

# **RESIDENTIAL PROPERTY FOCUS**

## 2017 ISSUE 1



## **How much is the UK worth?**

Why value isn't the solution to our property problems

### **Housing White Paper**

We analyse the Government's response

### **Prime Market**

Pricing is the key to success

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## This publication

This document was published in February 2017. 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.

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## 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.

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## FOREWORD

# BRINGING HOME THE ISSUES

*Calculating the value of the UK's housing stock not only throws up some fascinating figures, it also illustrates the issues facing the market*

**O**nce a year I set myself the challenge of revaluing the entirety of UK housing stock. It gets increasingly complicated. The spreadsheets are huge. The figures are massive. It gives me an immense feeling of satisfaction. It drives my colleagues to distraction.

Not only do I look at how much house prices have changed, but I factor in how much new housing has been built and where. I also look at how the country's net housing wealth is divided between owner occupiers and investors. Then, in a crescendo of analytical self indulgence, I try and work out how it is distributed between generations.

It chucks out some fascinating numbers. Who would have guessed that the housing stock of just two London boroughs is more than that of the whole of Wales? Who would have anticipated private landlords have as much housing equity as owner occupiers with a mortgage?

## IRRELEVANT NONSENSE?

When I first undertook this exercise, one of my colleagues suggested it was all very interesting, but questioned whether it had any real relevance to the man on the street. I was crushed.

Arguably, they had a point. Who really cares if the value of housing in the UK stands at £6.79 trillion? Or if that figure has gone up by £1.5 trillion in the past three years? After all, isn't this just a few numbers with a lot of noughts on the end?

I would disagree. To me, the numbers in our lead article illustrate many of the issues facing the housing market. It is not just a case of whether the value growth of the recent past can continue. Nor is it simply a question of whether the recent slowing in price growth is a blip or a trend.

## PAINTING A PICTURE

It brings home the impact of having a fundamentally undersupplied market. It paints a picture of the challenge in meeting the conflicting housing needs of different generations.

These are issues which the Government has sought to address in its recent Housing White Paper, cheerily titled "Fixing our Broken Housing Market". It sets out its proposals under four key headings: planning for the right homes in the right places, building homes faster, diversifying the market and helping people now.

One of the people I follow on Twitter astutely described the proposals as steps, not leaps, in the right direction. But they are important steps, steps which Susan Emmett has looked at in more detail in this publication.

They seek to deliver more homes across a much wider range of tenures. For example, they more enthusiastically support the delivery of institutionally owned, purpose built rental accommodation. A topic close to Jacqui Daly's heart, this is something she has explored in her article on the private rented sector.

From my perspective, it means I will have to review and revise how I go about valuing our housing stock in the future. More time with the spreadsheets, more complicated valuation formulae. In truth, I can hardly wait. ■



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VALUING BRITAIN

# THE TRUE VALUE OF UK HOUSING



*With low interest rates and strong consumer sentiment, 2016 witnessed a rapid rise in the value of UK housing, but has the market reached a turning point?*

**Q The total value of the UK's housing stock is now £6.79 trillion, 3.65 times the size of its economy. It has risen by £1.5 trillion in the past three years. Can this continue?**

**A** These pretty mind blowing numbers primarily reflect house price growth that has been driven by a combination of low interest rates and, for the most part, a strengthening economy. They mean private housing wealth stands at over £5 trillion for the first time.

But the £1.5 trillion increase has been heavily influenced by the powerhouses of London and the South East, which together have accounted for over one third of the growth.

As we look forward, there is a series of factors that are likely to mean that price growth slows.

As the implications of the decision to leave the EU become clearer, economic uncertainty is likely to feed into weaker consumer sentiment and tighter household finances. We expect price growth to slow across the country for the next two years or so.

After this period of buyer caution, we do expect things to pick up. But rising interest rates will put a squeeze on affordability for mortgaged buyers, especially in the areas of the country that have seen some of the biggest house price increases.

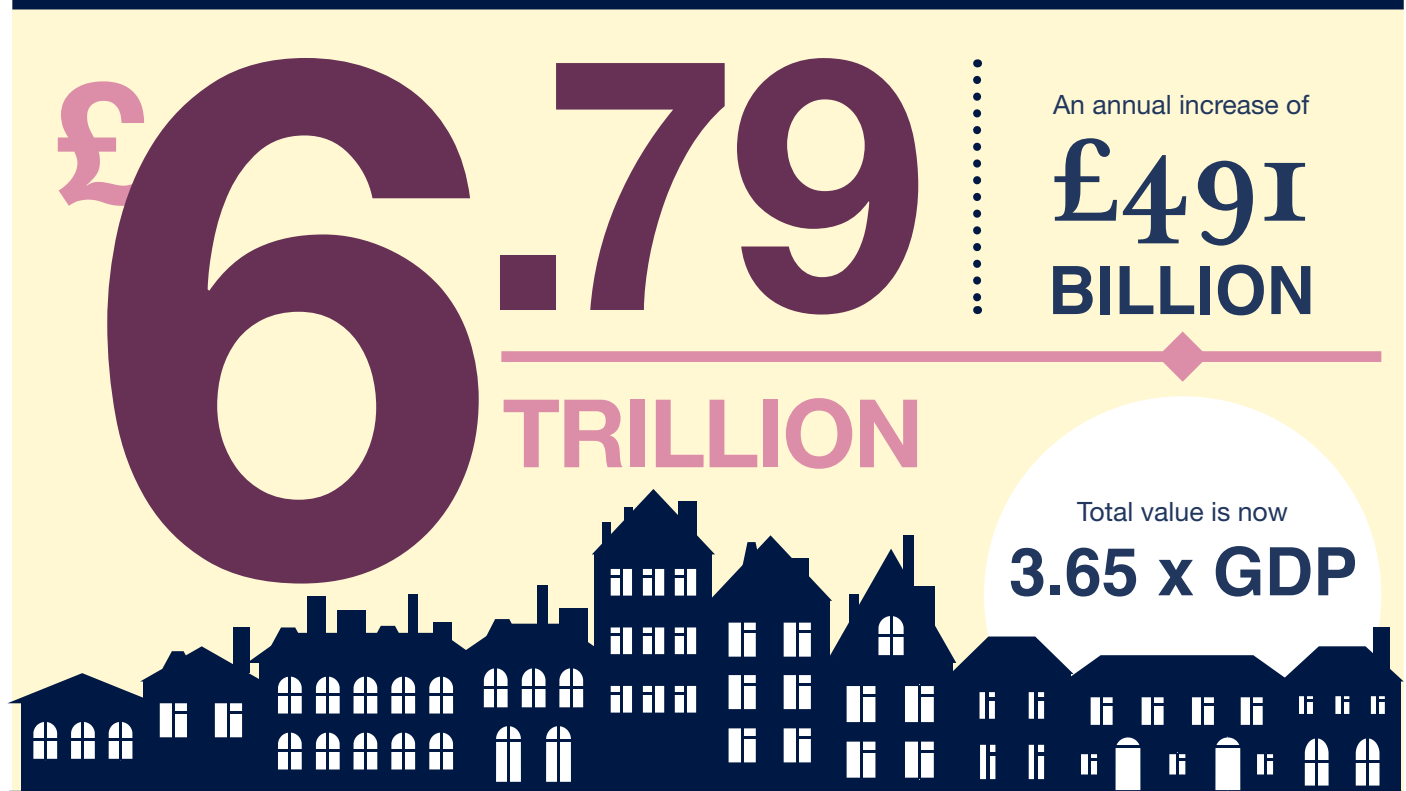
We are already beginning to see this play out. Despite strong annual growth, we have seen three-month on three-month house price growth fall back to 1.7% in December 2016 across the UK as a whole. To put that in context, 12 months previously it was 2.4%.

