

RESIDENTIAL PROPERTY FOCUS ISSUE 1 2015

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This publication

This document was published in February 2015. 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.

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Foreword

DEMOGRAPHICS & HOUSING: A POLITICAL GAME CHANGER

Five-year
forecasts
page 14



The generational divide witnessed across the housing market is a significant political issue

Across the developed world, capital is becoming concentrated in the hands of older, home-owning households. Globally, the divide between equity-rich boomers and equity-poor millennials is significant and growing.

Post-war baby boomers have lived in an era of high inflation and rising incomes. This has favoured house purchase and rapid debt repayment. Subsequent generations have experienced decreasing inflation and low interest rates. Meanwhile, high house prices have raised the hurdles to home ownership.

This diverging social and economic experience has significant knock-on political effects and geo-demographic consequences, so it will be setting political agendas in a wide variety of countries, both now and into the future. In the UK, the concentration of capital among older generations is playing out in the housing market as increasing numbers of people, particularly young households without capital, swell the ranks of market renting.

The simple fact that a significant demographic is capital-poor and different parts of the population have different experiences of, and expectations of, the housing market, has the potential to impact outcomes of our general election – and beyond.

This phenomenon is explored in this issue of the Focus. Lucian Cook reveals how significant stores of personal wealth are now tied up in UK housing. An incredible 63% (£3.6tn) of the UK's £5.75tn housing value is held by individuals as housing equity (net of borrowing).

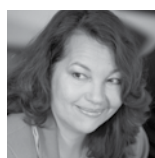
This means that the taxation of land and property, housing policy and spending has a major impact on how rich a significant proportion of the population feels.

As Lucian points out, it is difficult to maintain consistent housing policies when £2.4tn (61%) of all owner occupied housing stock is in Conservative constituencies while almost half (48%) of the value of social housing is in parliamentary seats held by Labour. Policies designed for one area may have either no effect or adverse effects in another.

On top of this, different markets are at different stages of recovery and growth. Sophie Chick shows that while prime central London wanes other prime markets are waxing. Market experiences will differ regionally and by sector, as our forecasts on page 14 show.

The problems of the current housing shortage, and its housing market consequences, have been decades in the making and will take far longer than a single parliamentary term to sort out. The party political consequences of getting it wrong go far beyond the malaise of a relatively small (in historic terms) number of frustrated first time buyers. On page 12 Susan Emmett explores how parties have to unify on the basic housing issues if any real difference is to be made.

Wealth distribution, social justice, cost of care, pensions and housing benefit, the future of the construction industry, the consumer economy and the impact of all this on the health of the long-term economy are big issues. They can all increasingly be invoked as reasons to do something meaningful to put right past mistakes and to make sure the UK housing market is fit for purpose in the 21st century. ■



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EXECUTIVE SUMMARY



What impact will the value of UK housing stock and its distribution have on the forthcoming election?
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The £1m+ residential sales market has grabbed the attention of politicians in the run-up to the election
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The gap in the mainstream market between the 'haves-and-have-nots' is an issue for any future government
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Where do the three main parties stand on major housing issues approaching the election?
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Valuing Britain

CONSTITUENCIES OF HOUSING VALUE

What impact will the value of UK housing stock and its distribution have on the forthcoming election?

Words: Lucian Cook

Twitter: @LucianCook



"The total value of UK housing stock currently stands at £5.75 trillion"

Lucian Cook, Savills Research

Housing has rapidly risen up the UK political agenda in the past five years and will undoubtedly continue to do so in the run up to the general election in May.

In this article, we examine how the state of housing markets may already be part of the political landscape in the UK. Housing is a significant store of personal wealth; our analysis shows that the total value of UK housing stock currently stands at £5.75tn – equivalent to the combined GDP of Germany, France and Italy. It is a figure that has risen by £543bn in one year.

Political impact

It is the way in which this value and housing growth is distributed that will influence future housing policy and, ultimately, the fate of different parts of the UK housing market.

It will come as little surprise that the total value of housing stock in Conservative constituencies is somewhat higher than that in Labour constituencies. In fact, it is nearly double (at £3.3tn).

This may be primarily a result of underlying and historic socio-economic conditions which have in turn determined the political colour of the constituency.

There is still a strong argument that the maintenance of a consistent housing policy is difficult when, on the one hand, £2.4tn or 61% of all owner occupied housing value is located in Conservative constituencies while on the other, almost half (48%) of the value of social housing is in parliamentary seats held by Labour.

Both parties will have interests in the private rented sector, where the amount and value of stock continues to rise because of a lack of accessibility to both of the other forms of tenure.

Geography also has a part to play, given the housing markets in the south have already outperformed those further north and are likely to continue to do so over the next phase of the housing market cycle.

Election implications

In what is anticipated to be a close election, all parties will need to engage with stakeholders across all sectors of the housing market.

£1.62tn of housing stock is located in seats where the majority was less than 10% of the vote at the last election and the value profile in these areas almost exactly replicates that of the UK as a whole.

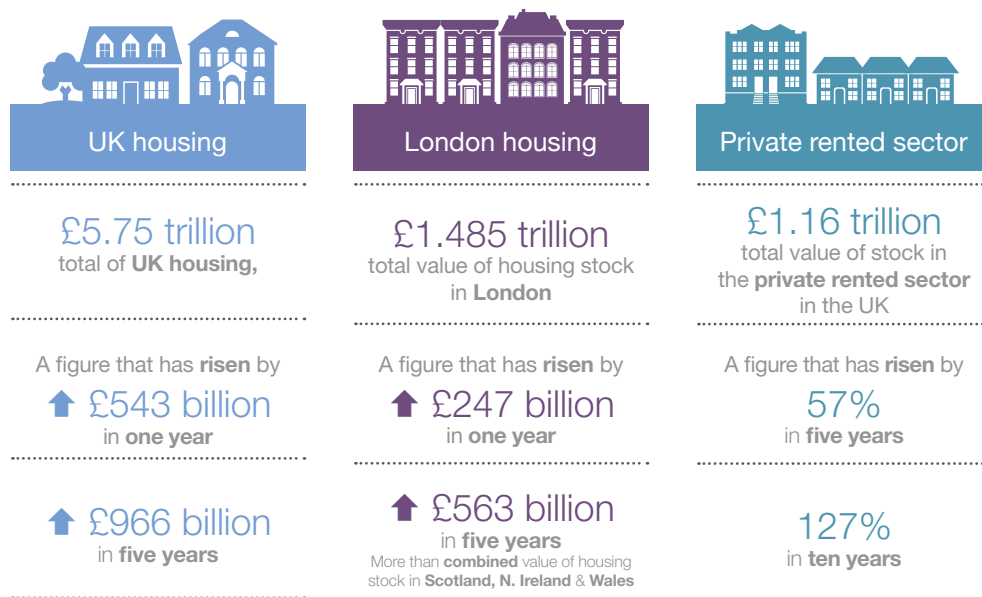
The pressure to have joined up housing policy towards housing delivery is particularly evident in Greater London, where the total value of housing stock is split relatively evenly between the two main parties. Here the value rose by 20% or £247bn in 2014 alone and by £563bn in five years. The resulting affordability pressures will undoubtedly come into focus over the period of the next parliament whoever holds the balance of power.

