savills

Savills World Research
UK Residential

Market in Minutes
Prime Shropshire and Staffordshire

Spring/Summer 2015

Market overview
A REGION IN THE SPOTLIGHT

Rail links and high profile business moves keep Shropshire and Staffordshire market buoyant

Times are changing for the Midlands property market. For the first time in six years the prime housing markets here have seen stronger annual growth than those within an hour's commute of London. In fact, over the 12 months to March 2015 average values have risen by 4.3%, compared to the London suburbs which saw growth of 1.8% over the same period. This provides evidence that the ripple effect is finally stretching beyond markets closest to the capital.

Stamp duty effects

More locally, the prime markets of Shropshire and Staffordshire saw average house price growth of 1.6% over the first three months of 2015, leaving annual growth at 1.7%. However, this figure masks significant variation by value.

Prime properties under £1million saw values rise by an average of 6.1% over the year to March 2015, partly driven by the stamp duty savings introduced in the 2014 Autumn Budget. By contrast properties worth over £1 million saw prices fall over the same period as a result of the extra stamp duty now due.

Over the longer term, average values of prime housing stock in Shropshire and Staffordshire still remain -17.7% below their 2007 peak.

Town vs Country

A trend we're seeing across regional markets is the continued rise of prime urban locations, which have been outperforming their rural counterparts since the credit crunch. Homes in prime towns such as Shrewsbury and Uttoxeter have seen growth of 4.7% over the past year compared to similar properties in rural locations, which have seen more subdued growth of 0.7%.

Interestingly the best properties in villages such as Much Wenlock and Eccleshall have also begun to pick up, recording annual growth of 4.0%. Home movers, attracted to the rural lifestyle and more space, are taking advantage of the value gap and the opportunity that properties away from major towns offer.

Increasingly attractive

The recent upturn in house prices has, for the most part, been driven by local demand. Buyers who are already living in the West Midlands accounted for 68% of purchasers in 2014/15 according to our Savills data, a big change from prior to the recession when

60% of purchases came from outside the region.

Interestingly, in 2014/15, 15% of buyers relocated to the region from London and the South East. With the capital just an hour and 17 minutes away from Stafford, commuting is a viable option and one that many buyers relocating to the region consider. Additionally, increasing employment prospects within the region, good schools and lower housing costs are an ever increasing attraction.

Industry

The Jaguar Land Rover's i54 plant opened last year and may well provide a hub for other businesses in the region. Already, HSBC has announced a move to the region and The Ministry of Defence and Muller Wiseman are increasing their investment.By 2019 HSBC will have moved 1,000 head office roles from London to Birmingham. The HS2 high speed rail link was a crucial factor in the relocation – train times to London from Birmingham will be cut to 49 minutes – as well as its strong financial services sector.

Other high profile additions to Birmingham's banking and professional services sector include Deutsche Bank, which expanded its presence in 2014, while a number of international law firms have also set up in the city.

It is not only traditional industry that is attracted to the West Midlands. According to Tech City UK, Birmingham saw a 51% increase in new digital companies between 2010 and 2013. Momentum is set to continue as Business Birmingham, the city's official inward investment programme, believes the city will attract over 10,000 new tech jobs by 2020 as the digital boom spreads from London to the regions.

1.6%

Average house price growth over first three months of 2015

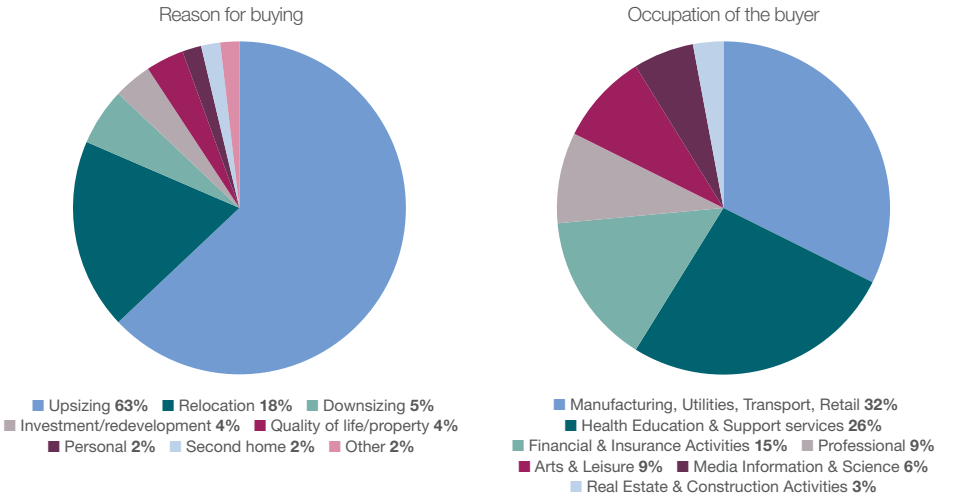
HS2 rail link will cut train times from Birmingham to London to 49 minutes

4.7%

House price growth in prime towns in Shropshire and Staffordshire over past year

GRAPH 1

Purchaser profiles for prime housing in Shropshire and Staffordshire



Source: Savills Research

Outlook
NEXT STAGE OF THE CYCLE

Prime house price growth in West Midlands expected to outperform London by 2017

The prime housing market in Shropshire and Staffordshire is largely dependent on demand from wealth generated in the local economy. We believe that the prime housing market will continue to benefit from an improvement in local buyer sentiment; in part due to economic growth and also due to the changes to stamp duty announced in the 2014 Autumn Statement.

While the ripple effect from London has been slow to arrive thus far, we expect the number of buyers moving from London to increase as they take advantage of comparatively affordable prices. Since the downturn, the value gap between London and the rest of the country has widened to an all time high. By 2017 however we expect house price growth in the West Midlands to outperform London as the market moves into the next stage of its cycle.

Some buyers though, particularly those looking to upsize, will continue to be constrained by mortgage regulation and are likely to be wary of future interest rate rises. This is expected to suppress house price growth over the next five years, particularly in the lower value markets, where buyers are more reliant on mortgage finance and realistic pricing of stock remains crucial.

With an election approaching, there is also a slight threat to the top end of the market given that taxation of high value properties is high on the political agenda. Stamp duty has already increased for property over £1million and if there are any further changes we risk a period of sobriety.

Overall, our outlook for the prime Midlands and North remains positive, with average prices forecast to grow by 20.4% over five years, assuming no further changes to the taxation of high value homes takes place.

TABLE 1

House price forecasts

	2015	2016	2017	2018	2019	5-year
Mainstream UK	2.0%	5.0%	5.0%	3.0%	3.0%	19.3%
Mainstream West Midlands	2.0%	4.5%	4.5%	3.0%	3.0%	18.2%
Prime Midlands/North*	1.0%	4.0%	4.0%	5.0%	5.0%	20.4%

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

Research

Sophie Chick
Residential Research
020 7016 3786
schick@savills.com
@SophieChick

Kirsty Lemond
Residential Research
020 7016 3836
klemond@savills.com

Residential Sales

Tony Morris-Eyton
Head of Country Sales
01952 239 500
amorris-eyton@savills.com

Lucy Blythe
Associate Director
01952 239 533
lblythe@savills.com