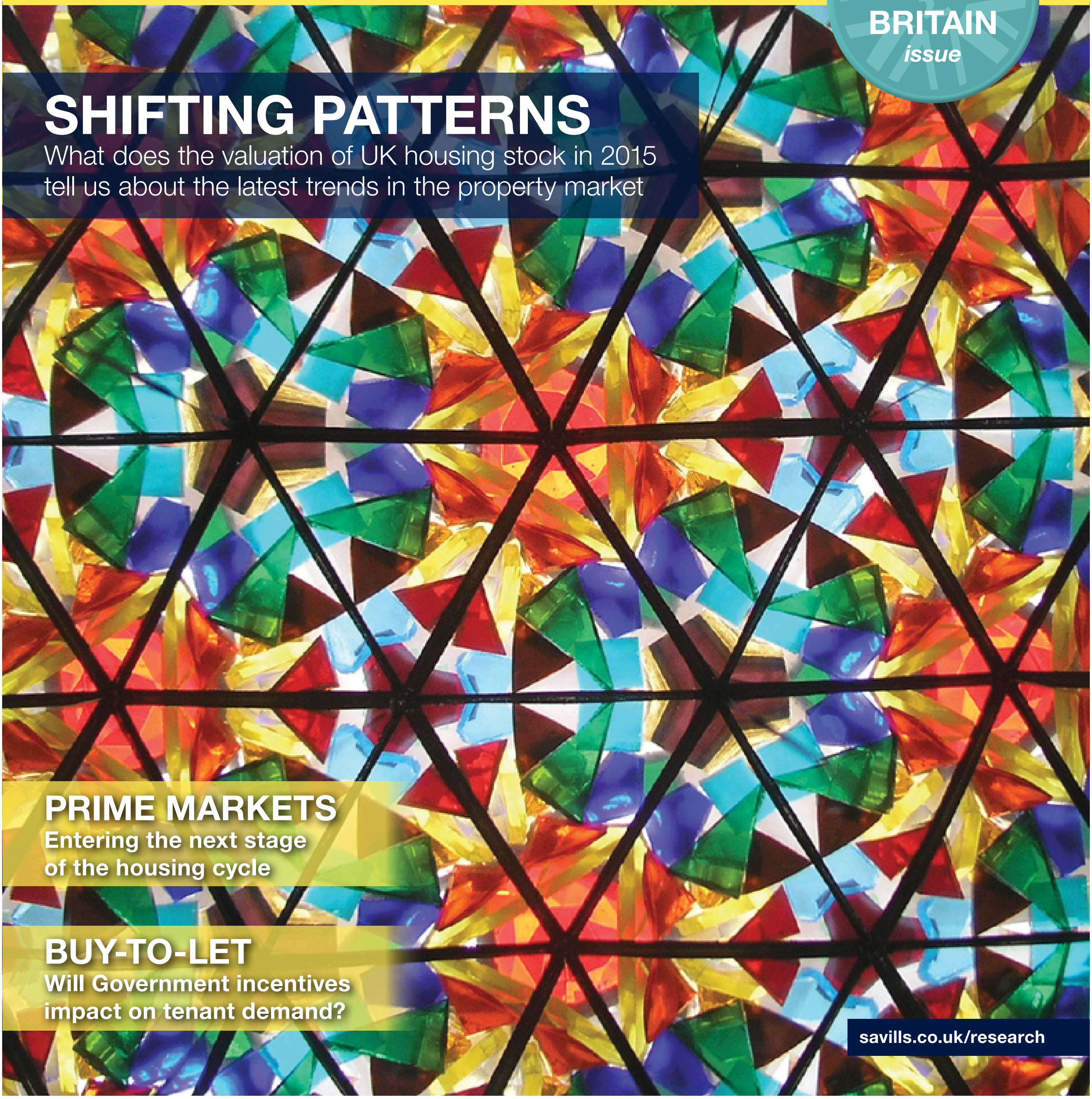
Savills World Research
UK Residential

RESIDENTIAL PROPERTY FOCUS
2016 ISSUE 1

The **VALUING BRITAIN** *issue*



SHIFTING PATTERNS
What does the valuation of UK housing stock in 2015 tell us about the latest trends in the property market

PRIME MARKETS
Entering the next stage of the housing cycle

BUY-TO-LET
Will Government incentives impact on tenant demand?

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Valuing Britain – Methodology

The valuation is conducted at a local authority level and estimates the market value of housing stock having regard to the way in which it is occupied. Vacant possession values are adopted for owner-occupied property; property in the rental sector is valued at a discount having regard to the occupational rights of the tenants.

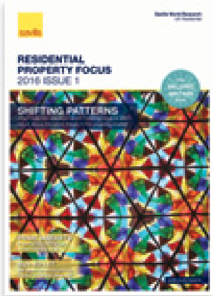
This publication

This document was published in February 2016. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.

Glossary of terms

■ **Mainstream**: mainstream property refers to the bulk of the UK housing market with, for example, price movements monitored by reference to national and regional average values.

■ **Prime:** the prime market consists of the most desirable and aspirational property by reference to location, standards of accommodation, aesthetics and value. Typically it comprises properties in the top five per cent of the market by house price.