In London, the change has been more pronounced. The three-month on three-month measure has fallen from 3.7% to just 1.2% over the same period.

**Q To what extent has the growth in value been driven by rising levels of debt?**

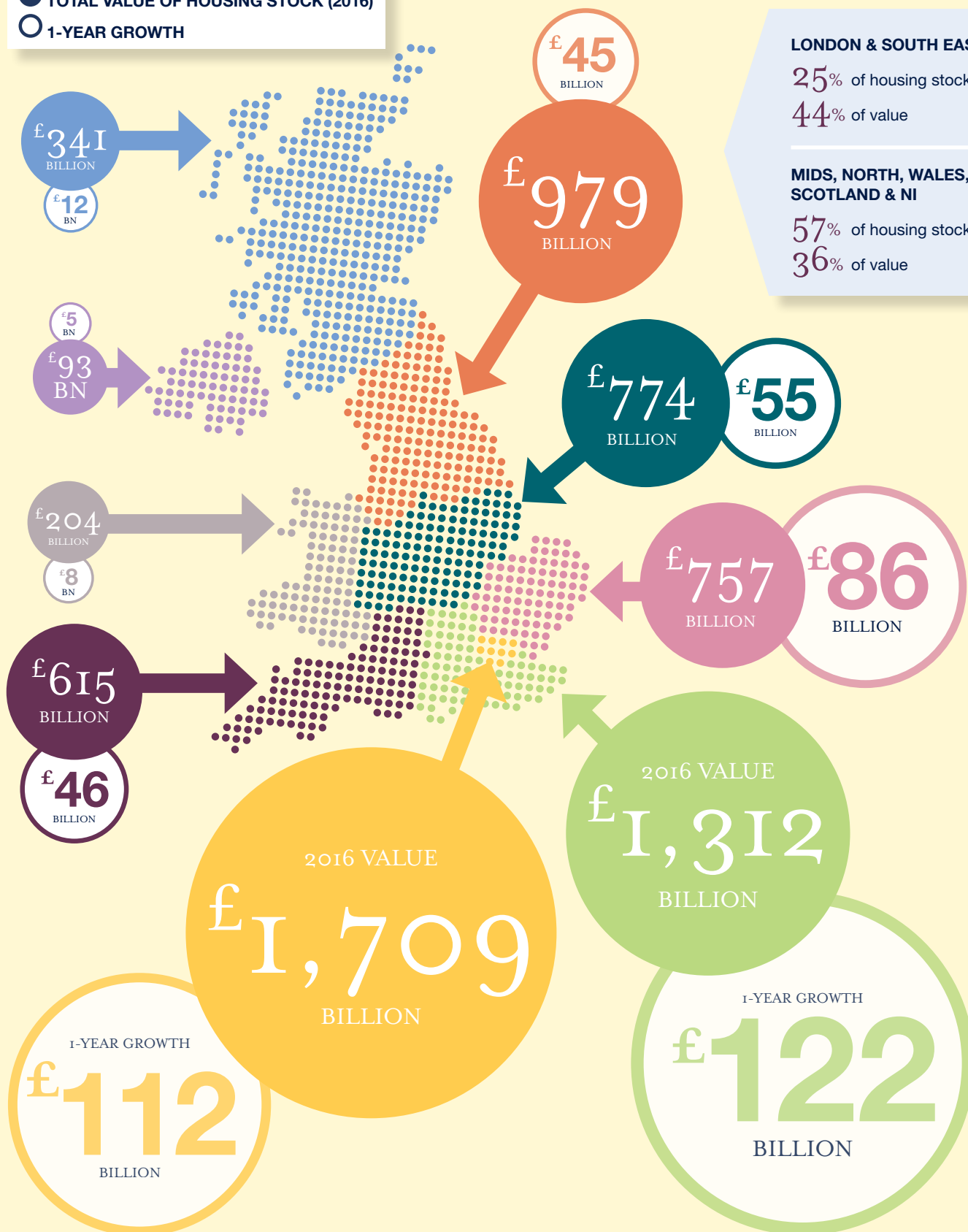
**A** Not significantly, because of much lower numbers of house purchases compared to before the credit crunch. This reduced →

## VALUE OF ALL UK HOUSING STOCK IN 2016



## THE GEOGRAPHICAL DISTRIBUTION OF WEALTH

- TOTAL VALUE OF HOUSING STOCK (2016)
- 1-YEAR GROWTH



→ activity has been really noticeable among those upsizers who need a mortgage, unlike cash buyers who now have much greater purchasing power.