Common need to deliver

The growth of the private rented sector, the falling numbers in mortgaged owner occupation, the restricted amount of new social housing and the value gap between

FIGURE 1

The value of UK housing London and Private Rented Sector on the up



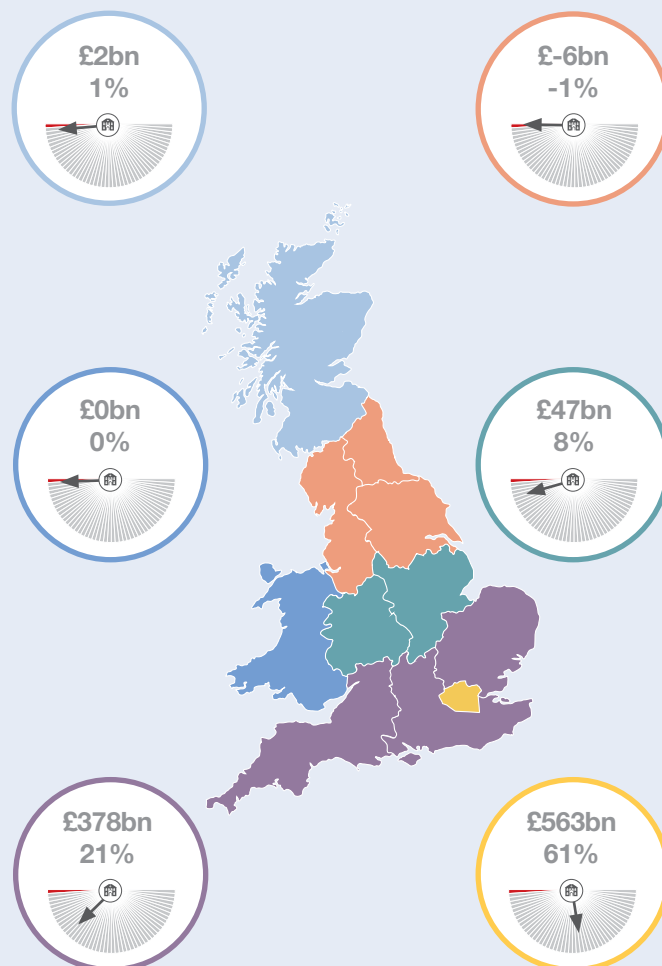
Source: Savills Research

THE GREAT DIVISIONS OF HOUSING VALUE

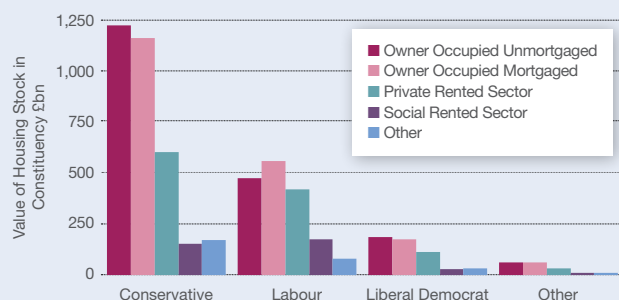
Geo-demographic differences

5-year value changes 2009-2014

| 2014 | Value £bn | 1-year | 5-year |
|----------------|--------------|------------|------------|
| London | 1,485 | 20% | 61% |
| South East | 1,058 | 11% | 25% |
| East | 584 | 11% | 22% |
| South West | 519 | 7% | 14% |
| East Midlands | 295 | 5% | 9% |
| West Midlands | 360 | 5% | 7% |
| Yorks & Humber | 310 | 4% | 1% |
| Scotland | 325 | 7% | 1% |
| Wales | 184 | 2% | 0% |
| North West | 423 | 5% | -1% |
| North East | 133 | 4% | -5% |
| Total | 5,752 | 10% | 20% |



Value split by Party



Source: Savills Research

London and the rest of the country are certainly exercising policymakers across all parties. The aim must surely be to achieve a more co-ordinated, less-polarised and longer-term set of housing policies.

There is cross party consensus that more housing needs to be delivered, even if there is the disagreement as to why this is the case and what needs to be done to achieve it.

It seems inevitable policy positions on housing will be defined by the balance they seek to strike between stick and carrot, taxation and incentivisation, regulation and market-led solutions.

Hopefully the political rhetoric around these distinctions will not cloud the underlying need to deliver

much more housing across the full range of tenures – particularly in the private rented sector.

Successful policies will improve the efficiency of the use of existing stock, expand supply of all types of housing by avoiding excessive regulation and still recognise the important role of home ownership in providing households with financial security. ■

61%
Of owner occupied
housing value located in
Conservative constituencies

TABLE 1
5-year tenure change 2009-2014

| Tenure | Value £bn | 1 year | 5 year |
|----------------------------|--------------|------------|------------|
| Owner Occupied Unmortgaged | 1,953 | 10% | 20% |
| Owner Occupied Mortgaged | 1,972 | 7% | 5% |
| Private Rented | 1,159 | 17% | 57% |
| Social Rented | 374 | 11% | 20% |
| Other | 294 | 12% | 29% |
| Total | 5,752 | 10% | 20% |

Source: Savills Research

Prime market

PRIME HOUSING IN AN ELECTION YEAR

The £1m+ sales market has grabbed the attention of politicians in the run-up to the election

Words: Sophie Chick

Twitter: @SophieChick



"Taxation is likely to be a key issue affecting the prime housing markets in 2015"

Sophie Chick, Savills Research

Given the level of price growth in London since 2009 and the evolution of prime urban markets beyond the capital, the number of £1m+ sales in 2014 is expected to have been higher than 2007 for the first time.

