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MARKET IN MINUTES | FEBRUARY 2018

New homes and infrastructure

Transport improvements trigger higher demand

Transport has a key role to play in the delivery of new homes. As people look to move to a new area, a transport hub can fuel residential demand and, consequently, house price growth.

Stations that have seen the largest increase in passenger use over the last two years are those that have seen larger volumes of new homes delivered – areas such as Aylesbury Vale Parkway and Didcot Parkway.

Areas such as these have, on average, seen house price growth that is 5% higher than neighbouring areas over the past five years.

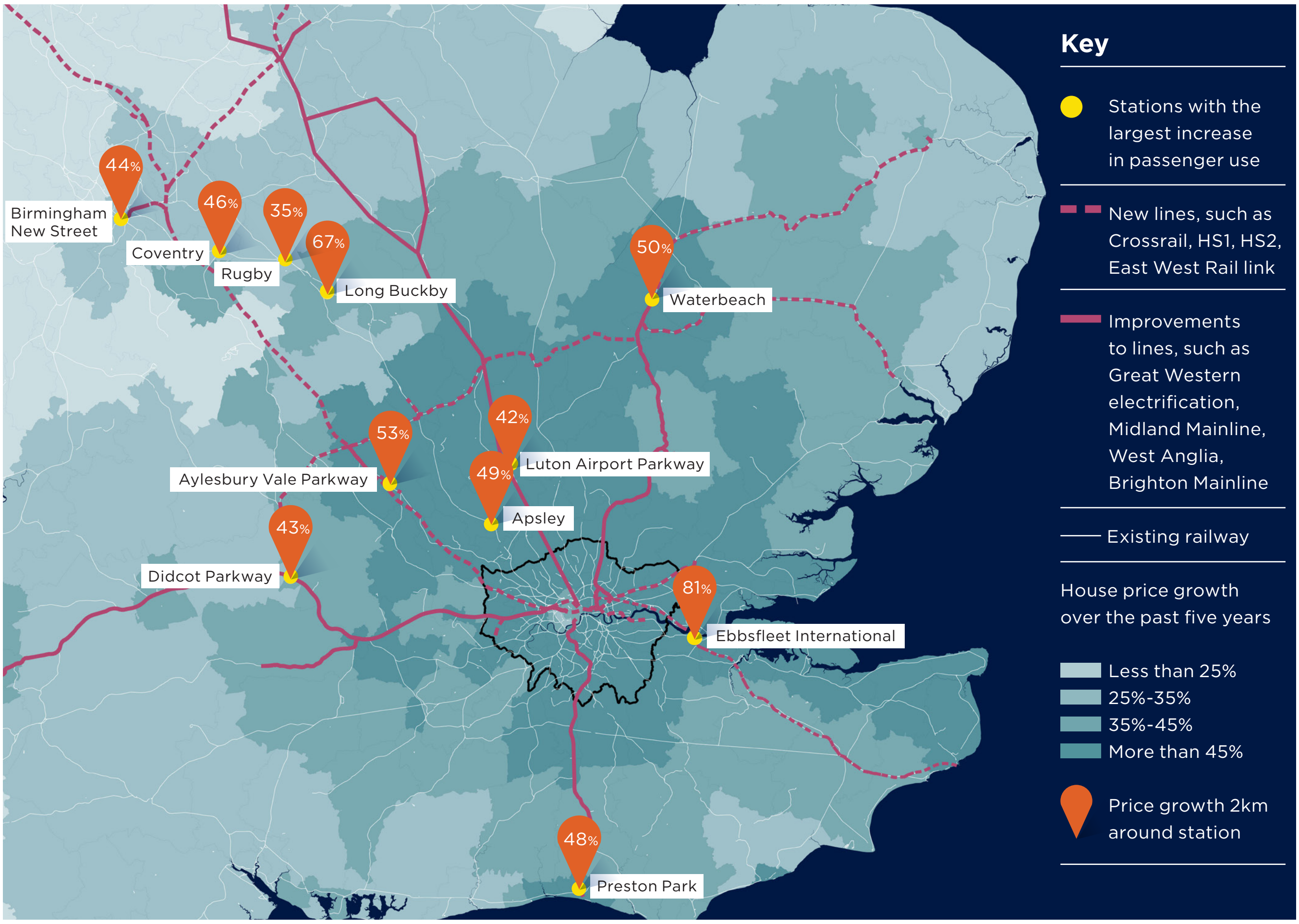
As people continue to move out of London, improvements to infrastructure can provide an opportunity for developers to take advantage of the demand for new homes in commuter locations.

Commuter belt hotspots

Over the past two years, stations that saw the largest increase in passenger use were those within a 19 to 39-minute journey from a central London terminal. These are also the markets which have seen the largest increase in secondhand sale prices over the past five years – an average of 44% against the average for England and Wales of 20%.

