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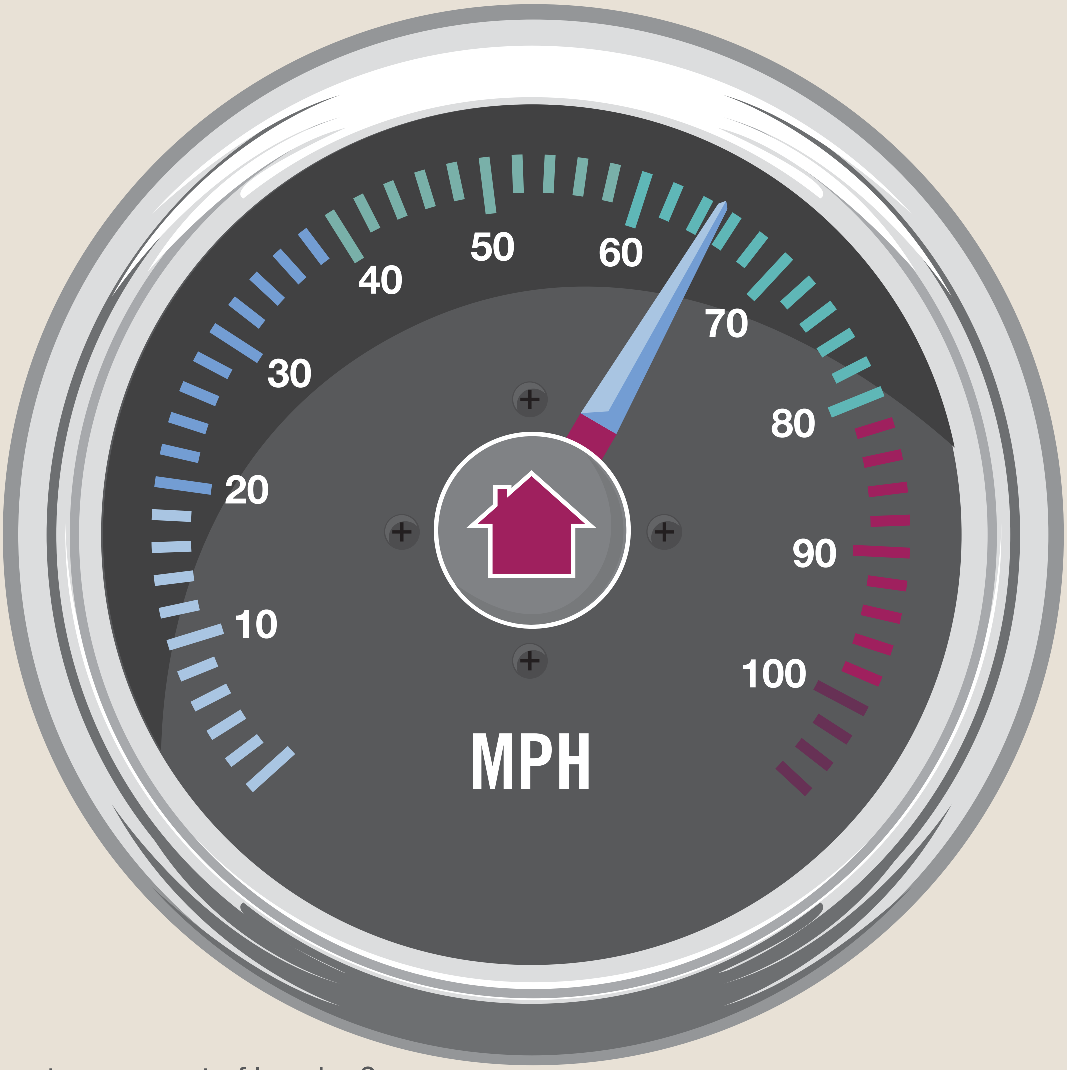
UK Residential

RESIDENTIAL PROPERTY
FOCUS Q2 2014

Inside
Mortgage Market Review

Up to speed
Can the housing market recovery keep up its rapid pace?



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This publication

This document was published in May 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.

Foreword
THE BEGINNING OF A NEW CYCLE

'Apparent' boom conditions at the beginning of a housing market recovery are almost inevitable

Some commentators have become increasingly concerned that the UK housing market is entering bubble territory. Certainly, house price rises have been significant in recent months – but current growth has been from a low base. Even now, average UK house prices are still -21.1% below their 2007 peak in real terms according to Nationwide. Lucian Cook explores whether prices are rising too quickly on page 4 and likens the market now to that in 1996.

The parallel is appropriate as commentators in 1996 were also speaking of fears that another housing market bubble was forming. This seems to be a characteristic of the housing market after a significant fall; memories are short and, just as 'irrational exuberance' takes hold at the peak of the market, a pessimistic tendency to revisit the last problem at the first sign of recovery seems to take hold at this stage of the cycle.

The mechanisms of an apparent boom at the beginning of housing market recovery are simple and almost inevitable: as optimism returns so the potential buyer numbers rise, but vendors remain thin on the ground because they are waiting for prices to rise. This instant supply-demand mismatch makes competitive bidding and apparent 'boom' conditions inevitable at the start of every cycle. The only time for buyers to really take advantage of recovery is by buying a year in advance – a few months on and it's already too late for bargains. The initial price rises in this cycle are not the same thing though as the overheating of 1988 and 2007.

In 1996, the prime housing market in London had seen dramatic price rises and an influx of overseas buyers on the back of cheap sterling, particularly in the new build market. Just as has been the case over the last five years, price growth was confined to prime, equity-rich markets but it had been widely reported in the London-based national press and was starting to be mistaken for a national problem.

In this way, concerns about over-heating had been increasing among commentators and policy makers in the capital – even though regions north of Watford had seen little or no growth. The same fears of overheating in the mainstream UK markets have surfaced again – largely on the back of what has been happening in London. This time round, mortgage rationing has ensured that the market is being driven by the equity-rich rather than the mortgage-reliant so prices seem even more out of kilter with average earnings. However, 'extraordinarily expensive' is not the same thing as 'a bubble about to burst'.

