



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.

Serviced offices market recovers

2017 has ushered in a recovery in the serviced offices sector, following the initial uncertainty in the wake of the Brexit vote.

Given the weakness of sterling, international investors in particular have been attracted to the sector, as businesses turn to more flexible workplace solutions.

Young, agile start-up tech companies, for example, are reluctant to commit to medium to long-term leases, as a result of their sometimes precarious financial positions. They have therefore found that the serviced office space is appealing in the shorter-term.

Positive fundamentals expected to remain in European commercial property

According to a report from Fidelity International, commercial property values across mainland Europe have been increasing over the past few years, especially in Germany. This trend is anticipated to continue into 2017 as attractive exchange rates versus the euro look set to encourage cross-regional investors to Europe from North America, Asia and the Middle-East.

European Central Bank's quantitative easing programmes continue to encourage a transfer of capital from the periphery to the core Eurozone. Neil Cable, Fidelity International's Head of European real estate comments: *"Real estate fundamentals are expected to remain positive, and while QE is in place, we believe the weight of capital will extend the European, excluding the UK, investment cycle. We expect capital growth from yield compression in core Eurozone to continue, albeit at a slower pace, with prime yields likely to fall to a new accepted threshold of around 3%."*

Buy-to-let investors may switch allegiance

George Osborne's tax blitz on buy-to-let landlords may have the affect of discouraging future investment and may encourage more high-end investors to switch their investment horizons away from residential property and lean more towards commercial property and the yields on offer.

The introduction of the stamp duty surcharge and other post-Brexit vote tax changes for buy-to-let property has been a nail in the coffin for £3m plus residential property.

Mark Fielden, property tax partner at Kingston Smith was reported to comment: *"Top-end London residentials have fallen through the floor. If a potential investor has the right expertise or advice, commercial property with good tenants might be a profitable place for 2017 property investment."*

Added to this potential exodus of investors, any non-domiciled residential property owners based outside the UK will be liable for an inheritance tax charge from April, when they own UK residential property through non-UK companies or trusts.

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HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (NOV 2016)*	114.3*
AVERAGE HOUSE PRICE	£217,928
MONTHLY CHANGE	1.1%
ANNUAL CHANGE	6.7%

*(Jan 2015 = 100)

- Average UK house price stands at **£217,928**
- Average London property price now **£481,648**, up **1.8%** on the month
- East of England experienced greatest increase in average property price up **10.5%** over the last 12 months

Source: The Land Registry / Release date: 17/01/2017
Next data release: 14/02/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.1	7.2	£234,278
NORTHERN IRELAND (QUARTER 3 - 2016)	0.8	5.4	£124,093
SCOTLAND	1.5	3.3	£143,033
WALES	-0.2	4.1	£146,742
EAST MIDLANDS	1.7	7.3	£176,524
EAST OF ENGLAND	0.9	10.5	£278,349
LONDON	1.8	8.1	£481,648
NORTH EAST	1.3	3.2	£126,989
NORTH WEST	1.1	5.2	£150,249
SOUTH EAST	0.3	8.6	£313,334
SOUTH WEST	0.5	5.7	£239,371
WEST MIDLANDS REGION	2.2	7.4	£181,372
YORKSHIRE AND THE HUMBER	1.1	5.1	£152,418

UK UNEMPLOYMENT FIGURES

- At **4.8%**, the unemployment rate is down from **5.1%** one year earlier
- **8.89** million people aged from 16 to 64 were economically inactive
- **31.80** million people in work, **294,000** more than one year earlier

Jobless total

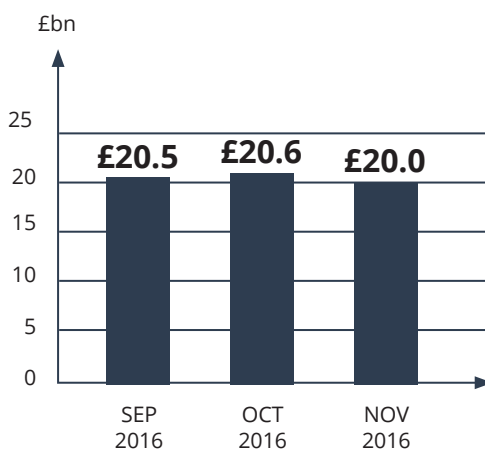
1.6m

Unemployment rate

4.8%

Source: Office for National Statistics
Release Date: 18/01/2017

MORTGAGE ACTIVITY



Source: Council of Mortgage Lenders
Release date: 17/01/2017

- BTL landlords increased borrowing by 10% in November to £3.2bn
- CML states: "November lending reflected stable market conditions"
- Historic low for percentage of household income used to service capital and interest rates

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