RESEARCH

EPMR

Economic & property market review

Winter 2020/21

AVISON YOUNG

Summary

- The UK's economic performance continues to be primarily driven by the impact of Coivd-19 and efforts to contain it. A resurgence in case numbers in the last weeks of 2020, with a significant spike in infections around the Christmas holiday period led to a third national lockdown in England being enacted on 5th January 2021.
- The ONS reported that GDP grew by 1.2% in December (consensus forecast was 1.3%), up from -2.6% in November, meaning there was 1% growth during Q4 2020. These figures amount to an annual decline of 9.9% across 2020 – the largest fall on record.
- Inflation increased to 0.7% in January, up from 0.6% in December. Inflationary pressures came predominantly from recreation and culture prices as well as rising furniture and transport costs while clothing and footwear provided some deflationary off-setting.
- In the three months to November 2020, the employment rate declined to 75.2% while the unemployment rate rose to 5.0%. The ONS estimates that a total of 1.72 million people were categorised as unemployed in the UK from September to November, up 241,000 on Q2 and 411,000 compared to a year previous.
- The UK and EU reached a last-minute Brexit deal just before Christmas, a milestone in the saga that began in June 2016, although not quite the final chapter. This removes a key downside risk for the economy and much of the uncertainty regarding the UK's future relationship with the EU. There is also a potential economic upside from the ability to deploy domestic regulations and other policy tools in order to support growth.

Economic trends

The ONS reported that GDP grew by 1.2% in December (consensus forecast was 1.3%), up from -2.6% in November, meaning there was 1% growth during Q4 2020. These figures amount to an annual decline of 9.9% across 2020 – the largest fall on record.

The services sector provided the greatest contribution to December's growth, increasing by 1.7% as firms reopened following the lifting of restrictions. Manufacturing grew marginally by 0.2%, while construction contracted by 2.9% to end seven consecutive months of growth. All of the sectors were below their pre-Covid levels, down 6.9%, 2.9% and 3.5% on February 2020 respectively.

The Coronavirus Job Retention Scheme (CJRS) has been extended from its planned end on 31st October 2020 to 31st April 2021. Additionally, following the third national restrictions, the government is distributing £4.6 billion to retail, hospitality and leisure sector companies via one-off grants of £9,000.

Several policy interventions are set to expire in the coming months, including the CJRS, the moratorium on commercial and domestic evictions and the stamp duty holiday. These will remove significant areas of support potentially leading to increased unemployment, insolvencies and a strong decline in activity in the housing market – all of which would have ripple effects across the UK economy.

These schemes and the wider pandemic response have required massive government expenditure. Public sector net borrowing in the April to December 2020 period is estimated to have reached £271 billion – the highest figure since records began in 1993. This is over five times the £46 billion borrowed across the whole of 2019 and pushes gross government debt up to 102.9% of GDP.

The Markit / IHS purchasing managers indices (PMI) for January registered a weighted balance of 41.8, down considerably on December's 50.6. January's figure – which suggests that activity declined across the economy – reflects the impact of the national restrictions in place across the UK with added disruption from the end of the Brexit transition period. The manufacturing sector recorded the strongest figures of the month at 54.1 in January, declining slightly from December's three-year high of 57.5. Supplier lead times were the primary source of uplift, attributed to the disruption to supply chains caused by Covid and Brexit rather than the usual indication of strong demand. Construction also fell month-on-month to 49.2 from 54.6 despite strong residential requirements while services fell to 39.5 from 49.4 as renewed restrictions caused a slump in sector activity.

Consumer confidence increased to -26 in December 2020, up from -33 in November. The more optimistic sentiment is attributed to the vaccine rollout and positive perceptions of personal finances. This is reflected in the repayment of debt in December, with net repayments of consumer credit totalling £1.0 billion compared to £1.5 billion in the previous month.

Conversely, the mortgage market approved £5.6 billion of lending across 103,000 loans in December, marginally below the 13-year high of 105,000 in November. This brings the annual total approvals to 819,000 in 2020 – the figure since 2007 – reflecting the strength of the recovery in the housing market despite increased lending scrutiny.

THE BREXIT DEAL

The UK and EU reached a last-minute Brexit deal just before Christmas, a milestone in the saga that began in June 2016, although not quite the final chapter. This removes a key downside risk for the economy and much of the uncertainty regarding the UK's future relationship with the EU. There is also a potential economic upside from the ability to deploy domestic regulations and other policy tools in order to support growth.

The deal finally brings the removal (or at least large reduction) of Brexit related uncertainty which has delayed decision making for some investors. The long-term relationship between investment in UK real estate and global investment broke down after the referendum, showing it had a direct impact on investment. Uncertainty was a key aspect of this and has affected some groups more than others – particularly non-domestic institutional investors. The removal of this uncertainty, combined with many UK sectors now looking comparatively attractive in terms of pricing and income security, should help provide a real boost to UK investment volumes.

The same removal of uncertainty and economic risk will benefit the housing market. A no-deal would have hit households' real incomes and confidence, both of which are key drivers of housing market activity. Would-be overseas (or to a lesser extent domestic) buyers who were delaying decision making now have more clarity. There will, however, be some additional hurdles for non-UK nationals looking to move to the UK. Positively, there are no plans to change the Tier 1 Investment Visa. This means non-UK nationals can still apply to settle after two years for an investment of £10 million or after three years for a £5 million investment, and after five years for a £2 million investment.

Economic trends

"

GDP forecasts for 2021 are cautiously optimistic, with Consensus Economics reporting 4.2% for the year. The critical factor remains the alleviation of Covid-19 impacts.

Looking at the deal more specifically, the free trade agreement which came into effect on January 1st critically means trade in goods will continue to be tariff and quota free. Although, the movement of goods will now face customs, rules of origin, and some regulatory checks. These will cause short term disruption and delays but should be largely mitigated by the UK government's plans to phase in full border controls over six months.

From a real estate perspective these aspects of the trade deal are most relevant to the retail and industrial sectors and are a far better outcome than a 'no-deal' or a deal with tariffs and quotas would have been. Businesses face less supply chain and operating disruption but will experience delays and some additional costs and bureaucracy.