To put this into numbers, regulation and lender caution means that outstanding levels of mortgage debt have risen by just 10% (£120 billion) over the past five years. By contrast, the level of privately held housing equity has risen by a chunky 49% in the same period.

Still, combined with a fall in the number of mortgaged owner occupiers, the average outstanding mortgage across England and Wales has risen by £18,500 over the past five years.

### Q How much has the average increase in debt levels been driven by London?

A In London, the average outstanding mortgage has grown by much more. It has risen by some 29%, or £60,000 in cash terms, over this period. Which means that it now stands at over £240,000.

Of course, for those getting onto or trading up the housing ladder, the figure is higher. This has caused buyers in the capital to stretch themselves further, essentially by borrowing more relative to their income.

The Council of Mortgage Lenders suggests that the average homebuyer in London borrowed 3.4 times their income in 2011. In 2016 that stood at 4.0.

Despite the fact that the level of housing equity in the capital has risen by 71% in the past five years (an astonishing £534 billion), that means those who need a mortgage are now bumping up against the limits of mortgage regulation. But with interest rates only expected to rise gradually when they do go up, this is likely to act as a drag on house price growth in the future, rather than anything more serious.

### Q So who are the beneficiaries from these rising levels of housing wealth?

A The amount of housing wealth held by homeowners who have completely paid off their mortgage has risen very significantly, as those who got onto the housing ladder in the second half of the 20th century live longer. It is now over £2.39 trillion – twice that of the equity held by owner occupiers who have a mortgage.

This means those over the age of 65 now hold an estimated 43% of all owner occupiers' housing equity – a figure over £1.5 trillion.

Similarly, private landlords have seen the amount of equity they hold increase from £693 billion five years ago to around £1.2 trillion in 2016. They have both increased the amount of stock they own and have benefited from price growth to build a substantial pool of property wealth.

By contrast, homeowners under the age of 35 hold less than £200 billion of net housing wealth, as the generational divide in housing has widened.

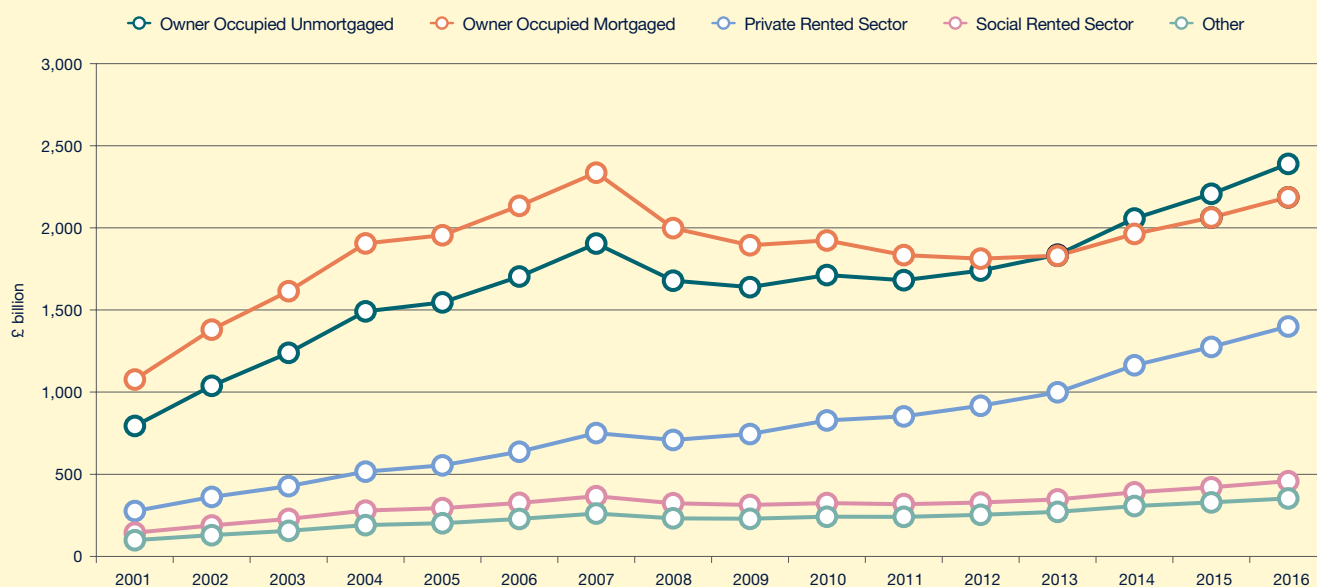
### Q Who has benefited most from low interest rates and will be squeezed when they rise?

A Even though they have been moving less often, the main beneficiaries have been 35-49 year old homeowners who have over £500 billion of mortgage debt.

While that debt has been relatively cheap to service, increasingly they have extended their home rather than traded up. This reflects the cost of buying a property with an extra bedroom and the availability of mortgage debt to do so.

Our analysis of asking prices from *OnTheMarket* shows that the cost of moving from a two-bedroom to a three-bedroom

## VALUE BY TENURE



£2,186<sub>BN</sub>  
OWNER OCCUPIED  
MORTGAGED

£2,389<sub>BN</sub>  
OWNER OCCUPIED  
UNMORTGAGED

£1,400<sub>BN</sub>  
PRIVATE RENTED  
SECTOR

property averages £77,000 across the local authorities of England and Wales. Across the boroughs of inner London it stands at £220,000 and in outer London at £138,000. All of these numbers increase when looking at a move from a three to a four-bedroom property.