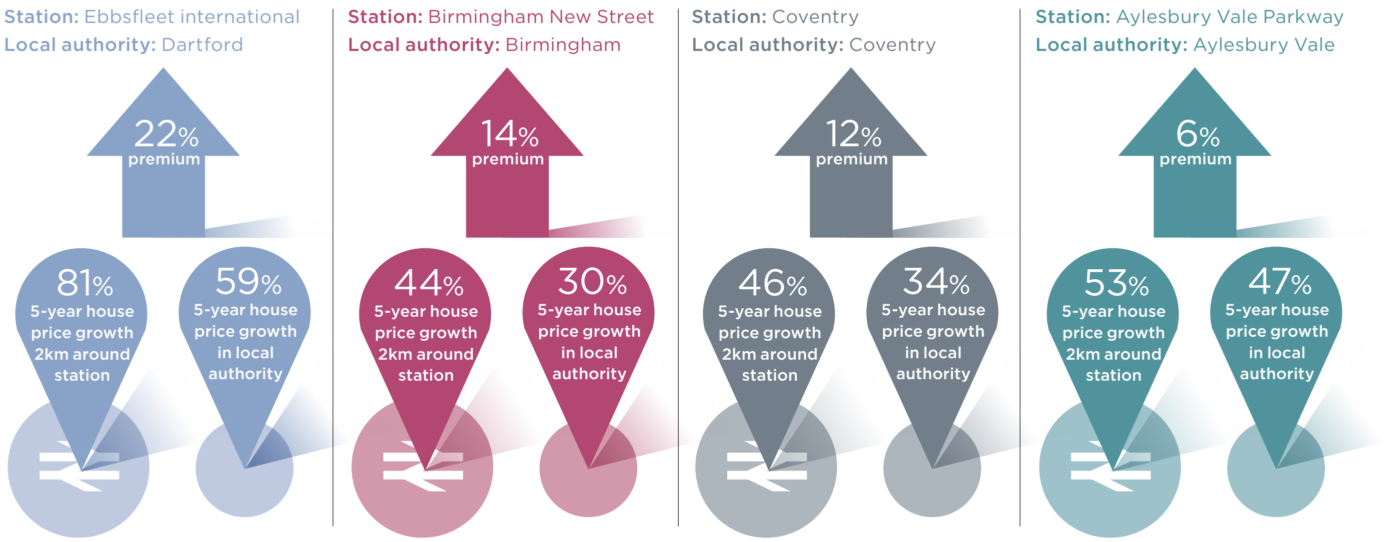
Some of the highest increases in passenger use were in lower-value locations in the Home Counties such as Ebbsfleet, Apsley and Luton – areas on the cusp of higher-value ones. As affordability in the capital becomes more stretched, we expect these up-and-coming locations to remain popular with London movers, particularly if they are located on new or improving lines such as HS1 or the Midland mainline.

Stations with the largest increase in passenger use over the past two years are on new or improving lines, and have seen higher house price growth (in orange) than their surrounding local area



Source Savills Research using Land Registry **Note** Only selected infrastructure improvements shown

Premium position House price growth within 2km of these stations outperforms growth locally



Source Savills Research using Land Registry

Beyond the commuter belt

Hotspots beyond traditional London commuter locations have already benefited from infrastructure improvements. The upgrade of Birmingham New Street, for example, has seen a 33% increase in passenger use since 2015, while house prices within 2km of the station have increased by 44% over the past five years.

Ahead of HS2 at Curzon Street station, there has been significant investment in the regeneration of Birmingham city centre. This has fuelled commercial investment from companies such as Deutsche Bank and HSBC, and has helped to support residential demand and subsequent house price growth.

This is also rippling out into markets surrounding Birmingham. Rugby, Coventry and Long Buckby have all seen an increase in commuters of between 18% and 19% while house prices have increased by 35%, 46% and 67% respectively over the past five years.

Better connections to meet demand

Migration out of London is at its highest ever level. According to the Office for National Statistics, the number of Londoners in their 30s leaving the capital has risen by 27% over the past five years. Unsurprisingly, the most popular destinations for these leavers are concentrated around London's commuter belt.

Over the past three years, 14% of all Savills new home buyers across the UK were moving from London, with 39% of them upsizing to a larger property.

Space is key. Between 2015 and 2017, the average new build home bought by a Londoner was 14% larger than a home bought by someone moving from elsewhere.

With two-thirds of these buyers still working in the capital, new or improving railway lines around London are a key opportunity to deliver new homes where demand is highest. This is especially true if these new homes provide the space secondhand stock traditionally can't.

New or improving railway lines around London are a key opportunity to deliver new homes

Outlook

We expect the ripple effect of Londoners moving to the commuter belt to continue. Searching for more space, they are likely to bring London's equity with them and will be targeting markets with the quickest links to the capital. These include established prime locations and up-and-coming areas which are more affordable than their neighbours.

Yet, we also expect the ripple effect to move beyond London's commuter zone to markets in the Midlands and the North.

These markets have seen house prices rise more in line with wages, and therefore remain more affordable. They will have the most capacity for growth over the next few years.

Infrastructure investment and a strong local economy are likely to remain catalysts for residential demand and house price growth. The £1.7 billion Transforming Cities Fund will provide funding for improved connectivity in areas such as Greater Manchester, Cambridgeshire, the West Midlands and Liverpool City Region.

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