Our departure from the EU single market also means that the cross-border provision of some services will be affected by new barriers to trade. Significantly, there remains some uncertainty around aspects of financial services where agreements on 'financial equivalence' still need to be 'firmed up'. As negotiations continue on 'equivalence', a degree of uncertainty for firms in affected sub-sectors will remain and it is beginning to seem less likely that ultimately a deal will be reached. In the meantime, the lack of equivalence likely contributed to £5.7 billion worth of share trading being displaced from London to the EU in January. Amsterdam was the primary recipient of this activity, jumping to the pole position of European share trading ahead of London, the historic leader (CBOE Europe). It's important to remember this actually represents a small piece of the city's revenue but there are concerns we could see a kind of 'creep' where activity and business gradually moves from London. A counter point is that if we do not agree financial equivalence it would give us more scope for deregulation.

The restrictions end of free movement and the right to work in the UK for EU citizens will have an impact with some sectors more exposed than others. The new income thresholds mean that businesses with a high reliance on a low paid migrant workforce will face challenges coming to terms with the new landscape, particularly when compounded with the impacts of Covid-19. For example, 70% of London's hospitality workforce were born outside the UK and 75% of those are from the EU (PwC). 30% of London's construction workforce are from the EU and the NHS has a similarly high exposure. The new points-based system is much more restrictive than EU free movement rights and will disproportionately affect these sectors with obligation-heavy and expensive burdens that present a structural challenge to operating models, particularly in construction.

LABOUR MARKET

In the three months to November 2020, the employment rate declined to 75.2% while the unemployment rate rose to 5.0%. The ONS estimates that a total of 1.72 million people were categorised as unemployed in the UK from September to November, up 241,000 on Q2 and 411,000 compared to a year previous.

The unemployment rate currently underestimates the number of people without work due to how unemployment and economic inactivity are classed. Other indictors paint a bleaker picture, with early estimates suggesting that the number of payroll employees has fallen by 828,000 between March 2020 and December 2021. Out of work benefit claimants totalled 2.6 million in December, more than twice the 1.2 million figure of March 2020. Vacancies – a good indicator of labour market strength – totalled 578,000 in October to December, up 81,000 from the previous quarter but still 224,000 fewer than a year ago.

Real earnings growth achieved 2,8% for both total and regular pay for September to November. This is the highest real rate of increase since 2015 as pay rebounds from the contractions observed earlier in 2020.

The redundancy rate increased to 1.4% in the September to November 2020 period. This level is the highest observed in the pandemic so far and exceeds the peak of the 1.2% peak in the 2008 Global Financial Crisis (GFC). Despite this, the unemployment rate remains lower than anticipated at 5.0% as the CJRS continues to bolster employment. The number of jobs furloughed as part of the CJRS was estimated at 1.12 million on 31st December 2020, down from 1.22 million on 30th November. As of 13th December, some 9.9 million jobs had been furloughed at some point across the UK. The expiry of this scheme at the end of April suggests that a considerable increase in unemployment is likely, with Capital Economics estimating a peak of 6.5% on the horizon.

Economic trends

INFLATION

Inflation increased to 0.7% in January, up from 0.6% in December. Inflationary pressures came predominantly from recreation and culture prices as well as rising furniture and transport costs while clothing and footwear provided some deflationary off-setting.

Despite the considerable volumes of money produced to finance the government response to the coronavirus, it is unlikely that there will be significant inflationary pressure due to the state of the labour market, reduced household expenditure and restricted corporate budgets.

The Bank of England (BoE) has kept interest rates at their record-low level of 0.1%. At the December meeting of the Monetary Policy Committee (MPC) it was decided that the monetary easing previously enacted would be maintained. Hence the total asset purchases program remains at £875 billion following significant increases during 2020.

The 'lower for longer' approach toward interest rates which has been adopted in the UK and internationally seeks to achieve growth through greater levels of productivity-enhancing activity in the market, by encouraging increased business and consumer spending.

There is also a very small possibility of rates turning negative, which would be a first in the UK. However, the Bank of England seems concerned that the adverse impact of negative rates on banks' profitability could mean they restrict lending, making them counterproductive and we therefore think they are unlikely in 2021.

OUTLOOK

GDP forecasts for 2021 are cautiously optimistic, with Consensus Economics reporting 4.2% for the year. The critical factor remains the alleviation of Covid-19 impacts.

Although there is no set end date for the lockdown at the time of writing, a key milestone is getting the high priority vulnerable population and front-line workers vaccinated – some 14.7 million people who account for around 90% of all UK Covid fatalities. As of 15th February, 15.6 million people have received at least their first of the two required doses of either the AstraZeneca or Pfizer vaccines, the majority of whom were from the high priority group. At the current pace, all UK adults could receive their full vaccinations by the end of August 2021.

Efficacy of the vaccines against variants of Covid poses a downside risk to recovery. This emphasises the rapid rollout of immunisations across the UK and the globe in order to reduce the chances of further variants mutating.

With the Brexit deal signed, a considerable downside risk to the UK economy has been significantly reduced. There remain, however, gaps and questions around the specifics of the agreement and impacts of the deal (positive or negative) are likely to take time to materialise, hence Coivd-19 remains at the centre of the UK economic outlook.

