

Market in Minutes

Prime Regional Residential Markets

April 2012



SUMMARY

Price growth returns to the prime markets of the South East

■ The prime regional markets beyond London are beginning to see the first signs of recovery as price growth returned to the markets of South East England in the first three months of 2012.

■ During the first quarter of 2012, regional prices increased on average by 0.6% overall, the first quarterly price rise in a year.

■ This is the first clear signal of a ripple of wealth out of the capital, which traditionally indicates that the prime markets further afield should begin to bottom out.

TABLE 1
Price Movements to March 2012

	Prime South East	Prime East of England	Prime South West	Prime Midlands & North of England	Prime Scotland	Prime Country Houses over £2m	Prime London
Quarterly	1.5%	0.3%	-0.3%	-0.3%	-0.3%	0.1%	2.8%
Annual	-0.8%	-2.2%	-6.6%	-5.0%	-4.4%	-1.5%	8.1%

Graph source: Savills Research

TABLE 2
PRIME MARKETS
Five-year forecast values

Forecasts	Change from peak to date	2012	2013	2014	2015	2016
Prime Regional	-16.6% 	-3.0% 	2.5% 	4.0% 	5.5% 	5.5% 

Data source: Savills Research

The prime regional markets beyond London are beginning to see the first signs of recovery as price growth returned to the markets of South East England in the first three months of 2012. This means during the first quarter of 2012, regional prices increased on average by 0.6% overall, the first quarterly price rise in a year.

Despite this small uplift in prices, prime values across the UK are on average -2.8% below where they were in March 2011, reflecting a slower market in 2011. However, across the different prime regions, it is a mixed picture.

This is the first clear signal of a ripple of wealth out of the capital, which traditionally indicates that the prime markets further afield should begin to bottom out.

However, the return to price growth will take time to feed through the market; with markets currently more fragile outside of South East England.

The growth recorded in the first three months was mainly confined to the South East where values rose by 1.5%, driven by the equity-rich sellers of London homes who started

to make the move to key commuter hotspots. There was an identifiable increase in buyer numbers from London into the Home Counties with 43% of buyers coming from the capital in January to March, compared with 36% in the final quarter of 2011.

Though not replicated across the whole market, some key hotspots have shown sharp first quarter growth, prime property in Henley and its surrounding area has grown by 5.2%, Guildford 4.0%, Harpenden 4.5% and Esher by 3.9%.

The steepest falls are still being seen in the Cornish second home hotspots. The prime Cornish market fell -2.3% in the first quarter and is down -18.7% year on year, remaining some -28% below peak. By contrast, the more accessible prime Devon market is flat year on the year after adding 2.3% in the first quarter.

Country house market

The prime country house market over £2million remained roughly level across England with small falls experienced in Scotland.

As experienced in London, this ultra prime market has previously

OUTLOOK

The market in 2012

■ There are clear signs that the falls we have seen in prime regional markets are slowing and that those markets which are traditionally the first regions to recover after the capital have bottomed out and are even starting to recover.

■ The price differential between London and the country has now opened to its widest ever level which has begun to trigger interest from Londoners priced out of larger homes in the capital. Because of the Budget, we expect this to become more important as more Londoners wishing to avoid the stamp duty burden trade out to a larger but less expensive prime property outside of the capital.

■ Given the still fragile nature of the economy and wider mainstream housing market; it is too early to confidently revise our forecast of a 3% fall in prime regional property prices in 2012. In part this depends on how the Budget measures affect short term sentiment in the prime London markets; which typically sets the tone for the prime markets across the UK as a whole.

■ We still expect 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.

outperformed the rest of the prime markets with values recovering more in line with London prices, although they still stand nearly 10% below their former peak. ■

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