

Market in Minutes Prime Country Residential Markets

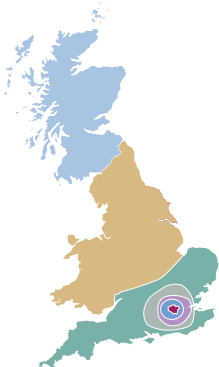
January 2016



SUMMARY

Prices rose by 0.3% in the final quarter of 2015 reflecting a lack of urgency among buyers

FIGURE 1
Price movements in the prime markets to Q4 2015



Price movement	Quarterly	Annual	Since 2010 (5 year)	Since 2007 Peak
London	-0.8%	0.5%	33.5%	35.6%
Suburbs	0.5%	3.2%	16.0%	11.1%
Inner Commute	0.4%	2.8%	10.2%	6.9%
Outer Commute	0.6%	3.1%	9.8%	3.6%
Remainder of South	0.1%	2.5%	3.2%	-7.9%
Midlands and North	-0.2%	1.2%	-2.4%	-13.7%
Scotland	0.2%	0.4%	-11.9%	-22.1%

Source: Savills Research

➔ Beyond London prices of prime residential property saw muted price growth of just 2.4% on average across 2015, lower than the 4.5% seen across the wider UK mainstream housing market. In the final quarter of the year prices rose by just 0.3% reflecting a general absence of urgency among buyers, despite a strengthening economy and continued low interest rate.

Market distinctions

The resulting lack of upward pressure on prices was fairly uniform across the regions though markets in the London commuter zone performed marginally better, boosted in particular by the performance of prime property in high value towns and cities where annual growth averaged 5.4%. By contrast prime country property in London's hinterland only saw annual growth of 1.9%.

Across the country the performance of larger country houses has been most constrained with values of larger rectories and manor houses seeing little if any growth over 2015, reflecting a thinner stream of demand for the most expensive prime properties.

Transactional costs

Higher value homes have been most affected by successive increases in stamp duty that culminated in the changes introduced in December 2014, which have also held back the prime property market in London. This has had a knock-on effect on demand flowing out of the capital, interrupting the ripple effect which we would otherwise expect at this point in the housing market cycle.

The impact of taxation has also been noticeable in the prime housing markets north of the border where the introduction of LBTT has meant that average price growth of just 0.4% in the past 12 months, though prime property in Edinburgh and Glasgow has performed more strongly.

Across all areas smaller prime properties have performed best with those below £1m showing annual price growth of 3.7%, much more in line with the wider housing market. Generally these markets have been the most buoyant, with greater levels of transactional activity.

Outlook

In the short term, demand for good quality family homes is likely to continue to underpin modest price growth across the prime regional markets, with appetite for larger higher value homes remaining more price sensitive.

We are only expecting price growth of 2.0%-3.0% in 2016, which means sellers will need to remain realistic in their asking price, but which presents an opportunity for committed buyers.

However, thereafter we expect the ripple effect to be restored as the market adjusts to higher transactional costs and buyers more actively seek to exploit the price differentials both between London and the commuter zone and the commuter zone and beyond, which have widened significantly over the past 10 years. ■



ADDITIONAL TAX ON ADDITIONAL HOMES

The Chancellor announced further changes to stamp duty in the 2015 Autumn Statement introducing a 3% surcharge on 'additional homes', the sales of which complete on or after 1 April 2016. This will affect purchases of buy-to-let properties, second homes and properties bought by parents for their children.

Most obviously the markets in coastal hotspots will take further time to absorb these additional charges. This may also impact on the recent trend for buyers to retain a foothold in the London market while buying a main home in the country and cause buyers of weekend homes to look at less expensive properties.

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