This cost has also resulted in an increase in the number of people moving into the commuter zone in search of greater value for money. It is a trend we expect to gather pace as interest rates increase from their current benign levels.

### Q Does that mean you expect a change in the pattern of house price growth once the uncertainty around Brexit starts to clear?

A It is one of the reasons, particularly as the gap in value between London and the rest of the country is currently at an all-time high.

The value of housing stock in five of London's most expensive boroughs fell by £9.6 billion in 2016, with the highest amount of price growth in the capital pushed out to the suburban borough of Barnet.

But more notably, in 2016 the total growth in the value of housing in the South East was higher than in London for the first time since 2004. Perhaps surprisingly, Slough showed the highest percentage price growth anywhere in the country, as needs-based buyers and investors turned their attention to more affordable locations within striking distance of London.

As the uncertainty of Brexit subsides and modest price growth returns, we expect it to be weighted to London's hinterland, before rippling more widely across the rest of the UK.

As it spreads to the Midlands and the North, we expect to see it gain the strongest foothold in more affluent markets first.

This has already been seen to an extent. The value of housing stock in York, for instance, has increased by £3.9 billion to £20 billion in the past five years, while the value of housing stock in Solihull rose by £2.6 billion in 2016 alone. By contrast, the value of housing stock in Hartlepool fell by £76 million last year.

### Q And what about the gap in housing wealth between different generations?

A Even if Government policy slows its growth, we expect the generational divide in housing wealth to become further entrenched.

This means increased demand for private rented accommodation, despite measures to make residential investment less attractive.

The mortgaged buy to let landlord will be squeezed by more stamp duty, a greater exposure to capital gains tax, less income tax relief and greater mortgage regulation.

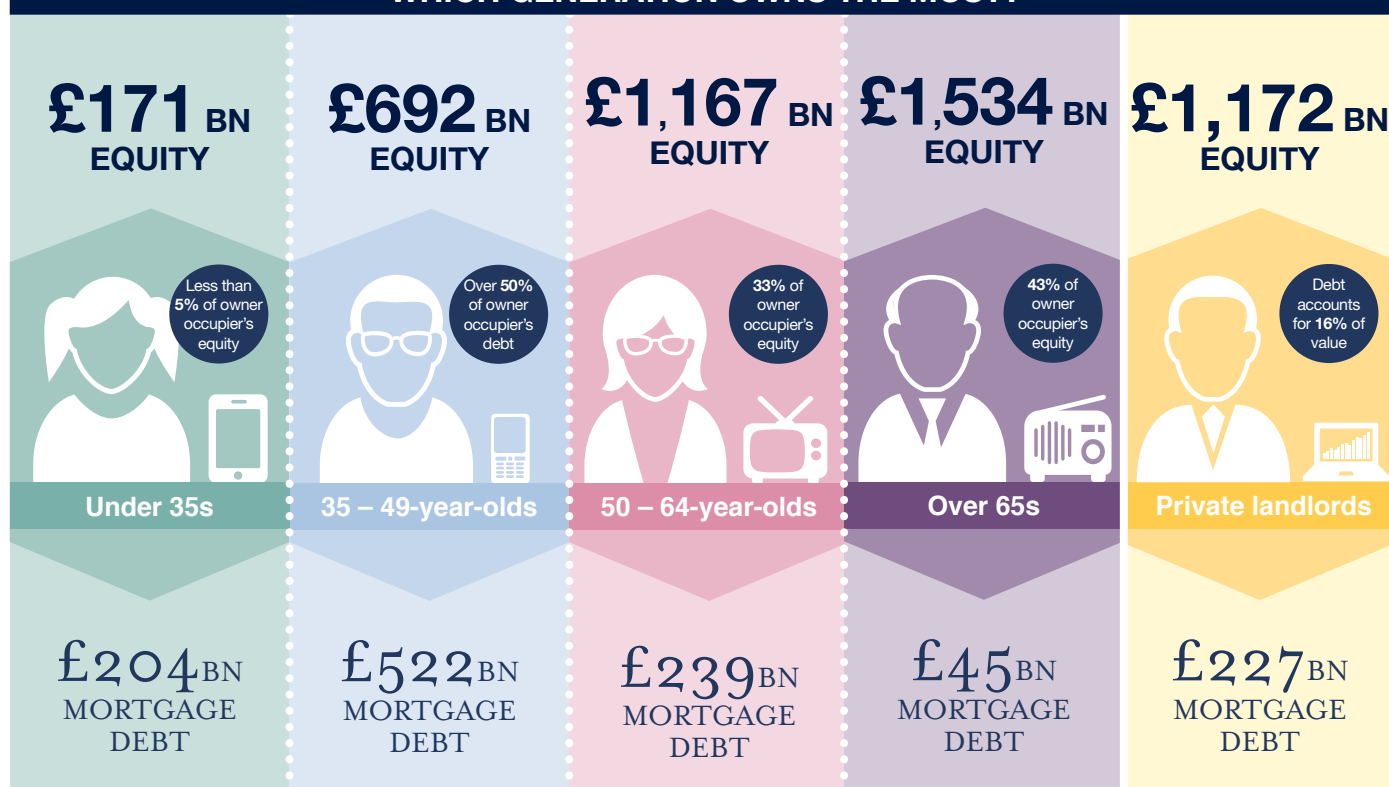
But existing mortgage regulation for those looking to buy their own home is likely to keep deposits high and continue to restrict access to homeownership.

For aspiring first-time buyers and second steppers, that points to continued reliance on the bank of Mum and Dad and schemes such as Help to Buy.

We also expect to see more downsizing among older homeowners who are looking to unlock and pass on some of their housing wealth to younger generations.