FOREWORD

ACCOUNTING FOR THE BILLIONS AND TRILLIONS

Our Valuing Britain exercise for 2015 reveals some staggering sums and a divided market

Six trillion, one hundred and sixty five billion, two hundred and two million, two hundred and five thousand, nine hundred and twenty eight pounds is a seriously big number.

It is our best estimate of the total value of housing stock across the UK at the end of 2015 (accurate we hope to within the odd one hundred billion or so).

Seventy-nine percent of this total is held as net housing wealth, with £1.32 trillion of mortgage debt set against it. These numbers reflect how housing has become both a source and store of wealth across the UK.

However startling the sheer size of these sums, it is the way housing wealth is distributed that has become most scrutinised by society.

Over £2 trillion of net housing wealth held is by owner occupiers who have paid off their mortgage. Owners of stock in the private rented sector hold broadly the same amount of equity as mortgaged owner occupiers, reflecting the respective rise and decline of each sector.

The value of housing stock in the borough of Kensington & Chelsea alone is more than double the amount handed out in prize money by the National Lottery since its inception in 1994.

PUT THE SQUEEZE ON

The Government's response has been to try to reinvigorate home ownership through schemes such as Help to Buy and Starter Homes, to put the squeeze on private landlords and to ratchet up the taxation of high value homes.

Drawing on more detail from our mammoth valuation exercise, this issue of the Residential Property Focus examines the potential impact of that political response.

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EXECUTIVE SUMMARY

Valuing Britain figures reflect the shifting cycle of the UK's housing market. See pages 04/07

The prime markets face a shift in emphasis as they enter the next phase. See pages 08/09

Is the golden age of buy-to-let investment over? See pages 10/11

New housing policies are set to impact on housebuilding in the UK. See pages 12/13

The total value of worldwide real estate stands at $162 trillion. See page 14

VALUING BRITAIN

VALUE OF ALL UK HOUSING STOCK IN 2015 **£6,165,202,205,928**

£385bn INCREASE IN 2015

UK HOUSING VALUE EXCEEDS **£6tn** FOR THE FIRST TIME

VALUING BRITAIN

SHIFTING PATTERNS OF HOUSING WEALTH

Differing patterns of price growth in 2015 reflect the shifting cycle of the UK's housing market

Words: Neal Hudson
Twitter: @resi_analyst

"The increase is primarily due to higher prices being paid for existing homes"

Neal Hudson, Savills Research

The UK's housing stock is now worth £6.17 trillion, up £385 billion from last year. With relatively low numbers of new homes being built, this increase is primarily due to higher prices being paid for existing homes.

Increased competition in the mortgage lending market, stronger economic growth, demand from cash-only buyers, and a relative lack of appropriate homes for sale in the right locations, have all contributed to the average house price rising 4.5% in 2015.

However, much stronger house price growth in the more expensive markets of London and the south of England helped increase the total value of residential property by 6.7%.

Stronger growth in more expensive markets is a continuation of the geographic pattern seen over the last six years. Since 2009, the value of the UK's housing stock has risen by £1.3 trillion, a 28% increase.

The majority of the value boost has been in London (51% of the £1.3 trillion increase) and the south of England (42% of the increase). The value of London's residential property is now £1.6 trillion, more than the value of all the housing in Scotland, Wales, Northern Ireland and the North of England combined.

Meanwhile, a stronger price performance in the south of England has helped push up the value of its housing by £560 billion since 2009 and it is now worth £2.4 trillion.

MOVING MARKET

This pattern of growth in the south of England reflects the housing market moving into the next stage of the cycle as the economic recovery spreads.

Further evidence of the shifting cycle is provided by the results for central London's two wealthiest boroughs, Westminster and Kensington & Chelsea. Together, they have a higher combined value than the whole of Wales but only 15% of the homes.

In recent years, these two boroughs have tended to be at the top of the table for growth, but 2015 saw them fall down the rankings as the central London market slowed.

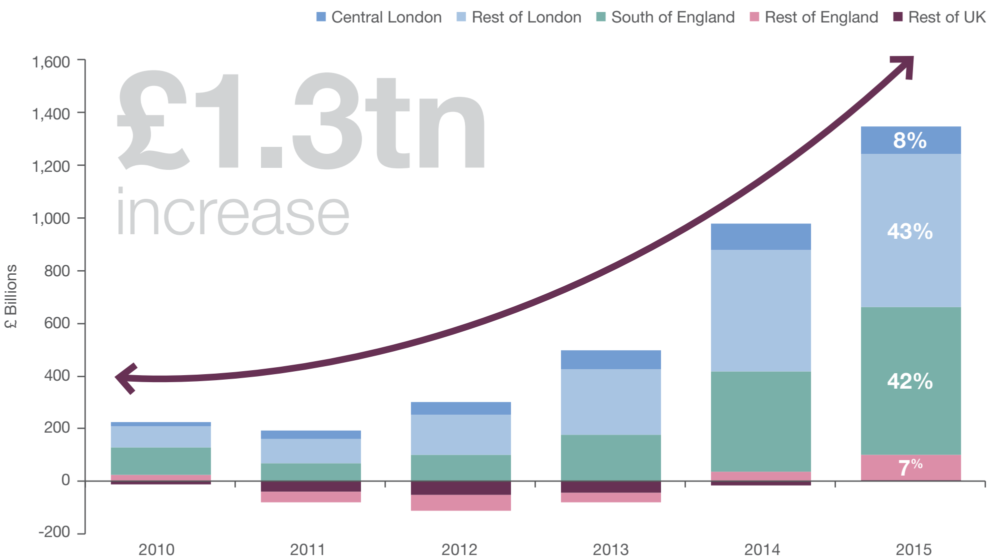
Meanwhile, Northern Ireland continued to show strong growth following its much deeper correction, with a percentage growth similar to that in London. However, in value terms, it only increased by £6.6 billion over the year. London's housing stock value grew by an equivalent amount every 19 days. →