The increase in the size of this market over the past decade has been huge. Over 10 years, the number of £1m+ sales recorded by HMRC across the UK has tripled, with an estimated 18,000 sales last year.

Little surprise then that it is a submarket that has attracted the attention of politicians across all parties looking for ways to raise tax revenues.

Taxation is likely to be the key issue affecting the prime housing

markets in 2015. While the Labour party seemingly presses on with its increasingly controversial proposal for a mansion tax, the Chancellor has further raised the stamp duty liability at the top end of the market, while cutting the burden for the majority of the housing market. Many have viewed this as an attempt to outflank the opposition.

Current evidence suggests that sellers of prime housing stock have absorbed this cost through a one off price adjustment to reflect the buyers additional liability. This seems to have allowed the market to remain fluid in the immediate aftermath of the changes.

However, it is still most likely to make political debate around further taxation even more contentious, even if, as expected, it has a mildly soporific effect on the market in the run up to the election.

This will mean sellers will have to be realistic on sale price in 2015. However, buyers should be able to take comfort from the medium term outlook for the market which remains broadly positive. ■

A YEAR OF TWO HALVES

How did the prime markets fare in 2014?

Much like the mainstream, the prime housing market across the UK saw a year of two halves in 2014. The improving economy and positive sentiment from the mainstream market helped drive demand in the first half of the year with an average price increase of 4.9% recorded in the prime markets of London and 3.1% outside the capital.

Some of this momentum was lost over the summer as the uncertainty surrounding the Scottish referendum and ongoing discussions around a mansion tax contributed to a general lack of urgency among buyers. When combined with the impact of the new rates of stamp duty introduced in the Autumn Statement, house prices remained roughly flat in the final six months of 2014 in the prime regions with an average increase of 0.1% while small falls of -2.2% were recorded in London.

The experience of 2014, gives us clues as to what may happen in 2015 and beyond.

In London the strongest performers in 2014 were the markets up to £1m and in the £1m-£2m range. These saw annual price growth of 6.0% and 2.5% respectively, reflecting the fact that they are less adversely affected by the changing tax environment.

In the prime regional and country house markets, London commuter locations showed the highest level of growth, with prices rising by 4.6% in the London suburban markets such as Esher, Rickmansworth and Loughton and by 3.7% in the inner commuter zone in the likes of Sevenoaks, Guildford and Beaconsfield.

Beyond the commuter zone prices still remain below the level seen prior to the credit crunch, presenting an ongoing buying opportunity for those looking to relocate.

18,000

The estimated number of £1m+ sales in 2014 across the UK



Over the past 10 years the number of £1m+ sales has increased three-fold

THE RISE OF THE £1M+ MARKET

London blazes a trail with the highest number of £1m+ sales in 2014

The Land Registry indicates that by far the biggest increase in £1m+ sales has been in London. Where the number of recorded sales at or above this threshold has risen by 80% since the 2006-07 period.

Across London, emerging prime areas have seen the biggest percentage growth in

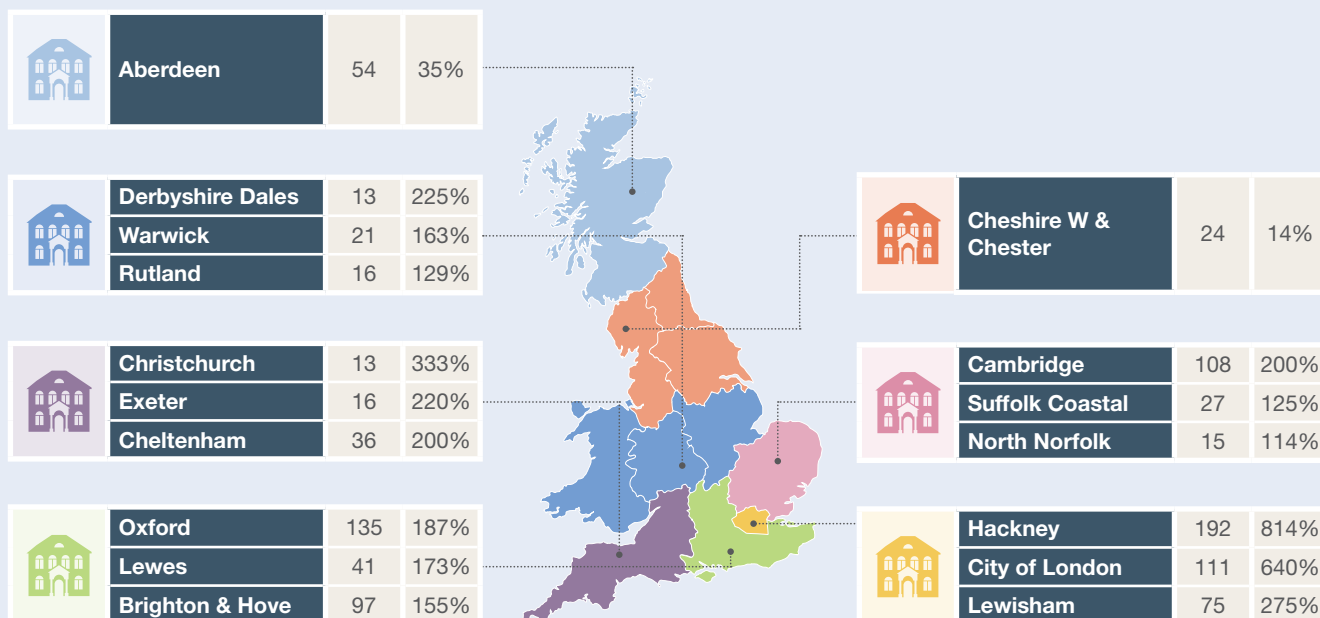
£1m+ sales. This has not just been confined to emerging prime markets in boroughs such as Hackney and Lewisham but also in parts of Southwark, Brent and Greenwich.

