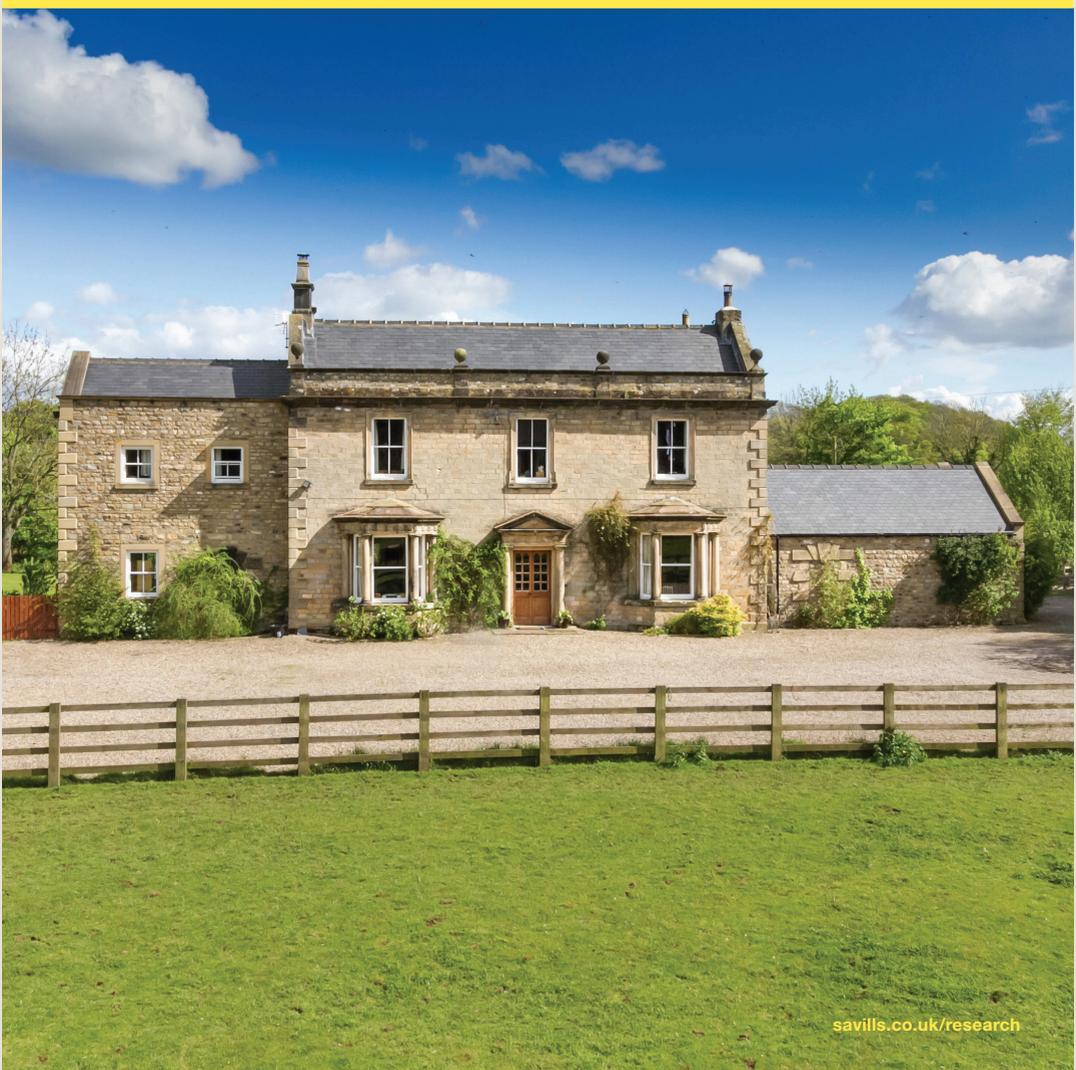




Savills World Research
UK Residential

Market in Minutes **Prime Yorkshire**

Autumn 2014



Market overview

A MARKET OF CONTRASTS

Demand for York city centre property remains high and interest in prime rural locations is set to increase

The recent performance of different types of prime property in Yorkshire has varied significantly. In York, values are now 8.2% above their 2007 peak, but as soon as you move outside of the city, values are still on average -19.1% below this level. This reflects the wider trend seen across the country as buyers favour flourishing cities such as Cambridge, Bath and Edinburgh.

In the city

In York, average values have increased by 4.6% over the past year, which is double the

2.3% regional average for prime property in the Midlands and North. This growth is being driven by strong demand for a limited supply of prime property.

Since the recession, uncertainty around job security has kept employees close to their desks

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“In York, average values have increased by 4.6% over the past year”

Savills Research

.....

and this, together with the lack of house price growth outside the city, has left homeowners in York reluctant to make the move out. Another key source of demand in the city centre is from downsizers, often moving from the countryside back to a more urban location with better access to local amenities.

