

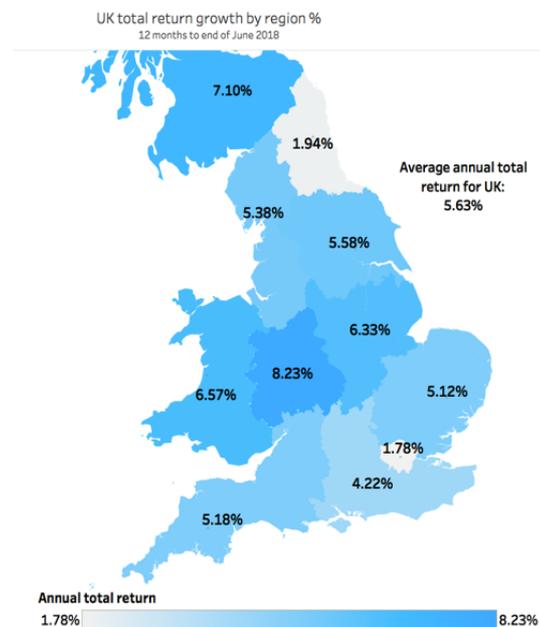
## UK Residential Property Market Index: July 2018

- The Property Partner UK Residential property index showed a total return to investment of **1.1%** in June, with capital growth of **0.86%** and a net income return of **0.25%** for the month.
- Over a 12-month period, the total return was **5.63%**, with capital growth of **2.55%** 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.

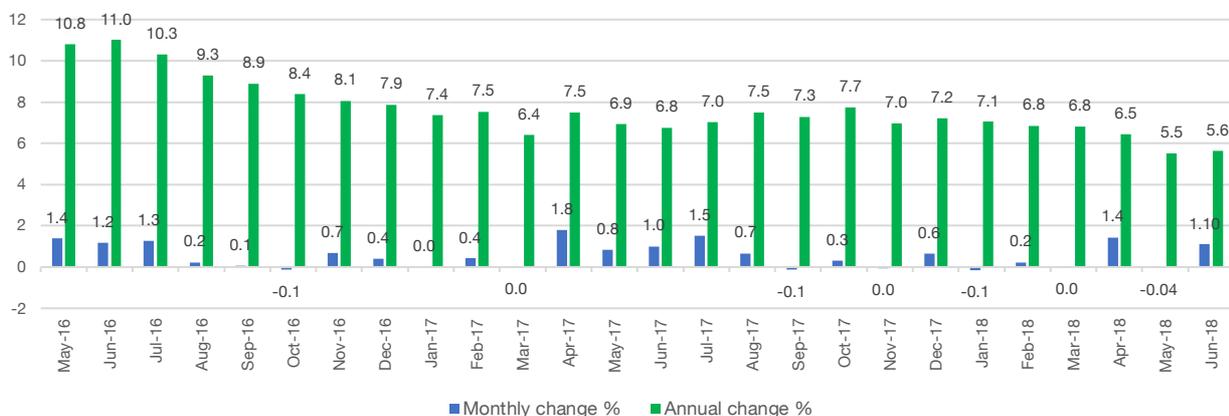
UK residential investment index performance at 30th June 2018	Income return %	Capital growth %	Total return %	Rental value growth %
Monthly return %	0.25	0.86	1.10	0.07
Annual return %	3.01	2.55	5.63	0.96
5-year average annual return %	3.24	5.17	8.55	1.81
10-year average annual return %	3.39	1.68	5.12	1.71

UK residential property continues to demonstrate strong performance, with a slight pickup in the annual total to 5.63% 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 West Midlands was the strongest performing region over the past 12 months with a total return of 8.23%, while London delivered the lowest return of 1.78% due to weakness in the prime end of the market and a low rental yield.