Smaller increases were recorded across the remainder of the South of England, while the markets of the Midlands, the

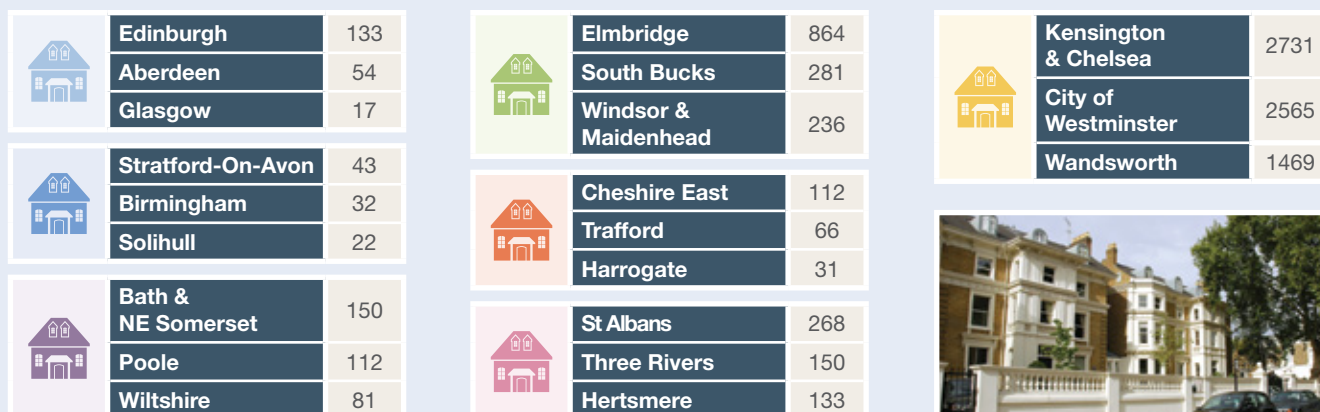
North of England and Scotland are yet to return to the peak level of high value transactions.

The big winners have been prime urban areas such as St Albans, Bath, Brighton, Cambridge, Cheltenham, Oxford and Stratford upon Avon.

Biggest increase in £1m+ sales by Local Authority in 2013/14 and increase since 2006/07



Highest number of £1m+ sales by Local Authority in 2013/14



Source: Land Registry, Register of Scotland NB: The Land Registry undercounts the number of sales at the top end of the market. The analysis only includes locations with 10 or more £1m+ sales in 2013/14

Mainstream market

A FINE BALANCING ACT

The gap in the mainstream market between the 'haves-and-have-nots' is an issue for any future government

Words: Neal Hudson
Twitter: @resi_analyst
.....



"Almost all of the house price growth of 2014 was realised in the first six months"

Neal Hudson, Savills Research
.....

If the housing market is considered a barometer of the electorate's satisfaction, then on the face of it there was plenty of good news in 2014: house prices ended the year up 7.2% according to the Nationwide; transactions rose by 16% to more than 1.2 million per year; the number of first-time buyers increased by 21%; stamp duty was reformed and house building activity improved with starts reaching 140,000 for the first time since 2008.

Undoubtedly, this has been good news for many homeowners and for some aspiring homebuyers. However, it is equally apparent that the gap between the housing 'haves-and-have-nots' remains largely unresolved, something which is exemplified by the tension between 'desirable' mortgage regulation and 'less desirable' reduced access to homeownership.

This means any government will have a fine balancing act when it comes to housing over the life of the next parliament.

Prior to that, a closer look at the second half of 2014 points to a more subdued housing market in the run-up to the general election, which may again bring housing to the fore of the political debate.

House prices

Almost all of the house price growth of 2014 was realised in the first six months of the year and prices have been flat since June. Parts of London – that, following a longer term trend, saw by far the strongest price growth in the first half of the year – have now begun to see prices soften according to some measures.

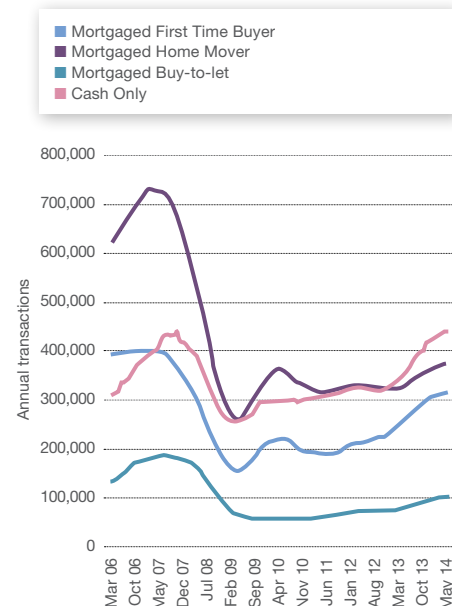
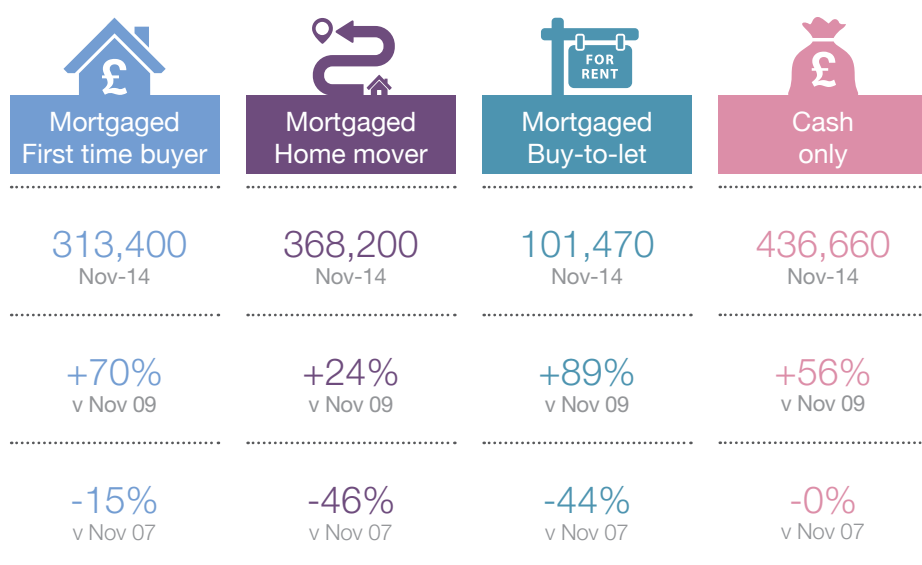
Perhaps the most important constraint of price growth in the second half of the year was the introduction of stricter mortgage affordability testing by the Bank of England.