Ultimately, this indicates, even if we don't see the same substantial increases in the value of the UK's housing stock, that there are still opportunities for cash rich buyers, the build to rent sector that is now beginning to build up a head of steam and developers able to tap into the grey pound. ■

## WHICH GENERATION OWNS THE MOST?





## HOUSING WHITE PAPER

# POWER AND RESPONSIBILITY

*Proposals are supportive of higher levels of development and challenge local authorities and developers to do more*

Words: Susan Emmett

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“The White Paper is not a manifesto for revolution but a detailed blueprint for evolution”

Susan Emmett, Savills Research

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## LOCAL PLAN STATUS

293 English LAs (outside London)



**T**he steep rise in the value of residential property has been partly driven by a chronic undersupply of new homes. The Housing White Paper, launched in February, seeks to tackle this housing shortage.

Its 106 pages offer no quick fix solutions, prompting criticism that it stops short of the ‘radical vision’ promised by Sajid Javid. What the White Paper lacks in terms of a headline-grabber, it seeks to make up for with a more pragmatic approach that tackles the housing crisis on multiple fronts.

Wide-ranging measures place greater responsibility on local authorities to adopt up-to-date plans that meet housing requirements, increase pressure on housebuilders to accelerate construction and provide support for a wider range of tenure.

The Housing White Paper is not a manifesto for revolution but a detailed blueprint for evolution. Here are some of the key proposals:

### MORE POWER AND RESPONSIBILITY FOR LOCAL AUTHORITIES:

Driving greater economic productivity is one of the Government’s key aims. Providing enough homes in the right places is part of the solution and local authorities are to take more responsibility for making it happen.

Under the proposals, councils must provide up-to-date local plans based on an ‘honest assessment of the need for new homes’. There is also more support for collaboration across local authority boundaries.

Councils will be held to account through a new ‘housing delivery test’, which will highlight whether housebuilding is meeting housing requirements and from November 2018 automatically apply “the presumption in favour of sustainable development” if delivery falls below 25% of housing requirement (rising to 65% over time).

A separate consultation will look into

ways local authorities can make more active use of compulsory purchase powers to promote development on stalled sites. Additional support will come from the Homes and Communities Agency (HCA), which will take a more proactive role on compulsory purchase.

In recognition that councils are under-resourced, there are plans to allow local authorities to increase planning fees by at least 20% and £25 million of new funding will be made available for “ambitious” authorities in areas of greatest need.

### PLANNING SUPPORT FOR DEVELOPMENT:

The planning policy framework in the White Paper is supportive of higher levels of development by aiming to simplify and speed up planning. Government will also be exploring a new approach to developers’ contribution to infrastructure, expecting more efficient land use through higher density and reviewing space standards.

The document stopped short of making radical changes to the Green Belt with a reiteration of the Conservative’s Manifesto commitment to protect it. But the Paper provided a clear process for local authorities to challenge the planning constraint, if they can demonstrate there is not enough land for development.

### HIGHER EXPECTATIONS OF DEVELOPERS:

Private developers are expected to speed up delivery, engage with communities and invest in their skills base. Timing and pace of delivery will be monitored against Plan targets and there are proposals to require larger housebuilders to publish data on build out rates.

There are proposals to reduce the time required for builders to start work once a permission is granted from three to two years. Where no progress has been made and there is no prospect of completion, there is a proposal to withdraw planning permission for the remainder of the site.

Innovation and modern methods of construction are being encouraged in a drive to support a wider range of developers. Government will encourage a greater diversity of builders, by partnering with SMEs and contractors in the £2bn Accelerated Construction programme and helping smaller companies access finance.



Housing associations are also expected to build a wider range of tenure through an expanded and more flexible Affordable Homes Programme worth £7.1 billion.

Smaller players will also be given a boost by moves to encourage planning authorities and bigger developers to sub-divide large sites.

### SUPPORT FOR A WIDER RANGE OF TENURE:

Gone is the previous government's ambition to deliver 400,000 affordable homes for homeownership during this Parliament. Instead there is an expectation that 200,000 people will be helped onto the housing ladder by a range of schemes such as Help to Buy, shared ownership and starter homes.

There is a recognition that we also need more homes for rent.

The previous target to deliver 200,000 starter homes has disappeared and rules have changed to restrict eligibility. First-time buyers will be required to have a mortgage and subject to the same £80,000 (£90,000 in London) household income cap as those accessing shared ownership schemes. Buyers will also have to repay some or all of the 20% discount if the home is sold within the first 15 years of ownership.

Developers will no longer have to deliver 20% of schemes as starter homes, which would have been detrimental to other forms of affordable housing. But there will be a policy expectation that housing sites will

include a minimum 10% of homes for affordable homeownership.