Rather, the impact has been the exclusion of large numbers of would-be young owner occupiers from home ownership so the market is simply not the same as it was but much smaller and focused on older and wealthier participants. This is where it becomes difficult to compare with past cycles.

The talk of bubbles may be misplaced in a strict sense, but talk of a housing crisis isn't. We need to watch the facts and make sure we identify the right problem. There are demographic, capital and affordability considerations that need to be addressed, so we have continued to explore some of them further in this issue of the Focus.

There has been quite a party in London house prices since 2009. Many would say the party balloon looks over inflated but, as Lucian Cook commented recently, not all balloons burst – some can sit in a corner slowly deflating over a long period.

SUMMARY

The key findings in this issue

■ With wide swathes of the UK's housing market now returning to growth, average house prices rose 10.9% in the year to the end of April, according to the Nationwide. See pages 04/05

■ The increase in demand from both buyers moving out of London and those who are already living in the local market has resulted in all prime regions recording positive annual house price growth for the first time since September 2010. See pages 06/07

■ The English Housing Survey tells us that since 2001 levels of home ownership among the under 35s have fallen by 41%. It doesn't stop there. Those same levels of home ownership have fallen by 17% among the 35 to 44 year-olds See pages 08/09

■ The exact effects of the new MMR rules remain up for debate. Lenders have claimed that they were already operating under the new rules prior to their introduction on April 26th. If this is the case then it appears unlikely we will see a significant slowdown in market activity in coming months. See page 10

■ Despite this call for a more positive attitude to development, Savills analysis reveals that very few Local Planning Authorities have embraced a growth agenda and planned for more housing. See pages 12/13

CONTENTS

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Market recovery

IS IT TOO MUCH, TOO SOON?

With house prices growing and transaction numbers increasing, is the housing market able to maintain its current pace of recovery?

Words: Lucian Cook
Twitter: @LucianCook

"Transactions that averaged 890,000 from 2008/2012 have now risen to 1.14m"

Lucian Cook, Savills Research

With wide swathes of the UK's housing market now returning to growth, average house prices rose 10.9% in the year to the end of April, according to the Nationwide.

The extent to which buyers have rushed back to the market is reflected in the fact that residential transactions in the three months to the end of March were up by 31% on the same period a year ago, while mortgage approvals were up 45%. Transactions averaged 890,000 a year from 2008 to 2012 and have now risen to 1.14m, though this remains some way short of a normally functioning market.

This has immediately raised questions as to whether the pace of the housing market recovery means it is all going to end in tears.

Comparing cycles

If we overlay national growth figures against the equivalent period in the last housing cycle, then real house price growth appears to have returned a little earlier than it did in the 1990s. Given that the market saw an unsustained bounce in 2009, this means values are some way ahead of where they were in the last cycle.

Whereas house prices have now recovered to within 21% of their pre-crunch level in inflation adjusted terms, at the same point in the last recovery cycle they were still 37% below their peak by the same measure.

Growth factors

The return of house price growth has been underpinned by a number of factors: significant pent up demand from an unprecedented period of low transaction volumes; a sustained improvement in the economy; and critically, low interest rates.

The outlook for the economy has improved. In February 2013 the average forecasts for GDP for this year and next were 1.7% and 2.1% respectively. A year later they stand at 2.6% and 2.4% respectively.

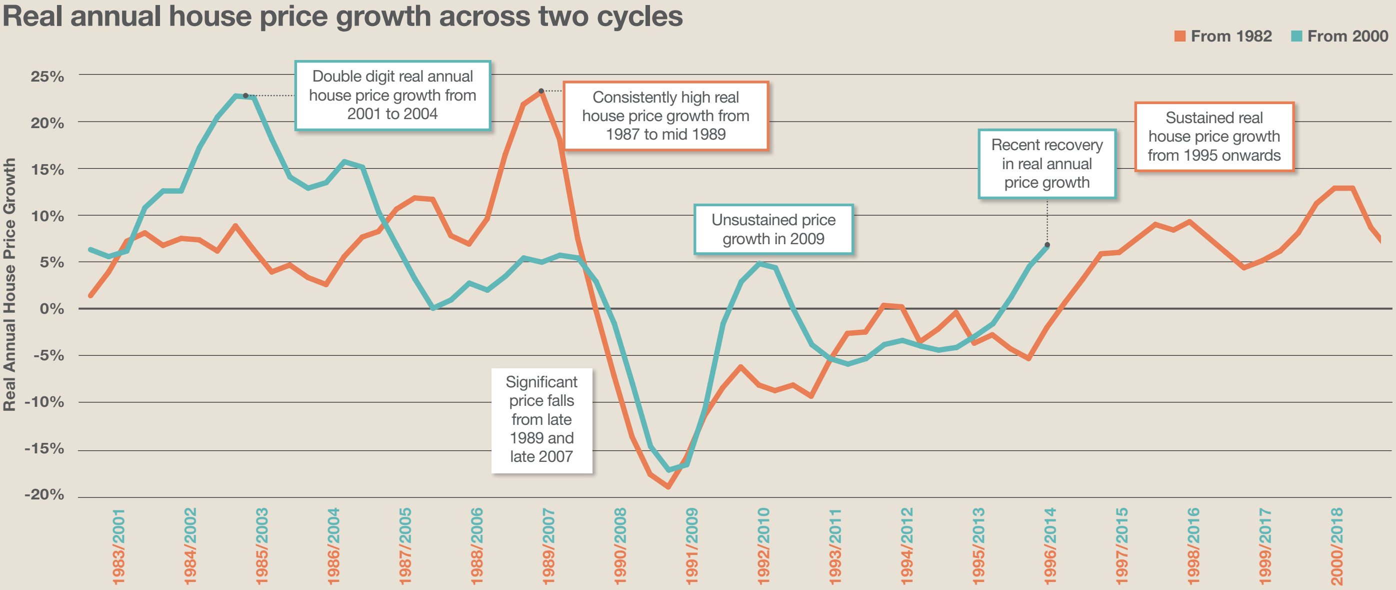
The knock on impact has been an expectation of early interest rate rises. Whereas the average base rate forecast for 2015 was 1.19% last year, it now stands at 1.56%.

