

RESIDENTIAL PROPERTY FOCUS Q1 2014

25-year
Anniversary
Edition

Conjuring up housing growth

As the value of UK housing stock rises to £5.2 trillion, is the market becoming more divided?

The rise of urban prime
.....
What next for housebuilding?
.....
Making better use of existing stock
.....



This publication

This document was published in February 2014. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.

Glossary of terms

■ **Mainstream:** mainstream property refers to the bulk of the UK housing market with, for example, price movements monitored by reference to national and regional average values.

■ **Prime:** the prime market consists of the most desirable and aspirational property by reference to location, standards of accommodation, aesthetics and value. Typically it comprises properties in the top five per cent of the market by house price.

Abbreviations are:

- Peak: refers to the first half of 2007
- PCL: prime central London
- PRS: private rented sector
- SMEs: small and medium enterprises

Foreword

A FAREWELL TO THE MORTGAGEE



Will mass owner occupation be seen as a late 20th century blip on the radar of tenure history?

The Savills Residential Research department began 25 years ago, and in this time the UK housing market has changed and evolved. Some of it, we anticipated.

Back in 1989, very few people foresaw the re-emergence of market renting as an investment asset class but it was a significant reason for us to start researching UK Residential. A pinnacle of achievement is Lucian Cook's valuation of all UK housing stock (he's been busy). It shows that nearly a £1 trillion or 19% of UK housing stock value is let on the open market by a variety of so-called 'private' landlords.

This shift to market renting is part of underlying financial and demographic trends leading to significant tenure and value shifts. It has been so pronounced that the UK now has a lower rate of owner occupation than the EU average.

Equity release

Back in the 1990s, we started to consider whether high levels of mortgaged owner occupation would prove to be a temporary phenomenon. I was saying that a one-off shift in property ownership from landlords to occupants had been facilitated by post-war expansion of mortgage lending. But, when this debt was paid off, we foresaw the market would become more 'equity driven'.

This Focus bears out that prediction as the increasing amount of outright ownership and decrease in mortgage debt, as a proportion of housing value, has continued. Our valuation puts UK owner occupied equity at £1.78 trillion but owner occupied mortgage debt at £1.85 trillion.

Now that the once-aspiring owner occupiers of the 1960s and 1970s have paid off their mortgages, not only

do they find themselves in rent-free accommodation but many also find themselves sitting on a considerable amount of equity and in homes that may be bigger than their needs.

Neal Hudson has explored the extent to which valuable housing stock could be released for young families were suitable 'downsizer' properties to become available. The facilitation of such 'equity release' will likely become more important to an ageing population seeking to boost its pensions. We anticipate this sector of the market will become an increasingly important driver of housing market change in the next 25 years.

Have and have-nots

In the longer term, governments may become concerned at the decline in mortgaged owner occupation and increasing disparity between the equity haves and have-nots; especially if it goes hand in hand with increasing numbers of older renters.

The last 25 years have shown that repayment mortgages acted as a form of 'enforced saving'. A proportion of people's monthly mortgage payments have been used to acquire an asset. That asset, regardless of cycles and market fluctuations in price, has a permanent value. This value is the money saved by a household, especially in retirement, by not having to pay rent. With the average retirement now lasting 20 years and average rents at £9,000/year, the crudest calculation makes an average UK home worth £180,000 – regardless of what happens to house prices.

This means that the further decline of owner occupation and permanent exclusion of younger generations from homeownership is not in the long-term national interest. In the next quarter-century, we anticipate that increasing efforts will be made to increase it again. ■

Executive summary

The key findings in this issue

■ What we saw in 2013, was quite different in nature to the short lived bounces in 2009 and 2010, in that it has been accompanied by a more meaningful improvement in transaction levels and mortgage lending. [See pages 04/07](#)

■ Much of the debate on the UK's housing crisis has focused on the lack of new homes. Little is said about how we use existing homes. [See pages 08/09](#)

■ Across all the prime regional markets, prime urban properties are now on average just -3.1% below their 2007 peak compared to their neighbouring village and rural locations which are lagging behind at -12.5% below. [See page 10](#)

■ Housebuilding is set to increase to 167,000 new homes a year by 2018, supported by a steep rise in output from the public sector. But it is still short of the 240,000 new homes a year we need to meet household projections. [See pages 12/13](#)

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Market dynamics

CONJURING UP A HOUSING MARKET RECOVERY

The value of housing stock in the UK increased by £186 billion in 2013. But what lessons can we learn?

Words: Lucian Cook
Twitter: @LucianCook

The speed of recovery in the UK housing market in 2013 took most analysts by surprise.

On the one hand, conjuring up a housing recovery has positive benefits for consumer sentiment and the wider economy. On the other, the experience of 2013 has also caused economists and politicians to express their concerns over the threat of a new housing bubble forming.

Certainly what we saw in 2013 was quite different in nature to the short lived bounce in 2009 and 2010 in that it has been accompanied by a more meaningful improvement in transaction levels (up 27% in the three

months to the end of December) and mortgage lending. There are strong indications that prices, transaction levels and mortgage lending will continue to increase in the short term at least.

What then is the risk prices will rise to such a degree that future interest rate rises cause severe financial stress across overly indebted households? Or that prices cannot be sustained by those requiring a mortgage, such that a few years down the line we see another housing correction?

Consequently, to what extent should the Government and Bank of England be considering controlling the UK housing market?

Our annual valuation of the value of UK housing stock provides insight into these issues. Overall, the value of UK housing stock rose to £5.2 trillion at the end of 2013. While it rose by £186 billion over the course of the year, it is still some £344 billion below the value in 2007.

Geography lessons

Perhaps more instructive is the geographical distribution of growth.

London's 2013 gain of £106 billion accounted for 56% of the overall growth. Although almost all other regions saw growth in the value of their housing stock, it was not to the same degree.

