

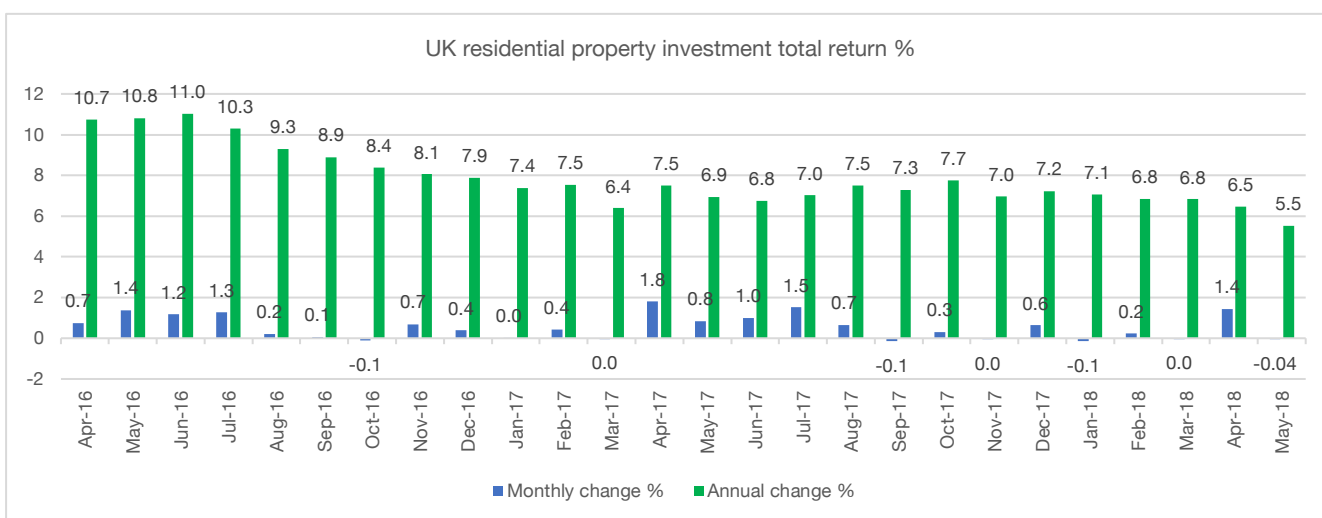
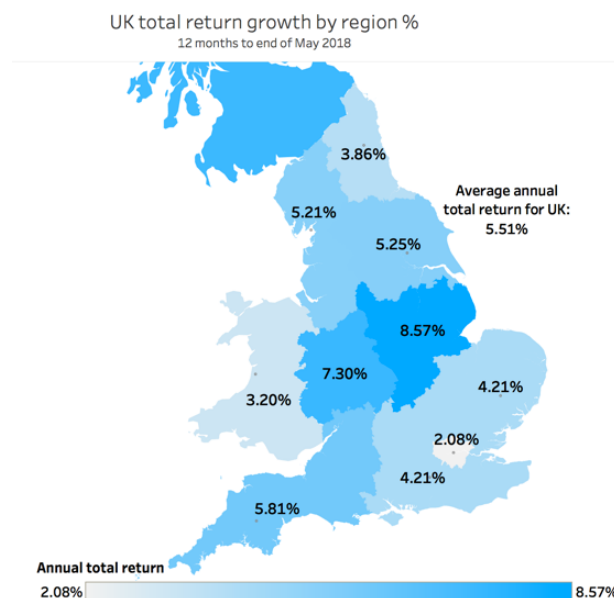
UK Residential Property Market Index: June 2018

- The Property Partner UK Residential property index showed a total return to investment of **-0.04%** in May, with capital growth of **-0.29%** and a net income return of **0.25%** for the month.
- Over a 12-month period, the total return was **5.51%**, with capital growth of **2.43%** and an income return of **3.01%**.
- The index measures the change in average house prices and rents from the Land registry and ONS, applying deductions for operating costs and refurbishment to generate a net total return to investment.

