

Market in Minutes Prime Residential Markets Beyond London

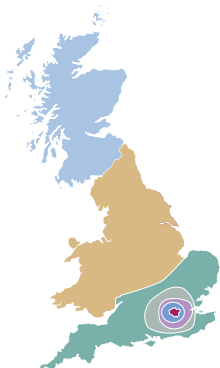
April 2015



SUMMARY

Growth figures reveal stability in the prime regional markets

TABLE 1
Price movements in the prime markets to Q1 2015



	Q on Q	Y on Y	5 Year
London	-0.5%	-1.6%	36.6%
Suburbs (wider M25)	1.0%	1.8%	15.1%
Inner Commute (Up to 30 minute train journey from London)	0.9%	2.5%	10.6%
Outer Commute (30-60 minute train journey from London)	1.4%	2.9%	9.7%
Remainder of South	1.1%	2.0%	3.5%
Midlands and North	1.1%	2.9%	-3.5%
Scotland	0.3%	0.4%	-12.6%

Source: Savills Research

→ On average prices rose by 1% in the prime housing markets outside of London in the first quarter of 2015. This means that year on year they have risen by 2.2%, despite the increase in stamp duty on sales over £937,500 that was introduced in the Autumn Statement.

Price growth continued to be strongest in the prime urban markets in the first quarter of the year.

Urban prime

In the 30-60 minute commuter band around London, prices of prime property in town and city locations have risen by 5.8% year on year. This is the highest of all of the sub-categories of property within our prime indices.

By contrast, prices in the prime London markets are showing annual price falls of -1.6% marking an anticipated turning point in the market, where the gap between the pricing of prime property in London and the regions begins to narrow.

Country houses

Generally the country markets have remained a little more subdued. In particular, the large houses have had to contend with the biggest increases in stamp duty and the threat of a mansion tax in the run up to a general election. So whereas prime country cottages have seen annual price growth of 4.4%, prices of manor houses have on average fallen by -0.8% over the course of the year.

Similar concerns have affected the markets on the high value private estates in the South East, such as St George's Hill and Wentworth.

However, across the London suburbs and the inner commuter zone, prices have risen by 2.2% in the past year on average, meaning that they are 6.8% above their pre crunch levels.

Beyond commuter zone

In England quarterly price growth also returned to markets beyond the commuter zone with prices rising by just over 1.0% having softened marginally in the wake of the Autumn statement. In particular, markets such as Bath and Cheshire are continuing to benefit from demand from aspiring young families and downsizers.

Coastal markets that have generally been much slower to recover due to their dependency on discretionary buyers, also showed encouraging signs of increased activity as prices increased by an average of 4.1% over the past year.

The divide between prime housing in urban and rural prime locations is also evident in Scotland, where prices rose marginally in the quarter leaving them up by just 0.4% year on year,

compared to the prime markets of Edinburgh which are showing 6.0% annual growth. →

OUTLOOK

All of the regions, from the prime suburban towns in striking distance of London to the prime markets of the Midlands and the North, have seen annual price growth. However, there are significant differences in where prices sit relative to their peak in different sectors of the market. This is likely to shape the market over the medium term.

In the same way that the value gap between London and the commuter belt has led to a significant pick up in interest from prospective London buyers, so the value gap between the commuter zone and beyond should drive a ripple effect as certainty returns to the market.

The timing and strength of that ripple in the prime market is dependent upon the extent to which the election brings political certainty and the tax policy adopted by a future government, which is reflected in our forecasts as shown below.

TABLE 2 Prime markets beyond London house price forecasts

	2015	2016	2017	2018	2019	5-year
Central scenario*	1.0%	6.0%	5.0%	5.0%	5.0%	23.9%
With full mansion tax** as per Savills estimates	-3.0%	4.5%	6.5%	5.5%	5.0%	19.6%

Source: Savills Research *Assuming no mansion tax but allowing for revision of the council tax system **Assuming the mansion tax is introduced in 2015 NB: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.





PRIME RESIDENTIAL MARKETS BEYOND LONDON

A clear view on the component parts of the prime residential markets

It is not unusual for the UK's prime housing markets to be cautious in the run up to a general election and 2015 has been no exception. However, in our new **Spotlight on the Prime Residential Markets Beyond London** report we examine how the mid term outlook

for the prime regional markets is much brighter as the economy improves and buyers exploit the price gap between the capital and the rest of the country, which now appears to have peaked.

In this special report we have explored the rise of prime

urban markets, the relationship between good schools and house prices and the prospects for prime coastal markets.

This gives us a clearer picture of the drivers and trends that will shape the market over the next five years. ■

TABLE 3 **Where are the biggest prime growth locations?**

Across Great Britain there were 18,000 sales over £1m+ in 2014 with an aggregate value of around £44bn, more than the previous high in 2007.

This increase is set to continue. Using our prime house price forecasts and 2014 sales data we have estimated how many £1m+ sales there will be by 2019.

We have grouped the sales by local authority and to the right is a table of the locations we expect to see the biggest increases.

Region	Local Authority	£1m+ sales 2014*	£1m+ sales forecast 2019	% increase
Suburban	Epping Forest, Essex	83	176	112.2%
	Croydon, London	36	86	140.7%
	Epsom and Ewell, Surrey	29	84	190.0%
Inner Commute	Dacorum, Hertfordshire	64	149	131.8%
	Chelmsford, Essex	28	73	162.9%
	Surrey Heath, Surrey	26	83	216.6%
Outer Commute	Wokingham, Berkshire	36	92	157.6%
	Hart, Hampshire	32	84	164.7%
	Aylesbury Vale, Buckinghamshire	26	81	209.0%
Wider South of England	New Forest, Hampshire	54	120	122.3%
	City of Bristol	50	103	106.0%
	Cheltenham, Gloucestershire	24	50	109.8%
Midlands, North & Wales	Birmingham	30	51	69.4%
	Cheshire West & Chester	21	41	95.0%
	Harrogate, N. Yorkshire	21	43	104.5%
Scotland	City of Edinburgh	86	169	97.0%
	City of Aberdeen	36	48	33.8%

Source: Savills Research using Land Registry, HMRC and Registers of Scotland
 NB: Analysis excludes Local Authorities with fewer than 20 £1m+ sales in 2014. *estimated using Land Registry, HMRC and Registers of Scotland

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