Back to reality

Those interest rate rises mean there simply isn't the capacity for current levels of house price growth to continue, or for a repeat of the real house price growth seen in the period

GRAPH 1.1

Real annual house price growth across two cycles



Source: Savills Research, Nationwide

of the mid to late 1990s. However, as the economy picks up, more areas should return to modest price growth.

Price falls are not expected, unless we see irrational exuberance among home buyers. We cannot rule this out, but the prospects of this are likely to be constrained by the Mortgage Market Review particularly as more mortgaged home movers return to the market.

On the flipside

Of course prices are only one side of the equation; housing transactions are the other. As we have previously stated, the shape of the housing market fundamentally changed in the period 2002/2007 and again post credit crunch. The consequence has been a generational divide in the housing market that we have looked at later in this document.

The element of Help to Buy that is linked directly to house building and limited in scope in relation to the market as a whole, has been extended to 2020. The success of the mortgage guarantee element is unproven and it has not been extended. This means a sustained recovery in transactions still remains reliant on improvements in a more regulated mortgage market.

How much longer can London outperform?

At the end of March the quarterly Nationwide House Price Index indicated that house prices in London had risen by 18.2% over a 12 month period, almost double the UK average. Meanwhile, Land Registry data indicates that price growth hit double digit territory in 21 of the 32 London boroughs for which it produces an index.

In reality, London has been outperforming the rest of the UK since the mid noughties. According to the Nationwide, prices are now more than double the UK level, much higher than previous peaks in 1987 and 2001.

This position has been exacerbated by the fact that between 2001 and 2005, when the country was playing catch up with London, prices in the capital were still rising strongly. As a result, the balance between London and the UK was never fully restored.

Overall that means London is theoretically left with less capacity for house price growth than other markets in the medium term and should slow significantly at the back end of the next five year period. However, this position is complicated by the distribution of price growth across London since mid 2005.

Land Registry figures tell us that prices in Kensington and Chelsea are 134% above their 2005 level, while those in Barking and Dagenham have increased by just over 10%. Between these extremes there is still a significant gap between, say, Wandsworth (+80%) and Greenwich (+23%).

This reflects the different drivers and constraints in equity rich and mortgage dependent markets. It also means that there remains some capacity for further price growth in some parts of London even if the current extraordinary rates of price growth are not sustainable.

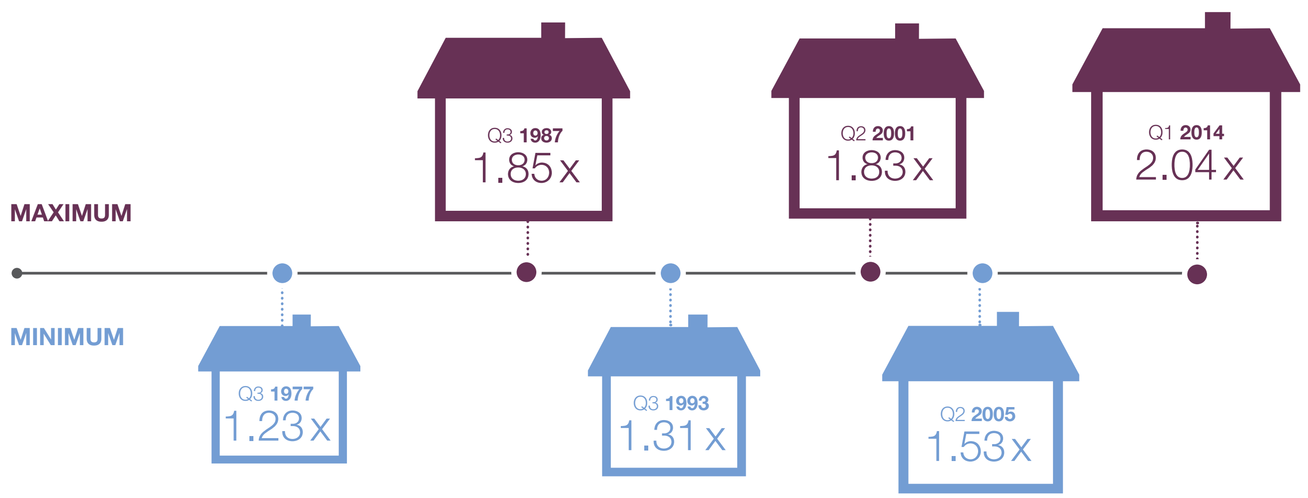
When has the differential between London and UK annual house price growth peaked?

Q2 **1979**	+9%
Q2 **1987**	+15%
Q1 **1997**	+12%
Q1 **2001**	+10%
Q3 **2007**	+7%
Q1 **2010**	+7%
Q1 **2014**	+9%

Source: Savills Research, Nationwide

GRAPH 1.2

London vs the UK Peaks and troughs in the average London house price as multiplier of the UK average



Source: Savills Research, Nationwide

Prime markets

IS NOW THE TIME TO MOVE OUT OF LONDON?

The number of Londoners taking advantage of the value gap is set to increase, as confidence in the market continues to improve