Yet even across London there has been a large variation that tells us a lot about the nature of the housing recovery. The value of housing stock in the boroughs of Kensington & Chelsea and Westminster may be 15% more than that of Wales, but in percentage terms, the biggest value growth was in the boroughs of Hackney, Lambeth and Wandsworth. Here growth, that has been well into double digit territory, has been fuelled by high levels of domestic equity, much less so mortgage debt.

At the other end of the scale Newham, one of Britain's most indebted housing markets, saw price growth of just 3.9%. In this borough the value of housing stock has risen £1.2 billion in five years, less than 10% of the gains seen in, say, Islington.

Beyond London the pattern has been repeated. The markets showing the most growth over the past five years have been the likes of Elmbridge, Brighton and Hove, St. Albans, Guildford, all affluent and all attracting plenty of equity. On this basis, it is not surprising that Aberdeen, Bath & NE Somerset were among the highest risers in 2013.

Wide disparity

Of course there is a wide disparity between the best performing areas within and outside of London. In 2013, the value growth of London's 10 most valuable boroughs at £55 billion was four and a half times that seen in the 10 local authorities that saw the biggest value growth beyond the capital.

Still, it is clear that equity is driving the recovery, something which we expect to continue though with different equity rich markets in different regions leading performance at different times during the recovery. →

Total value of UK housing Some stock answers



The total value of housing stock in the UK with London and the South East accounting for 42%



The total value of housing stock in boroughs of Westminster and Kensington & Chelsea, 15% more than the whole of Wales



The increase in the value of housing stock in the past year, of which £106 billion came from London



The increase in the value of housing stock in Wandsworth in 2013, the highest figure outside of central London



The additional value of UK housing stock in 2007



The increase in the value of housing stock in Aberdeen in 2013, the highest figure outside of London



The total value of housing stock in Scotland

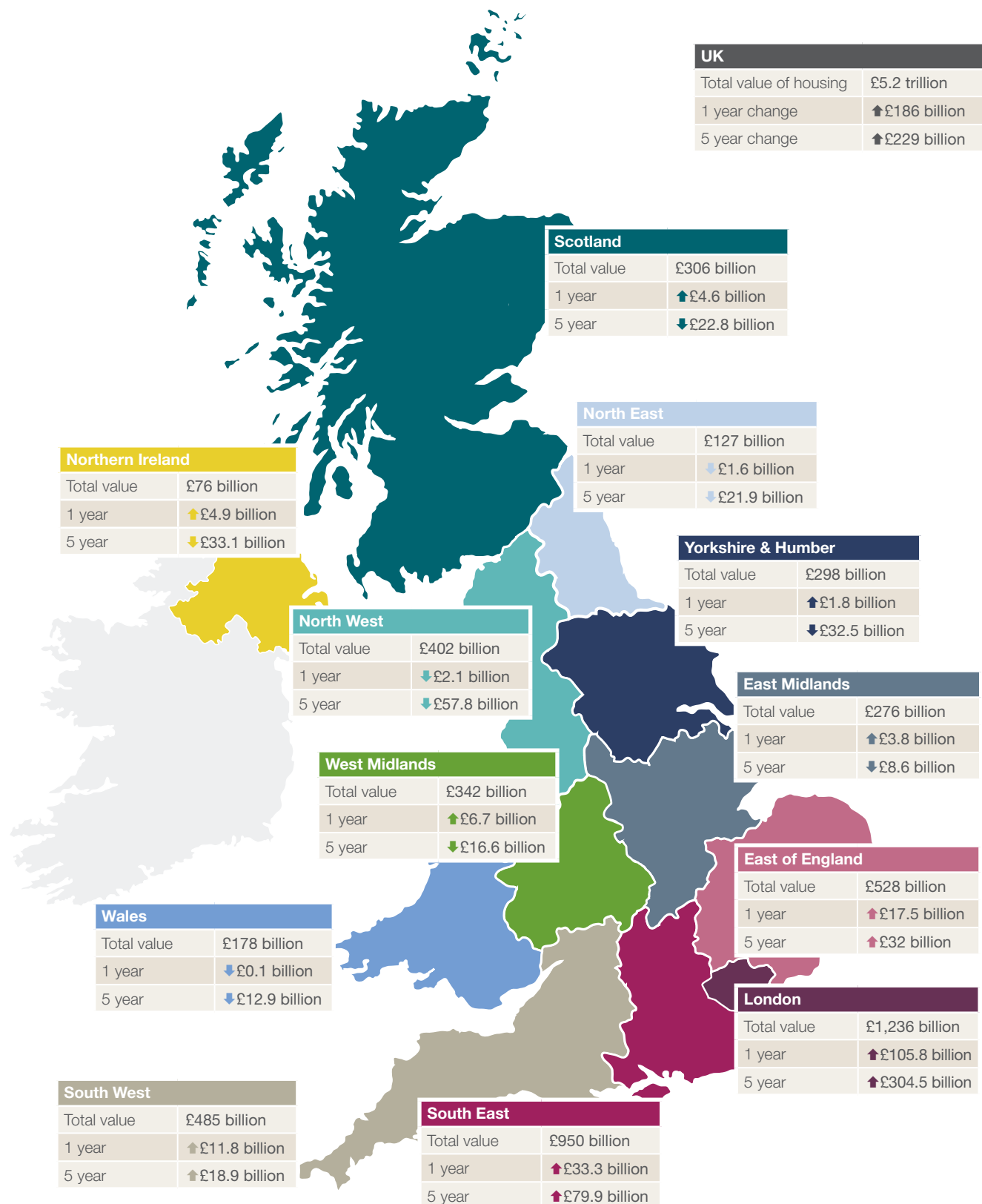


The increase in the value of housing stock in Brighton & Hove over five years, the highest figure outside of London

Source: Savills Research

MAP 1.1

Valuing Britain The value of housing across the UK



Source: Savills Research

Segments of the market

The role of equity is not confined to different geographical areas but also has relevance to different segments of the market. Across the UK housing market as a whole, the level of equity (as opposed to mortgage debt) is high. Outstanding mortgage debt stands at £1.27 trillion – roughly one quarter of the value of housing.