4.5%

The increase in average house price value in 2015

FIGURE 1

Change in value of UK housing stock since 2009



Source: Savills Research

VALUING BRITAIN

2015 FAVOURED THE **SOUTH** OVER THE **NORTH** AND **UNMORTGAGED HOMEOWNERS** & **PRIVATE LANDLORDS** OVER **HOMEOWNERS WITH DEBT**

LOCATION

BIGGEST GAINS CONCENTRATED IN **LONDON** AND THE **SOUTH EAST**

VALUE OF HOMES IN **LONDON** EXCEEDS **£1.5tn** FOR FIRST TIME

MORE THAN A QUARTER OF TOTAL VALUE OF UK HOUSING STOCK

UP **£589bn** IN FIVE YEARS

ANNUAL GROWTH IN SOUTH OF ENGLAND EXCEEDS LONDON FOR FIRST TIME IN FIVE YEARS

£179bn VS **£126bn**

BRISTOL SHOWS BIGGEST INCREASE OUTSIDE LONDON

+£4.5bn TO **£44bn**

OWNERSHIP

£4.84tn = HOUSING EQUITY (NET HOUSING WEALTH)

GAINS CONCENTRATED IN **EQUITY RICH** MARKETS BENEFITING THOSE WHO **OWN THEIR HOME OUTRIGHT**

WEALTH OF MORTGAGE-FREE OWNER-OCCUPIERS EXCEEDS **£2tn** FOR FIRST TIME

FOR RENT

VALUE OF **PRIVATE RENTED** HOMES IS NOW **£1.29tn**

UP **+55%** IN FIVE YEARS

NUMBER OF HOMES UP **+28%**

THE NORTH

DESPITE A **£29.5bn** INCREASE, THE VALUE OF HOUSING STOCK ACROSS THE THREE REGIONS IS **£5.7bn** LOWER THAN **10 YEARS AGO**

HOMEOWNERS WITH DEBT

VALUE OF MORTGAGED OWNER-OCCUPIERS **(£2.06tn)** LESS THAN **MORTGAGE-FREE OWNER-OCCUPIERS** FOR FIRST TIME

WIDENING GAP

It is not just the geographic distribution of housing wealth that is unevenly distributed, there are also important shifts in the distribution by tenure. Over £2 trillion worth of housing is now owned typically by older households with no mortgage.

This presents a substantial opportunity for new housing catering specifically to older people. But, without the ability to sell or borrow against it, housing equity is just a number on a page.

The decline of mortgaged homeownership presents a challenge to unlocking that equity and means that the total value of homes owned outright has just overtaken that of those owned with a mortgage. The decline in mortgaged homeownership means that this group own property worth some £2 trillion, of which just over half is equity.

Meanwhile, the growth of the private rented sector continues. The total value of the sector hit £1 trillion in 2013 and is now estimated to be worth nearly £1.3 trillion. With just over £200 billion of buy-to-let mortgage debt outstanding, that suggests landlords' net housing wealth has just overtaken the £1 trillion of mortgaged homeowners. However, it is likely that a sizeable number of owner-occupier mortgages are secured against property that is rented out.

With no definitive data available, we estimate it could add another £130 billion of debt to landlords' balance sheets, while removing it from mortgaged homeowners.

Even adding in that extra debt, the overall average loan-to-value ratio in the private rented sector only rises from 16% to 26%. This suggests the financial risk posed by buy-to-let lending may be less than suggested by the current political rhetoric.

THE IMPLICATIONS

Rather than a financial risk, buy-to-let is perhaps a greater threat to the Government's target of increasing homeownership. However, despite substantial Government subsidy, record low interest rates and record high lending multiples, the cost of buying remains a significant barrier to homeownership for many.

The Government will probably succeed in increasing the number of people becoming homeowners due to people moving out of social housing and through further homebuyer subsidies. Whether it will do so at a sufficient scale to reverse the decline in homeownership remains to be seen.

This focus on homeownership presents challenges for homebuilders. They already build market homes as fast as they can sell them. It remains to be seen whether the new policies will allow them to do so at a faster rate by reducing the cost of new homes, or just end up cannibalising existing Help to Buy sales.

The changes may also bring additional financial difficulties for developers where S106 housing and investor sales have traditionally provided important early development cash flow. Build-to-rent investors may offer some respite, but certainly not at the scale needed.