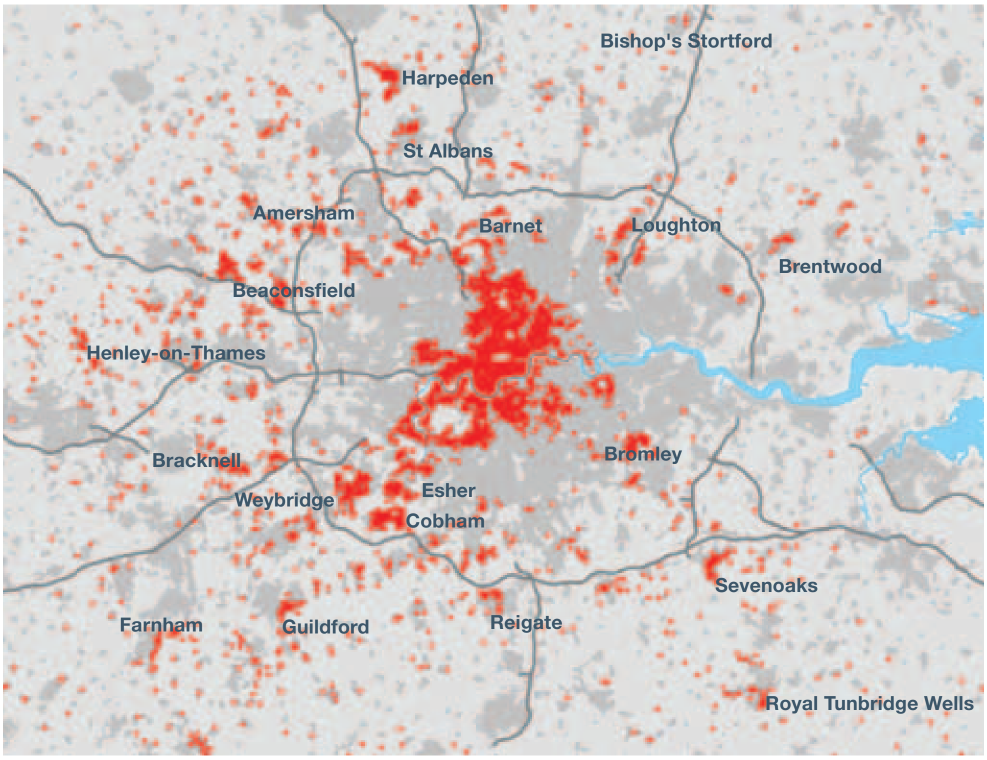
Words: Sophie Chick
Twitter: @SophieChick

This year we have seen buyers moving from London to a commuter location account for 26% of sales, compared to just 21% in 2013.

This change comes as the price differential between the capital and the rest of the UK reaches an all time high and Londoners are taking advantage of this. According to data from Rightmove, the average asking price of a 4 bed property in London is £983k compared to £659k in Surrey, the most expensive neighbouring county and £406k in Kent, the least expensive.

MAP 2.1

Distribution of £1m+ sales in 2013 The prime locations popular with buyers moving out of London follow three traditional wealth corridors



Source: Savills Research using Land Registry data

The increase in demand from both buyers moving out of London and those who are already living in the local market has resulted in all prime regions recording positive annual house price growth for the first time since September 2010.

In fact, over the first quarter of this year, the prime suburbs saw stronger house price growth than prime London with an average increase of 3.8% and 3.6% respectively, according to Savills prime market indices.

While this does appear to be the first signs of the ripple of strong house price growth moving from London to the regions, annual growth in the prime suburbs at 7.5% still stands some way below the 13.1% recorded in prime London.

Over the past two years we have already seen the ripple effect occur in London. Prime central London (PCL) led the recovery, outperforming all other prime regions until 2012 and average values are now a staggering 79% up on their 2009 trough.

"We have already seen the ripple effect occur in London"
Sophie Chick,
Savills Research

However, the increase in stamp duty for properties over £2 million in March 2012, combined with increased activity in other parts of the market, meant that the ripple of strong house price growth moved out of PCL and into locations such as Fulham and Barnes, followed by Wandsworth and Islington.

These outer prime London markets have a greater concentration of UK buyers than the more central locations and have continued to see strong growth with average values increasing by 13.2% over the past year.

This is driven by a scarcity of stock

coupled with multiple sources of demand: wealth being displaced out of central London; more household wealth being allocated to housing; and a reluctance to make the traditional move out of London, resulting in the recycling of wealth within the capital.

This final point was key in determining the fate of the prime regions. Following the credit crunch, demand for prime regional property, particularly in the countryside, did not return to the same extent as in London and buyers moving from the capital were noticeably absent.

Uncertainty around job security kept employees close to their desks and the lack of house price growth in the regions left London owners reluctant to trade in their London property.

One sub market which bucked this trend is that of the prime regional urban markets. Across the UK (excluding London) average values in prime cities and towns are now just 3.4% below their 2007 peak. By contrast, neighbouring village and rural locations are lagging behind, at -11.2% below peak.

Where is next?

As confidence continues to improve, we expect that growing numbers of London dwellers will be unable to resist taking advantage of the value gap and will make the move out to the regions.

Traditionally, London buyers have moved out along three wealth corridors. The predominant route is out to the south-west and follows the Thames from Chelsea down to Richmond before reaching Surrey and moving along the A3. Alternatively, buyers move north via Hampstead to Hertfordshire or south-east from Dulwich into Kent. These routes are identifiable in the distribution of high value sales (see Map 2.1).

For the more adventurous seekers of value, locations in the Midlands such as Stafford and Newark are increasingly popular choices, particularly for buyers who have to commute to London, but not every day. Both locations are about an hour and 15 minutes from London.

Beyond the London commuter locations, markets are more dependent on demand from wealth generated in the local economy, with the ripple effect from London taking longer to arrive, although all prime markets are now in recovery.

We anticipate that the prime urban markets across the country will continue to see strong house price growth and some of the demand will begin to trickle out to the neighbouring villages and countryside.

TAXATION OF HIGH VALUE PROPERTY

Level of stamp duty levies surpass Treasury expectation

Taxation has been one of the main factors influencing the £2m residential market in the recent past. In March 2012, stamp duty was increased from 5% to 7% or 15% for those held by "non-natural persons". This has resulted in sales over £2m accounting for 0.3% of all transactions but generating over 22% of all residential SDLT receipts.

In addition, the introduction of annual charges on dwellings held by "non-natural persons" has generated receipts of £100m in 2013/14, much greater than expected by the Treasury. This has encouraged the Government to propose an extension of the charge in the Spring 2014 Budget to all property worth in excess of £500,000 owned in this way. We believe such targeted legislation has substantially weakened the arguments for a more widespread mansion tax.

Instead, the Liberal Democrats have suggested they are looking at changes to council tax charges for the most valuable property as an alternative, and we believe Labour may follow suit. Accordingly, all eyes will be on the extent of the proposed council tax increases for the most expensive properties as the parties formulate their policy in this area.

Buyers moving from London to a commuter location up from 21% to 26% year on year

Across the UK, average values in prime urban markets are now just 3.4% below their 2007 peak

In the first quarter of this year the prime suburbs saw stronger house price growth than prime London

Mainstream markets

SEARCHING FOR AN EQUITABLE SOLUTION

The release of housing wealth into the market through downsizing can benefit all generations

Words: Lucian Cook
Twitter: @LucianCook

> “Since 2001 levels of home ownership among the under 35s have fallen by 41%”
> Lucian Cook, Savills Research

The norm for the middle classes used to be that you rented your first home until you had saved the deposit to buy. You then started to pay down your mortgage and that, combined with the effect of house price growth, allowed you to trade up the housing market until you reached the pinnacle of owning a family home. As you approached retirement you paid off your mortgage, leaving you with a property which you owned outright.

