



# INTRINSIC

## PROPERTY MARKET REVIEW

## JULY 2016

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.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

### HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (MAY 2016)*	110.79*
AVERAGE HOUSE PRICE	£211,230
MONTHLY CHANGE	1.1%
ANNUAL CHANGE	8.1%

\*(Jan 2015 = 100)

\*\*Cannot be collated against last months figures due to database changes

- Land Registry says: "Indications that market activity in May 2016 has been subdued..."
- Average UK house price now stands at **£211,230**

Source: The Land Registry / Release date: 19/07/2016 / Next data release: 20/08/2016

### HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.0	8.9	£226,807
NORTHERN IRELAND (QUARTER 1 - 2016)	-1.0	5.9	£117,524
SCOTLAND	2.8	4.0	£141,142
WALES	0.9	3.6	£142,568
EAST MIDLANDS	1.6	7.9	£170,120
EAST OF ENGLAND	1.4	12.8	£265,156
LONDON	1.5	13.6	£472,163
NORTH EAST	2.1	3.2	£124,466
NORTH WEST	-0.3	4.3	£145,730
SOUTH EAST	1.8	12.9	£306,037
SOUTH WEST	1.3	7.4	£231,469
WEST MIDLANDS REGION	-0.1	6.7	£173,566
YORKSHIRE AND THE HUMBER	-0.2	3.8	£147,044

### UK UNEMPLOYMENT FIGURES

- Unemployment falls to **4.9%**
- There were **31.7** million people in work
- Lowest unemployment figures since Q3 2005

Jobless total

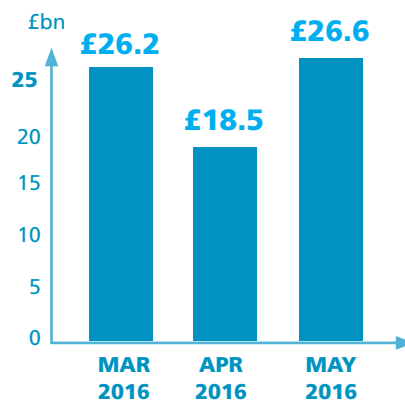
# 1.65m

Unemployment rate

# 4.9%

Source: Office for National Statistics  
Release Date: 20/07/2016

### MORTGAGE ACTIVITY



- May lending 43% higher than previous month
- Gross buy-to-let lending lower than usual
- CML says: "There was a sense of the market regaining some equilibrium in May ..."

Source: Council of Mortgage Lenders  
Release date: 13/07/2016



### Commercial property funds suffer from Brexit vote

One of the early victims of the 'Leave' vote was the UK commercial property funds sector. Many funds have marked down their portfolio valuations substantially, as investors attempt to head for the door. As a measure of the mark downs, Aberdeen Asset Management's property fund value was cut by 17%.

To compound the problem investor's face, several commercial property funds, including M&G, Aviva, Henderson and Standard Life have imposed restrictions on redemptions. At the time of writing, five funds remain suspended.

Investment in UK commercial property funds accounts for approximately 7% – equating to £35bn in value terms – of total invest in the commercial property sector.

The problem these funds face in volatile markets, such as that created by the Brexit vote, is the illiquid nature of their assets.

A recent Bank of England report revealed that banks reduced lending to the commercial property sector for the first time in four years ahead of the referendum, signalling a fear over price falls. Banks are expected to impose further restrictions on lending to the sector.

### Commercial property rent yields grow despite Brexit worries

Despite the uncertainty surrounding the direction of the commercial property market here in the UK, after the 'Brexit' decision, commercial property rents grew by 0.2% in June, according to the latest CBRE Index.

At the same time they reported capital values grew by 0.1%, although this was a reduction from the 0.2% reported in May. They went on to add that with total returns at 0.6% for the month, these matched historical returns seen every month of this year so far.

The Head of Research at CBRE, Miles Gibson, was reported to have said: "Overall, rents and capital values continue to grow in June, with the industrial sector in particular showing strong growth in a month of significant uncertainty."

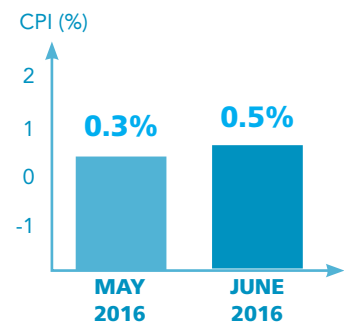
### Good value opportunities in business space

In the annual Total Office Costs Survey (TOCS), compiled by property agents Lambert Smith Hampton, Preston has emerged as the cheapest location in the UK for the 'total cost' of new business space. At £52.73 per square foot it just pipped Norwich to the title, where total business space now costs £52.94 per square foot. In third place was Belfast where costs came out at £53.22 per square foot.

This 'total cost' figure is calculated by assessing the rates, rent, fit-out (including furniture), security, cleaning, insurance, waste disposal, energy, and management fees payable.

By comparison, such new building 'total costs' in the City of London was calculated at £127.76 per square foot.

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Source: Office for National Statistics  
Release date: 19/07/2016

- Inflation slightly higher at 0.5%
- Rise in air fares, motor fuel, and recreational goods drive rise
- RPI now stands at 1.6%

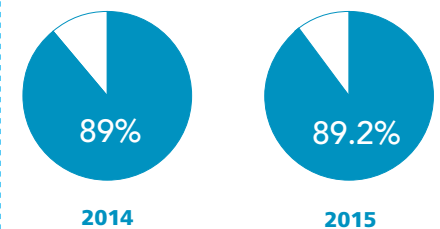
## UK GOVERNMENT DEBT



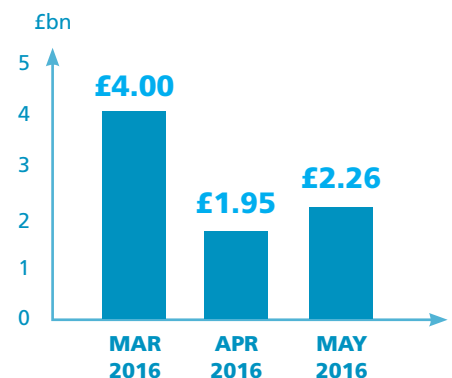
= £1,606.9 bn

(Source: Office for National Statistics, as at May 2016)

## UK DEBT AS % OF GDP



## UK BALANCE OF TRADE (DEFICIT)



Source: <http://www.tradingeconomics.com/united-kingdom/balance-of-trade> Office for National Statistics  
Release date: 08/07/2016