

# Spotlight on...

## South Coast Residential Development Sales



House price growth in the South of England is expected to outperform the UK market, but buyers remain quality and price sensitive

The South Coast housing market attracts a number of different types of occupiers, from London commuters flocking to well-connected towns such as Winchester, to downsizers and retirees attracted to the waterside living at Bournemouth and Poole.

Levels of new development across the South Coast, at a Local Authority level, have been highest within Bournemouth and Southampton, with a number of large flatted developments dominating the new

homes sales market over the past five years. The affect of the downturn and difficulties in securing finance for development and eventual purchase, have meant that levels of development have fallen by 49% across the four Local Authority areas.

Winchester has seen the lowest levels of development over the past five years and, as a result, did not suffer from some of the issues of oversupply experienced in other markets such as Southampton, →

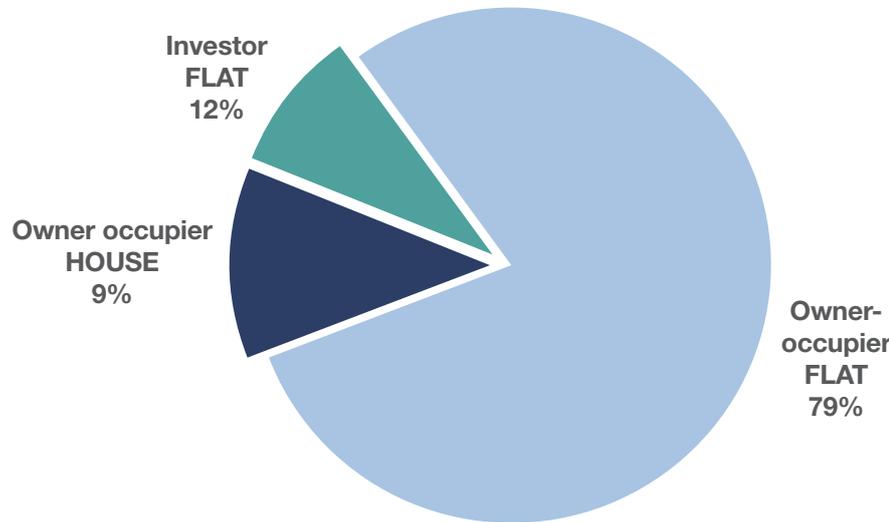
### SUMMARY

#### An overview of the market

- The number of new homes completed on the South Coast has fallen 49% from the peak in 2006/07.
- Those schemes able to offer a combination of views, location and amenities are maintaining rates of sale, with continuing levels of demand.
- The South of England, along with the London market is expected to lead the recovery in house prices over the short to medium term.

GRAPH 1

**Savills purchasers – South Coast** Within this Southern coastal region most purchasing activity is accounted for by owner-occupiers buying flats – this makes up 79% of transactions in the market.



Graph source: Savills Research

→ Poole and Bournemouth. Winchester continues to be the most buoyant new homes market, with both houses and flats selling to owner-occupiers and investors.

Compared with the peak of the market, when investor sales dominated the new homes sector, only 12% of Savills South Coast purchasers over the past 18 months have been investors. With both investors and first-time buyers struggling to obtain affordable mortgage finance, those with equity (often in later life stages) have become an increasingly important market for new homes on the South Coast. It therefore follows, that the schemes that appeal to these types of buyers, have been able to maintain prices and have achieved the highest rates of sale.

Across the South Coast market there are differing sub-markets that appeal to distinct types of purchasers with differing budgets.

**Southampton market**

The sales market in Southampton remains challenging for all but the best-located schemes, and therefore many buyers are remaining cautious, with little urgency to purchase. Schemes that are selling well are attracting buyers through a combination of location, views and

access to good local amenities. These schemes are achieving up to £300 per square foot, with average values across all of the schemes ranging from £200 to £300 per square foot. Buyers on all but the best-located schemes remain price sensitive, being keen to keep purchases at, or below, the stamp duty thresholds.

**Winchester market**

The Winchester market has proved the most robust over the downturn. High demand from the local market, and interest from London commuters, coupled with, what has remained a relatively low supply area, means that demand for new homes in Winchester remains strong.

The house market continues to see the highest level of activity, whilst larger flats are selling to both first-time buyers and the downsizer market. Achieved prices for new-build homes have averaged between £350 and £400 per square foot. Exceptional central Winchester schemes have achieved, on smaller units, prices close to £500 per square foot.