To borrow a phrase from Damon Albarn, that left a whole post war generation with "a sense of enormous wellbeing."

Somewhere around the turn of the century that norm changed; mortgaged home ownership began to fall and private renting began to rise.

Speed of change

It is only now that the extent of the change is becoming apparent. The census tells us that only two local authorities in England and Wales saw absolute levels of home ownership among the under 35s rise between 2001 and 2011. The two – Manchester and Tower Hamlets – both saw significant levels of new build flats which facilitated this.

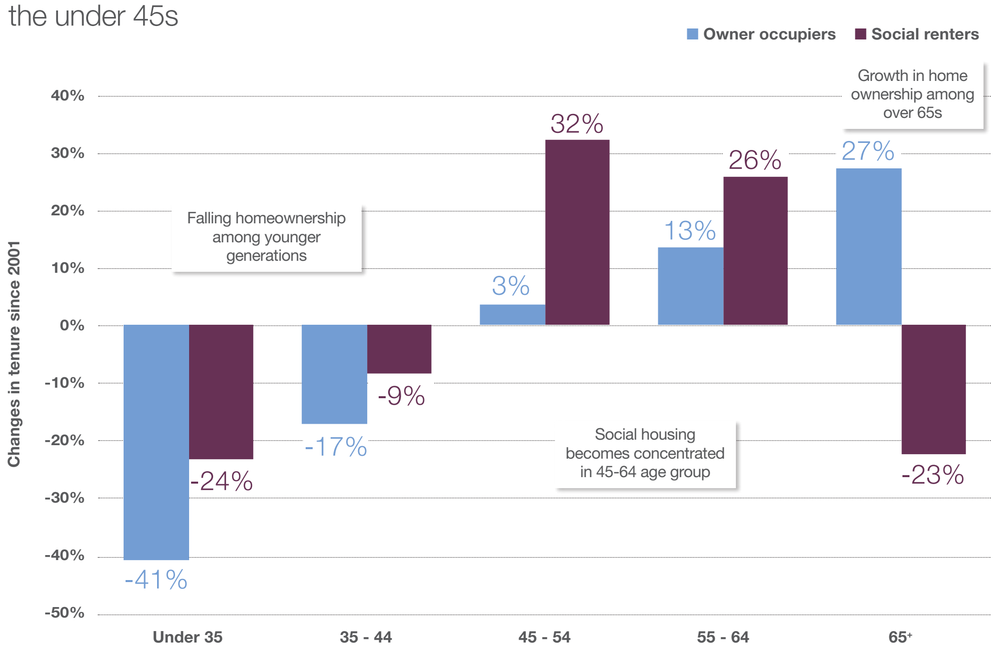
More pertinently, the English Housing Survey tells us since 2001, levels of home ownership among the under 35s have fallen by 41%. It doesn’t stop there. Those same levels of home ownership have fallen by 17% among the 35 to 44 year-olds (see Graph 3.1).

Redistribution of equity

Suddenly there are generations who have a much lower financial stake in

GRAPH 3.1

Pressure from both ends Falls in home ownership and social renting among the under 45s



Source: Savills Research, English Housing Survey

TABLE 3.1

Occupier profile by age

Age group	% of owner occupiers	% of private renters
<35	9%	51%
35 - 44	18%	22%
45 - 54	22%	13%
55 - 64	19%	7%
65+	32%	8%
Total	100%	100%

Source: Savills Research, English Housing Survey the property they occupy. We estimate that for every £100,000 of housing occupied by the under 35s, their housing wealth is just £14,000.

In locations where house prices have struggled to recover, the under 35s are worse off still. In Slough, Burnley, Barking and Dagenham and Hartlepool our calculations indicate that the under 35s hold no net housing wealth at all.

Though there are contributory factors, such as rising levels of student debt, the fall in mortgaged home ownership fundamentally reflects a step change in the deposit needed by first time buyers to get on the housing ladder. This became entrenched following the housing boom of 2001 to 2004 when house prices rose by 65% in real terms. Post 2007, the situation became even more acute as loan to values ratios fell and the percentage deposit needed to buy a house rose.

Beacon of hope

This all paints a fairly bleak picture for the future. But before we get into a spiral of depression, it is worth remembering that the shape of the housing market can change in other ways and there is a beacon of hope for aspiring first time buyers at the other end of the generational spectrum.

The English Housing Survey also tells us that levels of home ownership among the over 65s have risen by 27% since 2001 and by 13% among 55 to 64 year olds.

Our calculations suggest that the over 65s hold approaching £1 trillion of equity in the homes they own. Just as the under 35s have suffered from constrained access to home ownership in the 21st century, so the over 50s have benefited from the increased accessibility to home ownership in the 20th century.

Learn from your elders

Either in death, or increasingly in life, wealthy pensioner households will release their equity, enabling younger generations to get on or move up the housing ladder.

This is not to deny that younger generations will be renting for longer, but it does not mean that they will be precluded from home ownership forever. They may first buy later in life and their first home may well be a three bed terrace, rather than a one or two bed flat.

Similarly, there appears to be an increasing recognition that parents and grandparents will have to help younger generations on to and up the housing ladder. Indeed, more people are making early plans to do so, but it seems unlikely that this will provide a full solution without further encouragement.

Downsizing needs to be made a more attractive proposition. Arguably, future governments should pay as much attention to providing good quality retirement housing in order to free up housing wealth as they have done on schemes directly targeted at first time buyers, such as Help to Buy.

Similarly, given the speed of change, addressing the shortfall in the supply of private rented accommodation remains critical.

FOR RENT

Levels of private renting have more than doubled among the under 35s since 2001

The under 35s occupy over £400bn of private rented housing

The over 65s hold over £900bn of equity in the property they occupy

Mortgage Market Review
WILL NEW RULES LEAD TO A SLOWDOWN?

