

Prime country residential

Market summary

Values of prime housing outside of London have shown little movement during the past year, with prices edging down by 0.2% during both the past three and the past 12 months.

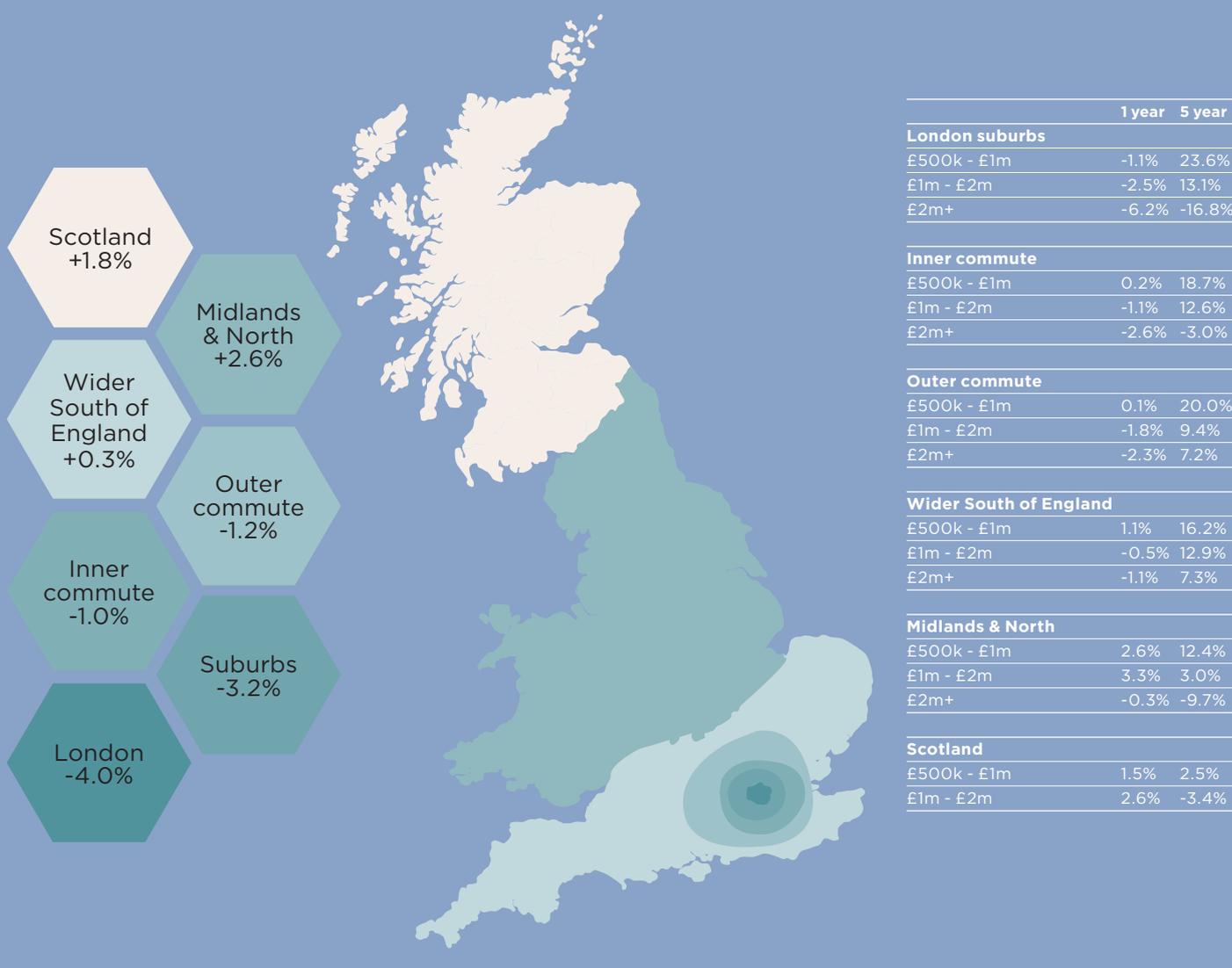
However, this average figure disguises the fact that modest price rises across the Midlands, the North and Scotland have offset price adjustments in the commuter zone, as the weakness evident in London's prime housing markets has filtered further afield.

