

# Prime Country Residential



## Facing up to the headwinds

Against a backdrop of heightened political uncertainty and fragile consumer confidence, prices in the prime regional and country house markets in the south of England and Wales declined marginally in the first quarter of 2019. However, the market has held up better than might have been expected given the strength of the headwinds that the market has faced, with annual price falls confined to less than 2% across this broad area.

Small increases in prices were seen in the markets of the Midlands and the North, with the city market of Edinburgh the star performer, showing annual price rises of 7.4%.

Our agents report that the lack of certainty around what the post-Brexit market will look like remains the biggest single constraint on the market, contributing to a lack of urgency among certain groups of buyers. This has also contributed to a lack of stock being brought to the market and a widening gap between buyer and seller expectation that has made it more difficult to put chains together.

Yet there remains a market for well-priced stock among a group of pragmatic buyers who take a long-term view of the market and sense an opportunity to trade in a less competitive environment.

### Price monitor

Annual price movements for prime residential property to March 2019



Prime London



Home Counties suburbs



Short London commute\*



Longer London commute\*\*



Wider South of England and Wales



Midlands and North



Scotland

Source Savills Research

Price movements in the prime market Prices remain constricted by uncertainty



Source Savills Research

### Change in new applicant registrations (Q1 2019 v Q1 2018) Increasing interest in the market below £1m

	Home Counties suburbs	Short London commute*	Longer London commute**	Wider South of England and Wales	Midlands and North	Scotland
<b>Less than £1 million</b>	31%	25%	35%	22%	10%	19%
<b>More than £1 million</b>	-3%	2%	9%	1%	-12%	-5%
<b>All</b>	<b>10%</b>	<b>13%</b>	<b>23%</b>	<b>14%</b>	<b>5%</b>	<b>15%</b>

Source Savills Research Note \*Within a 30-minute commute \*\*Within a one-hour commute

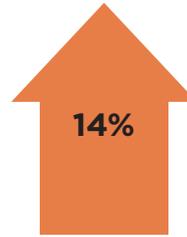
**LATENT DEMAND AND THE IMPACT OF TAXATION**

In the market below £1m, we have seen an increase in buyer registrations, which were 20% higher in the first quarter of 2019 compared with the same three months of the preceding year. Over £1m, buyer enquiries were largely on a par with last year (+2%). That points to a healthy pool of latent demand among buyers, despite the Brexit quagmire.

This endorses our agents' view that stamp duty, while contributing to the underlying caution among

buyers, is far less of an issue for the bulk of the prime market, having largely been priced into the market prior to the EU referendum.

As in Scotland, where the Land and Buildings Transaction Tax (LBTT) has an even greater impact, the effect has been to make buyers take a longer-term view of ownership, restricting demand from those with a shorter planned period of ownership.



The percentage increase in new applicants across the market in the first quarter of 2019, compared with the same period last year.

**Savills team**

Please contact us for further information

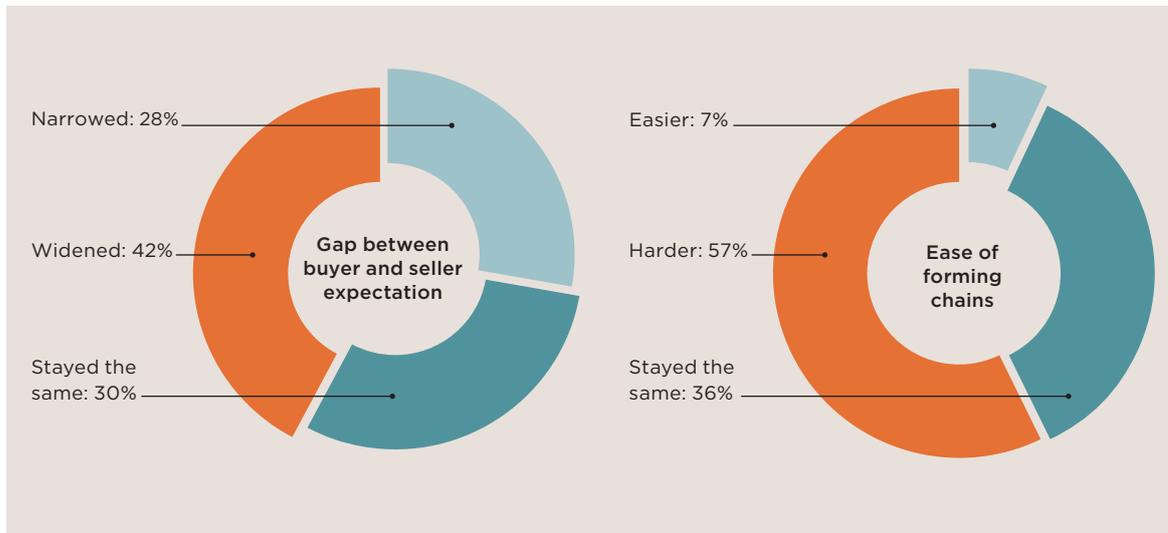
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**Key indicators of a price-sensitive market** Agents' opinions in the first quarter of 2019



Source Savills Research

“Increasing enquiries suggest a healthy pool of latent demand among buyers, despite the Brexit quagmire”

**VALUE AT THE TOP END**

In the market over £2m, average prices are now 6.4% lower than they were at the time of the EU referendum, with prices for large country houses still on average 21% below where they were in 2007.

Even in the hotspots of the Home Counties and the Cotswolds, prices in this particular sector of the market are below this previous high water mark (though not by the same degree). In the private estates of St George's Hill and Wentworth, prices have fallen 6.7% in the past year, though such re-pricing appears to have resulted in an increased level of activity as buyers and developers see value in that market.

**OUTLOOK**

Whichever way the Brexit pendulum swings, and whatever the fundamentals of demand that underpin the prime housing markets, it will be some time before we have a clear understanding of what lies ahead – both politically and economically. On the plus side, few on either side of the negotiating table relish the prospect of the no-deal Brexit that is widely considered to carry the greatest risk to the economy. While anything that brings greater certainty is likely to improve market conditions, we expect the market to remain price sensitive over the remainder of the year.

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