Debt pays the smallest part in the rented sector. Whilst the boom in buy-to-let mortgage lending means that the mortgage debt went from 5% to 20% of value between 2001 and 2007, it currently stands at 17%.

This means a lot of the housing occupied by our younger households is relatively lowly geared, in a private rented sector now worth just short of £1 trillion.

This figure has increased by £277 billion over five years. By contrast, during this time the value of housing stock in the mortgaged owner occupied market has fallen by £172 billion reflecting a significant

ongoing shift in the distribution of housing wealth between generations.

None of this means that the market is entirely free of risks from increases in interest rates. Even though levels of lending at high loan to value ratios has been heavily constrained post credit crunch, in that part of the housing market where there are mortgages, loan to income ratios are relatively high.

Amongst these mortgaged owner occupiers, the level of mortgage debt accounts for 54% of the total value of stock owned, up from 43% ten years ago. Furthermore an average mortgage, over three times the average borrowers income, means that the speed at which interest rate rises occur relative to growth in people's income remains critical to house prices across a significant part of the country – particularly the more heavily indebted markets.

So we are left with a housing market that continues to be driven by equity rather than debt. One where future price growth is likely to be greatest in equity rich markets, where transaction levels are constrained in the lower rungs of the housing ladder in which debt requirements are greatest but which is still, to a not inconsiderable degree, sensitive to future interest rate rises.

Market intervention

This role of equity, as opposed to debt, in driving house prices means that

simple house price growth is a difficult measure to use when policy makers are considering how and whether to intervene in the housing market. In the near future, the value of owner occupied housing without a mortgage will exceed that subject to lending.

Accordingly, the Mortgage Market Review, that comes into force in April, may well be effective in preventing households taking on unsustainable debt, but it does not follow that it will significantly suppress house price growth, that currently is emphatically not a function of a credit boom.

More aggressive intervention in the mortgage market, runs the risk of further restricting access to homeownership and thereby further widening the gap between the equity rich and the equity poor. It also runs the risk of widening the gaps between house prices at a local level given that in the 20 local authorities with the lowest proportion of housing debt it consistently accounts for less than 16% of the value of privately owned stock, whereas in the most indebted it is between 35% and 45%.

It would appear that to avoid further fragmentation of the UK housing market the politicians and policy makers could certainly benefit from a little magic. ■

More on this subject can be found in the online report, **A Housing Market Divided**, go to savills.co.uk/research for further information



"We are left with a housing market that continues to be driven by equity rather than debt"

Lucian Cook, Savills Research

Valuing Britain by Sector The rise of private renting

Owner occupied housing accounts for 70% of the total value of all housing in the UK, with a broadly even split between that which is mortgage free and that which is subject to a mortgage.

Housing in the private rented sector now accounts for 19% of value, within touching distance of £1 trillion.

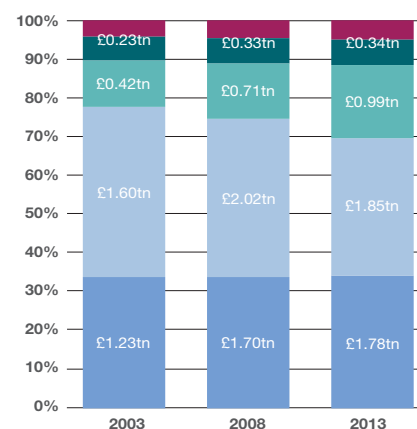
The value of housing in the private rented sector rose by more than any other sector in 2013 (£76 billion). It has risen by over £275 billion over the past five years.

Over 10 years, private rented housing has gone from accounting for 12% of the value of UK housing stock to 19%.

While over the same period owner occupied property subject to a mortgage has decreased from 44% of value to 35% of value.

Change in Value	1 year £billion	5 year £billion
Owner Occupied Un-mortgaged	↑64	↑86
Owner Occupied Mortgaged	↑20	↓172
Private Rented Sector	↑76	↑277
Social Rented Sector	↑13	↑12
Other	↑13	↑27

GRAPH 1.1
Distribution of value



Source: Savills Research

Key: ■ Owner Occupier Unmortgaged ■ Owner Occupier Mortgaged ■ Private Rented Sector ■ Social Rented Sector ■ Other

The Great Divide An analysis of the distribution of debt and equity across the UK housing market



The amount of outstanding mortgage debt in the UK, equivalent to 24% of the value of UK housing



Equity held by those without a mortgage in 2003, a third higher than the equity held by those with a mortgage



The amount of buy-to-let mortgage debt as a proportion of the value of private rented stock, a figure that has risen from 9% over 10 years



Equity held by those without a mortgage in 2013, over twice the equity held by those with a mortgage



The amount of owner occupier mortgage debt as a proportion of the value of owner occupied stock



The proportion of the value of owner occupied housing stock held as equity in the South West of England



The amount of owner occupier mortgage debt as a proportion of the value of housing subject to a mortgage, a figure that has risen from 43% 10 years ago



