

## Economy

The Office for National Statistics (ONS) revised Q1 2018 GDP growth from 0.1% to 0.2%. However, the data suggests that growth was largely driven by stock building while household spending remained subdued. Nonetheless, data for Q2 is encouraging. The new monthly GDP series from the ONS shows that the UK economy grew 0.3% in May and the 'all-sector' PMI rose from 53.1 in Q1 to 54.2 in Q2, consistent with GDP growth of 0.4% according to IHS Markit. Retail sales volumes rose 2.1% in three months to June and consumer confidence remains in line with its long-run average. CPI and RPI inflation came in at 2.4% (unchanged from May) and 3.4% (3.3% in May) in June, respectively, and real wages grew further. Consumer spending growth should pick up in H2.

**Colliers view:** Official figures are likely to show a reasonable improvement in UK GDP growth in Q2 after a slow start to the year. A rate hike in August is firmly back on the table.

## Investment

According to preliminary data, transaction volumes reached £7.4bn in June, the highest monthly figure this year, so far. However, in the year to date, transaction volumes are down 8% compared to 2017. This is largely a result of a very weak April. Overseas cash accounted for the largest deals in June, with 5 Broadgate (£1bn) and Ropemaker Place (£650m) being acquired by Far Eastern investors. UK institutions (£1.2bn) were net buyers in Q2, while private property companies (-£1bn) were the main net sellers of commercial property last quarter. Yields are generally stable, although industrials saw further yield compression, according to the MSCI monthly index in June.

**Retail:** Investment volumes in the retail sector rose further in June, reaching £905m. A Singaporean investor bought a Grade II listed property at 135-137 New Bond Street, currently home to luxury brand Belstaff's flagship London store, for £180m at 3% IY. M&G Real Estate were active in the retail warehouses sector, purchasing two sites in Birmingham and Edinburgh at a combined value of £261m. A few shopping centres changed hands, led by DTZ Investors' purchase of Shopstop at Clapham Junction (£130m at 3.25% IY). The Co-op was also active in June, purchasing three little Waitrose stores.

| Retail transactions | Value | Deals | June selected yields                 |
|---------------------|-------|-------|--------------------------------------|
| Unit Shops          | £333m | 24    | 3% London/ 5.4% Durham               |
| Retail Warehouses   | £305m | 7     | 5.0% Birmingham/ 7.4% Sevenoaks      |
| Shopping Centres    | £190m | 6     | 3.25% London                         |
| Supermarkets        | £10m  | 6     | 5.2% Leighton Buzzard / West Drayton |

Source: Colliers International, Property Data Ltd.

**Offices:** Asian investors scooped up further trophy assets in the City. CK Asset Holdings Ltd bought 5 Broadgate for £1bn at 3.95% IY and Ho Bee Land Ltd bought Ropemaker Place for £650m at 4.6% IY. The largest domestic deal was M&G Secured PIF's purchase of 17 Charterhouse Street (£265m at an unconfirmed 3.75% IY). Across the regions, CCLA Investment Management purchased 1 Park Row in Leeds (£36m at 4.43% IY) and Bet365 Group Ltd bought 26 Spring Gardens in Manchester (£31.5m at 5.25% IY). Overseas investors accounted for 70% of overall transaction volumes.

| Office transactions | Value | Deals | June selected yields         |
|---------------------|-------|-------|------------------------------|
| London              | £3bn  | 33    | 3.9% to 5.3% London          |
| Regional            | £759m | 44    | 4.4% Leeds/ 5.25% Manchester |

Source: Colliers International, Property Data Ltd.

**Industrial:** Pricing of industrial assets remains firm. UK institutions and quoted property companies were the main players in June. Tritax Big Box REIT Plc bought Link 66 in Darlington for £121m, Greater Manchester PF purchased a portfolio in Reading and Southampton for £95m and LondonMetric Property Plc bought a portfolio of nine urban logistics assets in London, the South East and the Midlands for £55m at 4.4% IY.

| Industrial transactions | Value | Deals | June selected yields          |
|-------------------------|-------|-------|-------------------------------|
| Distribution            | £420m | 9     | 5.5% Widnes                   |
| Multi-let parks         | £310m | 40    | 5.3% Cheltenham/ 6.6% Glasgow |

Source: Colliers International, Property Data Ltd.

**Colliers view:** Pricing remains firm and investment volumes strengthened. Industrial yields are likely to compress further, although an easing is expected across the retail sector.

| Key Indicators          |                     |              |              |
|-------------------------|---------------------|--------------|--------------|
|                         | Latest <sup>1</sup> | End June     | End May      |
| UK GDP (%q/q)           | 0.2% (Q1 18)        | 0.1% (Q1 18) | 0.1% (Q1 18) |
| UK PMI (composite)      | 55.0 (June)         | 55.0         | 54.3         |
| EURO PMI (composite)    | 54.9 (June)         | 54.9         | 54.1         |
| UK CPI (%)              | 2.4 (June)          | 2.4          | 2.4          |
| UK RPI (%)              | 3.4 (June)          | 3.4          | 3.3          |
| UK BASE RATE (%)        | 0.5                 | 0.5          | 0.5          |
| UK 10YR GILT (%)        | 1.40                | 1.38         | 1.32         |
| GBP 3M LIBOR (% eop )   | 0.75                | 0.67         | 0.61         |
| STERLING EFFECTIVE (FT) | 78.1                | 78.3         | 78.4         |
| GOLD (USD eop)          | 1227                | 1253         | 1299         |
| OIL BRENT (USD eop)     | 71.4                | 79.4         | 77.6         |
| FTSE 100 (eop)          | 7676                | 7637         | 7678         |
| IPD All property IY     | ▼ 4.98 (June)       | 4.98         | 5.00         |
| IPD All property EY     | ▼ 5.84 (June)       | 5.84         | 5.87         |

<sup>1</sup> July 18th (data and revisions)

Sources: FT, Haver, IHS Markit, MSCI, ONS, Trading Economics