**Bournemouth and Poole**

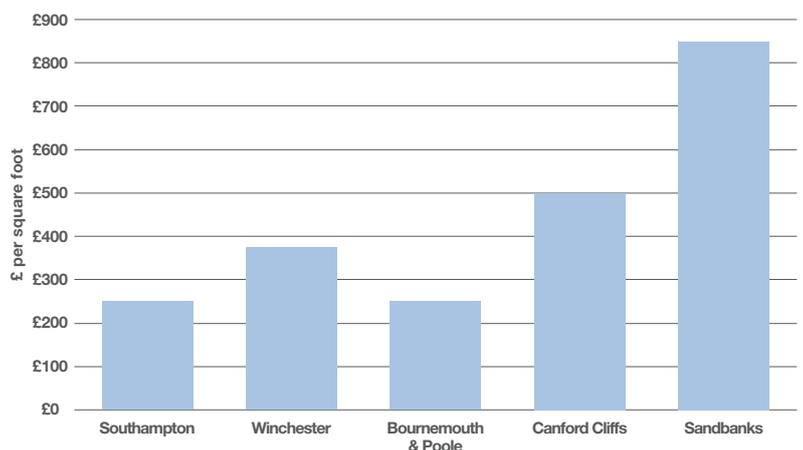
The new-homes market in and around Bournemouth and Poole can be split into two distinct markets: the high-value luxury homes in and around Sandbanks and Canford Cliffs; and the central Bournemouth and Poole markets.

The luxury new-homes market remains very much location driven, with developments also having to be of high quality to attract affluent lifestyle purchasers. Developments in

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 “Exceptional Winchester schemes have achieved, on smaller units, prices close to £500 per sq ft.” Marcus Dixon, Savills Research  
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GRAPH 2

**Average £ per square foot**



Graph source: Savills Research

these areas tend to be small scale (in terms of number of properties), with purchasers predominantly coming from outside of the local area. These buyers are willing to pay in excess of £1,000 per square foot in order to buy the right property. Whilst these purchases are significant in terms of price, this type of new development accounts for only a small proportion of new homes sales within the wider market.

New development across Bournemouth and Poole is dominated by more urban flatted schemes. These areas have experienced high levels of new supply over the past five years, with an average of almost 1,700 new homes per annum delivered into the Bournemouth and Poole housing market. Prices in the area average £260 to £270 per square foot.

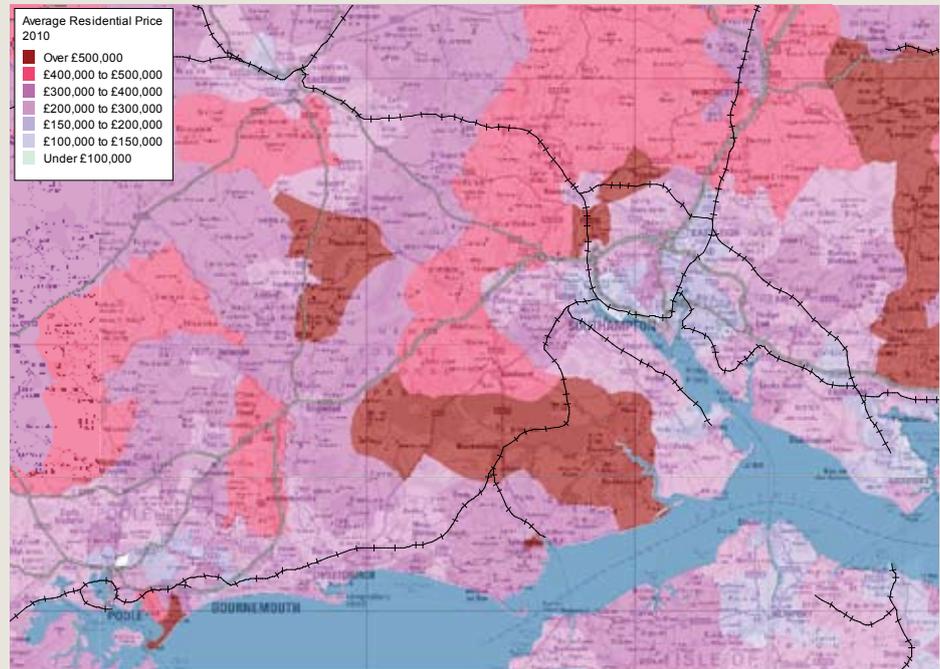
With a number of competing schemes being built out in recent years, buyers have become more demanding in terms of location, types of property and specification. This has been exacerbated by the difficulties facing the first-time buyers and investor purchaser, with equity-rich and more discretionary purchasers being the buyers able to transact. Schemes that have sold well have been able to successfully tap into this market.

Looking ahead, whilst Bournemouth and Poole have potentially the highest supply pipeline, we expect that a number of these proposed developments will need to be re-planned or indeed may change their use to appeal to a changing new-homes market post downturn. This trend has been particularly noticeable within Bournemouth, where demand for hotel accommodation has resulted in residential permissions being converted to hotel permissions.