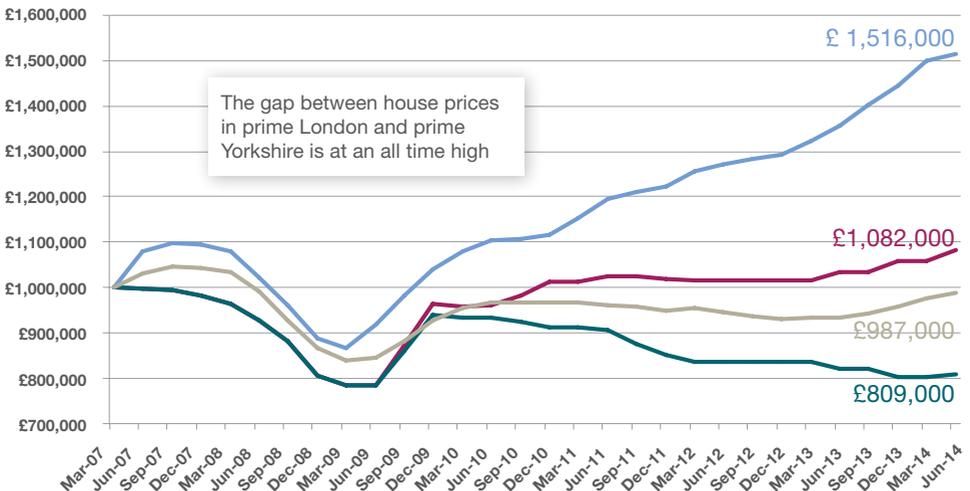
Neighbouring markets

While the demand for city property doesn't appear to be slowing, we are beginning to see an increase in demand in the neighbouring markets. Our market indicators have improved significantly over the past three months, compared to the same period last year. Across the region the number of homeowners registering an interest in buying a property has increased 29.9% and viewings are up by 13.4%.

GRAPH 1

Prime property price movements If your property was worth £1m in 2007, what would it be worth now?

■ London ■ York ■ Yorkshire Countryside ■ All UK (excluding London)



Source: Savills Research



This increased desire for property is beginning to be reflected in price growth. Average prime property outside York saw a rise of 0.9% in the second quarter of this year, the only increase since December 2009. The first locations to benefit have been the villages to the south west of York, such as Bishopthorpe and Askham Bryan. From here, the commute to work is still reasonable as both are within a 15 minute drive of York and close to the A64 for access to Leeds.

In the more remote locations, such as the Howardian Hills, the market has yet to see a significant boost, despite the stunning countryside. After a recession, such rural areas across the country are the last to feel the recovery. However, there are early indications that these areas have now reached a turning point.

From the capital

Yorkshire has been one of the locations to benefit from an increase in buyers moving from London, who have accounted for 17% of buyers so far this year. By comparison, last year

this figure was 11% and in 2012 just 3%.

This reflects the fact that the gap between average house prices in London and the rest of the country is at an all time high, especially when comparing London homes with property in the Yorkshire countryside. The average asking price of a four bed property in the south west London borough of Wandsworth is £1.27 million compared to £350,000 in York and £365,000 in the local authority of Hambleton, according to Rightmove data.

Transaction levels

Many older couples from London or the South East are buying



Yorkshire has benefited from an increase in the number of London buyers



York has outperformed the regional average for prime property

a property in this region with a view to moving once they retire or when their children have left home. These buyers often do not need a mortgage as they have seen their housing wealth build up over past decades.

By contrast, buyers who do need a mortgage face bigger constraints and are more exposed to future interest rate rises. Transaction levels across the country have improved over the last year, but they still remain 40% below the levels seen in 2007. In North Yorkshire and York, transactions are 22% below their 2007 levels and sales above £1 million have fallen by 40%. ■



Outlook

FEELING THE RIPPLE EFFECT

Local buyer sentiment for prime property in Yorkshire is set to improve over the next 12 months

The prime markets of Yorkshire have already begun to benefit from the ripple effect from London and we expect this to continue as an increasing number of buyers move from London to take advantage of the comparatively affordable prices.

However, the prime market is still largely dependent on demand from wealth generated in the local economy. As the recovery that was initiated in London and the South East slowly gains

a foothold in the region, we believe that the prime housing market of Yorkshire should begin to benefit from an improvement in local buyer sentiment over the next 12 months.

Realistic pricing

While the prime markets are more buoyant than they were previously, headlines of house price growth can give sellers a false impression of the value of their property.

This can create a gap between their expectations and those of

the buyers who are sensitive to headlines of interest rate rises. Realistic pricing is crucial in order for the country markets beyond York to continue to see increased demand.

There is a slight threat to the top end of the market around the time of the general election, as the taxation of high value properties is high on the political agenda.

Stamp duty has already increased for properties over £2 million and any further changes risks a period of sobriety.

However, our outlook for the whole of the prime Midlands and North remains positive, with a house price forecast of 18.1% five year growth to the end of 2018. ■

TABLE 1
Five-year house price forecasts

	2014	2015	2016	2017	2018	5-year
UK Mainstream	 9.5%	 4.0%	 3.5%	 3.5%	 3.0%	25.7%
Yorkshire and Humber Mainstream	 5.0%	 4.5%	 3.0%	 3.0%	 2.5%	19.3%
Prime Midlands and North	 3.0%	 1.0%	 4.0%	 4.0%	 5.0%	18.1%

Source: Savills Research

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