LATEST CONSENSUS FORECASTS - FEBRUARY 2021

	2021	2022
Economic growth (GDP)	4.2%	5.6%
Household consumption	4.3%	6.6%
Unemployment Rate	6.6%	6.0%
Bank base rate	0.1%	0.1%
CPI - Inflation	1.5%	2.0%
RPI - Inflation	2.5%	2.9%

Source: Consensus Economics

2021 ECONOMIC GROWTH FORECASTS

UK
5.9%

EUROZONE
5.2%

WORLD
5.2%

Source: IMF

KEY STATS

GDP GROWTH

16.1%
Q3 2020

1.0%
Q4 2020

PMI WEIGHTED AVERAGE

50.6%
December

41.8%
January

UNEMPLOYMENT RATE

5.0%
(3 months to November 2020)

REAL EARNINGS GROWTH

2.8%
(including bonuses)

2.8%
(excluding bonuses)

CPI INFLATION

0.7%

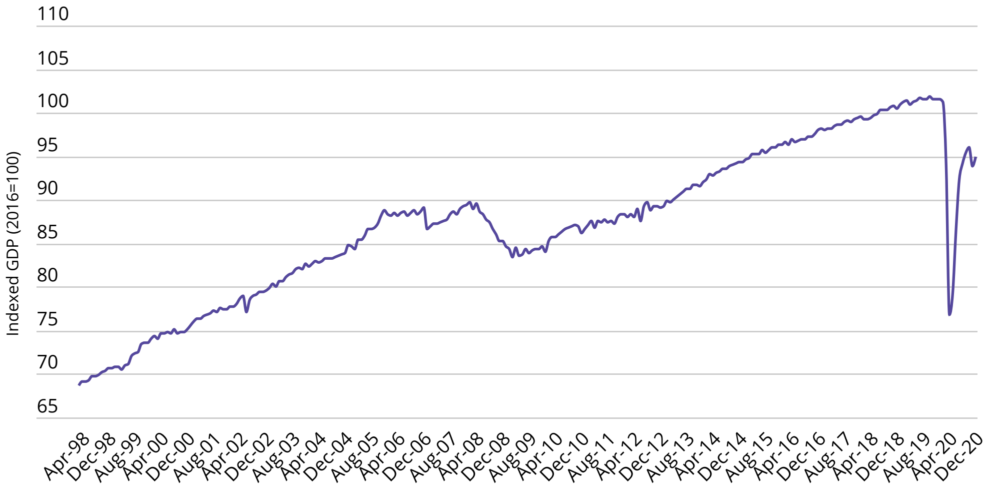
BANK RATE

0.1%

Economic data

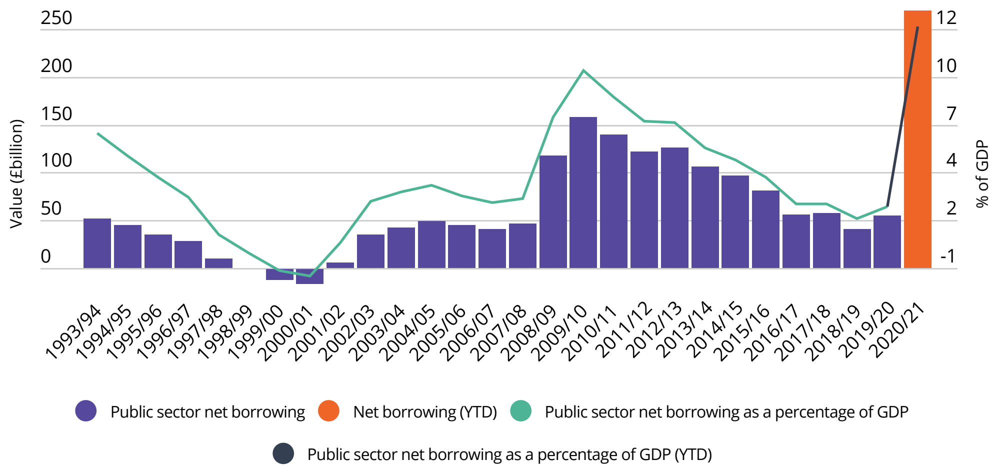
MONTHLY GDP

Source: ONS



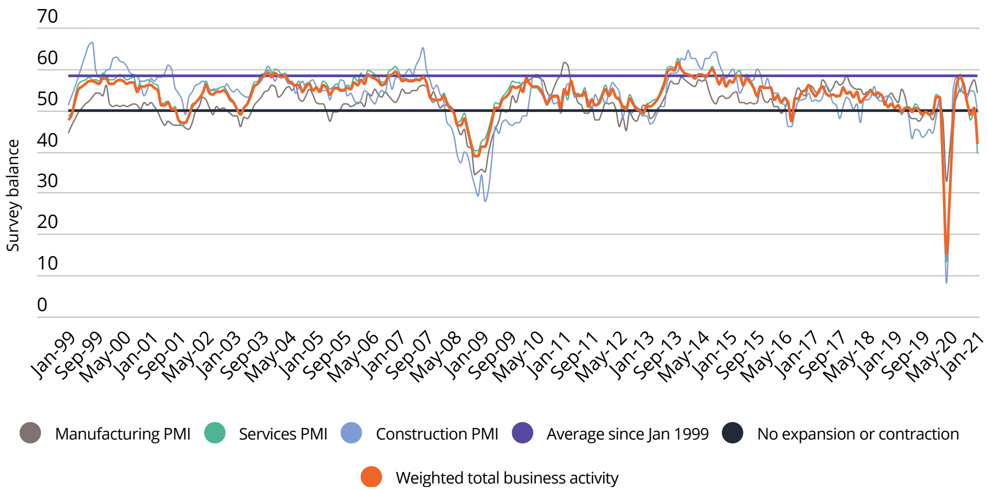
PUBLIC SECTOR NET BORROWING EXCL. PUBLIC SECTOR BANKS

Source: ONS



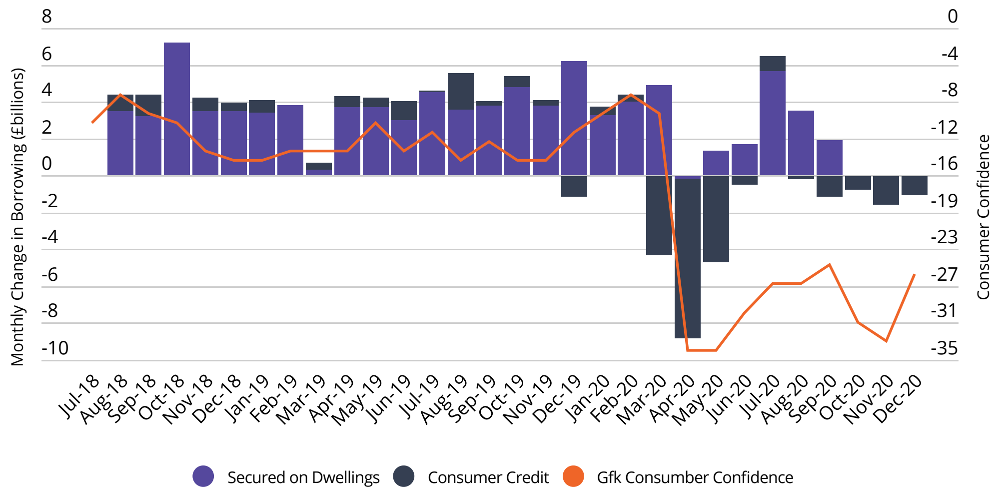
PURCHASING MANAGERS' SURVEY

Source: Markit & CIPS



CONSUMER CREDIT AND CONFIDENCE

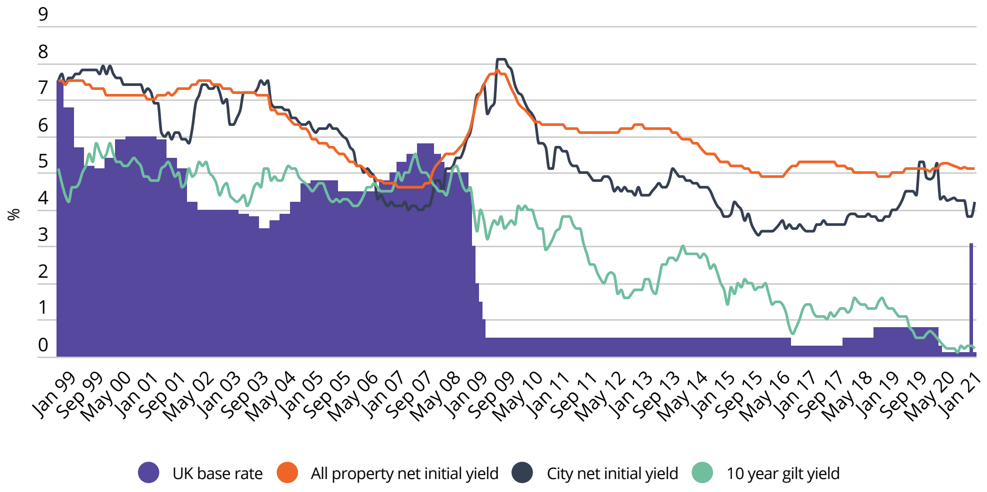
Source: Bank of England



Economic data

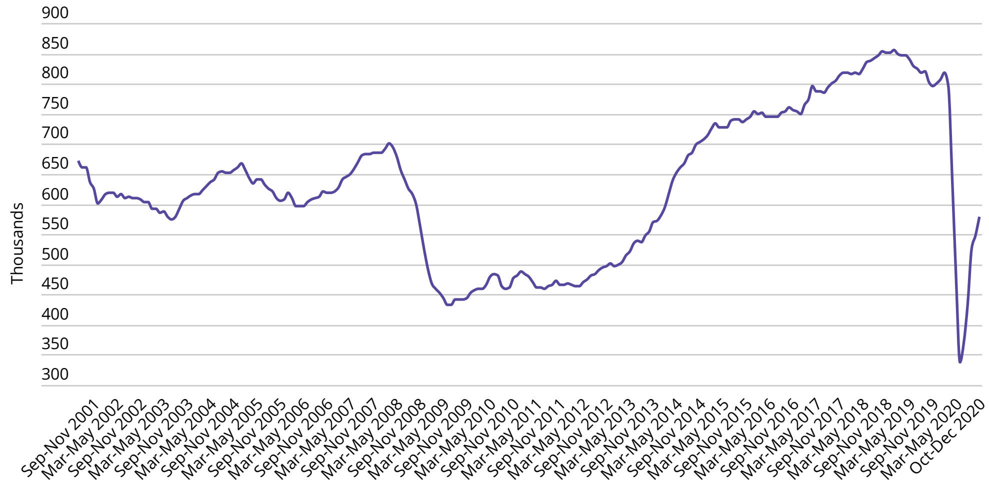
UK NET INITIAL YIELD VS GILTS VS BASE RATE

