

PROPERTY MARKET REVIEW

JULY 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.

UK Warehouse take-up varies regionally

Savills recent 'Spotlight: Big Shed Briefing' publication, focused on the UK warehouse sector, shows strong overall take-up, with wide regional variations. Take-up for H1 2019 increased 28% on the long-term average for the first half of a year, reaching 16.07m sq. ft. Taken in isolation, Q2 was exceptional with 9.55m sq. ft. transacted, making it the highest level of Q2 take-up since 2014 and the second best Q2 on record. Demand is coming from a wide variety of tenants.

Whilst take-up at a national level is positive, regional market dynamics vary. At the top of the table are the North East of England and Yorkshire, with just over 4m sq. ft. of space transacted, which nearly surpasses its annual average of 4.31m sq. ft. Conversely, the North West has experienced a sharp fall in transactions, dropping 38% to just over 1m sq. ft.

The briefing deduces that the year has largely been dominated by stockpiling and media attention surrounding the availability of warehouse space to support potential Brexit outcomes. Savills are consistent in their opinion that Brexit has had minimal impact on warehouse demand, citing more important drivers around the structural changes in retailing, specifically the growth in online retail and the long-term response of manufacturing supply chains to exiting the EU.

Co-working success affects desk prices

Over the last few years, the rise of the co-working and flexible workspace sector has been prolific. Supply of these spaces has risen sharply and demand has out-paced supply, pushing prices higher. However, according to research from Instant Group, flexible office specialists, while demand remains robust, the massive spike in supply has caused the prices flexible office operators can charge, to fall in the world's largest cities.

The Global Flex Market 2019 report outlines that last year, average desk prices fell by 5% in the 18 largest cities for flexible office space. London has the largest flexible office scene in the world, with 1,423 centres. Last year, the average desk dropped in price by 6% in the capital. Globally, Chicago experienced the largest fall globally among these cities, with the average desk dropping in price by 17%.

James Rankin, Head of Research and Insight at Instant Group, commented in the report: *"Our research and discussions with operators have highlighted that increased competition has led to aggressive incentives and discounts from both existing and new entrants in a bid to drive up occupancy levels."*

In an effort to find new space, operators are having to move outside traditional central business districts. Consequently, the amount they can charge per desk is lower, in-line with the lower rents they are paying for these locations.

Construction slowdown as demand falters

Recent data has revealed a loss of momentum for the UK construction sector. Activity and incoming commercial property, new home and civil projects, have fallen at the fastest pace for over a decade, as new orders tail off.

The IHS Markit/CIPS UK Construction Total Activity Index fell to 43.1 in June, down from 48.6 in May and 50.5 in April. Any score below 50 indicates a fall in business activity. Commercial work has fallen for the sixth consecutive month and is the worst performing area of construction activity. Brexit uncertainty and subsequent delays to project starts have been cited by respondents as the prime contributors.

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (MAY 2019)*	120.3*
AVERAGE HOUSE PRICE	£229,431
MONTHLY CHANGE	0.1%
ANNUAL CHANGE	1.2%

*(Jan 2015 = 100)

- UK house prices grew by **1.2%** in the year to May 2019, down from **1.5%** in the year to April 2019
- House price growth was strongest in the North West where prices increased by **3.4%** in the year to May 2019
- The lowest annual growth was in London, where prices fell by **4.4%** over the year to May 2019

Source: The Land Registry
Release date: 17/07/2019
Next data release: 14/08/2019

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – MAY 2019

PROPERTY TYPE	ANNUAL INCREASE
DETACHED £347,706	1.5%
SEMI-DETACHED £219,087	2.6%
TERRACED £186,418	1.4%
FLAT / MAISONETTE £200,341	-1.3%

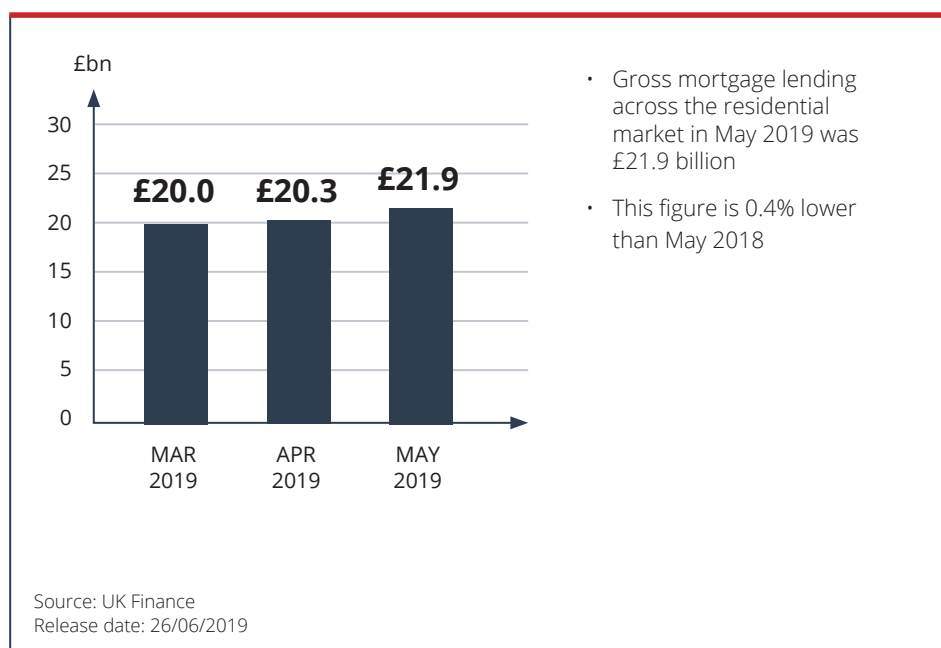
Source: The Land Registry
Release date: 17/07/2019

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HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.1	1.0	£245,817
NORTHERN IRELAND (QUARTER 1 - 2019)	-1.0	3.5	£134,811
SCOTLAND	1.2	2.8	£152,801
WALES	-1.4	3.0	£159,428
EAST MIDLANDS	-1.2	0.4	£189,622
EAST OF ENGLAND	0.7	1.0	£291,239
LONDON	-2.5	-4.4	£457,471
NORTH EAST	-1.0	-0.7	£127,885
NORTH WEST	0.8	3.4	£164,261
SOUTH EAST	0.9	0.6	£323,745
SOUTH WEST	1.2	2.6	£257,563
WEST MIDLANDS REGION	0.2	2.7	£196,489
YORKSHIRE AND THE HUMBER	0.4	1.9	£162,520

MORTGAGE ACTIVITY



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