

PROPERTY MARKET REVIEW

JANUARY 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.

WORKSPACE, CO-WORKING AND SERVICED OFFICE DEMAND REMAINS STRONG

In Savills latest 'Commercial Outlook – Six Trends for 2019,' it reveals that London was one of the most popular destinations for cross-border commercial property investment between 2016 and 2018. It adds that customer experience is the driving factor and landlords who look after their tenants are thriving, in relation to both short-term or long-term rentals.

Given the difficulties experienced by the retail sector, Savills expects landlords in the sector to attempt to mix their portfolios and offer additional services to tenants.

London property remains the most exposed to Brexit, but demand for office space has contradicted this, as there remains only one year's supply available in the West End and the City.

FOREIGN BUYERS CONTINUE TO DRIVE LONDON MARKET

Of the £20bn of investment into the London commercial property market during 2018, 90% came from overseas buyers, defying fears that the protracted Brexit deliberations would dampen the market.

Prime examples of this include the £1.2bn sale of Goldman Sachs' new London HQ to South Korea's national pension fund and the £1bn purchase of 5 Broadgate by CK Asset Holdings Ltd. Other examples are the purchase of the Adelphi building in the West End by Amancio Ortega, the Spanish fashion tycoon, for £550m.

Home grown investors were also active; Landsec, the largest commercial property development and investment company in the UK, acquired Lavington House in Southwark for £87m.

Pre-lets (where businesses agree to occupy a building prior to its construction) have also boomed, with both Sony and Facebook entering agreements in Kings Cross and Paddington respectively.

RETAIL SECTOR LANDLORDS FEAR FOR 2019

The retail sector has endured a poor Christmas season, adding to its already declining footfall. Consequently, landlords fear the worst as major retail chains battle to maintain their sales margins, just as those landlords attempt to maintain the rental values of prime retail sites they own.

With the continuing decline in bricks and mortar retail sales, store owners are starting to demand that landlords reduce rents to alleviate their pain when leases expire, or even before, by entering into a CVA or Corporate Voluntary Agreement to achieve this.

From their perspective, landlords are reluctant to reduce rents, instead preferring to acquire new tenants. Landlords currently find themselves in a strong position with powerful allies, in the shape of local and central government. As business rates are calculated based on rental values, it pays ministers and councillors to support higher rents.

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HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (NOV 2018)*	121.0*
AVERAGE HOUSE PRICE	£230,630
MONTHLY CHANGE	-0.1%
ANNUAL CHANGE	2.8%

* (Jan 2015 = 100)

- UK house prices grew by **2.8%** in the year to November 2018, up slightly from **2.7%** in the year to October 2018
- The strongest annual growth in house prices was in the West Midlands, increasing by **4.6%** in the year to November 2018
- House prices in London fell by 0.7% in the year to November 2018. London house prices have been falling over the year each month since July 2018.

Source: The Land Registry / Release date: 16/01/2019
Next data release: 13/02/2019

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – NOV 2018

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £350,317	3.7%
SEMI-DETACHED £217,986	3.5%
TERRACED £188,131	4.0%
FLAT / MAISONETTE £202,663	-0.4%

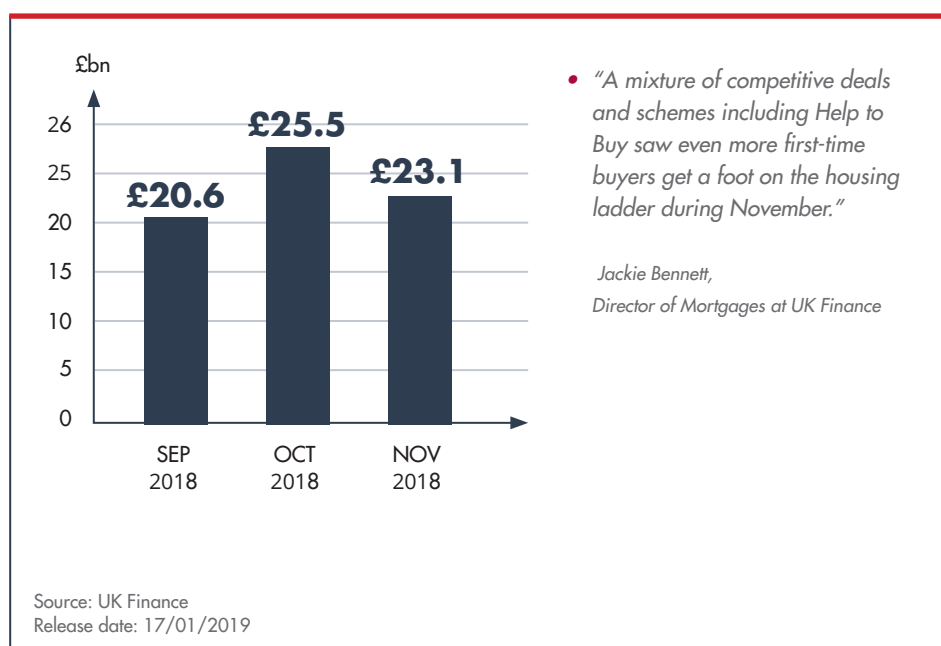
Source: The Land Registry
Release date: 16/01/2019

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HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	-0.1	2.6	£247,430
NORTHERN IRELAND (QUARTER 3 - 2018)	2.3	4.8	£135,060
SCOTLAND	-0.7	2.9	£150,638
WALES	0.2	5.5	£161,499
EAST MIDLANDS	0.3	4.4	£192,061
EAST OF ENGLAND	0.8	2.6	£294,530
LONDON	-1.2	-0.7	£472,901
NORTH EAST	1.2	4.0	£132,257
NORTH WEST	-0.6	3.1	£162,717
SOUTH EAST	-0.1	1.1	£323,876
SOUTH WEST	1.1	4.3	£260,177
WEST MIDLANDS REGION	-0.4	4.6	£197,387
YORKSHIRE AND THE HUMBER	-1.3	2.0	£160,155

MORTGAGE ACTIVITY



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