This limits the risk of buyers over-extending themselves and lenders exposing themselves to too much risk, as and when interest rates rise. It also effectively caps the amount home buyers can borrow, so it should come as no surprise that average loan-to-income multiples peaked in June.

It appears likely that we will see static or slight declines in lending multiples in coming years and so house price growth will be limited

FIGURE 2

Transactions by buyer type



Source: Savills Research

by income growth in mortgage dependent markets. Our forecast for mainstream UK price growth over the next five years is 19.3% compared to 19.9% for incomes (see page 14).

Transaction levels

Compared to house prices, the increase in transactions will be considered more universally as good news. Yet, despite a large increase in activity across all buyer types, the only group that has got anywhere near their pre-recession levels are those without a mortgage.

Much like prices, the number of mortgage approvals and transactions peaked early in the year and have been falling since on a seasonally-adjusted basis. This reflects the incredibly strong start to 2014 following the launch of Help to Buy 2 and so we will probably see transactions level out during the first half of 2015 before continuing their slower paced recovery up to 1.34 million in 2019.

Housebuilding

Given the relationship between total market transactions and private housebuilding, it's not surprising to see that private housebuilding starts are beginning to level off along with the wider market. Despite significant support for housebuilders and home buyers, this relationship essentially remains unbroken. Developers' sales rates, though clearly supported by government measures, appear to remain ultimately limited by demand in the wider market.

Therefore, whatever the merits of current policy, any serious attempt to substantially increase the rate of housebuilding to the levels required needs an increase in delivery across all tenures to break the relationship.

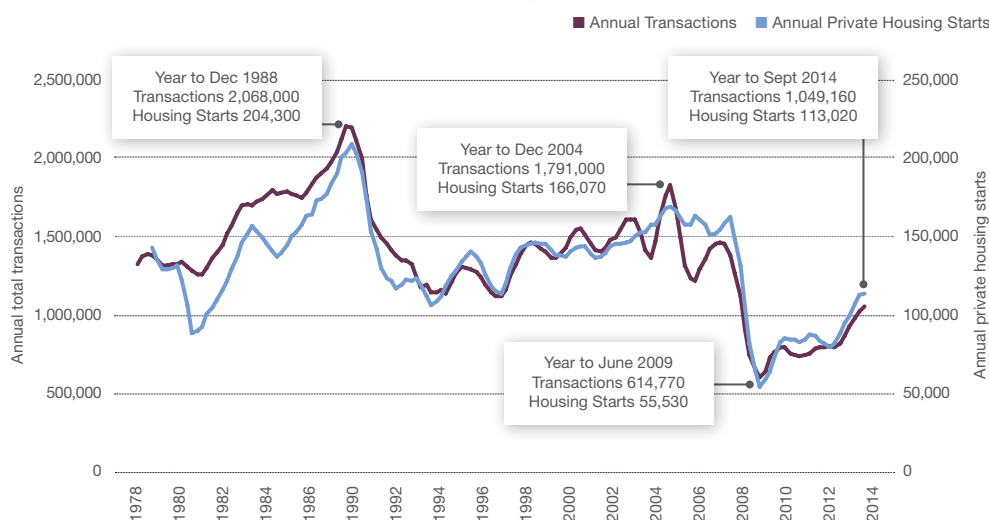
Looking forward

Overall, the news coming out of the housing market appears to be turning slightly negative ahead of the election, but with the Bank of England limiting the capacity for mortgage lending and interest rate rises on the horizon, the political options for giving the market another short term boost are limited.

To the surprise of many, the Chancellor attempted to do just that with his reform of stamp duty in the Autumn Statement. The new system has removed the slab structure and lowered the potential cost for most buyers, which has been almost universally welcomed.

GRAPH 2

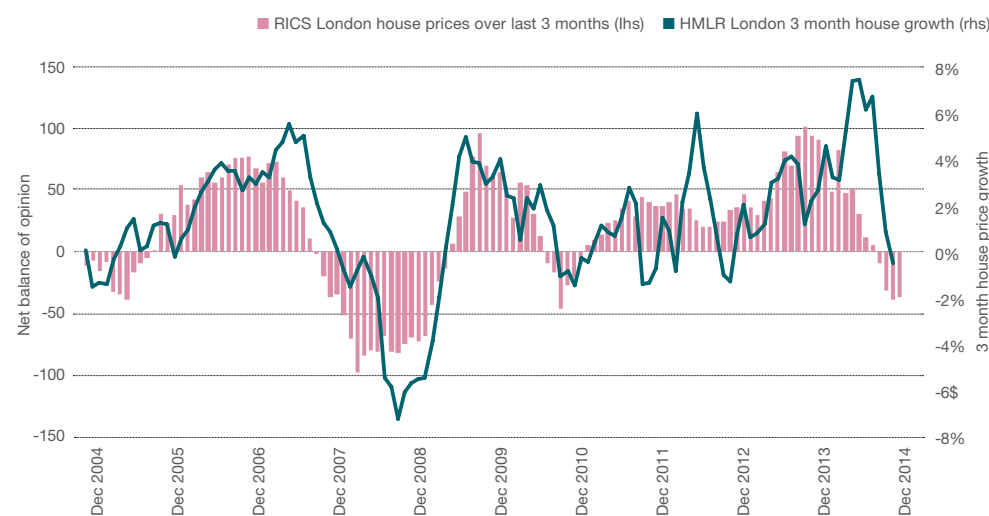
Transaction levels and housebuilding: A close fit



Source: Savills Research

GRAPH 3

House price trends: RICS as a lead indicator in London



Source: Savills Research

It has been encouraging to see politicians deal with this long overdue reform as the centrepiece of the Autumn Statement. However, it is one small part of a much bigger jigsaw, that in reality needs even more political will to assemble. ■

19.3%
5-year UK mainstream
house price growth
forecast to 2019



Market dynamics

THE EFFECT OF THE LONDON AFFORDABILITY SQUEEZE

Affordability constraints will limit house price growth in mainstream London over the next five years

Words: Katy Warrick
Twitter: @katywarrick
.....



"We are already seeing some of these affordability implications play out"

Katy Warrick, Savills Research
.....