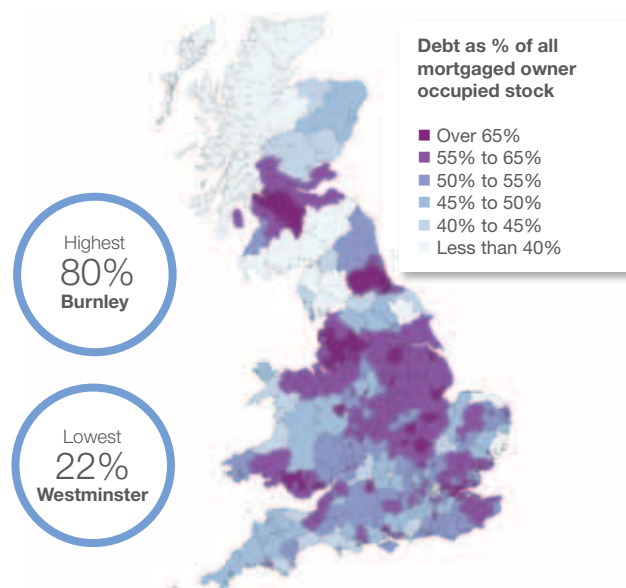
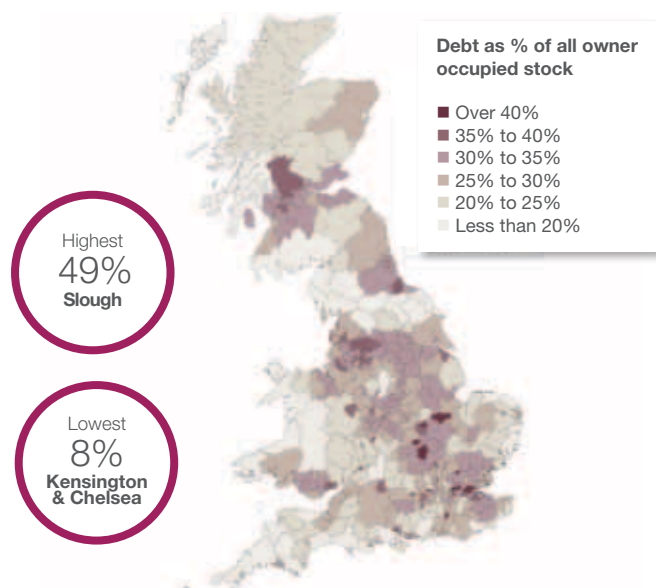
The amount of housing equity held by owner occupiers in the South East of England, £9 billion higher than that in London

Highest and lowest levels of owner occupied mortgage debt by local authority

Local Authority	Region	% mortgage debt among owner occupied
Kensington & Chelsea	London	8%
Westminster	London	9%
City of London	London	12%
Eden	North West	12%
West Somerset	South West	13%
North Norfolk	East	13%
Camden	London	14%
Ryedale	Yorkshire & Humber	14%
West Dorset	South West	15%
South Lakeland	North West	15%

Local Authority	Region	% mortgage debt among owner occupied
Milton Keynes	South East	40%
Tower Hamlets	London	40%
Crawley	South East	41%
Peterborough	East	41%
Northampton	East Midlands	41%
Corby	East Midlands	42%
Thurrock	East	43%
Barking & Dagenham	London	47%
Newham	London	47%
Slough	South East	49%

Owner occupier debt across the UK housing market



Source: Savills Research

Mainstream markets

MAKING BETTER USE OF EXISTING STOCK

Building homes targeted at downsizers could release existing family property back into the market

Words: Neal Hudson
Twitter: @resi_analyst
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Much of the debate on the UK's housing crisis has focussed on the lack of new homes. Little is said about how we use existing homes.

Our analysis shows that almost five million existing homes across England and Wales are not occupied efficiently.

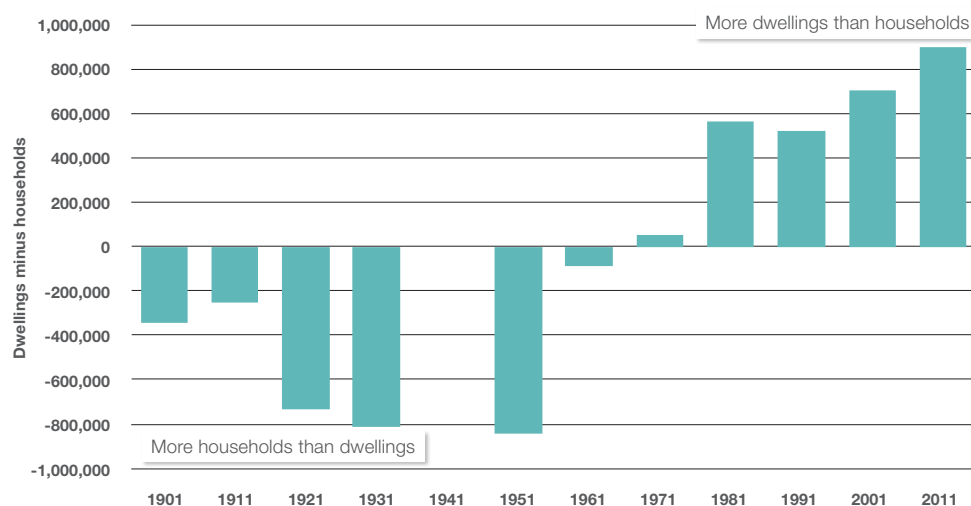
The wealth generated by the housing boom has led to substantial changes in how we use our housing stock. Since 2000, the combination of constrained supply and high property prices has resulted in higher density living.



"Our analysis shows that almost five million existing homes across England and Wales are not occupied efficiently"

Neal Hudson, Savills Research
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GRAPH 2.1
Comparison of the number of dwellings vs households since 1901



Source: DCLG

Substantial numbers of houses have been turned into flats, vacant properties have been brought back into use and the number of house sharers has expanded. This means that England's housing stock has increased by more than the rate of housebuilding.

However, rising property prices have also allowed homeowners and investors to amass considerable levels of equity which, in turn, they have used to fund further property purchases.

Since the collapse in mortgage availability following the credit crunch, the market has become increasingly dependent on cash buyers; 34% of the 4.4 million transactions since 2009 have been cash only purchases.

Ownership of bigger or multiple homes has increased, with holiday homes, city centre crash pads and buy-to-let portfolios becoming increasingly popular.

Meanwhile, a feature of our ageing population is the significant growth in the number of older people living alone in their family homes.

Between 2001 and 2011 the number of dwellings increased by 1.77 million but the number of households only increased by 1.58 million, according to the department for Communities and Local Government. This resulted in almost 900,000 more dwellings than households in 2011.

