

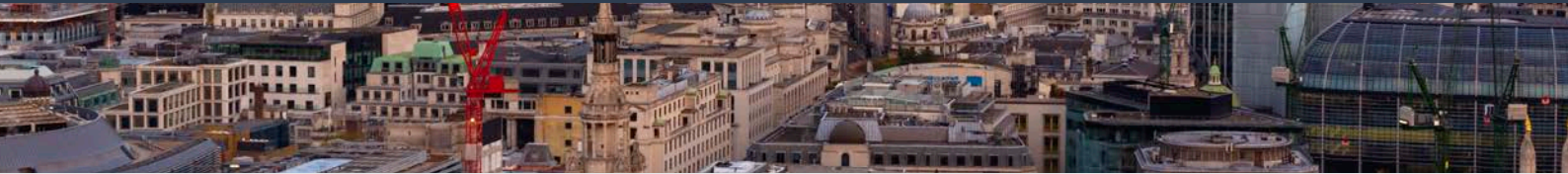


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PROPERTY MARKET REVIEW

OCTOBER 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.

Commercial development activity positive

The commercial property development sector has experienced the strongest rise in activity in nearly a year, according to research conducted by Savills. The Total Commercial Development Activity Index, a net balance which monitors the overall performance of the UK commercial property sector, increased from -3.5% in August to 12.1% in September, signalling growth for the first time in four months.

Commercial developers across the UK were positive when asked about the three month outlook for activity. As market confidence improves, panellists specifically expect to see increases in retail and leisure work, office projects and industrial / warehouse activity.

From a regional perspective, all three monitored regions (London, South East, rest of the UK) recorded higher levels of commercial activity in September. The 'rest of the UK' recorded the strongest rate of growth, the net balance rising from +3.4% in August to +21.1% in September.

Commercial property in Scotland looks attractive

After an initial pricing adjustment following 23 June, activity levels in Scotland's commercial property market have picked up. Although values have taken a slight hit, demand for commercial property has remained robust and deals are concluding. Solid fundamentals including strong rental growth make Scottish cities such as Edinburgh and Glasgow attractive propositions for commercial property investors.

The fundamentals reflect the fact that the capital saw the highest ever take-up of commercial space, exceeding one million square feet in 2015, and in 2016 office lettings activity remains bullish, as exemplified by the Atria office development in Edinburgh achieving a 'super prime' rate of £33 per square foot.

Lending to the sector still on course

The latest European Lending Trends report from global real estate services firm Cushman & Wakefield, which surveys 50 major lenders across Europe, has shown that 95% of respondents believe the repercussions of the UK's decision to leave the EU will not impact their lending exposure to the UK.

Although the report did state that whilst new loan originality across the whole of the European region was down over the last six months, this was mainly as a result of their caution ahead of the referendum.

Edward Daubeney at Cushman & Wakefield commented: *"Our survey shows that Brexit is having little impact on market sentiment from a lending perspective and the fundamentals remain encouraging. The trend towards lending by geography has also not changed significantly over the past six months, albeit the UK's share has softened marginally in the wake of the vote result."*

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (AUG 2016)*	114.8*
AVERAGE HOUSE PRICE	£218,964
MONTHLY CHANGE	1.3%
ANNUAL CHANGE	8.4%

*(Jan 2015 = 100)

- New buyer enquiries on the rise
- Average UK house price now stands at **£218,964**
- Low number of properties coming to the market

Source: The Land Registry / Release date: 18/10/2016
Next data release: 18/11/2016

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	1.4	9.2	£235,573
NORTHERN IRELAND (QUARTER 2 - 2016)	3.8	7.8	£123,241
SCOTLAND	1.3	4.3	£144,561
WALES	-0.6	2.7	£144,514
EAST MIDLANDS	1.6	7.6	£175,610
EAST OF ENGLAND	1.4	13.3	£276,952
LONDON	1.3	12.1	£488,908
NORTH EAST	-0.2	3.0	£127,385
NORTH WEST	0.9	6.3	£151,489
SOUTH EAST	1.9	12.2	£317,904
SOUTH WEST	2.3	9.0	£243,226
WEST MIDLANDS REGION	1.6	6.9	£179,429
YORKSHIRE AND THE HUMBER	0.6	4.9	£152,394

UK UNEMPLOYMENT FIGURES

- Unemployment rate at **4.95**, lowest since July/Sept 2005
- There were **31.81** million people in work
- **560,000** more people in work than a year earlier

Jobless total

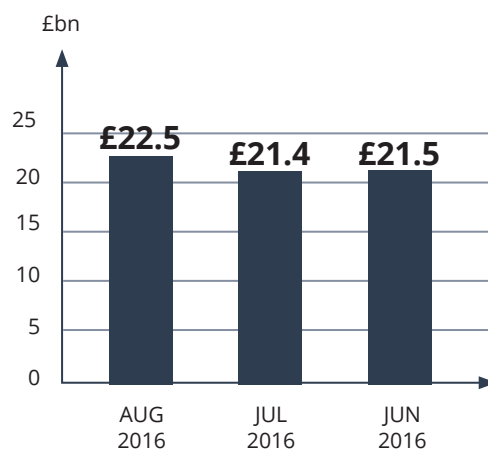
1.66m

Unemployment rate

4.95%

Source: Office for National Statistics
Release Date: 19/10/2016

MORTGAGE ACTIVITY



- Mortgage lending rises by 7%
- Gross Buy-to-let lending remains low at £3bn
- Year-on-year lending rises 15%

Source: Council of Mortgage Lenders
Release date: 22/09/2016

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