Perhaps most importantly in today's high value housing market, even with substantially more market and submarket homes for sale, there will still be the need for homes both for sale and for rent that are affordable across the full spectrum of income and wealth.

▼ Bristol saw the biggest increase in value outside of London

VALUING BRITAIN

WHAT LIES AHEAD?

Q With the decline in mortgaged homeownership, the value of unmortgaged homes now exceeds those owned with a mortgage. Is this a decline that can be reversed?

A Increasing homeownership is the Government's top priority for housing in this parliament. However, even just halting the decline in mortgaged homeownership will be a challenge. We have an ageing population that is increasingly paying off their mortgage and moving into outright homeownership.

Meanwhile, there are substantial affordability constraints for many of the prospective first-time buyers looking to get on the housing ladder. Unless the Government can substantially increase first-time buyer numbers (by at least 200,000 per year), the decline in mortgaged homeownership looks set to continue.

Q The value of the private rented sector has risen by 55% in five years. Is there any sign of this trend abating?

A We have a housing market with high prices relative to incomes and that means the cost of buying a home is a significant barrier to new buyers. The re-emergence of high loan-to-value mortgages has helped in recent years and the new Government schemes will probably increase the number able to buy.

However, the underlying factors contributing to this unaffordable housing market are likely to remain in place. As a result, despite attempts to dampen the attraction of buy-to-let, investment into the private rented sector will continue, which means the sector is likely to continue growing in both number of households and value.

Q Non-mortgaged homeowners are sitting on over £2 trillion of housing wealth. What are they going to do with it?

A 43% of net housing wealth is tied up in homes that are owned outright. These owners tend to be older and in some cases their homes are larger than they need on a day-to-day basis. Releasing this equity (and the homes) through downsizing or other means is regularly suggested as a solution for the housing crisis. Indeed, many households view their housing equity as a form of pension saving.

The problem we face in releasing this equity is twofold: we need to build more homes that older people actually want to move into and we need more people able to afford to buy their homes from them. Until then, most housing equity will just be a rather large number on a page or screen.

Q Annual growth was higher in the regions outside of London for the first time in five years. Is this statistic significant?

A London has seen strong house price growth in recent years and increasingly stretched affordability. Thanks to this and a widening gap compared to prices in the rest of the country, increasing numbers of buyers are either choosing or being forced to look outside London for a home. This has driven stronger price growth and hence led to rising values in the south of England.

This marks the next stage of the housing market cycle where price growth spreads across the country in relation to underlying economic activity and wage growth. Quite how far this cycle can stretch will be heavily dependent on the future direction of mortgage rates.

Q With over £1.3 trillion of outstanding debt, how exposed is the housing market to rising interest rates?

A While the overall nominal value of debt secured against homes is substantial, the aggregate ratio of debt to household income has fallen from its peak in 2008 and the average loan-to-value ratio for the housing market is only 21%.

Even just accounting for mortgaged homeowners, who hold the majority of the debt, only brings the loan-to-value ratio up to around 45% and mortgage repayments are around 20% of income, in line with historically affordable levels. This suggests that, on average, there is plenty of capacity to cope with rising interest rates.

However, with mortgaged homeownership in decline and new buyers taking out record high loans relative to their income, mortgage debt is becoming more concentrated amongst fewer people.

Borrowers with larger loan-to-income ratios may struggle in the event of a sizeable mortgage rate rise and there is still a significant number of households that would struggle with a 1% increase in mortgage rates. Then again, that prospect appears to be getting pushed further into the future. ■

> "Unless the Government can substantially increase first-time buyer numbers, the decline in mortgaged homeownership looks set to continue"
>
> **Neal Hudson, Savills Research**

RELATED CONTENT: For more UK housing market analysis, you can follow Neal Hudson on Twitter @resi_analyst

PRIME MARKET

MAKING A MOVE TO THE COUNTRY

Country locations are set to outperform London as the prime markets enter the next stage of the housing cycle

Words: Sophie Chick
Twitter: @SophieChick

"The market is at a similar stage in the cycle to the early 2000s"

Sophie Chick, Savills Research

The challenges faced by the prime markets of late are reflected by the fact that the total value of housing stock in Kensington & Chelsea fell in 2015, though the loss of £693 million is dwarfed by the gains of £68 billion over the preceding 10 years.

Certainly the stamp duty changes introduced in the 2014 Autumn Statement have had a bigger impact than many forecast, the effect initially being masked by the uncertainty in the run up to the General Election. But both the prime housing markets of London and the country have reacted relatively rationally to the changes.

Small price falls were recorded in the higher value markets where the stamp duty liability has increased. By contrast, in the lower value prime markets where there is now a tax saving, values have continued to rise, albeit at a slower rate than in 2014.

Transaction levels, though undoubtedly lower than in 2014, have not collapsed as some would argue. Figures from the Land Registry indicate a 5 to 10% fall above £1 million across England and Wales.

While this suggests there is still a market for appropriately priced stock, it also means we are unlikely to see cuts to rates of stamp duty at the top end.

Indeed, in the 2015 Autumn Statement, more stamp duty changes were announced for buyers of "Additional Homes" (second homes and buy-to-let) causing further small price falls in markets with high concentrations of such buyers in the last quarter of last year.

