

Prime wider South



Whepstead, Suffolk

Price monitor
Key statistics for house price growth



Annual price movement across all prime regional markets.



Five-year price movement across all prime regional markets.



Five-year forecast across all prime regional markets.

Source Savills Research

The prime markets remain cautious

Our analysis starts by examining the prime wider South market in a national context

Uncertainty surrounding the UK's exit from the EU, and what this means for the economy and household finances, has resulted in continued caution among both buyers and sellers of prime residential property.

In the final quarter of 2018, values across the prime regional housing markets of the UK fell by 0.3%, leaving them 0.9% below where they were at the start of the year. Although this decline in values is small, it is the fourth consecutive quarter that values have softened.

The ongoing price-sensitive nature of the market has meant property has had to be priced realistically to attract buyers. Where this has been the case, deals have continued to be agreed. Stand-out and unusual properties that don't often come to the market have commanded the strongest interest.

The prime markets closest to the capital have felt the effects of a weaker London market. While they have experienced greater falls in value than areas further from London, prices in the suburban and commuter markets still only fell by 2.6% and 1.6% respectively in 2018.

Values of other prime properties in the wider south have reduced by an average of 1.3% in the past 12 months. By contrast, in Scotland and the Midlands & North, prices have risen modestly by 2.0% and 1.0% respectively over the past year.

On average, prices for smaller, less expensive properties have held up best. Property worth £1 million or less has maintained modest annual price increases of 0.4% while £2 million-plus properties have fallen by an average of 3.1%.

Growth in the prime wider South market by location in the past five years

Urban
13.3%

Village
8.9%

Rural
7.3%

Source Savills Research

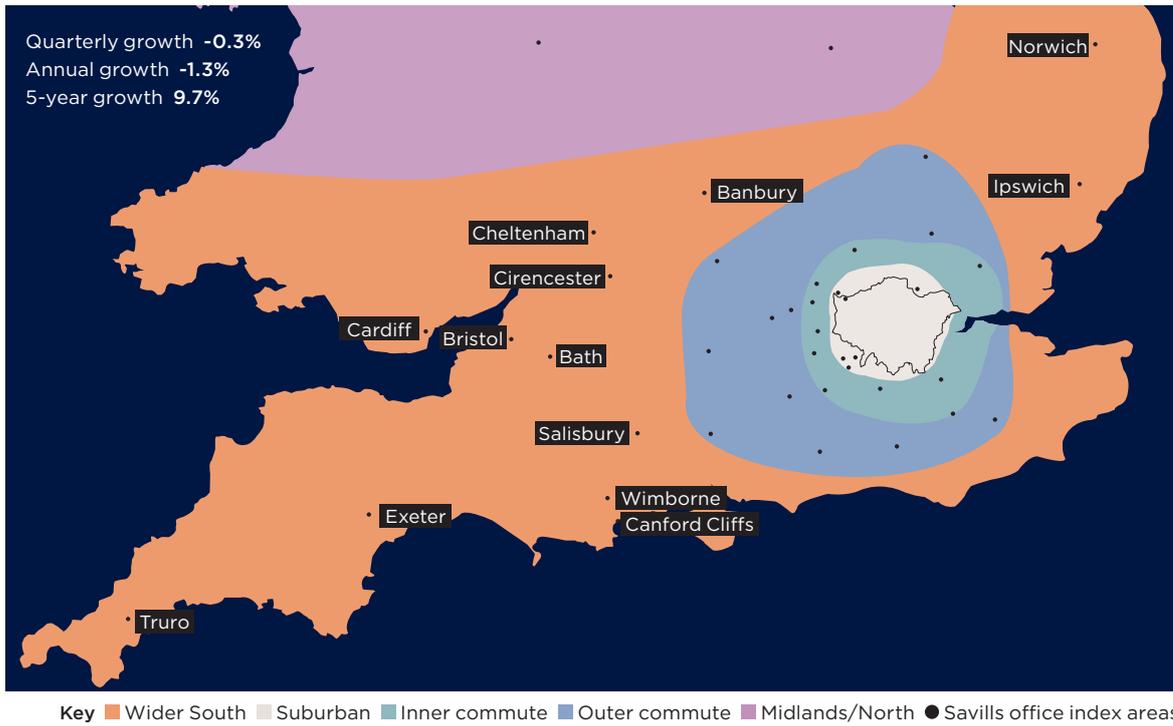
Definition of prime property This market consists of the most desirable and aspirational property by location, aesthetics, standards of accommodation and value. Typically, it comprises properties in the top 5% of the market by house price.

Regional prime price movements (to December 2018)

	London	Suburban	Inner commute	Outer commute	Wider South	Midlands/ North	Scotland
Quarterly growth	-0.8%	-0.7%	-0.8%	0.0%	-0.3%	-0.1%	0.2%
Annual growth	-3.0%	-2.6%	-1.5%	-1.7%	-1.3%	1.0%	2.0%

Source Savills Research

The wider South in focus Sentiment is a constraint, but we expect a return to growth



Urban outperforms rural

Values across the wider South of England and South Wales fell by an average of 0.3% in Q4 of 2018, leaving them 1.3% below where they stood a year previously. Unsurprisingly, there is significant variation in performance across this broad band of the country, with the coastal markets seeing growth of 1.2% on average over Q4 compared with the high-value markets of Bath and Cheltenham, which had falls of 1.7% and 1.2%, following a period of higher

growth. Stamp duty is still subduing the top end of the market, with prices for £2m+ properties falling 3.8% since 2014.

Over the past five years, prime property in desirable towns/cities (13.3% growth) has outperformed its village (8.9%) and rural (7.3%) counterparts as townhouses have risen in popularity relative to the traditional farmhouse, rectory or manor house. However, annual price growth has been more or less muted across all these locations.

OUTLOOK

The relative value offered in the regional prime markets compared with London will underpin future growth. However, in the short to medium term, we expect the prime

markets to remain price sensitive and to be driven by needs-based purchasers. Quality is key in this cautious market - vendors must present stock of the best possible condition.

Beyond London's commuter belt, we are expecting higher house price growth than the markets closest to the capital. Much of this market is less affected by stamp duty changes

and not as reliant on equity out of London. The wealth generated in the local economy and, in some cases, demand from second home buyers, are stronger drivers of price growth.

Prime five-year forecast	2019	2020	2021	2022	2023	5-year
Prime wider South	1.0%	2.0%	3.0%	3.5%	4.5%	14.8%
Prime regional	0.5%	1.0%	3.0%	2.5%	4.0%	11.9%

Source Savills Research Note These forecasts apply to average prices in the secondhand market. New build values may not move at the same rate

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