

# Market in Minutes Prime Country Residential Markets

Q3 2016



## KEEPING IT REAL

Static values and realistic pricing

### SUMMARY

#### Buyers cautious given stamp duty and uncertain economic outlook

■ Annual price growth has slowed to 1.9% per annum in the prime country residential markets as stamp duty and economic uncertainty has weighed on buyer sentiment.

■ Price growth is highest in the outer commuter zone, though even here it remains at 3.6% per annum. In the higher value markets on the fringes of London, values softened slightly in the last quarter, meaning they are showing no net annual price growth.

■ Strength of demand varies by size and type of property. The strongest demand has been for smaller properties, with cottages having risen in value by 13.3% in the past five years. By contrast large country houses have seen values decline by 7.5% over this period, though values appear to have stabilised.

■ Regional town and city properties, that have been the strongest performers in the past five years, have seen price growth slow as buyers have become more cautious.

■ There remains demand for good quality housing that is appropriately priced. This reflects the opportunities for buyers prepared to take a medium term view on prices and able to lock into very low interest rates.

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“Opportunities exist for buyers taking a medium term view”

.....  
**Lucian Cook, Savills Research**  
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➔ **Size matters in the prime housing market**

There is now clear evidence that the introduction of much higher rates of stamp duty for homes over £1m that occurred almost two years ago has created a two speed prime regional housing market. Our prime housing index shows that recent price growth has been dictated more by house size and value than by location.

**Muted annual price growth...**

Prime London house prices have fallen by an average of -3.6% from their peak of 2014 and by substantially more in the Central London markets.

By contrast, the prime regional housing markets of England, Wales and Scotland have shown headline price growth, albeit modest. Over the past year, growth has ranged from 3.6% in the outer commuter belt, between 30 and 60 minutes travel time from the capital, to just over 1.0% in the Midlands and North of England and Scotland.

**...but no growth in the past quarter**

No price growth was seen in the last three months, as the vote to leave the EU tempered demand. Small falls, of -0.9%, were seen in the London suburbs, reflecting the buyer caution evident in all discretionary prime markets.

**Variation by property type**

Importantly, these broad regional trends mask significant variations between different property types and performance in all locations is very price band dependent. On average, homes worth under £500,000 have gained 7.0% since the end of 2014, compared to falls of -2.3% for properties worth over £2m.

A more detailed look at house price growth by property size reveals far greater divergence and underscores the post credit crunch buyer preference for urban locations. Prime town and city houses, worth on average £1.3m, have risen an average 2.7% over the past year and 14.1% over the past five years.

Large country houses, worth £3.5m or more, are still showing small price falls and values are -7.5% below their level five years ago.

**Prime urban growth slows**

A slowing of price growth is now also becoming a feature of major regional city markets where values have risen most steeply post credit crunch. This has left some locations looking fully valued, particularly as price rises have pushed the average prime house price over the £1m mark and into the higher stamp duty range. Cities such as Oxford, Cambridge, Bristol, Bath and Winchester, which have all in part been driven by equity from London, are now seeing price growth level off. ■

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FIGURE 1 **Price movements by Property Type**

Price change*	Property type/location					
	Town & City	Cottage	Farm-house	Rectory	Manor House	Large Country Houses
Average Value	£1.3m	£690k	£1.0m	£1.4m	£1.9m	£3.5m
Average Size (sq ft)	3,200	2,100	3,400	4,400	6,600	15,000
Quarterly	0.0%	0.2%	0.1%	-0.3%	-0.3%	-0.3%
Annual	2.7%	3.1%	1.5%	1.1%	-0.3%	0.0%
Past 5 Years	14.1%	13.3%	4.5%	3.1%	-4.2%	-7.5%

Source: Savills prime regional index \* to end Q3 2016

**OUTLOOK**

**Challenges and opportunities**

The introduction of higher stamp duty rates certainly shifted the balance between prime London and the regional markets. Londoners looking to make the move out will be watching the value gap closely to ensure they do not miss the real buying opportunity.

However, the softening of values in the suburban and commuter markets closest to London over the past three months, and slowing of growth in key regional city markets, suggests sellers cannot be complacent.

Buyer sentiment across all markets remains sensitive and these figures are a clear signal to sellers that they must remain realistic on prices. However there remains demand for good prime housing stock, particularly that which is best in class, and appropriately priced.

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