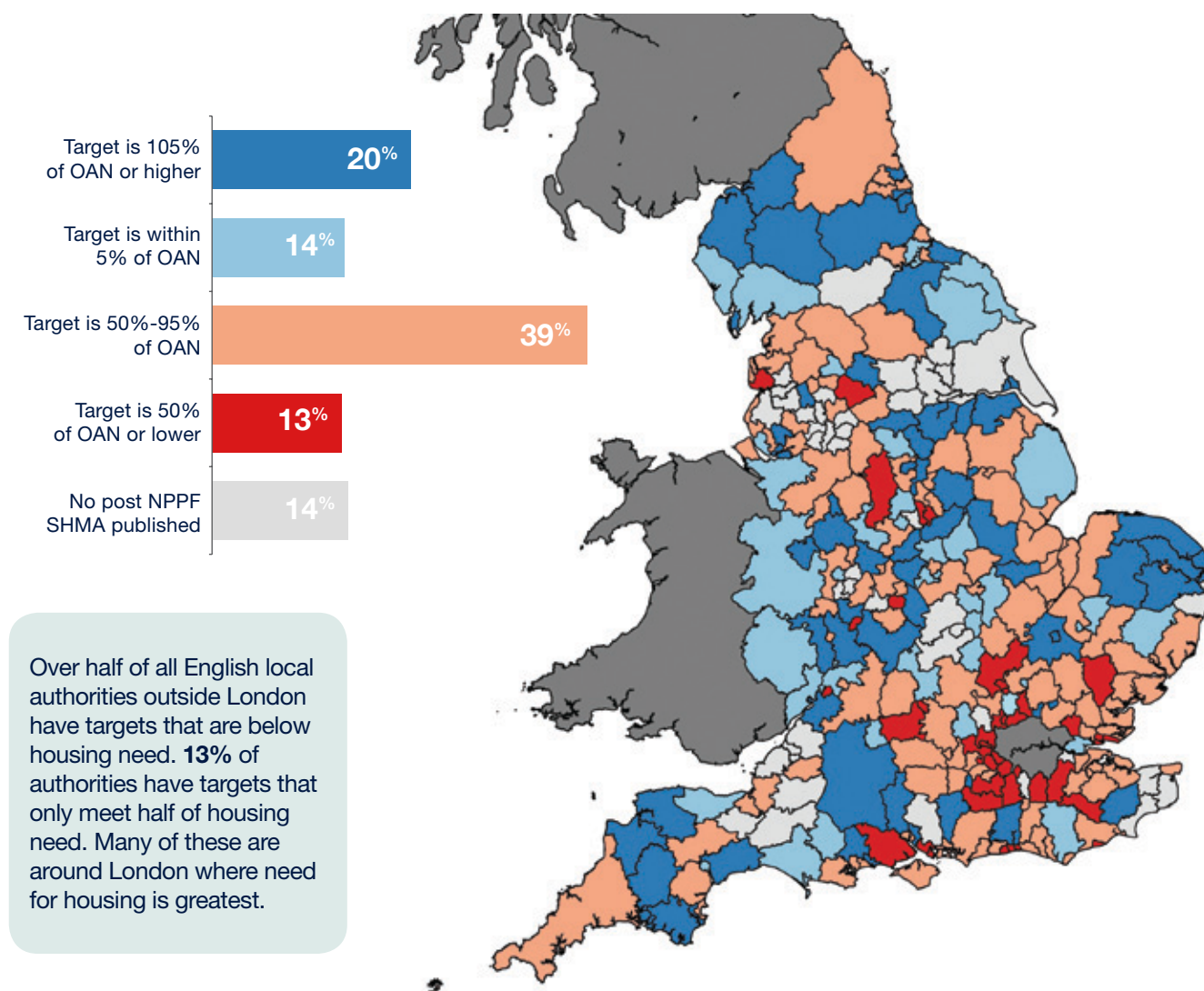
### WILL IT WORK?

The Paper's greatest strength is its multi-pronged coherent approach. It will instigate faster construction by focusing planning consents on build out rates. It will add muscle to the National Planning Policy Framework with more stringent requirements for local plan based on real need.

It will target development around new strategic infrastructure and drive local authorities to look beyond municipal boundaries to deliver joined up thinking. None of this will happen overnight. It quietly takes us in the right direction, rather than delivering a shouting game changer. ■

FIGURE 1

## Do housing targets reflect housing need? Targets vs Objectively Assessed Need (OAN)



Source: Savills Research

## RENTAL MARKET

# COMING OF AGE

*With support in the Housing White Paper, will build to rent finally become the new buy to let?*

Words: Jacqui Daly

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“Build to rent housing has the ability to increase the supply of good quality, well managed rental stock”

Jacqui Daly, Savills Research

.....

**T**he rapid expansion of the private rented sector means it is now worth £1.4 trillion. This is equivalent to approximately five and a half times the gold reserves of the United States, or 45,000 tonnes of bullion for those who prefer to visualise it.

Growth in private individual's investment in residential property was sparked by the arrival of the buy to let mortgage market in 1996. While not quite being as frenzied as the American gold rush of 1848, the amount of stock held by buy to let investors has consistently risen over the past 20 years.

## PRESSURE ON BUY TO LET...

But now those buy to let investors have not only been hit by a succession of tax policies to “level the playing field” with first time buyers, but also face the prospect of mortgage regulation and much tighter lending criteria.

This has tempered investment by

mortgaged buy to let landlords, who have to find a bigger cash deposit to enter the market. Despite a surge prior to the imposition of the additional 3% stamp duty, the number of purchases by this group in the first 11 months of 2016 was 11% down on the same period in 2015. In the month of November they were down a third year on year.

## ...WHERE CASH REMAINS KING

By contrast, it appears that other investors have been more active. In the last quarter of the year, just shy of 63,000 purchasers paid the stamp duty levy on acquisitions of additional homes. They delivered receipts of over half a billion pounds to the Treasury. Without those sums, stamp duty receipts would have fallen by 9% year on year. As it was, they rose by 17%. It seems like the 3% surcharge is here to stay – for the time being at least.

This suggests those paying the levy have been dominated by cash investors (including professional large scale investors that do not use buy to let mortgage finance), together with some second home buyers and homeowners who have bought before they have been able to sell.

Despite the apparent resilience of cash buyers, many housebuilders are reporting slower rates of sale of new homes to buy to let investors, most notably in London. Potentially, build to rent (also known as multifamily) can fill the hole left by buy to let.

▼ The build to rent sector will take time to mature and expand



### PRIVATE RENTED SECTOR

All properties rented from private landlords

### BUY TO LET

Properties bought by private investors to let on the open market (typically divided between those using a mortgage or buying with cash)

