MARKET IN MINUTES
Savills Research

UK Residential – Q2 2020

Prime Regional Residential

savills

Bowles Farm Cottages, Buckinghamshire, £2,000,000

Pent-up demand fuels recovery

Our latest analysis of prime residential markets outside London comes amid a recovery in activity since the reopening of the market in England. The pent-up demand is translating into new instructions, deals agreed and contracts exchanged. But despite the upturn, the market remains price sensitive against an uncertain economy. This is reflected in the lack of movement in prime values in the three months to the end of June this year.

Changing buyer needs as a result of the lockdown are affecting the interest for different types of properties and locations, with a renewed appetite for space. Consequently, accessible village and countryside locations, where prices have lagged behind their urban counterparts in the past decade, have seen a significant uptick in demand, particularly from London-based buyers. While good schools are often a driving factor across regional markets, more garden and outdoor areas – as well as homes with a separate space to work – are currently top of buyer wish lists.

Our April sentiment survey suggested prospective buyers in the prime markets were more committed to moving in the next 12-24 months; however, the recent opening of the English market has shown they're looking to move much sooner. This is particularly relevant for London buyers who are considering regional markets. Given the recent upswing in activity, some sellers might be tempted to harden their price expectations, but it's important they exercise pragmatism as buyers are likely to factor current economic conditions into their offers.

Demand monitor

Key statistics for the prime market

48%
Growth in Savills regional viewing numbers in June 2020 compared to the 12 months to March 2020

35%
Increase in London-based buyers viewing outside the capital in June 2020 compared to pre-Covid-19 levels

2.8%
Quarterly growth in Rickmansworth prime values – the highest in the country

Source Savills Research

Prime regional price movements

	London suburbs*	London's inner commute**	London's outer commute†	Wider South	Midlands and North	Scotland	**All prime regional**
Quarterly growth	0.1%	-0.3%	0.4%	0.0%	0.0%	0.0%	**0.0%**
Annual growth	2.3%	-0.3%	0.2%	0.9%	0.0%	1.4%	**0.6%**
5-year growth	-1.9%	1.1%	3.2%	5.4%	5.7%	8.6%	**3.7%**

Note *Within the M25 **Within a 30-minute commute †Within a one-hour commute. Price movements to 15 June 2020 **Source** Savills Research

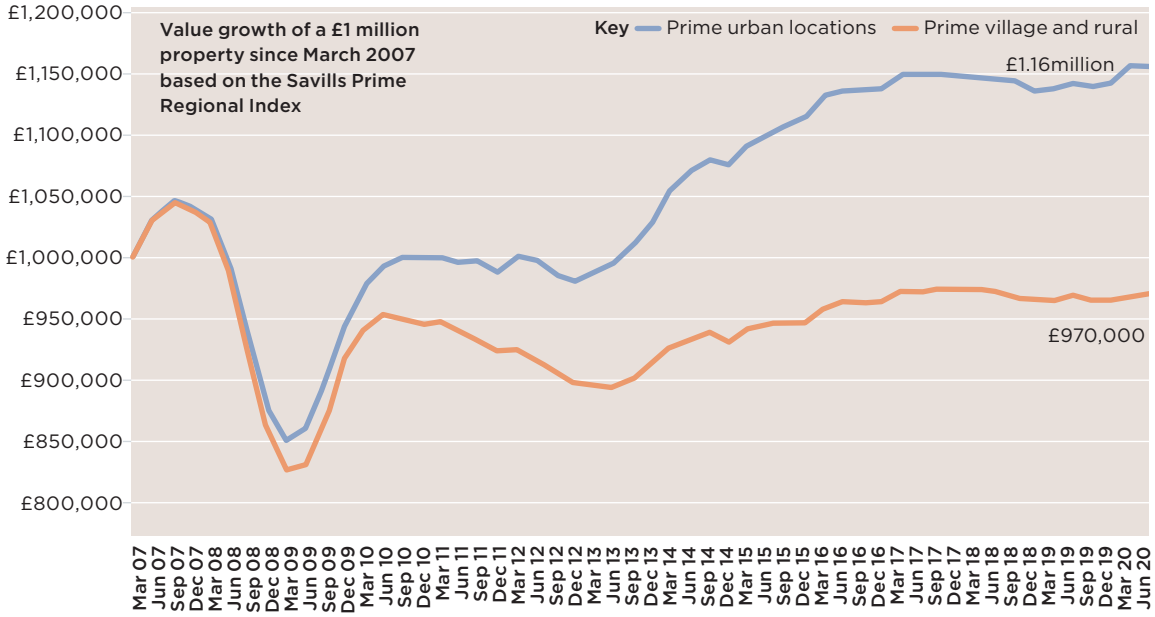
Regional hotspots attract high demand

While overall there was no discernible change in values in the quarter, locations that have bucked the trend include those within easy reach of London, such as Rickmansworth, Sunningdale, Henley, Cambridge and Winchester. London's suburbs and commuter areas have witnessed a higher level of committed buyers compared to the period before lockdown, with a strong interest not only in attainable properties below £1 million but also at the top end above £2 million.

Elsewhere, demand from London buyers looking for main or second homes has strengthened in the coastal hotspots of the South West and East Anglia. Improved confidence has also supported the markets across the Midlands and North of England, most notably in Chester and Nottingham, with surrounding village and country locations experiencing a significant increase in activity. Easing the lockdown restrictions in Scotland has come slightly later; however, deals, viewings and valuations have continued remotely. Prior to the pandemic, Scotland had seen record market activity, with demand outstripping supply.

The price gap between properties in urban and surrounding areas is beginning to narrow, as buyers rediscover the virtues of country living. The value on offer is most noticeable in the country house market above £2 million where values rose slightly in this quarter, led by the Cotswolds (2.0%) as well as Essex and Suffolk in the East (1.2%). In this particular submarket, values are 21.4% below the peak of 2007.

A value gap has enabled a recovery in buyer demand across countryside locations



Source Savills Research

OUTLOOK

Despite the Chancellor's recent announcement of a partial stamp duty holiday, appropriate pricing is key to sustaining current momentum, particularly given the prevailing economic uncertainty, which we expect to slow the market in the latter part of the year before a more sustained pickup as concerns around Covid-19 and Brexit begin to ease.

Looking ahead, the fundamentals of prime demand will remain sound over the medium term, albeit with some changes in buyer behaviour. A softening in prices in this market is likely to create a compelling buying opportunity which should underpin a long-term recovery.

Prime market forecasts

	2020	2021	2022	2023	2024	5-year compound growth
Prime Regional	-2.0%	5.0%	6.0%	3.5%	2.5%	15.7%

Note These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate **Source** Savills Research

Definition of prime property This market consists of the most desirable and aspirational property by location, aesthetics, standards of accommodation and value. Typically, it comprises properties in the top 5% of the market by house price.

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