Source: MSCI monthly index, Bank of England



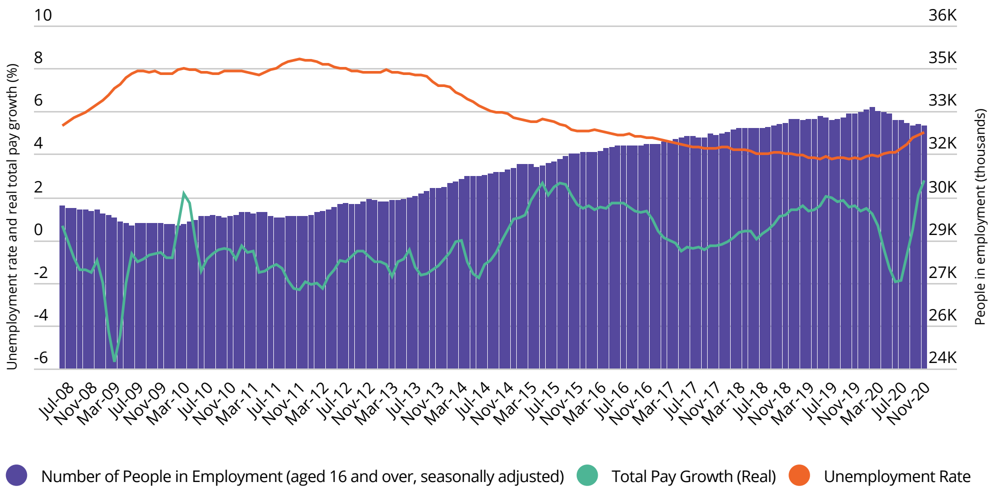
VACANCIES

Source: ONS



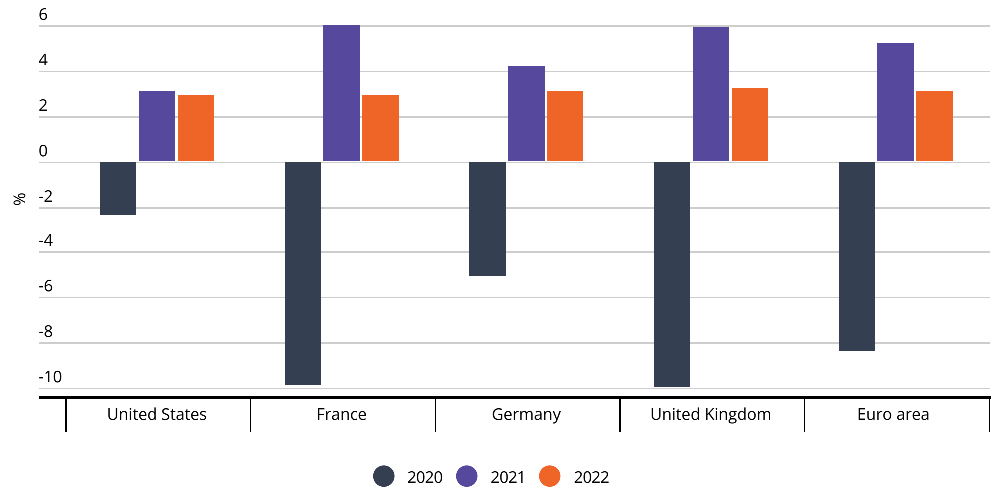
EMPLOYMENT AND AVERAGE WEEKLY EARNINGS

Source: ONS



GLOBAL ECONOMIC GROWTH

Source: IMF



Summary

- Occupier activity in both the central London and big nine office markets has been substantially hit by the crisis, with Q4 take-up 64% and 33% down on their respective 10-year quarterly averages.

Occupier market

Central London office take-up totalled 875,000 sq ft in Q4 2020 to bring the annual total up to 5.1 million sq ft. This is the lowest yearly figure since 2003 and is well below the 6.5 million sq ft transacted in the wake of the GFC in 2009.

Despite this prime spaces in the West End and City achieved record rents – albeit set against muted demand – at £277.50 per sq ft for 2,700 sq ft at 30 Berkeley Square, W1 and, in Q1 2021, the Ukrainian energy giant Dtek are rumoured to be paying £110 per sq ft at the Leadenhall Building, EC3. Conversely, a flood of second-hand, sub-let space has pushed availability above demand, resulting in discounted rents and increased incentives across the wider market. This is leading to a two-tier market within central London office stock.

Total take-up across the Big Nine cities amounted to 5.6 million sq ft during 2020, which is 33% down on the ten-year average and compares to 6.2 million sq ft in 2009, the lowest annual figure following the Global Financial Crisis. Activity improved as the year progressed, with Q4 take-up amounting to 1.5 million sq ft, 25% down on the ten-year average but an improvement on the previous quarter and double the amount transacted during Q2, the spring lockdown. There was also significant pre-letting activity across the markets, with 175,000 sq ft to BT in Manchester and 121,000 sq ft to Legal and General in Cardiff, while on the supply side various speculative schemes across several cities have recently started onsite.

Renewed restrictions forced non-essential retailers to close physical stores on 5th January across England if they weren't already. High frequency CHAPS payment data suggests that this closure, combined with the wider economic context, is severely curtailing consumer retail expenditure, with 'delayable' spending on comparison goods in January and February 2021 40% below that of the same time last year. These latest trends are compounding the struggles experienced across the retail sector over 2020. The Centre for Retail Research (CRR) estimated that some 5,200 stores closed due to 54 major retailers failing in 2020, impacting some 105,000 employees – not including small retailers who are also likely to have been severely affected.

The closure of physical stores and the need for vulnerable groups to shelter has accelerated the uptake of online retailing, even in previously hard to reach demographics and markets, such as grocery shopping. Internet sales achieved a new peak in November, accounting for 36% of all retailing during the second national lockdown before subsiding slightly to 31% in December. The considerable progress made in advancing the supporting infrastructure and in improving public attitude toward online retailing will persist even once physical stores can reopen; hence the outlook is positive for the e-commerce market.

The recent expansion of online retailing has been largely at the expense of physical stores. This trend is demonstrated by the recent spending spree of several pure-play online retailers purchasing insolvent high street brands without purchasing their physical sites. The failed Arcadia Group's Topshop, Topman, HIIT and Miss Selfridge have been purchased by online retailer Asos for £330 million, while Burton, Dorothy Perkins and Wallis have been acquired by Boohoo who also recently bought the Debenhams chain. All of these deals have been for the brands and websites only, excluding the 408 physical stores and cutting approximately 24,000 jobs.

Increasing demand for warehousing and logistical space in light of the e-commerce boom has provided considerable momentum in the industrial market across 2020 and this looks set to continue. The RICS commercial property survey for Q4 2020 illustrates this strong performance, with expectation strongly positive for capital values, rental growth, occupier demand and investment inquiries for both prime and secondary industrial assets over the coming 12 months. This is in stark contract to the office and retail sector outlooks, which both remain negative despite some minor improvements in Q4.

Across 2020, MSCI data reflects a similar story with the industrial sector delivering 2.2% rental value growth compared to -0.5% and -8.6% for office and retail respectively. Industrial was also the online sector to record positive capital value growth at 3.6% compared to -5.7% and 16.7% for office and retail. Subsequently, industrial yields hardened over 2020 to 5.3% in December, while office and retail softened to 6.4% and 7.4% respectively.

Occupier market

HOUSING MARKET

The housing market continues to show considerable strength across the UK as the stamp duty holiday fuels activity. Rebounding from heavily reduced activity during the spring restrictions, the post-lockdown surge in activity endured and we saw considerable growth of 7.3% in the year to December 2020 (Nationwide).

Sentiment indicators from the RICS residential survey suggest that the strength in the housing market subsided slightly toward the end of the year. Nonetheless, the number of mortgage approvals totalled 819,000 in 2020, the highest number in over a decade, reflecting the performance of the market. However, EPC registrations for new dwellings – an indicator of housing completions – was down in 2020 compared to 2019, suggesting that the impact of the spring restrictions in particular were not fully compensated for on the supply side.

Strength in the market is expected to continue up to the expiry of the tax break on the 31st March 2021, when macro-economic factors are expected to resume driving housing market dynamics. This date coincides with the current ending of the furlough scheme as well as the moratorium on evictions. As such, a decline in activity is anticipated resulting in a contraction of house prices over 2021.

