

Market in Minutes Prime Country Residential Markets

April 2017

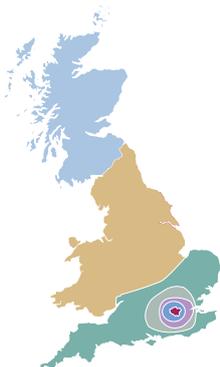


SUMMARY

Prime country residential market witnesses modest first quarter growth

FIGURE 1

Price movements in the prime country markets to Q1 2017



	London	Suburbs	Inner Commute	Outer Commute	Remainder of South	Midlands and North	Scotland
Quarterly growth	-0.3%	0.9%	0.5%	0.6%	1.0%	1.0%	0.6%
Annual growth	-4.8%	-1.0%	0.1%	2.4%	2.6%	1.3%	1.2%
Growth since Sept 2014	-6.0%	1.0%	3.7%	6.9%	6.9%	3.0%	1.2%
5-year growth	12.5%	10.8%	11.9%	14.0%	10.0%	3.4%	-5.1%

Source: Savills Research

→ The prime country residential markets saw an increased level of growth in the first three months of this year, though it remained relatively modest. Whilst values remained flat throughout the second half of 2016, they grew by 0.8% over the last quarter.

Price increases have been fairly consistent across the prime regional markets, in the first quarter of 2017. Growth has ranged from 0.5% in the inner commuter region (locations typically up to 30 minutes travel time from London) to 1.0% in the wider South of England and the Midlands and the North.

On an annual basis, the prime country markets have been outperforming prime London for the past two and a half years, or more specifically, since December 2014 when higher stamp duty rates for properties worth over £1m were introduced. These generally lower value markets have been less exposed to the higher transactional costs which have caused price adjustments in the capital.

The London suburbs was the only region to see annual price falls with values dropping by -1.0% over the past year. These higher value locations closest to the capital have

seen a greatest knock on effect by the weakened sentiment in London. Elsewhere, modest annual house price growth was recorded.

Changing demand

These averages do, however, conceal greater variation at a more localised level. Buyers continue to favour urban and village locations over rural ones. This is in part down to their need for accessibility to local amenities, transport links and good schools but also suggests a wider change in demand from buyers.

Whilst values in the prime residential markets of towns and cities such as Edinburgh, Cardiff and Chelmsford have seen values increase by 14.7% on average over the past five years, their rural counterparts have seen prices remain broadly flat over the same period. More recently, prime property located in urban areas has increased in value by 1.4% over the past year, compared to 0.7% in more rural locations.

Within the prime rural markets, smaller properties such as cottages and farmhouses continue to outperform larger and grander country houses, which increasingly look like good value. ■

OUTLOOK

Long-term prospects for house price growth remain positive

As the prime country markets of England, Scotland and Wales continue to adapt to higher transactional costs, particularly at the top end, we expect there to be muted house price growth over the next couple of years.

Uncertainty surrounding the impact of the UK leaving the EU is also expected to mean the market is exposed to short term fluctuations in sentiment over this period, in line with the outcome of negotiations, particularly now Article 50 has been triggered.

As the economy begins to improve we anticipate stronger levels of price growth to return to the market. Discretionary buyers will increasingly look to take advantage of the price gap between London and the country.

This in turn will drive a flow of wealth from one to the other and restart the wider ripple effect, which was previously put on hold, meaning the prospects for house price growth over the next five years remain positive.

FIGURE 2 Prime country capital values forecast

	HISTORICAL ANNUAL			FORECAST ANNUAL					5-YEAR FORECAST
	2014	2015	2016	2017	2018	2019	2020	2021	2017-2021
Prime Regional Markets	3.2%	2.3%	1.8%	0.5%	1.0%	6.0%	3.5%	5.0%	17%

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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