UK residential investment index performance at 31st May 2018	Income return %	Capital growth %	Total return %	Rental value growth %
Monthly return %	0.25	-0.29	-0.04	0.06
Annual return %	3.01	2.43	5.51	0.97
5-year average annual return %	3.25	5.15	8.55	1.82
10-year average annual return %	3.39	1.45	4.88	1.73

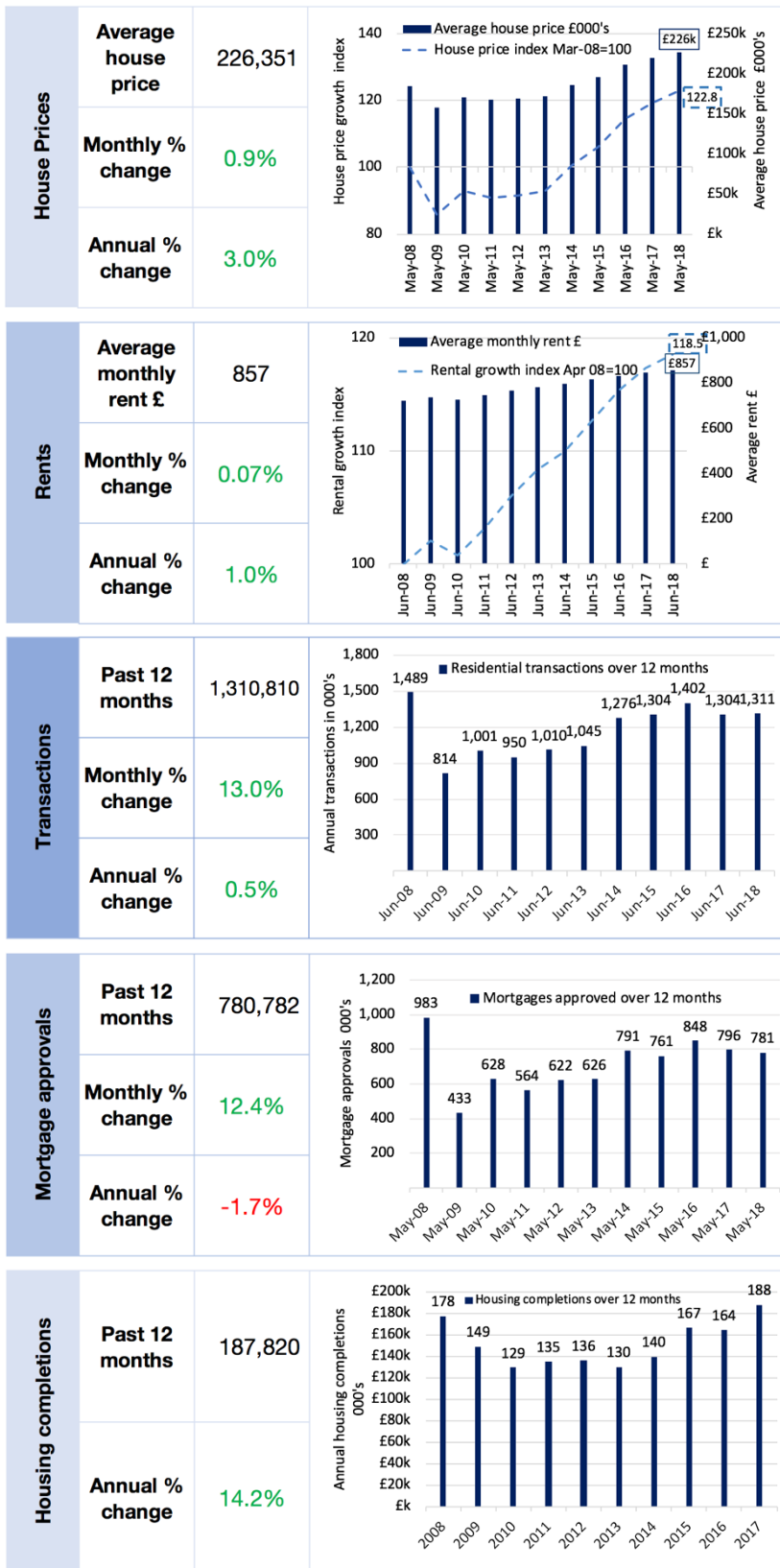
UK residential property continues to demonstrate strong performance, albeit with a slight drop in the annual total to 5.5% - slightly below the average level seen over 12-month periods in the past two years - due to slower house price growth.

On a regional basis the East Midlands was the strongest performing region over the past 12 months, with a total return of 8.57%, while London delivered the lowest return of 2.08% due to weakness in the prime end of the market and a low rental yield.



UK residential market trends, June 2018

UK residential market indicators



The UK residential property market continues to remain resilient in the face of broader economic uncertainty.

Average house prices increased by 0.9% in May 2018, reaching a record high of £226,350. An increase of 3.0% over the previous 12 months represents growth above inflation (CPI 2.3%), wages (2.4%) and GDP, albeit below the long-term house price growth trend of 7.5% p.a. This suggests demand for housing continues to outstrip constrained supply, in spite of historically high prices and a climate of Brexit related economic uncertainty.