Those with equity have formed households while those without, remain at home with their parents or living in shared houses in the private rented sector.

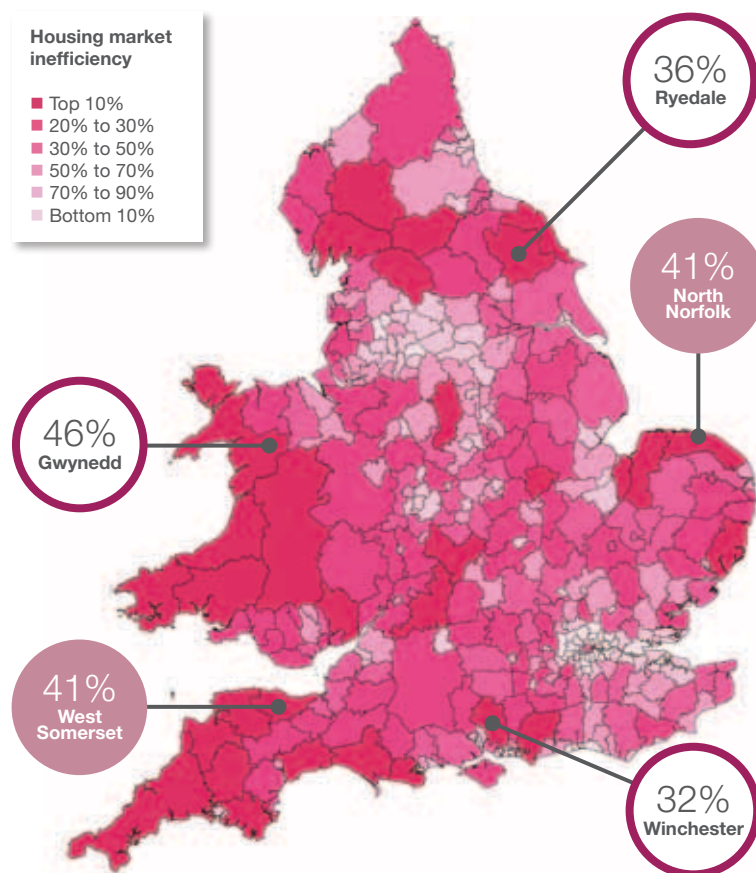
This trend has important lessons for those looking towards increasing private housing supply as a panacea for the housing crisis. While new supply remains low and house prices remain high, new housing will continue to be purchased by those with equity rather than those who may be in greatest need.

The importance of equity in the current housing market and inefficiently occupied housing does offer an opportunity. By delivering the right type of homes, in the right places at the right price, it should be possible to appeal to new customers and unlock some inefficiently-used stock.

Hence constructing more purpose-built student accommodation and homes targeted at downsizers and

MAP 2.1

Proportion of inefficiently occupied stock in the UK



Source: Savills Research

second homeowners, could release existing family homes back into the market.

Inefficient markets

We have constructed a measure to identify those markets where the use of housing stock is most inefficient and could therefore be improved.

We estimate that there are 4.7 million inefficiently occupied properties across England and Wales. This is 24% of existing privately held housing stock.

The map above shows the results of this analysis and the dark red areas are those with the highest proportion of stock that is inefficiently occupied.

While the most inefficient markets tend to be found in rural and coastal locations, these markets tend to be lower density. Therefore it is useful to look at the total amount of housing stock when assessing opportunities.

With more than 760,000 properties identified in the South East, 520,000 in the East of England and 420,000 in London, the opportunity to use our existing housing stock more efficiently could play a substantial part in solving the housing supply crisis.

Encouraging downsizers

The housing market inefficiency measure is constructed from a number of indicators but the single largest factor is the under-occupation of larger homes.

We have identified 3.9 million one and two-person households living in properties that may be larger than they require. The majority of these, 2.2 million, own their homes outright and have an estimated £536 billion of housing equity.

The immediate difficulty when dealing with this market is that older households tend to move far less frequently than the average. Politically, socially and ethically it

TABLE 2.1

UK's 10 least/most efficient markets

Top 10 least efficient markets	
Isles of Scilly	South West
Gwynedd	Wales
South Hams	South West
Pembrokeshire	Wales
North Norfolk	East of England
West Somerset	South West
King's Lynn & W Norfolk	East of England
South Lakeland	North West
Cotswold	South West
Ceredigion	Wales

Top 10 most efficient markets	
Hackney	London
Newham	London
Tower Hamlets	London
Lambeth	London
Southwark	London
Barking & Dagenham	London
Slough	South East
Waltham Forest	London
Brent	London
Hounslow	London

Source: Savills Research

would be wrong to seek to force these people from their homes. However, unlike previous generations, today's retirees are more accustomed to moving up the housing ladder multiple times rather than living in just one home.

This suggests that, over time, older people ought to be less uneasy about moving home. A report produced by Demos in 2013 found that 58% of the over 60s were interested in moving and one in four would be interested in buying a retirement property.

If we can deliver appropriate new build stock that is attractive enough, then we may be able to encourage even a fraction of these equity rich under-occupying older households to downsize. If an additional 2% were to downsize each year then this could increase housebuilding by 40,000 as well as releasing an equal number of family homes back into the market. This shift would make a significant difference to the market. ■

Prime markets

THE RISE OF URBAN PRIME

A growing trend reveals that London buyers relocating to the prime regions are choosing urban locations over their rural counterparts

Words: Sophie Chick
Twitter: @SophieChick
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"A key driver for these markets are equity rich buyers from London"

Sophie Chick, Savills Research
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London is well known for its established prime urban market. In fact, across the boroughs of Kensington & Chelsea and Westminster, 24 wards saw an average sale price of over £1 million last year accounting for 69% of the two boroughs. There are a further ten wards with an average sale price over £1 million along the wealth corridors that run north and south west from the centre.

Beyond London

However, the growing trend for living within a thriving city or town outside of London has led to an increasing number of high value urban markets evolving further afield.