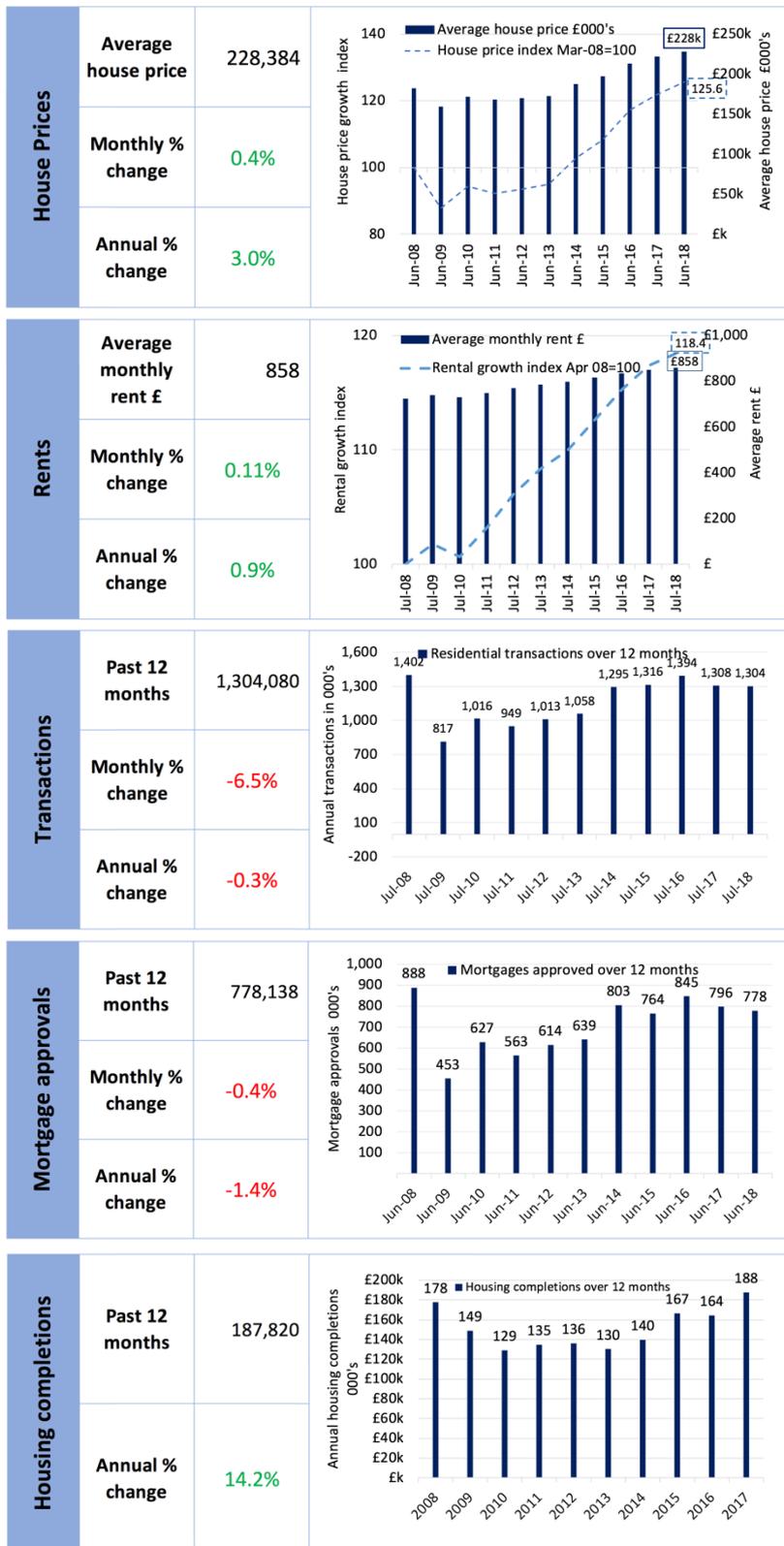


UK residential property investment total return %



## UK residential market trends, July 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 0.4% in June 2018, reaching a record high of £228,384. 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 £858 in the month of July, with annual rental growth slowing to 0.9%. 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 reduced slightly in the past year across all regions.

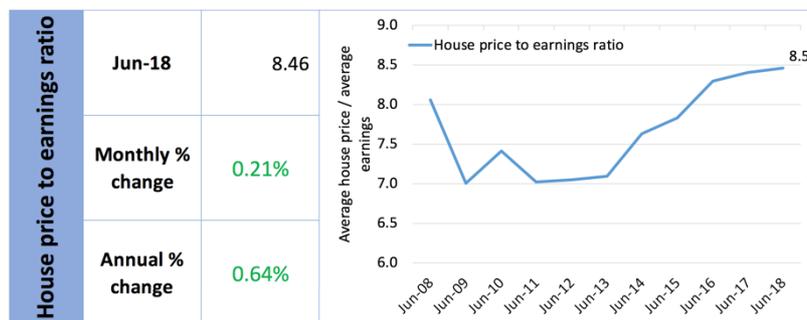
The sales market remains relatively active in spite of the regular reports of slowing listings and buyer demand from traditional estate agents, hinting at increased competition in that industry in addition to potentially lower transaction levels over the summer.

105,940 residential transactions were registered in July, almost identical to the same month last year, bringing the total number of transactions to over 1.3m over the course of 12 months. This is in line with the previous 12-month period and the previous three years which are above the post financial crises average.