The average monthly cost of renting property increased fractionally to £857 in the month of May, with annual rental growth slowing to 1%. This is below the longer-term trend of closer to 2% per year, as well as wages and other prices in the economy, suggesting that the real cost of renting has, on average, reduced slightly in the past year across all regions.

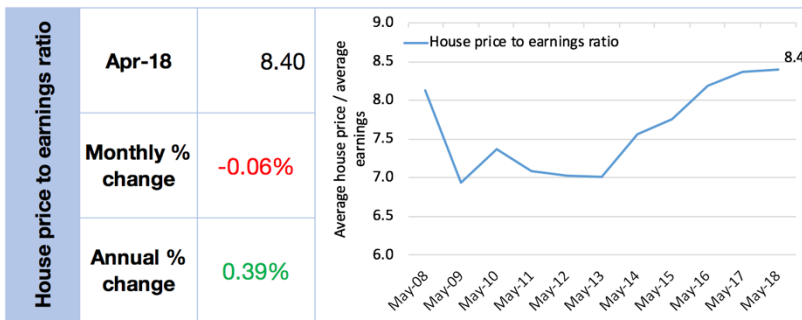
The sales market remains relatively active in spite of the regular reports of slowing listings and buyer demand from traditional estate agents, hinting at increased competition in that industry in addition to potentially lower transaction levels over the summer.

107,750 residential transactions were registered in June which, although 8.8% down on the same month last year, brought the total number of transactions to over 1.3m over the course of 12 months. This is higher than the previous 12-month period and the second highest year to the end of June recorded since the financial crisis.

At the same time mortgage approvals have dropped by 1.7% over the past 12 months, indicating a modest increase in the proportion of cash buyers in a climate where lending criteria remains tight in spite of extremely low borrowing costs. Falling demand for finance from Buy-To-Let investors, put off by the removal of mortgage interest rate relief, is undoubtedly a factor.

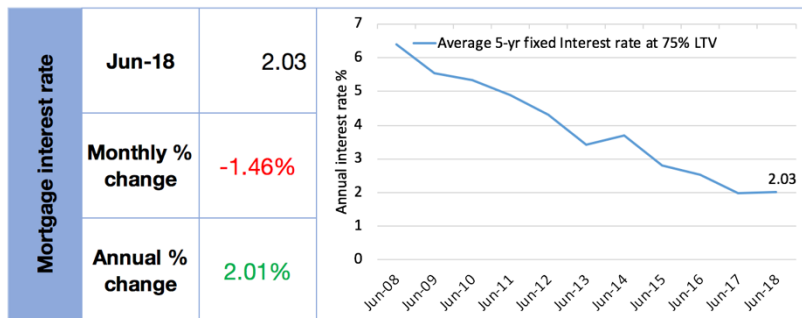
Private sector housing completions increased by 14.2% in 2017 but remain well below pre-financial crisis levels and with overall net additions of 217,000 still well short of the 250,000 additional homes the government believe are required each year to meet demand.

Housing affordability

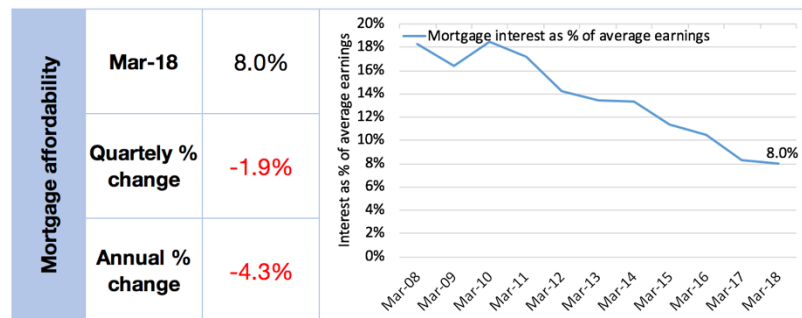


UK house prices reached 8.4 times average individual earnings in May, albeit with significant regional variation. This represents a small increase over the past 12 months, as house prices have continued to exceed wage growth, but remains slightly below the level reached in 2007 prior to the financial crisis (August 2007 was 8.6x).

In spite of high house prices overall affordability among existing home owners is strong, given the extremely low cost of servicing mortgages, with average interest rates on a 5-year fixed deal at 75% LTV currently a shade over 2%, compared to above 6% in 2008. The average cost of mortgage interest is less than 8% of average earnings in Q1 2018, a fall of more than 8% over the previous 12 months.



Data from the Bank of England shows that less than half of homes are currently mortgaged (12.4m / 27m) with a total mortgage value of £1.3 trillion, representing 20% of the total housing stock value of more than £6 trillion, at an average LTV among those mortgaged properties of under 47%.