What effect will tighter rules for mortgage lending have on the UK housing market?

Words: Neal Hudson
Twitter: @resi_analyst

"The Government will be keen that its housing-led recovery continues"

Neal Hudson, Savills Research

With the Mortgage Market Review (MMR) rules now in place, housing market observers will be keeping a close eye on any new data over the next few months.

The Bank of England will wish to see some of the more extreme lending that has emerged over the last 18 months subdued. In particular, some of the higher loan-to-income multiples among first time buyers in London and the South East could cause concern in the event of rising rates.

Meanwhile, the Government will be keen that its housing-led recovery continues and spurs on the wider economy in the run up to the election.

The exact effects of the new MMR rules remain up for debate. Lenders have claimed that they were already operating under the new rules prior to their introduction on April 26th. If this is the case then it appears unlikely that we will see a significant slowdown in mortgage lending and hence market activity in coming months.

Possibly of greater importance is the Bank of England's Financial Policy Committee (FPC) power to set tougher interest rate stress tests on new borrowers. The FPC is likely to get these powers in the summer and it may be during this period that we begin to see prospective borrowers struggle to get financing.

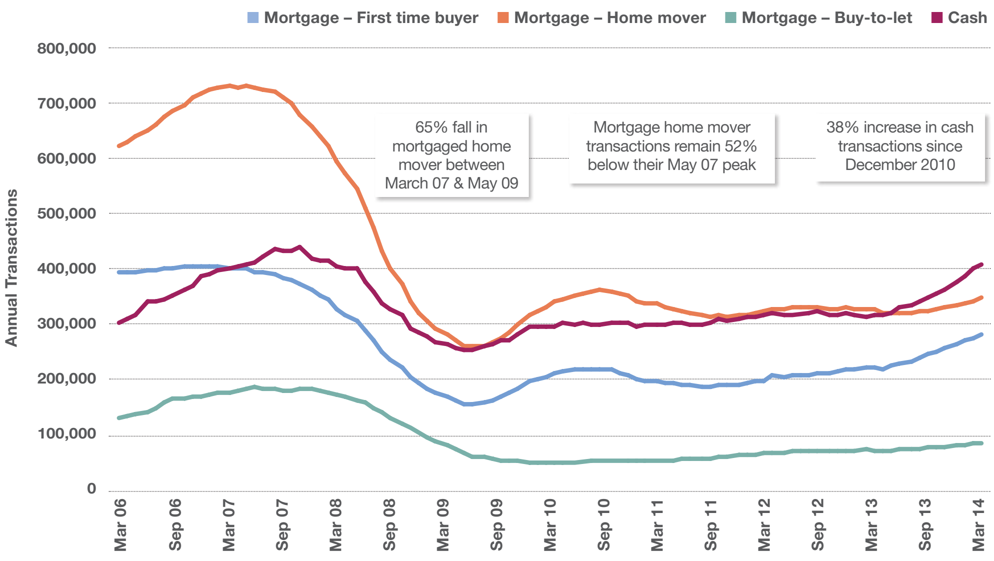
Given the importance of first time buyers in the recent surge of market activity (see Graph 4.1), any limit on their ability to borrow relative to current trends could lead to a slowdown in both house price growth and overall transaction levels. Unfortunately, this would also lead to prospective first time buyers remaining trapped in the private rented sector. Therefore, any move by the Bank of England to minimise threats to financial stability via the housing market should also be met by support from the government for the private rented sector.

Since the credit crunch, cash buyers have played an important role in driving market activity. With over 400,000 cash only transactions during the last 12 months, these are not just foreign investors in new build or cash rich buy-to-let landlords. They are just as likely to be downsizers and home movers and have probably begun to replace mortgage homemovers in some markets. At a fairly constant 35% of total market transactions (even during the last year), the scale of cash buyer activity will dilute any intervention in the market by the Bank of England but should not prevent that intervention.

Cash transactions account for around 35% of the market

GRAPH 4.1

Housing transactions Recent increases in first time and cash buyers



Source: Savills Research, HMRC, CML

Market forecasts

HOUSE PRICES 2014-2018

At the beginning of the year we forecast that house prices in the UK had the capacity to rise in line with earnings over a five year period. The pace of that growth was expected to be loaded towards the beginning of that period, whilst interest rates remain low.

We also forecast that London would outperform the rest of the country in the short term, but that thereafter it would slow considerably given affordability constraints. Accordingly, other markets in the south of the country were expected to perform more strongly than the capital over the five years as a whole.

While this remains our view, the exact pattern of growth over the next five years has become more difficult to predict.

The Nationwide index suggests that prices have risen 4.4% at a national level over the first four months of this year. Combined with a continued imbalance between demand and supply, this suggests that price growth is likely to be higher than the 6.5% that we forecast for the UK in 2014, albeit values in many regions of the UK remain well below their 2007 peak in real terms.

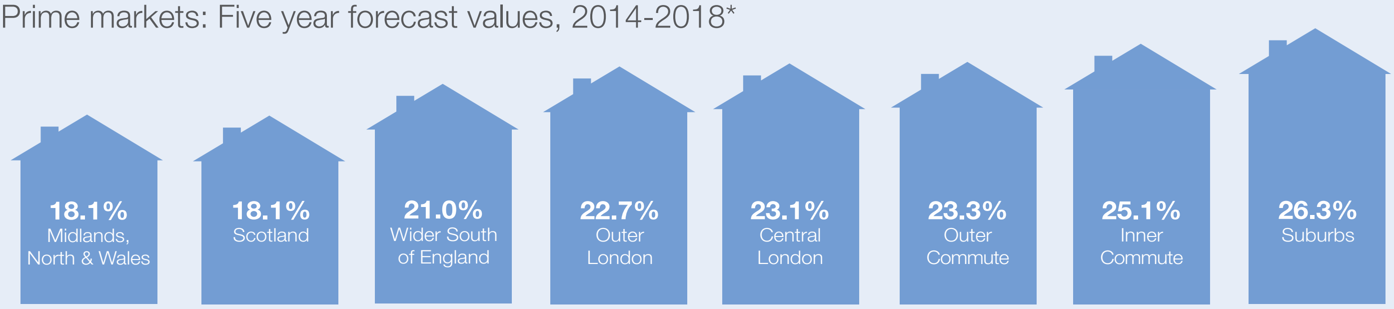
In the short term, the current pace of growth has become a concern for various economists and think tanks, who continue to highlight the risk of parts of the market overheating if buyer exuberance is not tamed.

