%**
- The second fastest growing region was the East of England at **5.8%**

Source: The Land Registry / Release date: 23/05/2018
Next data release: 13/06/2018

HOUSE PRICES
PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	-0.3	4.0	£240,949
NORTHERN IRELAND (QUARTER 1 - 2018)	0.3	4.2	£130,026
SCOTLAND	0.5	6.7	£146,009
WALES	-0.1	3.5	£152,999
EAST MIDLANDS	-0.6	5.6	£184,736
EAST OF ENGLAND	1.0	5.8	£291,415
LONDON	-0.9	-0.7	£471,944
NORTH EAST	-1.5	2.1	£124,381
NORTH WEST	-0.3	5.2	£157,461
SOUTH EAST	-0.2	3.3	£320,682
SOUTH WEST	-0.3	4.9	£249,839
WEST MIDLANDS REGION	-0.8	5.1	£188,697
YORKSHIRE AND THE HUMBER	-0.3	3.7	£155,251

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – MAR 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £342,722	(5.3%)
SEMI-DETACHED £210,283	(4.6%)
TERRACED £180,941	(4.6%)
FLAT / MAISONETTE £200,157	(2.0%)

Source: The Land Registry
Release date: 23/05/2018

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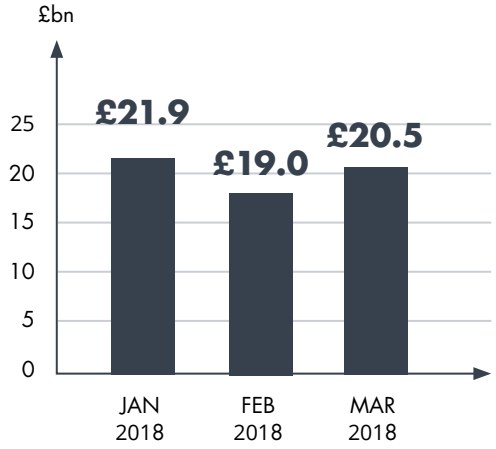
MORTGAGE ACTIVITY



- Gross mortgage lending in March is estimated to have been £20.5bn
- This is 2.3% lower than one year earlier

Source: UK Finance
Release date: 26/04/2018

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