

# Market in Minutes **Prime Regional Residential Markets**

July 2012



## SUMMARY

The gap in values between the regional markets and London continues to widen

■ During the past three months, the prime regional markets saw small price falls of -0.9% as more stock came to the market and buyer sentiment remained weak.

■ Some isolated ultra prime hot spots situated just outside of London have benefitted from the substantial interest from the international buyer, who dominates in these locations.

■ Townhouses across all regions have held up well, proving attractive to purchasers wanting proximity to the city coupled with the convenience of town living.

TABLE 1  
**Price Movements to June 2012**

	Prime South East	Prime East of England	Prime South West	Prime Midlands & North of England	Prime Scotland	Prime Country Houses over £2million	Prime London
<b>Q on Q</b>	-0.5%	-1.8%	-1.2%	-0.9%	-0.7%	-0.7%	0.9%
<b>Y on Y</b>	-0.7%	-4.2%	-5.4%	-5.6%	-4.0%	-1.6%	6.0%

Table source: Savills Research

TABLE 2

## PRIME MARKETS

Five-year forecast values

Forecasts	2011 (actual)	2012	2013	2014	2015	2016
Prime Regional	-3.3%	-3.0%	2.5%	4.0%	5.5%	5.5%

Table source: Savills Research

During the past three months, the prime regional markets saw small price falls of -0.9% as more stock came to the market and sentiment remained weak. This leaves values nearly -3% below where they were this time last year.

A lack of London buyers has been an ongoing issue for most regions. Additionally, there has been a notable decrease in the number of buyers from the financial services, reflecting the relatively weak short-term prospects in the financial and business services sector.

In the South East, there was a small increase of 1.5% in property values during the first quarter of this year as the number of London buyers increased briefly to 45% of all buyers. However, as market sentiment weakened with more bad news coming out of the Eurozone, London buyers accounted for just 38% from March to June and across the region average values fell by -0.5%.

Further afield, prime property prices are now averaging 4% to 6% lower than in June 2011. However, some property types have outperformed others; townhouses across all regions have held up well, proving attractive to purchasers wanting proximity to the country coupled with the convenience

of town living. These markets tend to benefit from an element of stock scarcity, particularly for traditional family houses, which has helped to temper major price fluctuations in these locations.

### The £2million+ market

The prime country house market over £2million remained flat on average across England with small falls experienced in Scotland. The introduction of the new rate of stamp duty however has effectively created a price vacuum between £2million and £2.5million, and until vendors adjust their expectations this price bracket is largely in limbo.

The property markets closest to London have benefited from the buying power of the international buyer, who dominates in these locations. In the Home Counties, values are now 8.9% above peak following a second quarter rise of 1.9%. To a lesser extent this international force has benefited the South East and the Cotswolds, where these buyers are beginning to buy homes often to be near their children's schools.

So far this year, international buyers have accounted for 25% of all sales in the £2million+ price range, which is higher than the average for the past three years (17%). Across all

## OUTLOOK

### The market in 2012

- The gap between prices in London and the prime regional markets has now opened to its widest ever level despite a slow down in growth in the capital.
- The stamp duty changes in March have had a negative effect on both the London and, to lesser extent, the regional markets. London is looking fully priced and we are forecasting a period of around 18 months with no price growth. This may help trigger interest from Londoners in the country market, especially those priced out of larger homes in the capital.
- We expect the prime regional markets as a whole to react to the continuing fragile economy and the softening of prices in the mainstream market, thereby falling by -3.0% during this year.
- Nonetheless, we expect prime price movements to outperform the mainstream over the course of the next five years, given a lesser reliance on mortgage finance and a progressive flow of housing equity from the capital that we expect to deliver a ripple effect.

regions of England, the majority of international buyers were Russian.

### Bucking the trend

The real success story of this year so far is the private estates situated just outside London, such as St George's Hill and The Wentworth Estate. In St George's Hill where transaction numbers during the last six months are three times higher than during the same period in 2010, the average sale value is now just under £5million. Values on both estates have bucked the trends seen in the rest of the region to see high levels of price growth. Average values are now 19.3% above their previous peak in 2007, outperforming prime London and keeping pace with Prime Central London. ■

## Savills Research team

Please contact us for further information



**Lucian Cook**  
Director  
020 7016 3837  
lcook@savills.com



**Sophie Chick**  
Analyst  
020 7016 3786  
schick@savills.com

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