The speed at which that exuberance is reined in depends on a range of factors. These include the market's response to the Mortgage Market Review, the timing and extent of interest rate rises and the potential for the Bank of England to intervene through the use of other macro-prudential tools. In the prime markets political posturing will undoubtedly play its part.

But for most buyers, however, the underlying cost of servicing their mortgage will be the biggest constraint on the amount they can pay to move up the housing ladder. This suggests that any additional price growth that we see in the next 12 to 24 months is likely to be offset by weaker performance later in the period.

> "The current pace of growth has become a concern for various economists and think tanks"
> Lucian Cook, Savills Research

Prime markets: Five year forecast values, 2014-2018*



Mainstream markets: Five year forecast values, 2014-2018

Source: Savills Research

*Assuming no further changes to the taxation of high value property

Planning

HOUSING'S UNDERSUPPLY IS SET TO CONTINUE

The number of homes planned by Local Authorities in southern England will leave a shortfall of more than 160,000 homes over the next five years

Words: Susan Emmett
Twitter: @saemmett

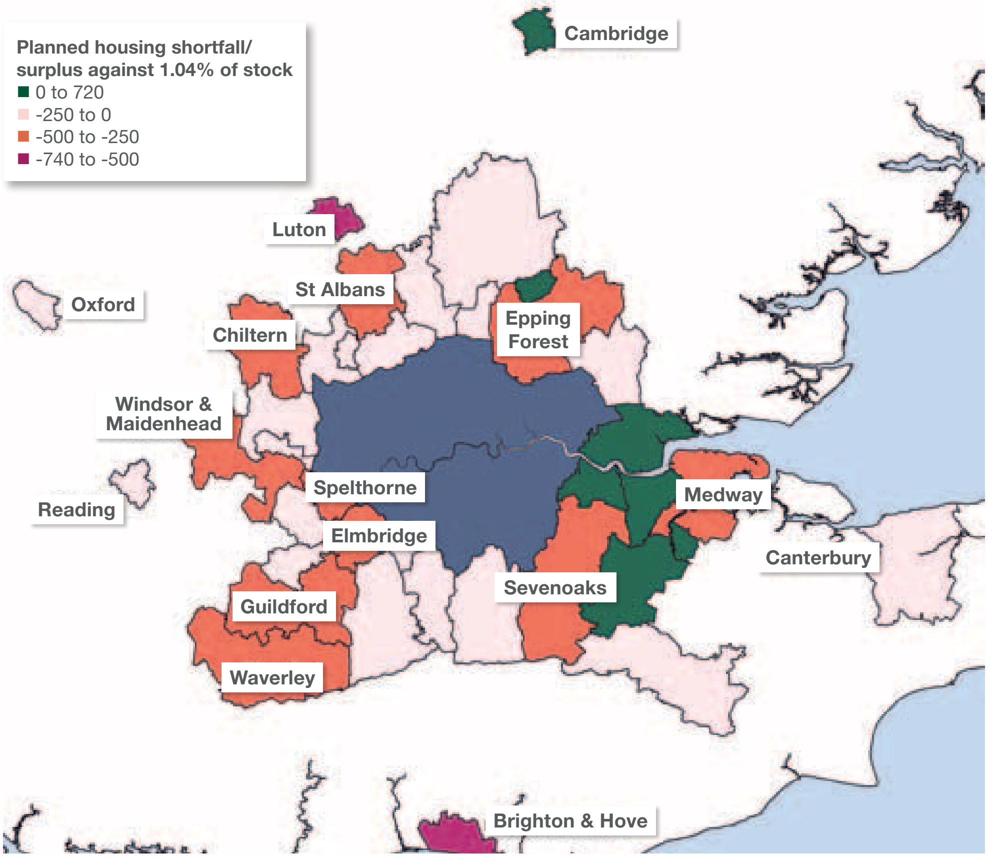
With a year to go before the general election, new housing, investment and planning are high on the political agenda. All three main parties agree that we are experiencing a housing shortage and much of the debate revolves around house building numbers.

Developers have been responding to an improving housing market and the increasing demand for new homes. Building starts rose by 24% to 123,000 in 2013. This is an improvement in the number of completions which totalled 110,000 but more is needed.

The Labour party aspires to increase housebuilding by more than 200,000 new homes a year. The Liberal Democrats have gone further by calling for 300,000 dwellings a year, arguing we must provide not only for projected need but also cover the backlog that has built up.

While the Conservatives have not set a housebuilding target, it has been Coalition Government's policy to support the housing market as a mechanism for stimulating consumer confidence, creating jobs and therefore supporting economic growth. The general consensus on the need for more homes, however, masks local disagreements over what is to be built where.

MAP 5.1
Pressure for new homes grows around London



Source: Savills Research (based on most recently adopted or published emerging plans)

Planning barriers

The planning system is often cited as a constraint on growth. A survey by the Home Builders Federation (HBF) emphasises that planning delays are a far greater constraint to housebuilding than other stumbling blocks including lack of materials, scarcity of land or labour shortage.

Planning reforms over the last four years have sought to address these criticisms. The most significant change was the publication of the National Planning Policy Framework (NPPF) in 2012. The document asserts a "presumption in favour of sustainable development" and requires that all Local Planning Authorities (LPA) maintain a five-year supply of readily developable housing land.

Despite this call for a more positive attitude to development, Savills analysis reveals that very few LPAs have embraced a growth agenda and planned for more housing. Of the 50 LPAs with a local plan made since the NPPF, which has either been adopted or is close to being approved, only 15 (30%) are planning to deliver more homes than under the previous planning system.

"The general consensus on the need for more homes, however, masks local disagreements over what is to be built where"

Susan Emmett, Savills Research

Housing shortfall

The local plans cause even greater concern when compared with housing needs projections. Analysis by Cambridge University for the Town & Country Planning Association (TCPA) concludes we need 240,000 new homes a year (the equivalent of a 1.04% increase in stock, see Map 5.1) in England over the 20 years to 2031. Of these, 152,900 homes a year are needed across London, East of England, South East and South West.

