

# Prime Regional Residential



St Patricks, Winchester  
£2,250,000

## Market monitor

Key statistics for the prime market



**17,000**

Number of £1m+ agreed sales during 2020 outside London; 48% higher than 2019\*



**17.9%**

The difference in the price movement of prime property between urban and surrounding areas since the peak of 2007/08, leaving country properties looking comparatively good value



**3.8%**

Q4 growth in Winchester prime values. This was supported by supply constraints and offset a sharp price drop in early 2020

Source Savills Research and \*TwentyCi

## Committed movers support market

We have witnessed an extraordinary 12 months in prime residential markets outside London as the pandemic has boosted demand for larger homes with gardens and space to work.

The number of buyers registering with Savills and viewing properties outside London increased by 51% and 27% respectively compared with 2019. This led to a surge of activity, particularly at the top end, with sales of properties at £1 million and above increasing by 48% last year compared with 2019, outperforming the wider market, according to data provider TwentyCi.

Despite the rise in agreed sales, price growth has remained relatively modest. That said, the 3.6% annual growth in

regional prime values at the end of last year was the highest since September 2014 and slightly above our forecast of 3.0%.

Looking ahead, ongoing Covid-19 restrictions are likely to reaffirm the changed housing priorities among those with the financial security to be able to move. However, it will remain a price sensitive market given the uncertain economic backdrop.

Over the past three months, we have seen an alignment in buyer and seller expectations, and this will need to remain in place for ongoing demand to translate into transactional activity in 2021. But we expect supply constraints to lift prices in particularly desirable hotspots, with good quality and appropriately priced properties continuing to receive competitive bids and interest from London buyers.

### Prime regional price movements

	London suburbs*	London's inner commute**	London's outer commute†	Wider South	Midlands and North	Scotland	All prime regional
<b>Quarterly growth</b>	0.3%	1.1%	1.0%	1.3%	1.2%	1.7%	<b>1.1%</b>
<b>Annual growth</b>	3.9%	3.1%	2.7%	4.6%	2.3%	4.7%	<b>3.6%</b>
<b>Since peak of 2007/08</b>	12.2%	11.4%	8.8%	0.2%	-6.2%	-12.7%	<b>2.5%</b>

Note \*Within the M25 \*\*Within a 30-minute commute †Within a one-hour commute. Price movements to December 2020 Source Savills Research

## Rural relocation drives strong values

The standout performers of 2020 were the ultimate lifestyle and second home locations. These include properties in the £2 million-plus country house market. After many years of underperforming the wider prime regional markets, this rarefied segment saw year-on-year values rise by 5.5%, its strongest performance since 2010, with the Cotswolds, Scotland and the South of England outperforming.

Similarly, demand and competition for prime coastal properties remained intense in 2020, both from second home buyers and families seeking a lifestyle relocation. Here, prime values increased annually by 5.6%, with Devon, Cornwall and Norfolk all proving popular destinations.

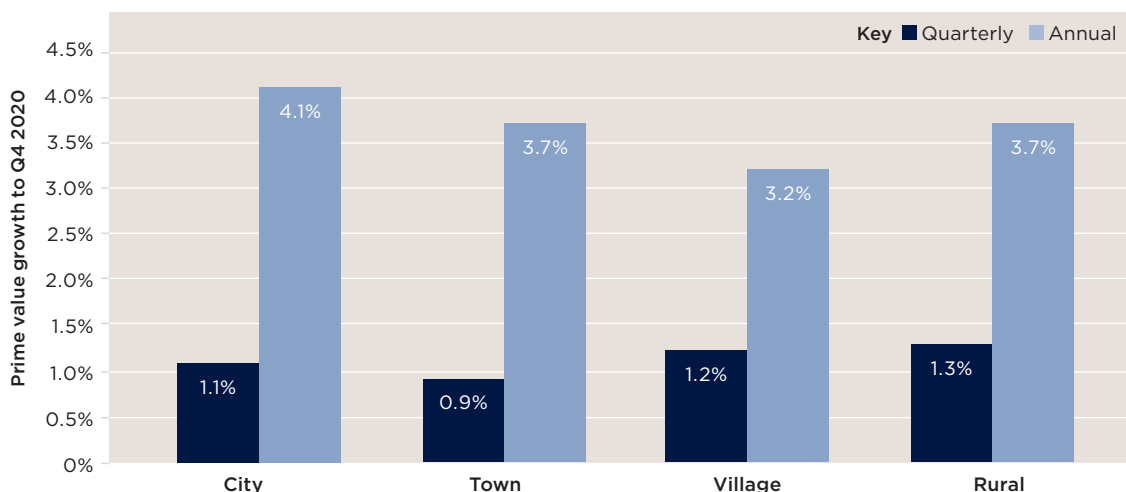
Commuter locations within easy reach of London also ended the year on a high, with prime values rising by 2.9%, led by Chelmsford, Reigate and Henley. Further afield in Norwich and Salisbury,

prime values rose 7.1% and 2.4% respectively, having remained subdued for most of 2020.

Meanwhile, market strength continues to spread into country areas surrounding traditional city hotspots, most notably around Edinburgh and York where year-on-year prime value growth was 6.6% and 6.0% respectively.

While demand for village and country locations remains strong as a result of the pandemic, this has not resulted in any divergence between urban or rural locations. In fact, while prime values in villages rose year-on-year by 3.2%, regional city values increased by a marginally higher 4.1%. This suggests that buyers still value the amenity and connectivity on offer in key regional cities. It also chimes with our recent survey of more than 1,300 prospective buyers and sellers which revealed that 55% of those in towns or cities would like to remain in an urban area.

### City demand Buyers still value the amenity and connectivity of key urban areas



Source Savills Research

### OUTLOOK

While the prime regional market in the short term will be boosted by attempts to beat the end of the stamp duty holiday, our survey of buyers and sellers showed that the majority of respondents had decided to move either before the pandemic or during the first lockdown. Decisions were made before the stamp duty holiday was announced, so we do not consider a failure to move prior to 31 March as a major

factor for the prime market. Nevertheless, the economic effects of the pandemic around this time could result in a lull in activity during the middle of the year.

However, the underlying commitment to moving home is expected to remain strong over the course of 2021 for two reasons. First, further lockdown restrictions will provide an urgency to those searching for a lifestyle change and a better work/life balance.

Second, confidence will be boosted due to the release of Covid-19 vaccines. Our survey indicated buyer and seller commitment to moving over the next 12 months would be supported as a result of the vaccination programme.

The prime regional market has relied heavily on pragmatism on the part of buyers and sellers, suggesting that despite robust levels of demand, the price sensitivity we

have seen in 2020 will continue to be a factor in 2021. At some point this year, we could also see the beginning of the end of the work from home experiment as people return to offices on a more frequent basis. That is likely to result in less urgency to upsize or relocate to village and rural areas. The relative value gap on offer will therefore be crucial to ensure the renewed interest in country living remains more than just a lifestyle choice.

## Savills team

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