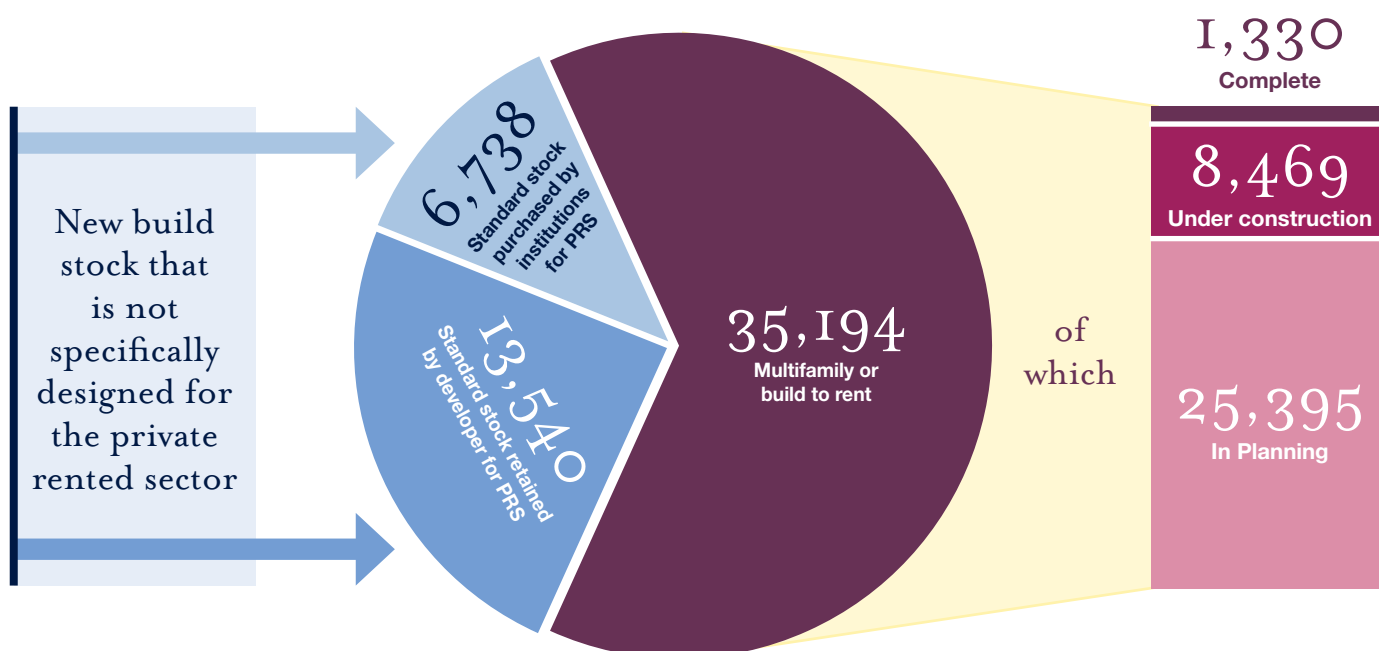
### BUILD TO RENT

(also known as MULTIFAMILY)

Purpose built and designed for the rented sector with a single owner

FIGURE 2

**Private Rented New Build Supply:** over 55,000 units built or in the development pipeline in schemes of 50 units or more



Source: Molior, Glenigan, BPF, Savills

## A PLACE FOR PURPOSE BUILT BUILD TO RENT

Importantly, institutional investment has been given a boost in the Housing White Paper. Local planning authorities will have to proactively plan for units specifically designed for the private rental market where there is an identifiable need.

This comes at a time when institutional investors, who are either buying or developing product for the rental market, are beginning to gain some traction.

To date, just 7,800 homes have been completed for this sector in England and Wales. More than 80% of these were essentially standard residential units. However, another 48,000 homes targeted at institutional investment are currently in the pipeline. Of these, more than 70% will be purpose built.

Currently this pipeline is heavily weighted to London, which accounts for 59% of the existing and potential supply. This should not come as a surprise. It is a sector in its infancy. It will take time to mature and expand. Both UK student housing and the US Multifamily sector took 20 to 25 years to do so. We are in year seven.

## WHY DOES IT MATTER?

Development of this purpose-built rental product has the ability to increase the supply of much needed good quality, well managed rental stock for a generation entering homeownership at later life stages.

It also has the potential to open up a new market for private housebuilding, that has historically been closely linked to (and limited by) underlying transaction levels.

Critically, as shown in our recent paper for the BPF (Unlocking the Benefits and Potential of build to rent), it can kick start and accelerate large housing and mixed-use development schemes.

It appears well suited to offsite construction at a time when the capacity to deliver new houses through traditional housebuilding is under significant pressure. And there is enough institutional capital pointing at build to rent to add 15,000 homes to housing supply every year until 2030.

## BREAKING DOWN THE BARRIERS

Government intervention now holds the key to accelerating its expansion

and unlocking its potential. It has often come second best to homes sold off plan in the open market in the competition for land.

So Multifamily or build to rent needs to be recognised in the planning system. To this end, it needs to be clearly defined so that there is clarity on how proactive planning works in practice.

Then more suitable space standards, car parking requirements and affordable housing contributions can be applied by planners to make schemes deliverable. Here, the Housing White Paper is encouraging and should give the sector a significant boost.

But it would also significantly benefit from a more accommodating tax environment. Specifically, it should be treated sympathetically in terms of stamp duty and VAT.

There is clearly much still to do. But with this support it should be worth its weight in gold to institutions who value a secure income stream, consumers who need more choice and a Government with much clearer ambitions to address the long-term undersupply of housing. ■



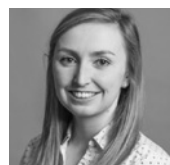
## PRIME MARKET

# A GRADUAL COMEBACK IN CONFIDENCE?

*The prime market has remained sensitive in the wake of stamp duty changes and Brexit but the key to success is all in the pricing*

Words: Gaby Day

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"With realistic pricing feeding into the market we can already see confidence improving"

Gaby Day, Savills Research

.....

**I**n the eight months since Britain's decision to leave the EU we have had a new Prime Minister, a new US President and countless parliamentary debates. But despite this, the uncertainty surrounding how Britain will exit the EU remains just that – uncertain.

The prime residential market has continued to be price sensitive as an effect of this uncertainty. The prospect for economic growth, house price growth and job security for those working in the finance industry has made both buyers and sellers hesitant. As such, there has been little upward pressure on prices.

But the latest data for the UK economy suggests it's not all doom and gloom. According to Oxford Economics, GDP growth for Q4 2016 was above consensus at 0.6%, leaving annual growth at 2.0%. Whilst this was behind 2015's 2.2% growth, it was considerably better than what was predicted in the aftermath of June's referendum.