OUTLOOK

Despite the introduction of a third set of national restrictions impacting occupier activity and sentiment, there is now a cautious end in sight. Several office occupiers have set provisional return to office dates in Q2 2021.

We therefore expect to see a serious return of activity in the office leasing market in H2 2021. Although the return to office is anticipated to be strong once public health concerns are sufficiently reduced, there will be a sustained increase in the level of home working relative to before the pandemic. This trend, as well as companies looking to cut costs, will likely result in further grey sub-let space coming to market as occupiers look to reduce their footprints.

Although the retail market may experience some rebound following a successful vaccine rollout, helped by the considerable savings and deposits some consumers have accrued over the past year, severe job losses after the expiry of the furlough scheme could result in further hardship in the sector. Further, the rise of online retailing to a new peak in November suggests that e-commerce will retain a larger share of activity post-Covid. Because of these factors, it is likely physical store retailing will continue to bear the brunt of the structural shift in the economy and consumer behaviour.

Retail's loss is industrial's gain, however, with Capital Economics estimating that the e-commerce boom could increase industrial demand by around 15% over the next decade. Combined with restricted supply across the UK, this means that both capital values and rents are likely to continue to rise up in the industrial market.

An important outcome from the Brexit deal will be the ongoing negotiations around the equivalency of financial service operations. If the UK does not achieve a favourable outcome – i.e. UK firms do not gain EU equivalency – then UK locations will be less appealing for companies looking to do business with the EU.

> "The recent expansion of online retailing has been largely at the expense of physical stores. This trend is demonstrated by the recent spending spree of several pure-play online retailers purchasing insolvent high street brands without purchasing their physical sites.

KEY STATS

ANNUAL ROLLING VALUE OF NEW CONSTRUCTION ORDERS

£47.0 billion

Q3 TAKE-UP LEVELS

CENTRAL LONDON OFFICES

875,000 sq ft

'BIG NINE' REGIONAL OFFICES

1.5m sq ft

ANNUALISED AVERAGE RENTAL GROWTH

ALL PROPERTY

-2.3%

OFFICES	RETAIL	INDUSTRIAL
-0.5%	-8.7%	2.2%

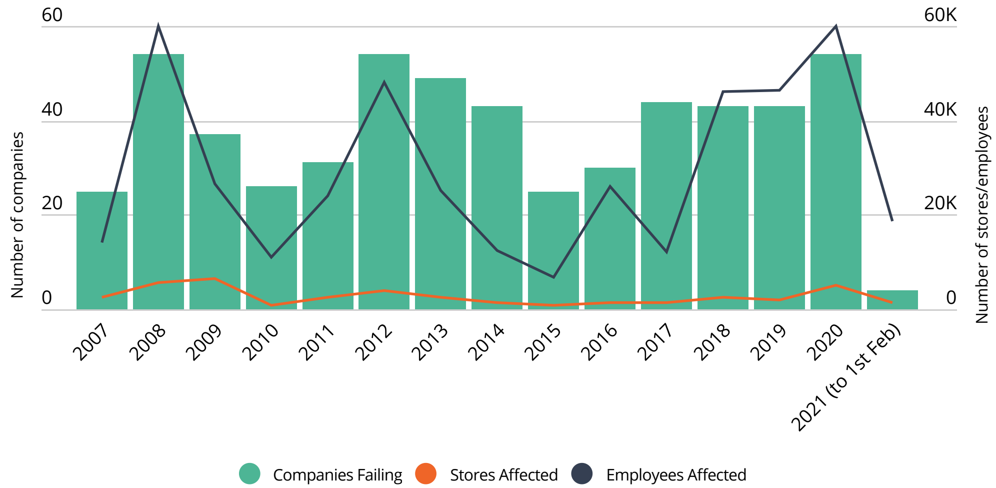
Occupier market data

BIG NINE & CENTRAL LONDON TAKE-UP

Source: Avison Young

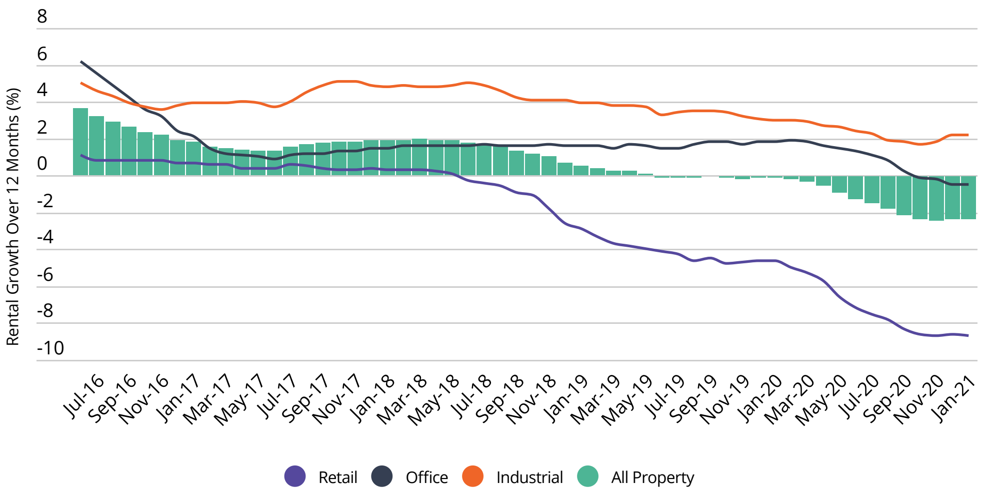
FAILING RETAIL COMPANIES

Source: Centre for Retail Research



AVERAGE ANNUAL RENTAL GROWTH

Source: MSCI Monthly Index



Summary

- In the investment market, Q4 saw an estimated £16.7 billion transacted – an impressive 19% above the 5-year quarterly average (Property Data). Across 2020, investment was therefore 12% down on the 10-year annual average, totalling £46.9 billion.
- Deploying safe, effective vaccines across the UK and beyond remains the best option for cutting downside risk in the economy. The UK's effective rollout so far, combined with removal of Brexit uncertainty gives us a cautiously optimistic outlook over the medium-term.