At the same time mortgage approvals have dropped by 1.4% over the past 12 months, indicating a modest increase in the proportion of cash buyers in a climate where lending criteria remain 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

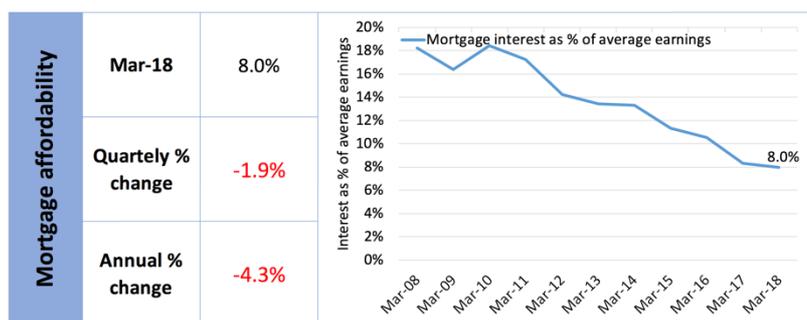


UK house prices reached 8.46 times average individual earnings in June, albeit with significant regional variation. This represents a small increase over the past 12 months, as house prices have continued to exceed wage growth, but remains slightly below the level reached in 2007 prior to the financial 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%.



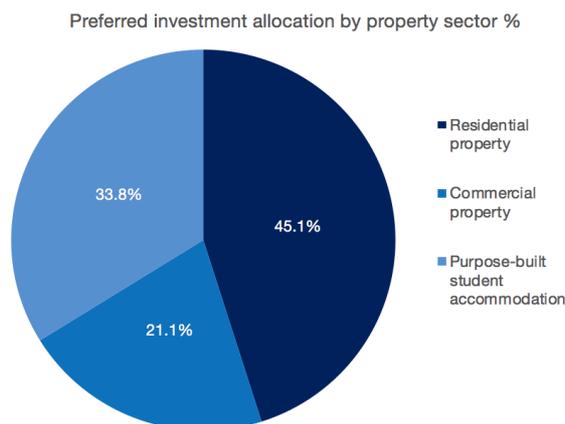
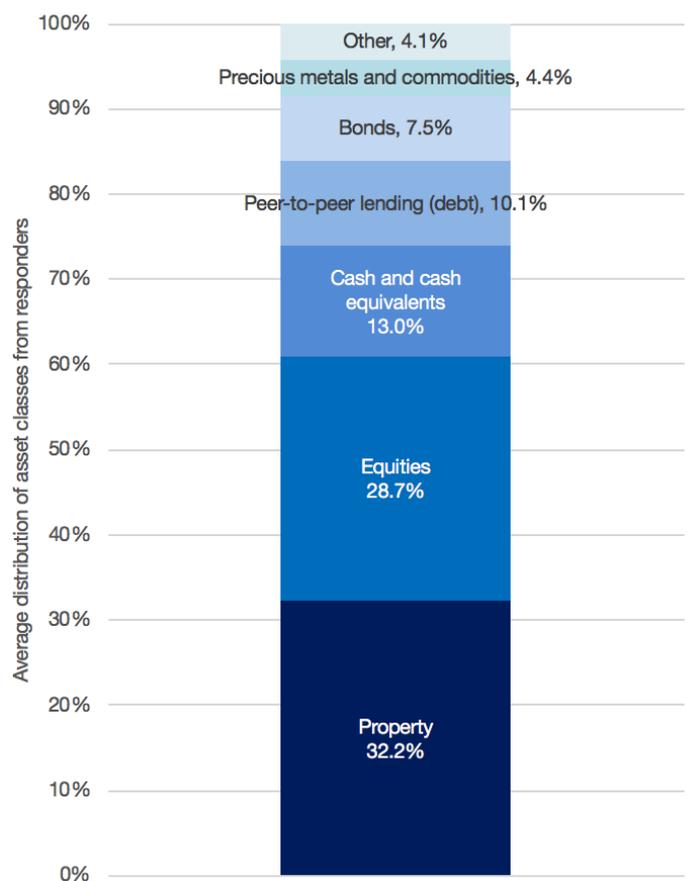
Low levels of debt and low costs of servicing debt mean overall affordability among home owners is strong, providing a significant buffer against potential future interest rate rises. BOE guidance indicates interest rates are set to remain low by historical standards.

### 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 12,000 investors who have invested more than £95m 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 investments, followed by PBSA.



Capital at risk. The value of your investment can go down as well as up. The Financial Services Compensation Scheme (FSCS) protects the cash held in your Property Partner account, however, the investments that you make through Property Partner are not protected by the FSCS in the event that you do not receive back the amount that you have invested. Past performance is not a reliable indicator of future performance. Gross rent, dividends and capital growth may be lower than estimated. 5 yearly exit protection or exit on platform subject to price & demand. Property Partner does not provide tax or investment advice and any general information is provided to help you make your own informed decisions. Customers are advised to obtain appropriate tax or investment advice where necessary. Please read [Key Risks](#) before investing.