In London, the total value of housing rose by 20% or £247 billion in 2014 alone and by 61% or £563 billion over the past five years.

This has huge consequences for Londoners, whose finances are being stretched further and further as house prices continue to rise at a disproportionate rate to the rest of the country.

This value gap simply cannot widen at this rate indefinitely, which is why we expect mainstream London to see just 10.4% growth over the next five years, compared to 19.3% across the UK as a whole.

Why just 10.4%?

Mortgage regulation is one of the main constraining factors to further house price growth. This new lending environment is one of loan to income caps, stress testing of borrowers' affordability and capital

repayment requirements. Coupled with fast-moving house prices against a context of limited income growth, this means higher deposits are required.

Jump forward five years and we expect that prices will grow just 10.4%, as fewer first time buyers will have been able to access home ownership for these reasons.

Affordability examples

The infographic below shows how the average person in London is struggling to keep up with house price growth in this changing lending environment and how we see the market in 2019 being slightly more balanced (see Figure 3).

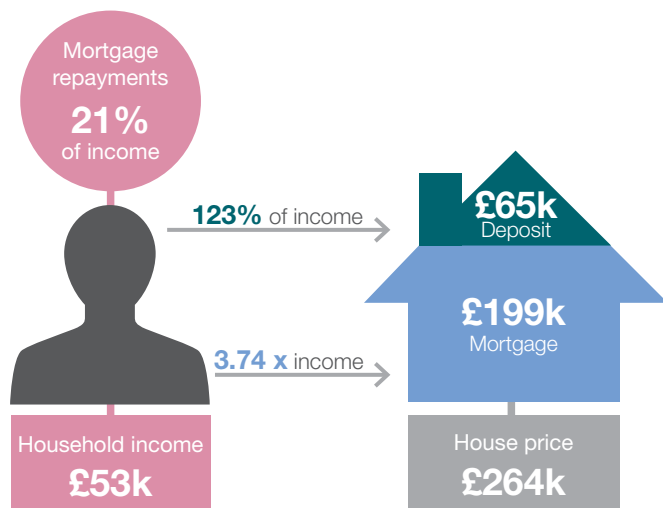
Third Quarter 2013

At the end of the third quarter of 2013, a first time buyer household earning £53k (the median in London according to CML), could have

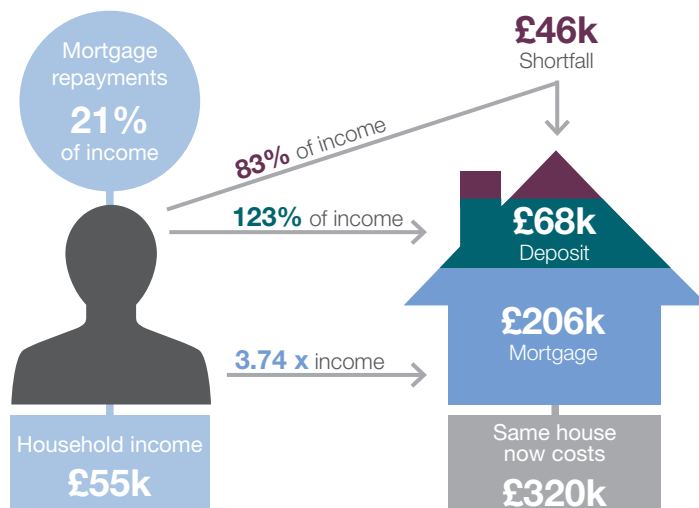
FIGURE 3

Affordability What an average first time buyer in 2013 could afford over time, allowing for house price

Q3 2013 Based on 3.1% interest rate



Q3 2014 Based on 3.1% interest rate



Source: Savills Research

afforded to buy a property worth £264k at 3.74 loan to income multiple with a 75% loan to value mortgage. This assumes they could raise the required £65k deposit. At prevailing interest rates servicing this mortgage would account for 21% of gross household income.

Third Quarter 2014

Over the course of 2014 incomes grew by 4%, and if we assume the same mortgage conditions as before our hypothetical buyer can now borrow £206k and afford a property worth £274k. The amount they can afford has risen by 4%, but, as we have seen, house prices will have risen much more.

In this example, the £264k house is now worth £320k, resulting in a funding shortfall of some £46,000. The options for buyers are pretty stark – find a much bigger deposit, borrow more money at an even higher multiple of income (4.57x earnings), or buy a smaller property or one in a less expensive area. The first two options may not be possible, the last may not be desirable.

Third Quarter 2019

If we fast forward to 2019, our subject property would be worth £353k while incomes will have risen by 22% according to Oxford Economics. Assuming loan to

value ratios remain the same, our buyer could now obtain a property worth £324k with a £252k mortgage. This means that while the funding shortfall is reduced, it still sits at £29k.

Even if that shortfall can be found, the costs of servicing the mortgage will have increased to 26% of gross income because of interest rate rises. This 26% is much higher than the 21% average of the past 20 years. Essentially, this would mean affordability would be as stretched as it was prior to the credit crunch.

If, however, the 2019 shortfall is added to borrowing it would be necessary to get an 80% LTV, 4.18 LTI mortgage. This would mean that the cost of capital and interest repayments would shoot up to 29% of gross income. This is a level not seen since the affordability driven downturn of the early 1990s, so it is highly unlikely that this level of lending would be sustainable.

Consequences

These affordability considerations limit future price growth potential. While, annual price growth across all of London averaged 17.8% during 2014, the last six months saw just 1.6% according to the Nationwide.

This indicates that we are already seeing some of these affordability implications play out.

Together with the cost of the deposit which buyers need to accumulate, these also have implications for transactions levels. This will place more demand on the private rented sector or the hotel of Mum and Dad.