Investment market

In the investment market, Q4 saw an estimated £16.7 billion transacted – an impressive 19% above the 5-year quarterly average (Property Data). Across 2020, investment therefore was only 12% down on the 10-year annual average, totalling £47 billion.

Office investment in Q4 considerably improved to £5.4 billion, over double the previous quarter, exceeding the 5-year quarterly average for the first time in 2020. Core markets with prime quality stock have been the focus of investment activity. It is however thought that there remains a substantial weight of capital ready to enter the wider market when the environment is more stable.

Central London saw a notable uptick in activity in Q4 investment activity with volumes reaching £3.6 billion, of which £1.7 billion transacted in December. The West End was particularly busy, with Q4 2020 actually the most active quarter by volume since 2014.

Investment volumes across the Big Nine cities totalled £580 million during the final quarter of 2020, 2% up on the ten-year average and the busiest quarter of the year. However, with slower activity in the previous two quarters, the total for 2020 amounted to £1.5 billion, down 34% on the ten-year average.

Industrial investment volumes have also picked up pace in the latter half of 2020, totalling £5.6 billion in Q4 – the highest quarterly figure of this millennium so far and over double the 5-year quarterly average. This amounts to an annual figure of £10.4 billion – the second highest figure on record behind 2017.

Retail investment activity rebounded somewhat during Q4, achieving the highest quarterly volume since Q4 2017 at £2.0 billion, 12% above the 5-year quarterly average. However, the reduced volumes in the previous three quarters of 2020 limited the annual total to £5.0 billion which is 29% below the 5-year annual average. Significant uncertainty remains regarding the prospects of the sector which was already going through substantial structural change prior to the pandemic.

As a result of the challenges within the commercial real estate market, all property average capital value growth remains strongly negative at -6.0% across 2020, compared to -3.0% a year previously (MSCI Monthly Index). All property equivalent yields remained stable in December at 6.2%.

Investment market

OUTLOOK

The approaching expiry of significant government interventions which have supported companies and assets that would likely have otherwise become distressed is likely to cause a substantial impact on the market. Even if deadlines are extended again to allow companies to recover where they can, there will still be those who cannot regain their position which could result in increased asset availability.

The majority of respondents of the annual INREV investor sentiment survey suggested they had not significantly changed their investment plans for 2021 as a result of Covid-19. Capital Economics also forecast positive total returns for UK commercial property in 2021, albeit at a modest level.

In the near-term, this means that there could be considerable opportunity for opportunistic investments for those with the capital and appetite for the increased risk.

Those looking to capitalise on this will be trying to ascertain the extent to which trends that emerged or accelerated during 2020 will persist in a post-Covid world. Massive private and public investment in technological infrastructure to enable home working is unlikely to be forgotten, as well as changes in workplace cultures which may have previously stigmatised remote workers. Public opinion has also changed as a result of the new experiences that living with coronavirus has presented. Online retailing, an emphasis on the local and potentially a less urban-centric focus in residential property could emerge over time as result.

Deploying safe, effective vaccines across the UK and beyond remains the best option for cutting downside risk in the economy. Combined with some of the particulars from the Brexit deal – and the prospect of more, hopefully favourable, clarity to come – there may be cause for a cautiously optimistic outlook over the medium-term.

> "The approaching expiry of significant government interventions which have supported companies and assets that would likely have otherwise become distressed is likely to cause a substantial impact on the market.

Q4 2020 VOLUMES BY REGIONS

- London **£6.9 billion**
- South East **£1.9 billion**
- East Midlands **£1.0 billion**
- North West **£809 million**
- West Midlands **£740 million**
- East of England **£717 million**
- South West **£593 million**
- Scotland **£287 million**
- Yorks & Humber **£258 million**
- North East **£211 million**
- Wales **£65 million**
- Northern Ireland **£48 million**