### Market indicators

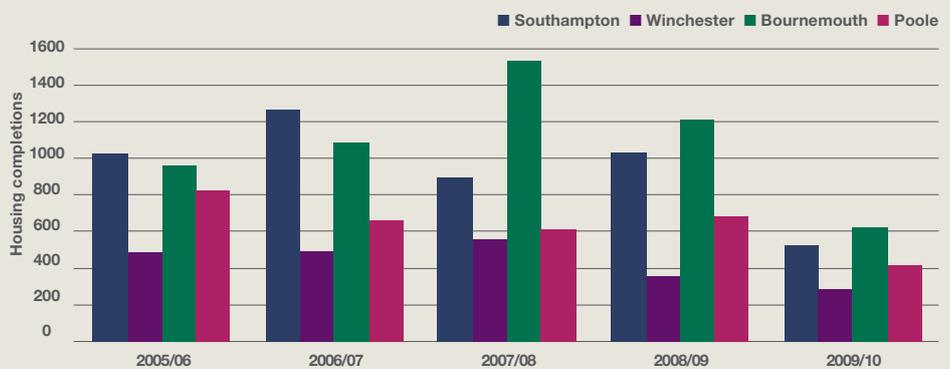
Across the South Coast there are some significant price variations, with house-price hotspots in Winchester, the New Forest and the high-value areas surrounding Poole Harbour. These markets have, so far, led the recovery in house prices and are expected to continue to lead in the short to medium term. ➔

MAP 1 Average house prices in the South Coast



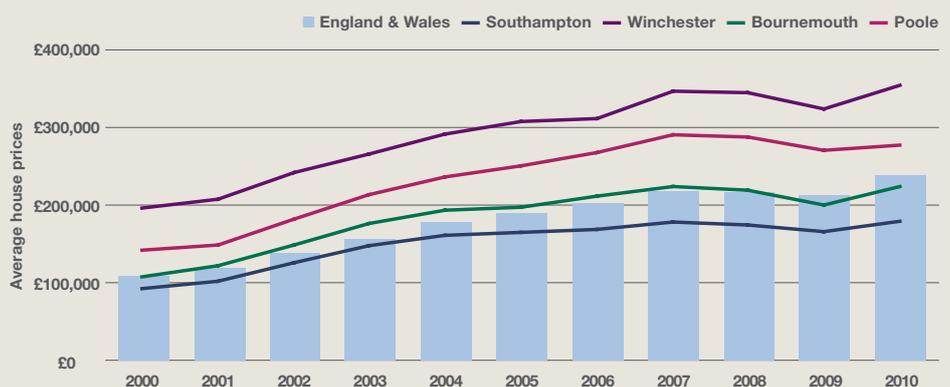
Data source: HM Land Registry

GRAPH 3 Local authority level housing completions



Graph source: Council Annual Monitoring Reports

GRAPH 4 House price growth



Graph source: HM Land Registry

→ Over the course of the downturn, the Winchester employment market has proved the most resilient, with employment levels expected to exceed peak numbers in 2012. Looking ahead Winchester is expected to see employment growth. Bournemouth and Southampton have seen far more significant levels of job losses and are forecast to see more subdued levels of employment growth over the next five years. ■

“Developers need to maximise the suitability of their schemes to tap into this lucrative sector of the housing market” Marcus Dixon

## OUTLOOK

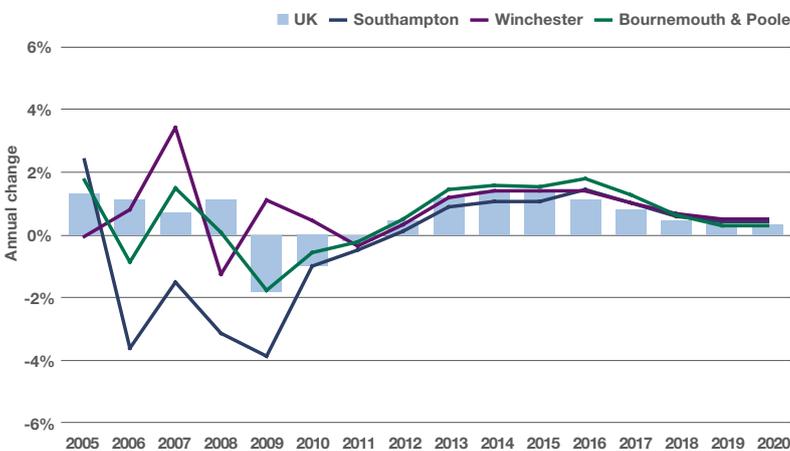
### Key findings in this document

■ The South of England is expected to see the strongest levels of house price growth over the next five years with prices forecast to rise by between 18% and 26% by 2015.

■ We expect that difficulties in accessing mortgage finance will continue to limit first time buyer and investor activity within the housing market, those who can transact continue to be those who have accumulated equity in their previous properties.

■ Looking ahead it will be vital for developers to tap into the family housing market, as well as building stock to appeal to equity rich downsizers and retirees. With these types of buyers already attracted to living on the South Coast, developers will need to maximise the suitability and attractiveness of their schemes to tap into this lucrative sector of the housing market.

GRAPH 5 **Employment growth & growth forecasts Winchester** proved to be the most resilient during the downturn



Graph source: Oxford Economics

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