

June 2010

## **Market Review**

- House Prices (Source: Halifax) – House prices fell by 0.60% in June, following a 0.40% decline in May. Halifax's view is that house prices will be broadly unchanged over 2010 as a whole. A shortage of properties for sale in 2009 contributed to an imbalance between supply and demand and was a key factor driving up house prices last year.
- UK Interest Rates – The Bank of England maintained interest rates at 0.50% for the fourteenth consecutive month.
- Annual Inflation – CPI annual inflation, the Government's target measure – was 3.20 per cent in June, down from 3.40 per cent in May. Falling petrol and diesel prices are by far the main drivers to the downward pressure to CPI annual inflation between May and June.

## **Retail Property Market Trends**

- Investor Demand – Economic and financial market uncertainties have dampened investor sentiment of late. Buyers currently face limited opportunities at the prime end of the market, however, further improvement in secondary market sentiment is required if investors are to move further up the risk curve.
- Occupier Demand – Retail sales rose by 0.60% in May on the previous month, and by 2.20% year-on-year. The performance was stronger than predicted with World Cup related spend being attributed to the rise. Retail sales have remained buoyant in 2010, however, an anticipated squeeze on consumer spending later in the year may impact performance toward the end of 2010.
- Capital Growth (Source: CB Richard Ellis) – Retail property recorded capital growth of 0.60% in May and total returns of 1.10%.
- Prime Yields (Source: CB Richard Ellis) – Prime yields for standard shops remained at 4.85% in June. The outlook for the majority of retail asset classes is for yields to stabilise.

## **Summary**

- The outlook for the remainder of 2010 looks healthy, as rents and yields begin to stabilise, and the Bank of England base rate remains at 0.50%.



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