The locally planned targets will leave these regions 21% short of their housing requirements before taking into account the backlog of need. In other words, we face a shortfall of more than 160,000 homes over the next five years in southern England.

London overspill

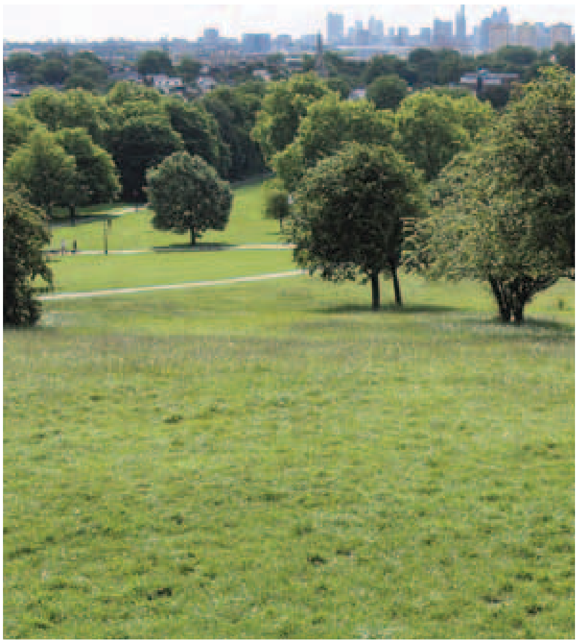
The biggest deficiency will be in London. Our analysis using TCPA projections, identifies a shortfall of 14,400 homes a year in the capital. This is the equivalent of 72,000 over the next five years, a far greater number than the shortage identified by the Greater London Authority (GLA).

Outside London, the housing shortfall across the South East, South West and East of England will add up to 91,323 over the next five years. This is before we take into account the added demand that is likely to spill out of the capital over the coming years.

Strong house price growth in London has resulted in substantial price differences between the city and the Homes Counties. We expect to see more people move out in search of better value for money which will put pressure on the markets with the strongest migration links to London. Hence the Local Authorities likely to suffer the biggest shortfalls include Sevenoaks, Guildford, Windsor and Maidenhead.

Green Belt

Green Belt land remains protected against development. However, it is clear London cannot accommodate the needs of its expanding population within the boundaries of its 32 boroughs. Hence the LPAs in the Home Counties will come under increasing pressure to house not only local people but also those leaving London in search of housing. The extra demand will require careful balance between meeting housing needs and reviewing an appropriate Green Belt.



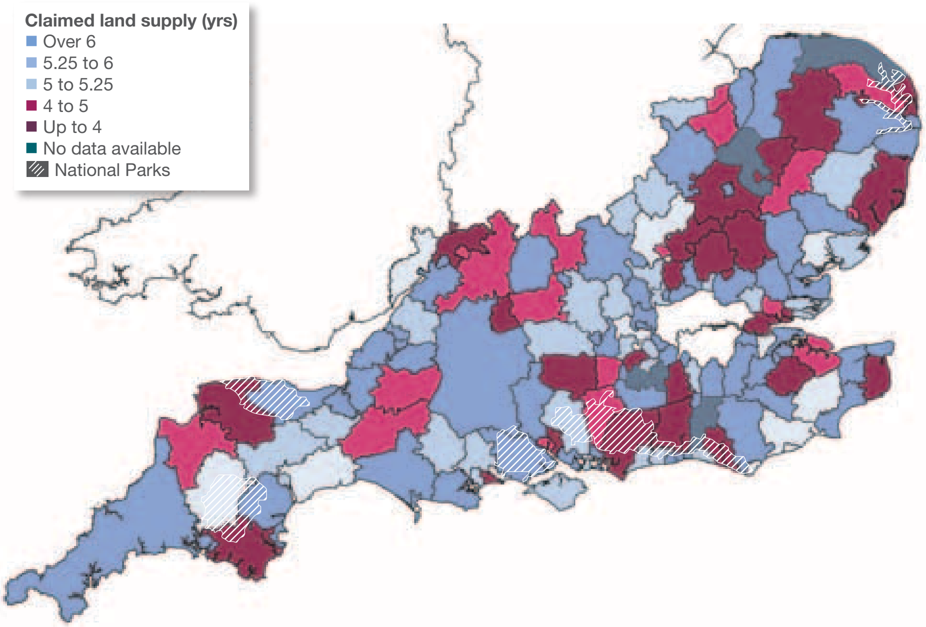
LAND SUPPLY

Are LPAs running out of space?

Analysis of land supply shows that of the 147 Local Planning Authorities across the three regions of our study, 102 (69%) claim that they have more than five years' supply and 61% say they have more than 5.25 years' supply. Recent appeals have exposed the fact the claimed land supply figures are not always robust when scrutinised in detail because housing needs have been underestimated.

MAP 5.2

Five-year land supply map for the south of England



Source: Savills Research (Based on LAs own reporting to March 2013. Excludes National Parks)

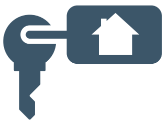
Postscript
PRIME NUMBERS

A summary of our findings in numbers

The average London house was 2.04 times the UK average in the first quarter of 2014

Average values in prime urban markets are now just 3.4% below their 2007 peak

There have been over 400,000 cash only transactions in the past 12 months



Levels of homeownership among the under 35s have fallen by 41% since 2001

We face a shortfall of over 160,000 new homes over the next five years in the South of England

The average asking price of a 4 bedroom house in London is £983,000

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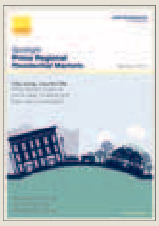 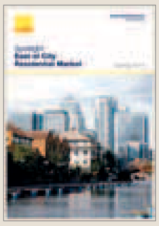 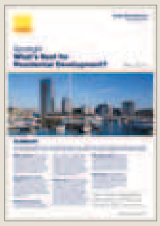

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  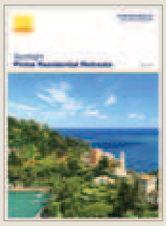

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