While house price growth in the regions has not kept pace with London, in fact the gap between prices in the capital and the rest has never been bigger, there has been one submarket which has clearly outperformed since the credit crunch.

Across all the prime regional markets, prime urban properties are now on average just -3.1% below their 2007 peak compared to their neighbouring village and rural

locations that are lagging behind at -12.5% below.

Over the past year the outperformance has continued. This has been particularly evident in the prime cities in the outer commuter zone, notably 'little London' locations such as Oxford, Cambridge and Winchester. These cities have a very high concentration of prime housing stock, and have seen a growth in house prices of 10.9% over the course of 2013. By contrast, rural property prices in this region have risen by just 2.8% in this period.

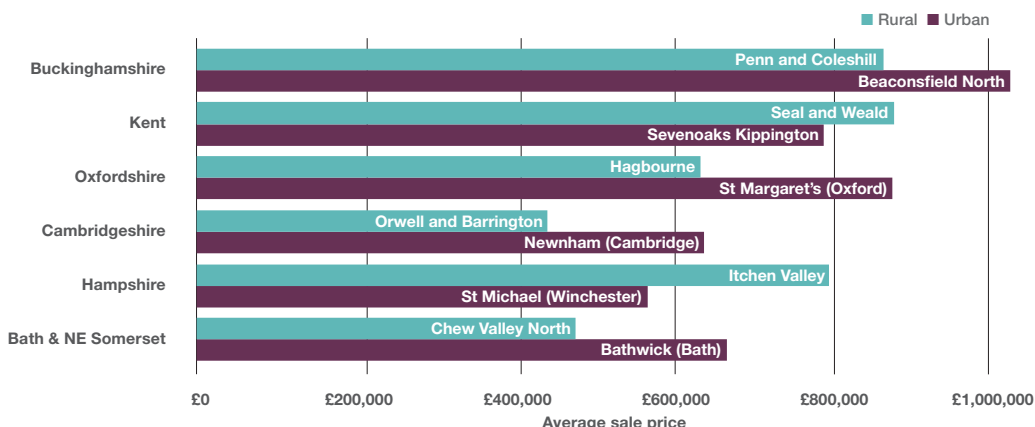
A key driver for these markets are the equity rich buyers from London. Regional urban locations have become the first step for buyers looking to make the move out of the capital. Attracted by the ease of still having local conveniences on their doorstep but also taking advantage of the price gap and affording more for their money. Good schools are another big driver of the prime markets and the current intense competition for schools in the domestic London markets means families are willing to look further afield.

Looking forward

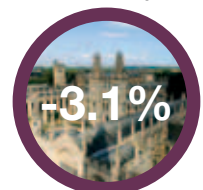
We expect the trend for urban living to continue. In 2013, we saw the first signs of wealth beginning to flow out of the capital and as the economy continues to recover and house prices outside of London show growth, we predict more London buyers will make the move out to the regions. The prime suburbs and urban locations are best placed to take advantage of this as the balance shifts between urban and rural prime locations. ■

GRAPH 3.1

Prime and urban rural locations (wards) Prime urban locations outperform rural counterparts



% from 2007 peak



Source: Savills Research, The Property Database Ltd

Market forecasts

HOUSE PRICES

2014-2018

With such a division between the housing haves and have-nots, never before has there been such speculation regarding whether current levels of house price growth are sustainable or desirable, so early in a housing market recovery.

Given that interest rates set to rise sooner or later, there is little doubt

increased costs of debt will temper the exuberance of house buyers, as affordability becomes tighter.

However, with less of the market dependent on the cost of mortgage debt and its direct cost, neither is there reason to believe that prices are set to triple-dip unless either prices rise too rapidly or interest rates balloon.

As the economic recovery takes root and earnings rise, we believe

the average UK house price has the capacity to grow by 25% over the next five years. London may well look expensive if prices continue to rise at their current rate for very much longer, but there is greater capacity for house price growth in other parts of the country.

Not everyone will benefit from that house price growth, as the trends of the past decade continue. The flipside of price growth is reduced access to homeownership and contraction in the mortgaged owner occupied market.

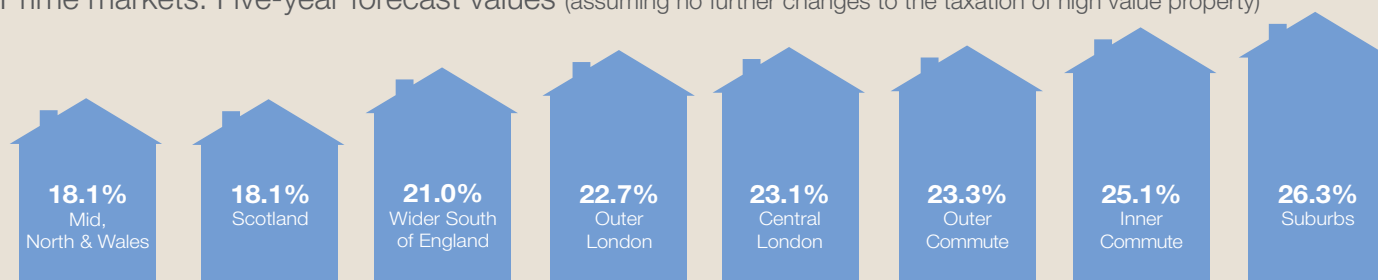
Were it not for the political backdrop, the most equity-rich prime housing markets should see the most growth. However, with the taxation of high value property high on the political agenda and an election looming in 2015, these markets face some unique short-term challenges. ■