MARKET CYCLE

To understand what lies ahead it is helpful to look back and identify

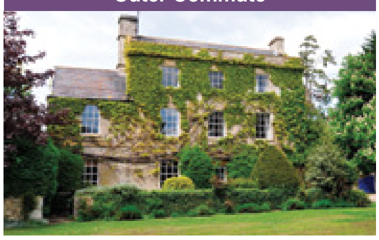
FIGURE 2

Effects of change in SDLT rate on Prime London and Prime Country properties

DATE	VALUE	SDLT RATE
Sep-14	£5,360,000	7.0%
Dec-15	£5,000,000	13.3%*
Change	-6.7%	6.3% more
Sep-14	£2,275,000	7.0%
Dec-15	£2,250,000	8.2%
Change	-1.1%	1.2% more
Sep-14	£775,000	4.0%
Dec-15	£800,000	3.7%
Change	+3.2%	0.3% saving
Sep-14	£390,000	3.0%
Dec-15	£400,000	2.5%
Change	+2.6%	0.5% saving

Prime central London 5-bed house second home

Old Rectory in the Outer Commute



Source: Savills Research

what happened between 2002 and 2005 when the market was at a similar stage in the housing cycle.

In prime London, over the three-and-a-half year period from June 2002, prices increased by just 5%. Currently, average values have seen no net growth since the first quarter of 2014, so if the market follows a similar trend we would expect prime London values to remain broadly flat through 2016 and most of 2017.

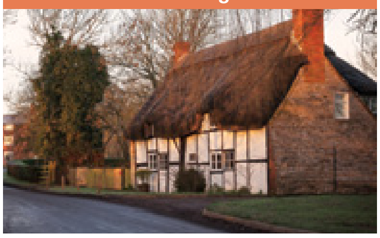
Over the same period, prices in the prime country markets outperformed London with an average increase of 17%. We expect a similar trend this time round as the ripple effect takes hold and more equity flows to the housing markets beyond London.

RELATED CONTENT:
Please look out for our forthcoming report **Spotlight: Prime Country Residential Markets**

£68bn
Increase in the value of housing stock in Kensington & Chelsea in the 10 years to 2015

South West London 2-bed flat main residence

Cottage in the North of England



*Effective SDLT rate (from 1 April 2016)

VALUING BRITAIN

CONCENTRATIONS OF WEALTH

Our analysis shows that in terms of how residential value is concentrated, Kensington & Chelsea sits far ahead of any other borough or local authority across the UK, not just by virtue of high property prices but also the relative density of housing in the borough. The combination of the two means that on average in each sq km of the borough, there is over £9.3bn of residential property.

The strong price growth across London in the past decade means that Watford – which surprisingly has the highest concentration of residential property value of any local authority beyond the capital – is preceded by 27 of London's 33 boroughs in a list of value per sq km.

High housing density rather than high property prices propels Watford up the league table. That puts it ahead of more obvious candidates such as Oxford and Cambridge, where green space and the concentration of heritage assets mean much lower housing densities, but act as a magnet to those relocating from London. The key corresponding difference between Watford and the two varsity cities is the level of net housing wealth they hold, with Watford carrying far more mortgage debt relative to the value of its housing (28% v 16%).

Of the 10 areas with the highest concentrations of housing value beyond London, only the high value semi-suburban areas of Elmbridge and Epsom & Ewell have a housing density of less than 1,000 dwellings per sq km. Still they deliver substantially higher concentrations of residential value and net housing wealth than the centres of Manchester and Birmingham, which by comparison have been slow to benefit from the ripple effect out of London.

London | High concentration areas outside London | Manchester and Birmingham

LOCAL AUTHORITY	RESIDENTIAL VALUE £M PER SQ KM	DENSITY – PROPERTIES PER SQ KM
Kensington & Chelsea	9,383	7,351
Westminster	5,726	5,743
Camden	3,441	4,831
Islington	3,300	6,947
Hammersmith & Fulham	3,233	5,308
Wandsworth	2,546	4,122
Lambeth	2,221	5,172
Hackney	2,090	5,759
Tower Hamlets	1,981	5,705
Southwark	1,900	4,508
Watford	537	1,833
Brighton & Hove	468	1,561
Reading	444	1,678
Oxford	440	1,289
Southend-on-Sea	439	1,924
Elmbridge	418	591
Bournemouth	410	1,928
Bristol, City of	404	1,784
Epsom & Ewell	397	932
Cambridge	385	1,282
Manchester	230	1,907
Birmingham	225	1,614

Source: Savills Research

PRIVATE RENTED SECTOR

IS THIS THE END OF A GOLDEN AGE?

Government incentives have increased the tax burden on buy-to-let investors

Words: Lucian Cook
Twitter: @LucianCook

By the end of 2015, housing stock in the private rented sector was worth a staggering £1.29 trillion. This sum is £535 billion higher than in 2007. Over the same period, the value of mortgaged owner-occupier housing stock has fallen by £273 billion.

The political response has been a combination of first-time buyer incentives to help get people on the housing ladder, and increasing the tax burden on buy-to-let investors to reduce the competition they face. This raises the question of whether the golden age of buy-to-let investment is over.