Price matters

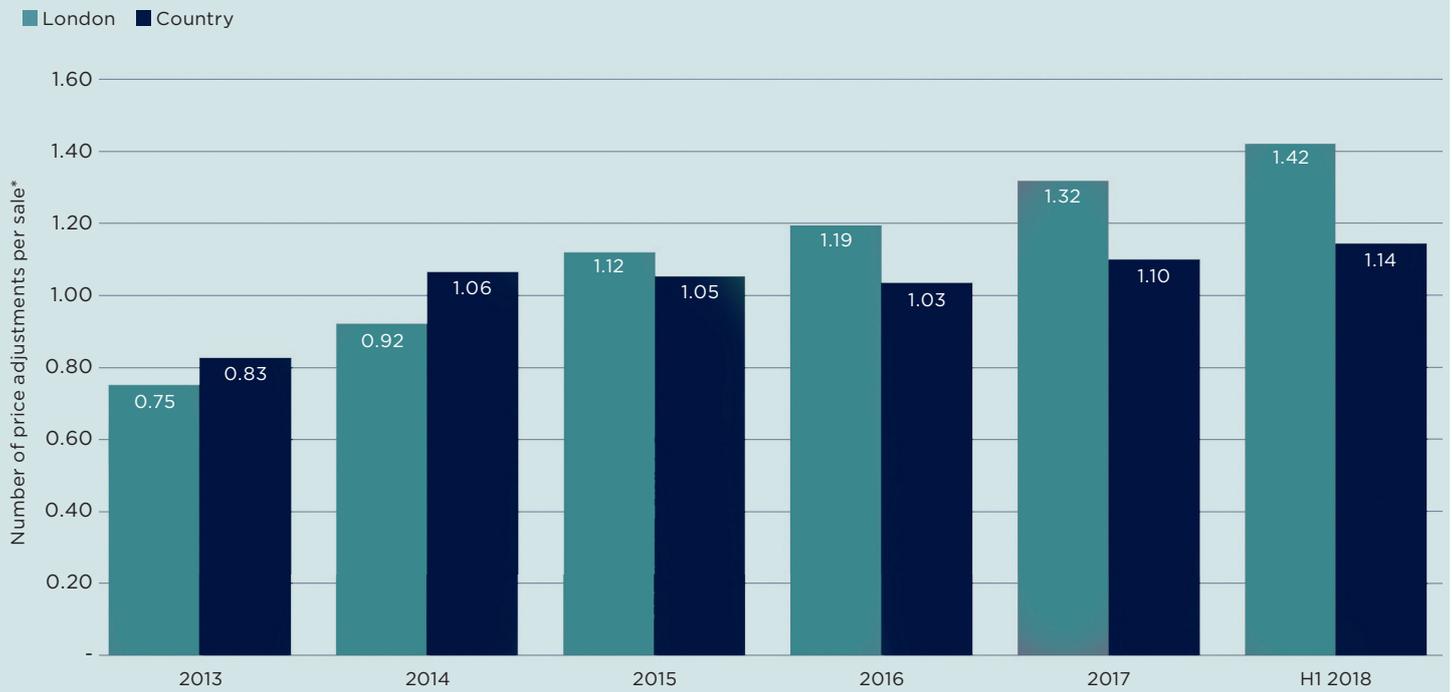
All markets are price sensitive, though the market for prime properties in the £500,000 to £1 million market (and for below £500,000 in lower-value parts of the country) has been most robust.

The fragile nature of the market above £2 million has been most evident in the suburban markets, typified by Elmbridge in Surrey and Loughton in Essex. Here, the

Annual price movements to June 2018 Prime properties in Scotland, the Midlands and the North show annual price rises. Across the UK, the market for properties up to £1 million has been most robust



Pragmatism on pricing is vital to achieve a sale There has been a gradual increase in the number of price adjustments to align buyer and seller expectations and achieve sales, but not to the same extent as in London



Source Savills Research Note *Savills sales

knockdown and rebuild market continues to be hampered by the increases in stamp duty that were introduced in 2014. Values in this price bracket have fallen by an average of 16.8% during the past five years. Across the rest of the country, the price of more traditional £2 million-plus properties has increased by 2.7%.

Not so hot in the city

One of the key features of the market during the past five years has been the high performance of prime properties in the most desirable town and city locations – fuelled by growing demand for high-quality urban living.

However, this only continues to be the case in Scotland. In Edinburgh and Glasgow, for example, the price of prime housing stock has risen by 7.5% and 2.5% respectively in the past year. And transactions have similarly increased. In the year to March 2018, there were more than 5,000 transactions above £400,000 across Scotland, the highest ever level at this price point.

By contrast, during the past year, we have seen prices soften for prime properties in cities such as Cambridge, Bath, Winchester, and Bristol. This is after five years of robust price growth.

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Drivers and outlook

The performance of the prime regional housing markets reflects the caution across the UK housing market, given the economic and political backdrop, and the prospect of future interest rate rises. The burden of stamp duty and lack of impetus from a weak prime London housing market has also contributed to relatively muted price growth.

Properties continue to sell where they are priced according to market conditions. We have seen the level of price adjustments in the country increase gradually since 2013, although not to the same degree as within London (see chart above).

As ever, the key to a successful sale is in generating competitive bidding. Around one-third of Savills sales in the regional markets still receive offers from three or more bidding parties, outperforming London by some 10%. Yet there is still a need for vendors to remain flexible on pricing to generate interest.

We expect a continuation of these market conditions over the next 12-18 months until Brexit uncertainty clears. After that, the strength of any price growth will be dictated by the economic impact of the final deal struck with Brussels and the pace at which interest rates are edged upwards.

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