TABLE 4.1

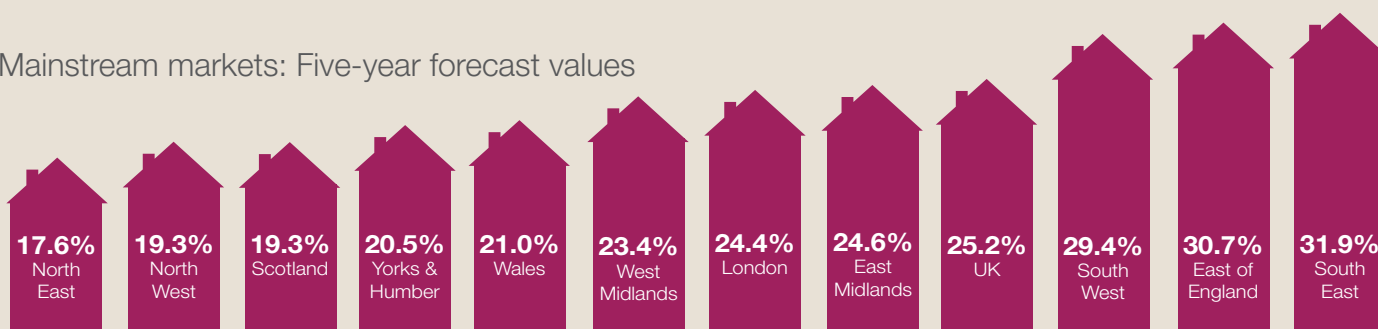
Annual house price growth

	2014	2015	2016	2017	2018	Five-year
Prime London	4.5%	-0.5%	7.0%	7.0%	4.5%	22.7%
Prime Regional	4.5%	1.0%	5.0%	5.5%	5.0%	22.7%
Mainstream UK	6.5%	5.0%	4.5%	4.0%	3.0%	25.5%
Mainstream London	8.5%	6.5%	4.0%	2.0%	2.0%	24.4%

Prime markets: Five-year forecast values (assuming no further changes to the taxation of high value property)



Mainstream markets: Five-year forecast values



Development

WHAT NEXT FOR HOUSEBUILDING?

Housebuilding is set to increase to 167,000 new homes a year by 2018, supported by a steep rise in output from the public sector



Words: Susan Emmett

Twitter: @saemmett

“Historically, the public sector has played a much bigger part in housing delivery than it does now” Susan Emmett, Savills Research

P private sector developers are responding to the growing demand for homes, driven by the improving economy and supported by Help to Buy. Although private enterprise completions are still about 85,000 a year in England, the number of starts rose by 31% to 54,760 over the six months to September 2013 compared with the same period the previous year, according to Government figures.

Much of this new building is supported by the equity loan element of the Government Help to Buy scheme, particularly in lower value markets outside London where take up has been greatest.

Since its launch in April 2013, the equity loan element of Help to Buy has supported 12,875 sales. This is the equivalent of 2.5% of the 515,000 property transactions completed in England over the same period.

For some private developers, the support of Help to Buy has been

even more significant. A recent statement by Barratt Developments revealed that 29% of its homes were bought using equity loan in the last six months of 2013.

Housebuilding forecasts

As the housing recovery takes root and spreads to markets beyond London, we expect housebuilding rates to gain momentum in 2014.

Savills Research forecast that the private sector will increase production by 8% a year in the five years to March 2018 – a total increase of 35% over the period. This results in an average output from private housebuilders of 107,000 new homes a year over the next five years.

Historically, we have seen periods of similar growth in the 1980s and noughties but there is no precedent for faster growth over a sustained period. Hence our forecast is the best case scenario for private sector expansion. The numbers are also dependent on finance easing for Small and Medium Enterprises.

Even by increasing output to 107,000 new homes a year, private housebuilders would still be producing far less than the 203,320 they delivered in 1968 when construction peaked. They would also be building less than the 154,210 they produced in 2007.

Other players must therefore step up to close the gap between what can realistically be delivered by the private sector and our growing demand for housing.

Judging from the increase in activity among Savills local authority client base, we expect to see greater output from the public sector. We forecast incremental growth in the number of homes delivered by local authorities, increasing from 1,665 this year to 10,000 in 2018.

Housing associations

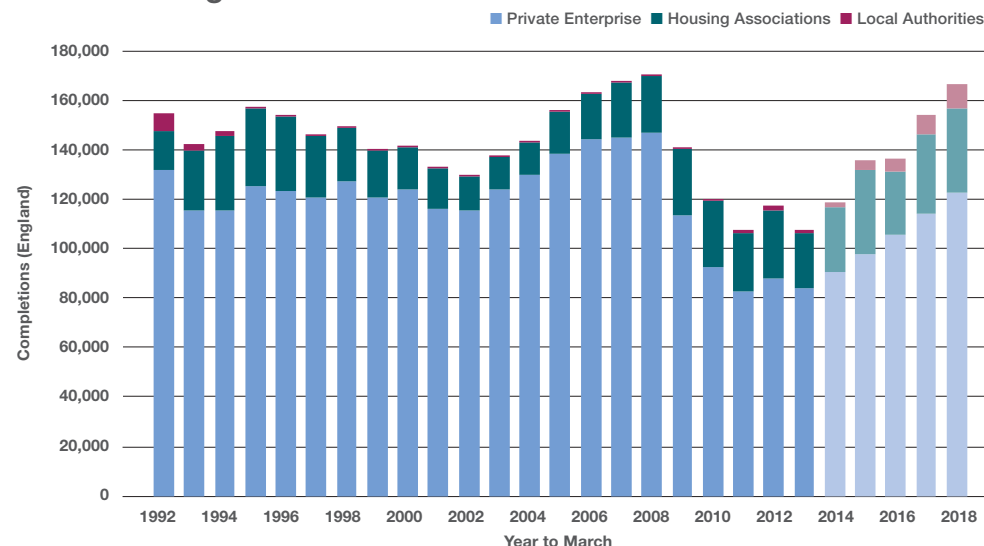
We are also expecting to see more building from housing associations. Provided the sector can meet the tight deadline to deliver the 2011-15 programme numbers by March 2015, HAs are set to deliver 26,000 new homes in 2014 and 34,000 in 2015.