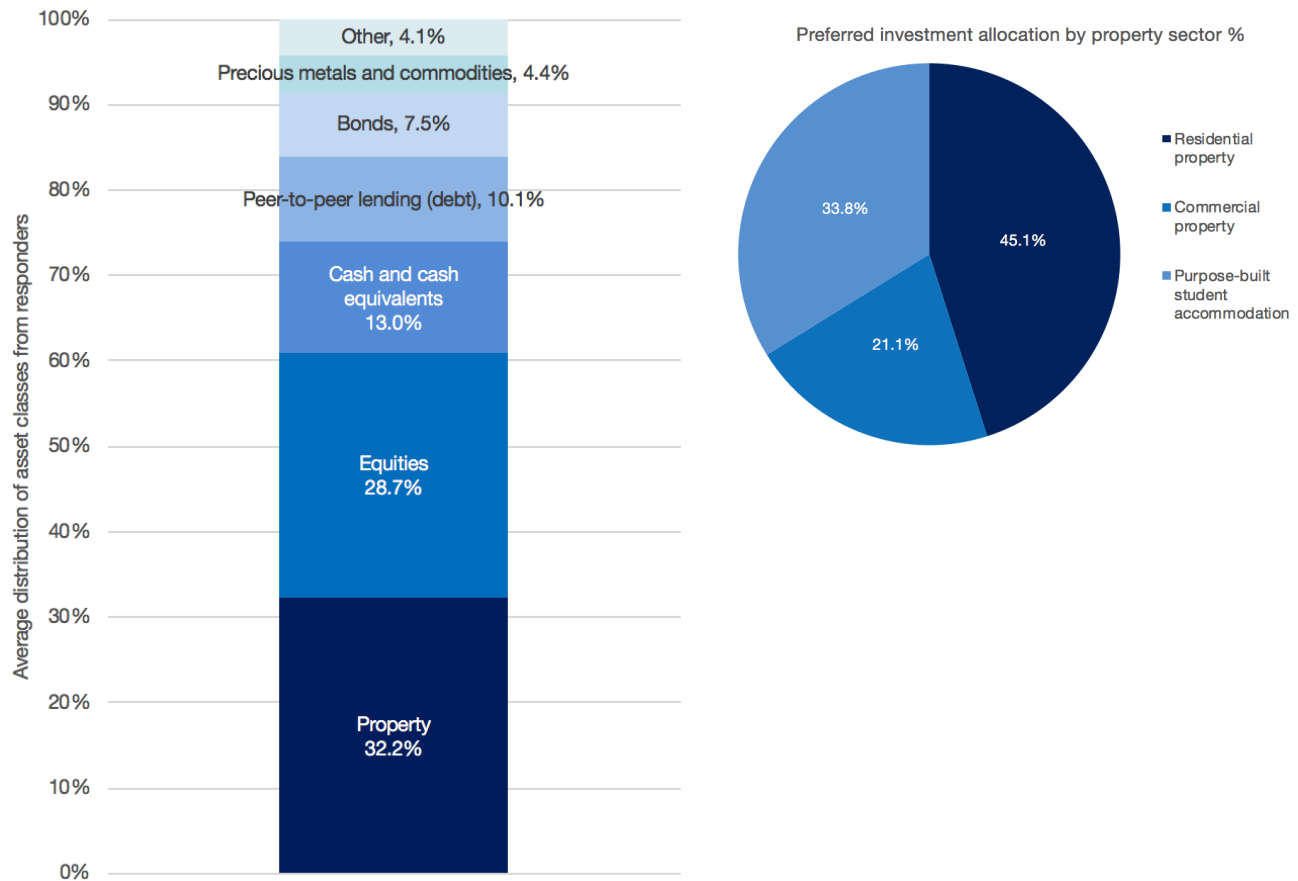
Low levels of debt and low costs of servicing debt mean overall affordability among home owners is strong, providing a significant buffer against potential future interest rate rises. BOE guidance indicates interest rates are set to remain low by historical standards.

Data Sources

UK house price index, Land registry, ONS
 Private rental index, ONS
 Average rental levels, ONS
 UK residential property transactions, HMRC
 Mortgage approvals, Building Societies Association, Bank of England
 Housing completions, Building Societies Association, Communities and Local Government
 Average wages, ONS
 Average mortgage interest rate; Bank of England

Property Partner investment sentiment survey

Property Partner has a client base of over 11,000 investors who have invested more than £85m in UK property through our technology backed platform. A recent sentiment survey indicates that investors view property as their preferred asset class, with 32.3% of future investments being allocated to property, followed by 29% in equities. Investors would choose to allocate most property investment to Residential property.



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