Q What will happen to tenant demand given Government first-time buyer incentives?

A The English Housing Survey suggests the private rented sector has been growing by 260,000 households per annum post credit crunch. The Government has sought to address this through Help to Buy, together with the promise of 200,000 Starter Homes and 135,000 shared ownership properties.

Even if the Government were to deliver its target of 400,000 new "affordable homes for sale" over the next five years, it would only amount to 80,000 per annum. Given the risk that some households committed to buying will simply use the schemes to increase their budget, we only expect half of these to come out of the private rented sector.

Therefore, however beneficial the schemes are in helping people on the housing ladder and supporting house building, we still expect the number of new households looking to live in the private rented sector to be in the order of 220,000 per year over five years.

Q What underpins the growth in renting?

A First-time buyers and second steppers face substantial difficulties in accumulating a sufficient deposit to get on or move up the housing ladder. The average deposit for a first-time buyer in the UK was over £25,000 in 2015. In London it was over £75,000. However, this is only part of the issue. Mortgage regulation means homeownership among younger

"Homeownership among younger households is increasingly the domain of the wealthy"

Lucian Cook, Savills Research

▼ First-time buyers continue to struggle to get onto the housing ladder

households is increasingly the domain of the wealthy.

Our recent analysis suggests that across the boroughs of London, two individuals would each need to be in the top 25% of earners to be able to buy the median priced property on a 3.5 x loan-to-income mortgage (even where they can raise a deposit of 20% of the purchase price). On average across the South East they would both need to be in the top 38% of earners, though in locations such as Brighton, Guildford, Sevenoaks and Winchester they would need to be in the top 28%.

Accordingly, even where Government schemes address the deposit hurdle, they are likely to be economically accessible to only relatively affluent households, particularly in the south of the country.

Q How many rental/investment properties will be affected by the restriction on tax relief?

A The first Government tax offensive will progressively restrict tax relief available to buy-to-let investors to the basic rate.

Data from the Council of Mortgage Lenders suggests there are around 1.75 million outstanding buy-to-let mortgages, which carry £210 billion of debt. This suggests only 31% of stock in the private rented sector carries a mortgage. It also indicates the average loan is equivalent to 53% of the value of those rental properties subject to a mortgage.

Q How will their owners' finances be affected?

A Low interest rates mean mortgaged landlords have generally been able to run a relatively healthy cash surplus.

Despite a benign short-term outlook for interest rates, the cost of that mortgage debt is expected to have risen by 2020. Meanwhile, tax relief on those payments will fall for higher rate tax payers, squeezing their finances.

Our calculations indicate the net cash surplus on the average buy-to let-property will fall from £2,900 to £1,100 over this period. This assumes a property worth £227,400 with a mortgage of £119,700 and generating a gross income yield of 5%. Those with greater levels of debt or invested in lower yielding markets will be more affected.

Q How will landlords respond and how will this be affected by the stamp duty change?

A Some investors will have to rationalise their portfolios by disposing of poor performing stock and reducing their debt in order to maintain sustainable cash surplus. Some who have borrowed against their properties for tax purposes will revisit their mortgage arrangements.

However, we believe the greatest impact will be in private landlords' ability to expand their portfolios, as the economics of buy-to-let change and lenders adjust their lending criteria.

From 1 April the additional 3% stamp duty liability (the second major Government initiative impacting this market) is likely to further temper the expansion of buy-to-let.

Q Are there still opportunities in the sector?

A Critically, none of the measures aimed at buy-to-let investors will directly help the prospective first-time buyer overcome the underlying deposit hurdle. Neither will Government schemes eliminate this issue for the bulk of younger households. Therefore, the underlying demand for private rented accommodation is likely to continue to rise. This will present ongoing opportunities for cash rich investors, including both those caught by limits on their future pension contributions and those no longer obliged to take an annuity at retirement.

For those requiring debt, we believe these measures will mean that future investment will be more targeted at lower-value higher-yielding stock, albeit avoiding markets heavily reliant on welfare payments, given the Government's ongoing austerity agenda.

1.75m

Number of outstanding buy-to-let mortgages

RELATED CONTENT:
Please see our report **Rental Britain** at www.savills.co.uk/rentalbritain/ for more information

VALUING BRITAIN

£1.29tn
TOTAL VALUE OF HOUSING STOCK IN PRIVATE RENTED SECTOR IN THE UK

£210bn
AMOUNT OF OUTSTANDING BUY-TO-LET MORTGAGE DEBT

31%
OF STOCK IN THE PRIVATE RENTED SECTOR IS SUBJECT TO A BUY-TO-LET MORTGAGE

53%
AVERAGE LOAN-TO-VALUE FOR A RENTAL PROPERTY SUBJECT TO A MORTGAGE

£2,900
ESTIMATED AVERAGE ANNUAL CASH SURPLUS FOR A MORTGAGED RENTAL PROPERTY IN 2015

£1,100
EQUIVALENT FIGURE IN 2020 WITH BASIC TAX RELIEF AND HIGHER INTEREST RATES

FORECASTS

FIVE-YEAR MARKET PREDICTIONS

For more forecasts see www.savills.co.uk

PRIME	2016	2017	2018	2019	2020	5-year
Central London	0.0%	2.0%	5.0%	6.5%	6.5%	21.5%
Outer London	2.0%	2.0%	4.0%	4.0%	5.0%	18.2%
Suburban	2.0%	4.0%	7.0%	5.5%	4.0%	24.5%
Inner Commute	3.0%	4.0%	6.0%	4.5%	4.5%	24.0%
Outer Commute	3.0%	4.0%	6.0%	4.0%	4.5%	23.4%
Wider South England	2.0%	3.0%	5.5%	4.0%	4.0%	19.9%
Midlands/North	2.0%	2.0%	5.0%	4.0%	4.0%	18.2%
Scotland	2.0%	3.5%	4.0%	4.0%	4.0%	18.8%