KEY STATS

ANNUAL ROLLING INVESTMENT TRANSACTIONS VALUE

£47 billion

Q4 VOLUMES BY INVESTOR TYPE

OVERSEAS INVESTORS

49%

UK PROPERTY COMPANY

20%

UK INSTITUTIONS

12%

ALL PROPERTY EQUIVALENT YIELDS

6.2%

ANNUAL ALL PROP TOTAL RETURN

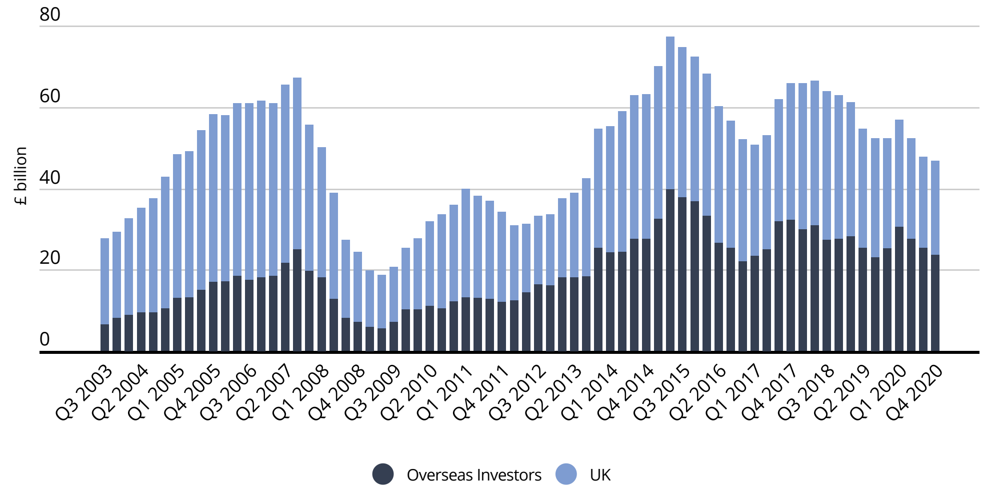
-0.8%

ANNUAL ALL PROP CAPITAL GROWTH

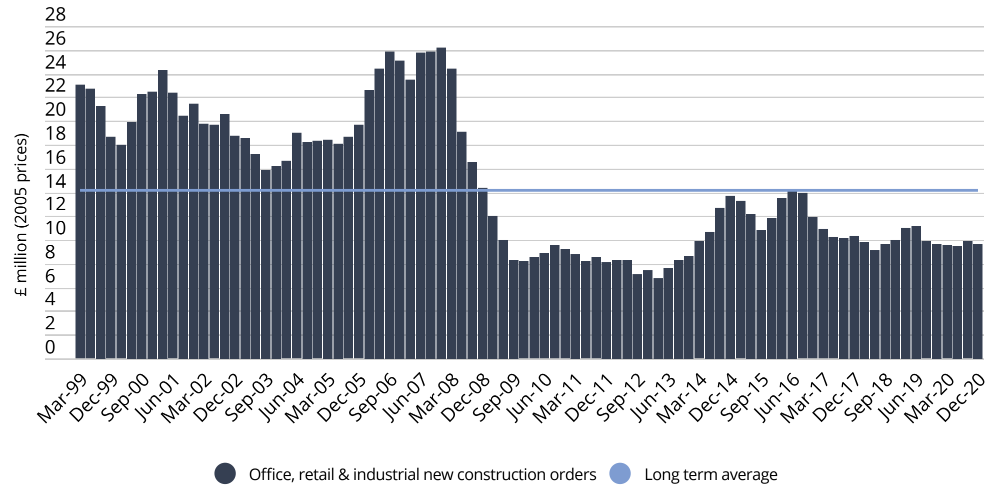
-6.0%

Investment market data

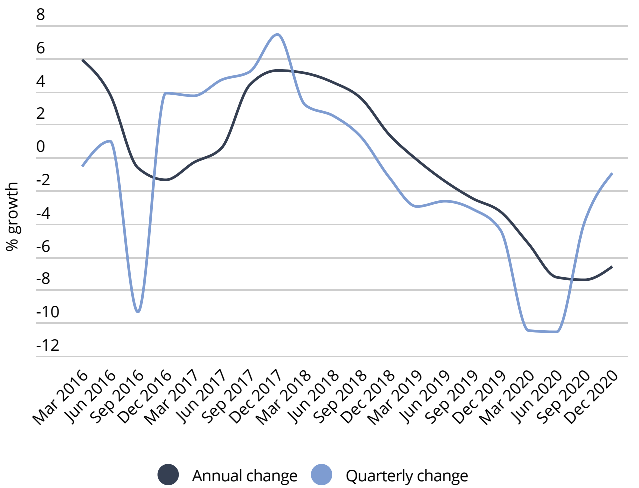
ROLLING ANNUAL INVESTMENT TRANSACTION VOLUMES Source: Property Data



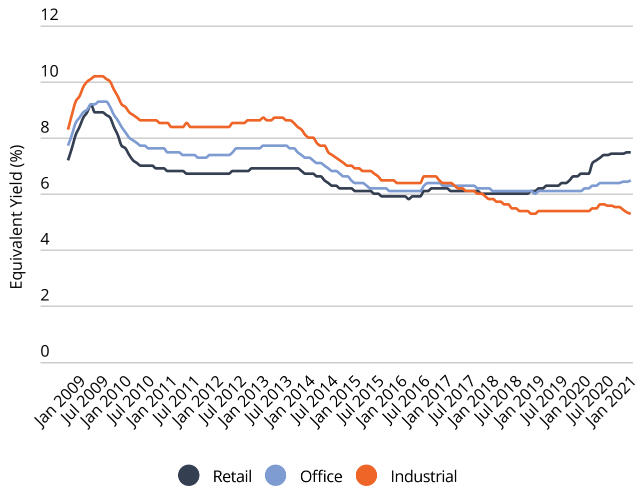
NEW CONSTRUCTION ORDERS RETAIL, OFFICE AND INDUSTRIAL Source: ONS



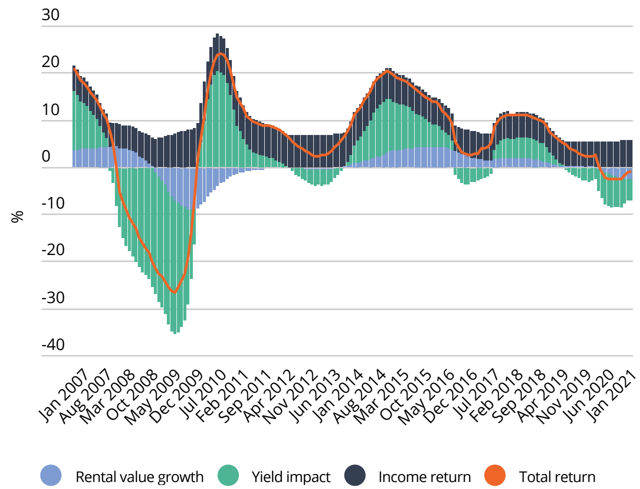
ALL PROP AVERAGE CAPITAL VALUE GROWTH Source: MSCI



AVERAGE EQUIVALENT YIELDS Source: MSCI Monthly



ALL PROPERTY ANNUAL TOTAL RETURN Source: MSCI Monthly



Should you wish to discuss any details within this update please get in touch

Daryl Perry
Director, Head of UK Research
+44 (0)20 7911 2340
daryl.perry@avisonyoung.com

Joshua Rose-Nokes
Associate Director
+44 (0)20 7911 2566
joshua.rose-nokes@avisonyoung.com

Giles Tebbitts
Associate Director
+44 (0)20 7911 2670
giles.tebbitts@avisonyoung.com

Natasha Patel
Director, Research
+44 (0)7867 141 807
natasha.patel@avisonyoung.com

Fiona Don
Senior Researcher
+44 (0)20 7911 2753
fiona.don@avisonyoung.com

Kiran Patel
Researcher
+44 (0)20 7911 2625
kiran.patel@avisonyoung.com

John O'Brien
Assistant Researcher
+44 (0)20 7911 2659
john.o'brien@avisonyoung.com

Nick Axford
Global Director of Research
+44 (0)20 7911 2939
nick.axford@avisonyoung.com

@AYUKviews