So will this 'comeback' in confidence feed into the prime markets?

## STAMP DUTY

Since the decision to raise stamp duty rates for higher value properties from December 2014, the prime markets have been battling headwinds. From the 2014 peak of the market we have seen prime properties across all of London fall -5.8%. In the most expensive parts of prime central London values are now -12.5% from their 2014 peak.

The prime country markets have remained more robust, due to more modest price rises and sustained demand, though annual growth has slowed to just 1.8% from the stronger 2.3% seen at the end of 2015.

The subsequent 3% stamp duty levy on 'additional homes' brought in from April 2016 has also restricted the prime market, especially in the capital where these properties have accounted for almost a third of second hand Savills sales over the last two years.

Having said this, overall stamp duty receipts for the year were up 17.3% on 2015, with almost £1 billion raised from the 3% surcharge in the second half of 2016. This suggests the extra tax was beginning to be priced into the market and buy to let investors haven't been completely put off.



2.0% GDP growth in 2016

FIGURE 3 Prime Markets Five-year capital value forecasts

	HISTORICAL ANNUAL			FORECAST ANNUAL					5-YEAR FORECAST
	2014	2015	2016	2017	2018	2019	2020	2021	2017–2021
Prime Central London	-0.4% 	-3.3% 	-6.9% 	0.0% 	0.0% 	8.0% 	5.0% 	6.5% 	21%
Other Prime London	3.3% 	2.3% 	-4.0% 	-1.0% 	0.0% 	6.0% 	4.0% 	5.0% 	15%
Prime Regional Markets	3.2% 	2.3% 	1.8% 	0.5% 	1.0% 	6.0% 	3.5% 	5.0% 	17%

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

## SEEKING VALUE

Factoring in these stamp duty increases has meant buyers are seeking better value for their money, often at the expense of location. Smaller, less expensive property has fared much better over the last year or so, where buyers are looking for this value, but demand has remained for those 'best in class' properties.

With domestic buyers concentrating on value, and the fall in the exchange rate of sterling following the Brexit decision, an opportunity has arisen for international buyers who are willing to take a medium-term view on pricing. In the second half of 2016 we saw international buyers of second hand properties increase slightly across the prime London market, helping to keep transactions moving.

## PRIME RENTS

The prime rental market, both within London and its commuter belt, has also experienced falls over the last year of -5.1% and -0.9% respectively. This is mainly due to high levels of stock on the market as well as weaker corporate demand stemming from the uncertainty surrounding Brexit.

Again, tenants (like buyers) are seeking value for their money and are willing to look further afield to get this. Whilst viewing numbers have remained high, it is the stock that is most appropriately priced and in the best condition that has remained popular.

## WHAT HAPPENS NEXT?

With values softening, appropriate pricing has become the key to

success across both the prime sales and prime rental markets.

In London we are forecasting for rents to fall slightly further and capital values to remain broadly flat over 2017, before both markets pick up again in 2019 when our position over leaving the EU becomes clearer.

Country markets are expected to fare better. These lower value areas have been less affected by stamp duty, and with both buyers and tenants seeking value we may see increased demand as people move out of the capital.

Most importantly, as this realistic pricing begins to feed into the market we can already see confidence improving, with both viewing numbers and transaction levels up. ■



## LONDON TRANSACTIONS

Recent market activity proves the continued appeal of prime London property

More realistic pricing is arguably the reason behind the pick-up seen in transaction volumes in prime central London over the second half of 2016.

Data from LonRes shows that transaction levels for property worth over £1m in the first half of 2016 was -16.6% behind where it was in the first half of 2015. Discounting the rush of investors trying to beat April's stamp duty increase, sentiment around the referendum weighed heavy on the market.

But more realistic pricing, as well as international buyers making a currency play, has triggered a steady rise in the number of £1m+ sales from June. This remained true into January, a traditionally quiet month, where transactions were 14.6% higher than a year previously. This suggests London has got to a point where the pricing is right and trading can continue again.







































































































Source: LonRes

## FORECASTS

# MARKET PREDICTIONS

Five-year capital value forecasts

PRIME	2017		2018		2019		2020		2021		5-year
Central London		0.0%		0.0%		8.0%		5.0%		6.5%	21%
Other Prime London		-1.0%		0.0%		6.0%		4.0%		5.0%	15%
Suburban		-1.0%		1.0%		5.5%		4.0%		6.0%	16%
Inner Commute		1.0%		1.5%		6.5%		4.0%		6.0%	20%
Outer Commute		1.0%		1.5%		6.5%		4.0%		5.0%	19%
Wider South England		1.0%		1.0%		5.5%		3.5%		5.0%	17%
Midlands/North		0.0%		1.0%		5.0%		3.0%		4.0%	14%
Scotland		0.0%		0.0%		4.5%		3.0%		4.0%	12%

MAINSTREAM	2017		2018		2019		2020		2021		5-year
UK		0.0%		2.0%		5.5%		3.0%		2.0%	13%
London		0.0%		3.0%		4.5%		2.0%		1.0%	11%
South East		2.0%		2.0%		6.5%		4.0%		1.5%	17%
East of England		2.5%		2.5%		6.5%		4.0%		2.0%	19%
South West		1.0%		2.0%		6.0%		3.0%		1.5%	14%
East Midlands		0.0%		2.0%		5.5%		3.5%		2.0%	14%
West Midlands		-0.5%		2.0%		5.0%		3.5%		2.0%	13%
North East		-2.5%		1.5%		5.0%		2.0%		3.0%	9%
Yorks & Humber		-2.0%		1.5%		5.0%		2.5%		2.5%	10%
North West		-2.0%		2.0%		5.5%		3.0%		3.0%	12%
Wales		-2.0%		1.5%		5.0%		2.5%		2.5%	10%
Scotland		-2.5%		1.5%		5.0%		2.0%		3.0%	9%

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

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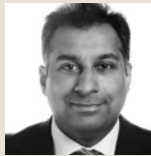
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