MAINSTREAM	2016	2017	2018	2019	2020	5-year
UK	5.0%	3.0%	3.0%	2.5%	2.5%	17.0%
London	5.5%	2.0%	2.0%	2.5%	2.5%	15.3%
South East	7.0%	4.0%	4.0%	3.0%	2.0%	21.6%
South West	6.0%	3.5%	3.5%	3.0%	2.5%	19.9%
East of England	6.5%	4.0%	4.0%	3.0%	2.0%	21.0%
East Midlands	5.0%	3.0%	3.0%	2.5%	2.5%	17.0%
West Midlands	4.5%	3.0%	3.0%	2.5%	2.5%	16.5%
North East	2.5%	2.0%	2.0%	2.0%	3.0%	12.0%
North West	3.0%	2.5%	2.5%	2.0%	3.0%	13.7%
Yorks & Humber	3.5%	2.5%	2.5%	2.0%	3.0%	14.2%
Wales	4.0%	2.5%	2.5%	2.0%	3.0%	14.8%
Scotland	3.0%	3.0%	2.5%	2.5%	2.5%	14.2%

Source: Savills Research

*NB: these forecasts apply to average prices in the second hand market. New build values may not move at the same rate

DEVELOPMENT

FROM GENERATION RENT TO GENERATION BUY?

The Government wants a million new homes built in England by 2020, but its current policies risk undermining this stated goal

There is nothing like a target to focus the mind. Last year, the newly elected Conservative Government set themselves several in an attempt to tackle the housing crisis and get more new homes built over the course of this parliament.

The numbers are ambitious. The Government says it wants a million new homes built in England by 2020. Of these, 400,000 will be "affordable" homes focused on turning 'generation rent' into 'generation buy'.

A number of new policies have been announced with the intention of delivering these aims. There is a target to deliver 200,000 Starter Homes, which will be sold at 20% discount to first-time buyers under 40. The criteria for shared ownership schemes, where buyers purchase a portion of a home and pay rent on the remainder, will be broadened to enable the building of 135,000 new homes under this tenure.

In London, the Help to Buy scheme has been beefed up to enable buyers to obtain a 40% equity loan on their purchase, up from the previous limit of 20%. In England, the scheme has been extended for the second time until 2021.

These are headline grabbing announcements. But will the changes deliver more housing?

Details on how these schemes will function and interact are still scant. However, our initial analysis suggests that there is an overlap between the parts of the market likely to be served by Help to Buy, Starter Homes and shared ownership.

Replacing homes that would have been delivered anyway through existing routes will not provide additional homes. Furthermore, there is a risk that Starter Homes could distort the new homes market. Development schemes where there are a large number of Starter Homes for sale may have an impact on values of competing homes nearby.

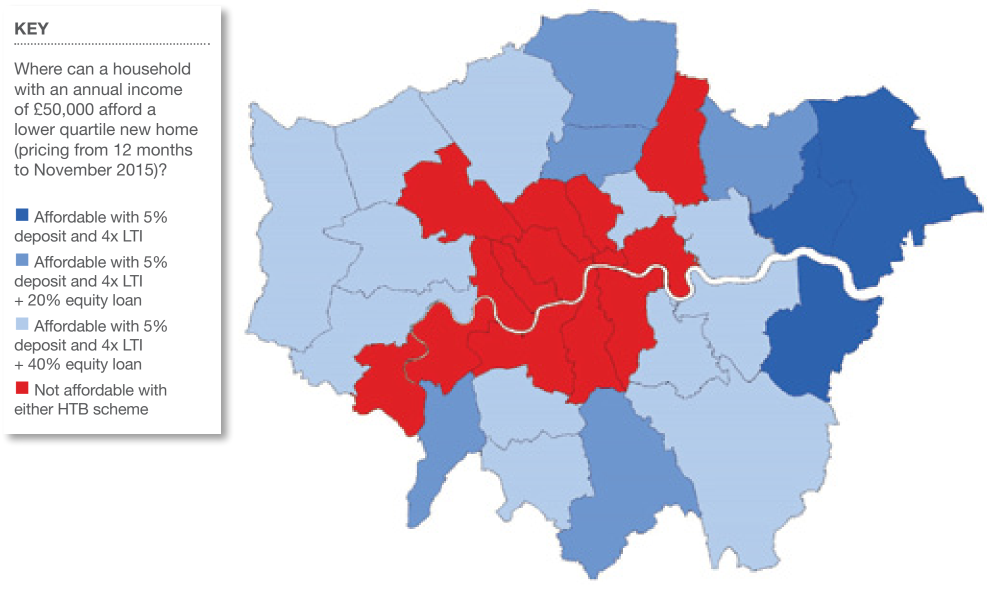
In the year to March 2015, we delivered 170,000 new homes in England, including conversions. This is well below the 245,000 new homes we need a year compared to the Holmans assessment for the TCPA. The best way to boost housebuilding is to encourage a diversity of tenure, including homes for rent. Current policy takes us in the opposite direction.