But, assuming local governments respond to the changing housing needs, it will also present developers with an opportunity to build for the private rented sector and develop the intermediate housing offering. ■

SUPPLY SHORTAGE

Identifying the hidden value

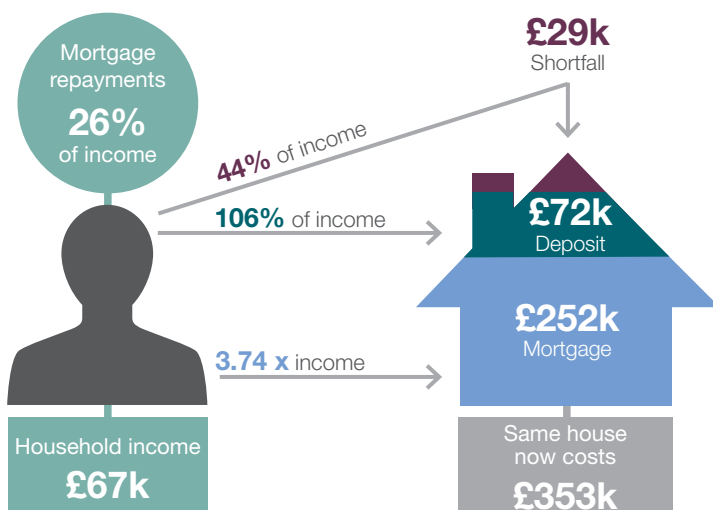
Despite these affordability issues there is still a shortage of new supply in London – we are currently building less than half of the 50,000 new homes required in the capital every year. This is one of the fundamental reasons why we do not expect average price falls across London in 2015, despite the recent change in sentiment.

For developers there will undoubtedly be pockets of hidden value which will see growth levels above the average, though it will require them to place significant emphasis on unlocking it through the nature and scale of the development they undertake.



inflation and income growth over the period

Q3 2019 Based on 5% interest rate



Housing

AN EMOTIVE ELECTION ISSUE...

...but what the market really needs are long-term solutions that extend beyond electoral cycles

Words: Susan Emmett

Twitter: @saemmett

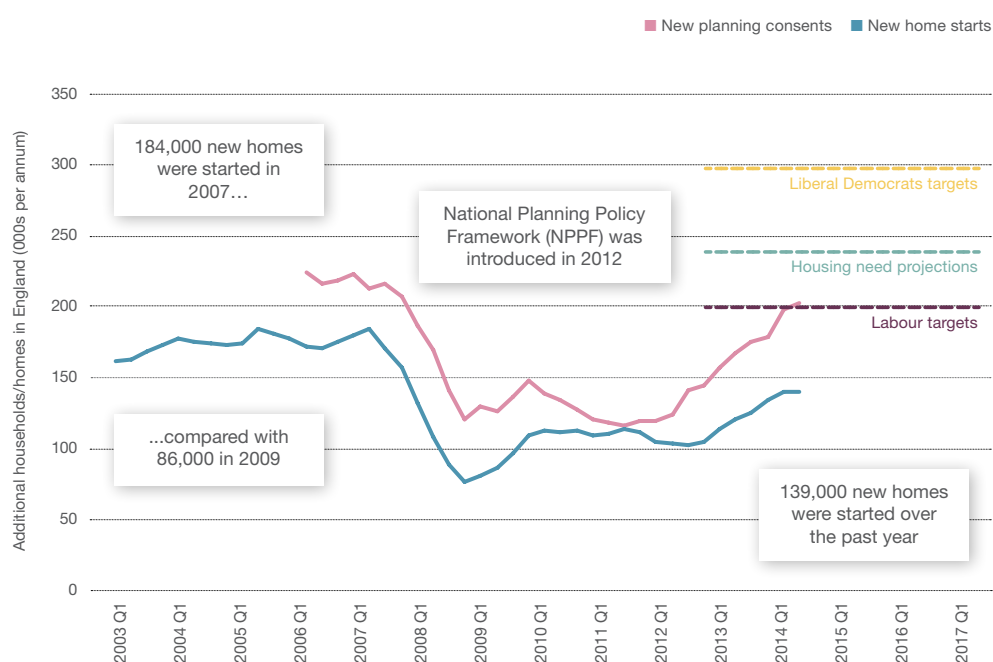
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“Election-focused soundbites will not deliver a better functioning market”

Susan Emmett, Savills Research

GRAPH 4
Housing shortage continues



Source: HBF, DCLG, TCPA

As polling day approaches, housing is set to become one of the chief political battlegrounds with politicians of all stripes emphasising short-term, headline-grabbing policies faster than you can say ‘housing crisis’.

A persistent shortage of homes, against a background of strong house price growth in some areas and increasing affordability pressures on younger would-be buyers, is likely to lead to heated debates ahead of one of the most uncertain elections for decades.

Labour’s plans to levy a Mansion Tax on properties worth £2m or more has so far attracted the greatest controversy, even among the party’s own London MPs. But there is more debate to come.

Another topic we can expect to dominate the airwaves, is the argument surrounding empty homes in London. Despite the lack of robust evidence that this is a large scale problem, Labour recently announced plans to levy charges on absentee property owners but details have yet to emerge.

Less controversial are measures from all sides aimed at increasing the number of first-time buyers. The Conservatives intend to build on the already extended Help to Buy policy with the new Starter Home scheme (see Table 2) while Labour has gone further stating an intention to double the number of first-time buyers by 2025. In a country where homeownership remains a major aspiration, this is safe political ground.

Unfortunately, election-focused soundbites will not deliver a better functioning market. At best, welcome measures to help first-time buyers, are only part of the solution. At worst, policies launched without real research into their consequences could have adverse effects on the market.

A heavy-handed approach towards overseas buyers risks hindering investment and inhibiting house building rather than helping to deliver more homes. In its current form, Mansion Tax is likely to distort the property market and penalise certain parts of London where values have risen steeply.

What the housing market really needs are long-term solutions that extend beyond electoral cycles and party politics. As we can see from Graph 4, the planning reforms of the last three years, have helped deliver a greater number of planning consents. Housebuilding now needs to catch up.










We need to support a wider range of players (small enterprises, housing associations and Local Authorities) to deliver homes which are not only for sale but also aimed at renters and people struggling to buy.

We also need to have an honest debate on taboo subjects such as the green belt – a no go area ahead of an election particularly in marginal constituencies. Long-term solutions require cross-party support.