Furthermore, continued development at high levels will be needed for the ambitious 2015-18 programme to be delivered.

Overall, we expect to see 119,000 completions in 2014, rising to 167,000 a year by 2018. Whilst this

GRAPH 5.1

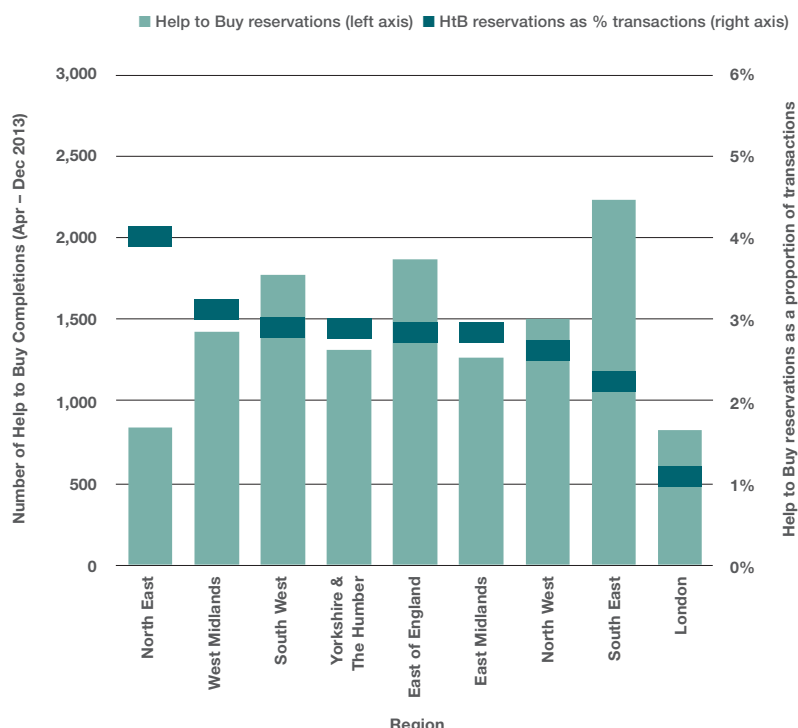
Housebuilding forecasts



Source: DCLG, Savills Research

GRAPH 5.2

The impact of Help to Buy



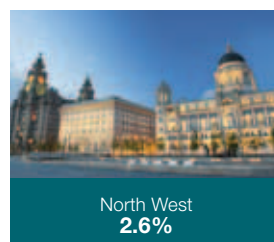
Source: DCLG, HM Land Registry



West Midlands
3%



North East
4%



North West
2.6%



South West
2.9%



East
2.8%



London
1.1%

is an improvement, it still short of the 240,000 new homes a year we need to meet household projections.

Supply challenges

As housebuilding picks up, the shortage of skills and materials are becoming increasingly evident. A construction market survey by the Royal Institution of Chartered Surveyors revealed that a shortage of

labour, particularly skilled bricklayers, is constraining activity. Bricks, concrete blocks and cranes are also in short supply.

These shortages are a result of the prolonged economic downturn and the decline in construction activity since 2008. The reserve of bricks stockpiled during the recession has now gone and it will take time to build up the materials and train a new

generation to use them.

For housing associations racing to produce 170,000 new affordable homes by March 2015, the deadline for the current 2011-15 housing programme, these shortages are leading to higher bills from contractors and questions over whether inflexible deadlines produce best value.

Historically, the public sector has played a much bigger part in housing delivery than it does now. The big housebuilding surge of the 1950s was driven by local authorities, which continued to play a significant part in housebuilding until the 1980s.

Since then, the responsibility for building social housing has shifted to housing associations. Building output from housing associations, often in partnership with private builders, has averaged 25,000 homes a year in England since 2007.

It is crucial that that number continues to grow. The burden of meeting the country's growing housing requirements can not be placed on the private sector alone. Encouraging a greater variety of players to deliver new homes, as well as promoting different routes to market, such as build-to-rent, would be a great step forward. ■

LAND PRICES

Value of development land is increasing

■ The recovery is prompting housebuilders to start building up their land reserves again. This "assertive land buying", as Bovis put it, is reflected in Savills data. The value of urban land outside London rose by 6.7% over 2013, while the price of greenfield sites rose by 6.5%. In the capital, where demand for homes is greatest, values rose by 13% in the year to September 2013.

■ The strengthening property market is prompting housebuilders to plan for the future by investing in larger sites that take longer to develop and bring to market, most notably in the stronger markets in which it is possible to sell quickly enough to generate a competitive return on capital.

■ Hence the value of a 30 acre site with planning permission grew by 7.5% last year. This rate of growth is steeper than the price rises recorded on smaller sites. Values for one and five acres sites grew by 5.8% and 6.4%.

PRIME NUMBERS

Multiply the number of commuters by the average house price and you get the UK's Top 20 locations for commuter housing wealth (the figures shown are in billions)

Brighton	£3.58
Reading	£3.36
St.Albans	£3.12
Sevenoaks	£2.94
Chelmsford	£2.89
Woking	£2.83
Harpenden	£2.77
Guildford	£2.51
Cambridge	£2.20
Southend*	£2.13
Winchester	£2.04
Haywards Heath	£1.71
Maidenhead	£1.64
Tonbridge	£1.60
Billericay	£1.46
Tunbridge Wells	£1.39
Shenfield	£1.37
Slough	£1.33
Leatherhead	£1.26
Oxford	£1.23
Top 20	£43.39

* Three stations Southend Victoria, Southend East and Chalkwell

Savills research team

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“There are strong indications that prices, transaction levels and mortgage lending will continue to increase in the short term at least.”

Lucian Cook



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“As the housing recovery takes root and spreads to markets beyond London, we expect house building rates to gain momentum in 2014.”

Susan Emmett



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“Our analysis shows that almost five million existing homes across England and Wales are not occupied efficiently.”

Neal Hudson



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