RELATED CONTENT: For more information see **Policy Response: The Impact of New Housing Measures on Development** at www.savills.co.uk/newhousingmeasures

▼ New policies aim to persuade renters to buy

FIGURE 3

Help to Buy Equity Loan in London



Source: Savills Research using HM Land Registry

GLOBAL VIEW

WHAT PRICE THE WORLD?

Worldwide residential real estate value currently stands at a staggering US$162 trillion, though this is unevenly distributed across the globe

We estimate that the value of all developed real estate in the world amounts to approximately $217,000,000,000,000 (217 trillion US dollars). This covers retail property, offices, industrial, hotels, residential, other commercial uses, and agricultural land.

The value of global real estate exceeds, by almost a third, the total value of all globally traded equities and securitised debt instruments combined.

The biggest and most important component of global real estate value is the homes that people live in, totalling $162 trillion, three-quarters of the total value. The sector has the largest spread of ownership with approximately 2.5 billion households and is most closely tied with the fortunes of ordinary people.

Unsurprisingly, the value of this real estate is unevenly distributed across the globe. Western nations contain the lion's share of asset value, while less developed nations contain the least. 21% of the world's total residential asset value is in North America – despite the fact that only 5% of the population lives there. Europe contains 24% of residential assets by value but only houses 11% of the population.

Populous China accounts for nearly a quarter of the total value, having nearly one-fifth of the world's population.

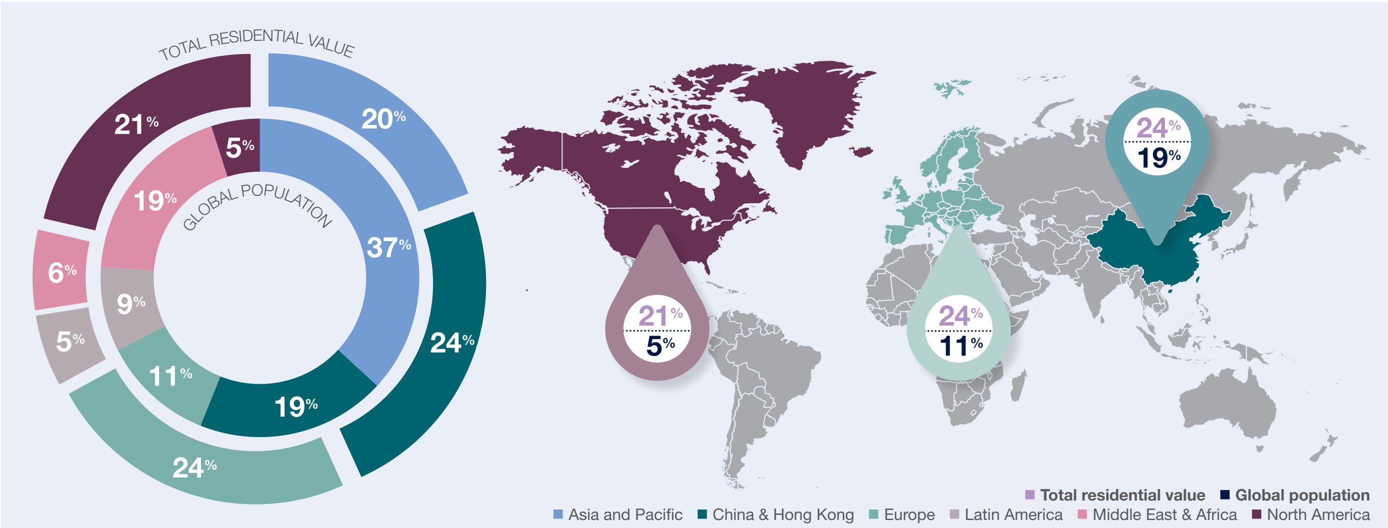
The trend is reversed in global regions dominated by emerging and undeveloped markets. The Middle East and Africa are home to 19% of global population, but just 6% of total residential real estate wealth.

RELATED CONTENT: For more information see **Around The World In Dollars and Cents** www.savills.co.uk/aroundtheworld

FIGURE 4

Total residential value vs global population

US and Europe figures illustrate the uneven distribution of real estate value



Source: Savills World Research, Oxford Economics

$6tn
The value of all gold ever mined

$55tn
The value of all global equities

$217tn
The value of all global real estate

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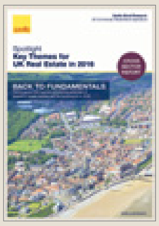
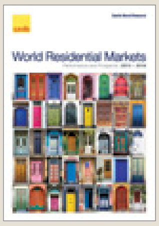

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