The good news is that behind the scenes, there is a growing consensus among all major parties that the country needs more homes. If the current opinion polls are correct and we end up with either a minority government or another coalition, we will need to build on that. ■

TABLE 2









































Party policies Where the three main political parties stand on housing approaching the election

| | Coalition Government |  Conservatives |  LIBERAL DEMOCRATS |  Labour |
|---|---|--|---|--|
|  Housebuilding | Measures to increase housing supply include: Help to Buy to support buyers, Affordable Homes Programme to deliver 200,000 new affordable homes by 2019, New Homes Bonus to incentivise councils to grant planning consent and Builders Finance Fund to help SME access finance. | Have not specified a building target. | Target of 300,000 new homes a year by 2020 by encouraging offsite construction, support for SMEs, new entrants and self-build and boosting Housing Association capacity. Further measure: creation of a new Housing Investment Bank to simplify the allocation of public funds. | Target to be building over 200,000 new homes a year by 2020, by encouraging a greater diversity players. SMEs to be supported by "Help to Build" programme which underwrites bank loans for smaller builders. "Use it or lose it" measures to discourage land banking. |
|  First time buyers | Build 100,000 Starter Homes on brownfield land to be sold at 20% below the market rate to first-time buyers aged under 40. Meanwhile, Rent-to-Buy enables tenants to rent a home at a discount to help save for a deposit. | Starter Homes and Rent-to-Buy are also Conservative policies. | Support for shared ownership, rent-to-buy and other intermediate tenures, where every monthly payment goes towards owning the house. | Double the number of first-time buyers by 2025. First-time buyers to be given priority access to housing within "Housing Growth Areas". |
|  Private rented sector | Drive to increase the number of professionally-managed homes for private rent includes £1bn Build-to-Rent fund to deliver 10,000 rental homes. | Against rent controls. | A Lib Dem private members bill to protect tenants against retaliatory evictions currently going through Parliament. | Make 3yr tenancy agreements the norm rather than 6 or 12 months. Annual rent review with an upper ceiling on rent increases. Letting agents banned from charging fees to tenants. |
|  Planning and green belt | National Planning Policy Framework (NPPF) set out a "presumption in favour of sustainable development" to speed up housing delivery. It followed the Localism Act which gave locals greater say over housing. | Vociferous public commitment to the green belt and to support the localism agenda which gives locals more say over development in their neighbourhood. | Strong supporters of localism agenda. Some criticism of Coalition planning policies such as the permitted development rules allowing offices and shops to change into housing without planning permission. | Proposals for Local Authorities to designate new "Housing Growth Areas" which will have powers to assemble land and give certainty to developers. Mandatory for Local Authorities to have a Local Plan to meet housing needs. |
|  Garden cities | Published a prospectus for locally-led garden cities of at least 15,000 new homes. Also announced support for new garden cities at Ebbsfleet in Kent and Bicester in Oxfordshire. | Support the idea but have resisted naming any new sites. | Aspire to build at least 10 garden cities, with five along a new Garden Cities Railway joining Oxford and Cambridge | Plans to build 200,000 homes a year include a new generation of new towns and garden cities. |
|  Mansion tax | Recent reforms of the Stamp Duty Land Tax place a bigger burden on higher value properties. | Against a Mansion Tax. | An annual tax on properties worth £2m, proposed in 2009, has developed into an additional banded levy on top of council tax to be collected by Local Authorities then pooled. | Labour expects to raise £1.2bn a year by taxing homes over £2m to help fund the NHS. The tax will be progressive with owners of homes worth £2-3m paying an extra £250 a month. |

Market forecasts

HOUSE PRICES 2015-2019





























































PRIME MARKETS Five-year forecast values*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 5-year |
|------------------------|--|--|--|---|--|--------|
| Central London |  -1.0% |  8.0% |  6.5% |  5.0% |  5.0% | 25.5% |
| Other London |  0.0% |  6.0% |  5.0% |  4.0% |  4.0% | 20.4% |
| Suburbs |  1.0% |  7.0% |  6.0% |  5.0% |  4.5% | 25.7% |
| Inner Commute |  1.0% |  7.0% |  5.5% |  5.0% |  4.5% | 25.1% |
| Outer Commute |  1.0% |  6.0% |  5.5% |  5.0% |  5.0% | 24.5% |
| Wider South of England |  1.0% |  4.5% |  5.0% |  5.0% |  5.0% | 22.2% |
| Midlands/North |  1.0% |  4.0% |  4.0% |  5.0% |  5.0% | 20.4% |
| Scotland |  0.0% |  4.0% |  4.5% |  4.0% |  4.0% | 17.5% |

Source: Savills Research

*Assuming no mansion tax but allowing for revision of the council tax system NB: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate

MAINSTREAM MARKETS Five-year forecast values

| | 2015 | 2016 | 2017 | 2018 | 2019 | 5-year |
|-----------------|--|--|--|---|--|--------|
| UK |  2.0% |  5.0% |  5.0% |  3.0% |  3.0% | 19.3% |
| London |  0.0% |  3.0% |  3.0% |  2.0% |  2.0% | 10.4% |
| South East |  3.0% |  6.5% |  6.5% |  4.0% |  4.0% | 26.4% |
| South West |  2.5% |  5.0% |  5.0% |  3.5% |  3.5% | 21.1% |
| East of England |  3.0% |  6.0% |  6.0% |  4.0% |  4.0% | 25.2% |
| East Midlands |  2.0% |  5.0% |  5.0% |  3.0% |  3.0% | 19.3% |
| West Midlands |  2.0% |  4.5% |  4.5% |  3.0% |  3.0% | 18.2% |
| North East |  1.0% |  3.5% |  3.5% |  2.0% |  2.0% | 12.6% |
| North West |  1.0% |  4.0% |  4.0% |  2.0% |  2.0% | 13.7% |
| Yorks & Humber |  1.5% |  4.5% |  4.5% |  2.5% |  2.5% | 16.5% |
| Wales |  1.5% |  4.0% |  4.0% |  2.5% |  2.5% | 15.3% |
| Scotland |  3.5% |  4.0% |  4.0% |  2.5% |  2.5% | 17.6% |

Source: Savills Research

NB: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate

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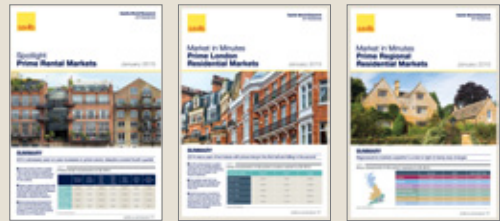
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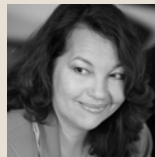
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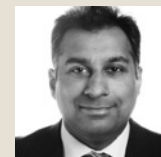
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