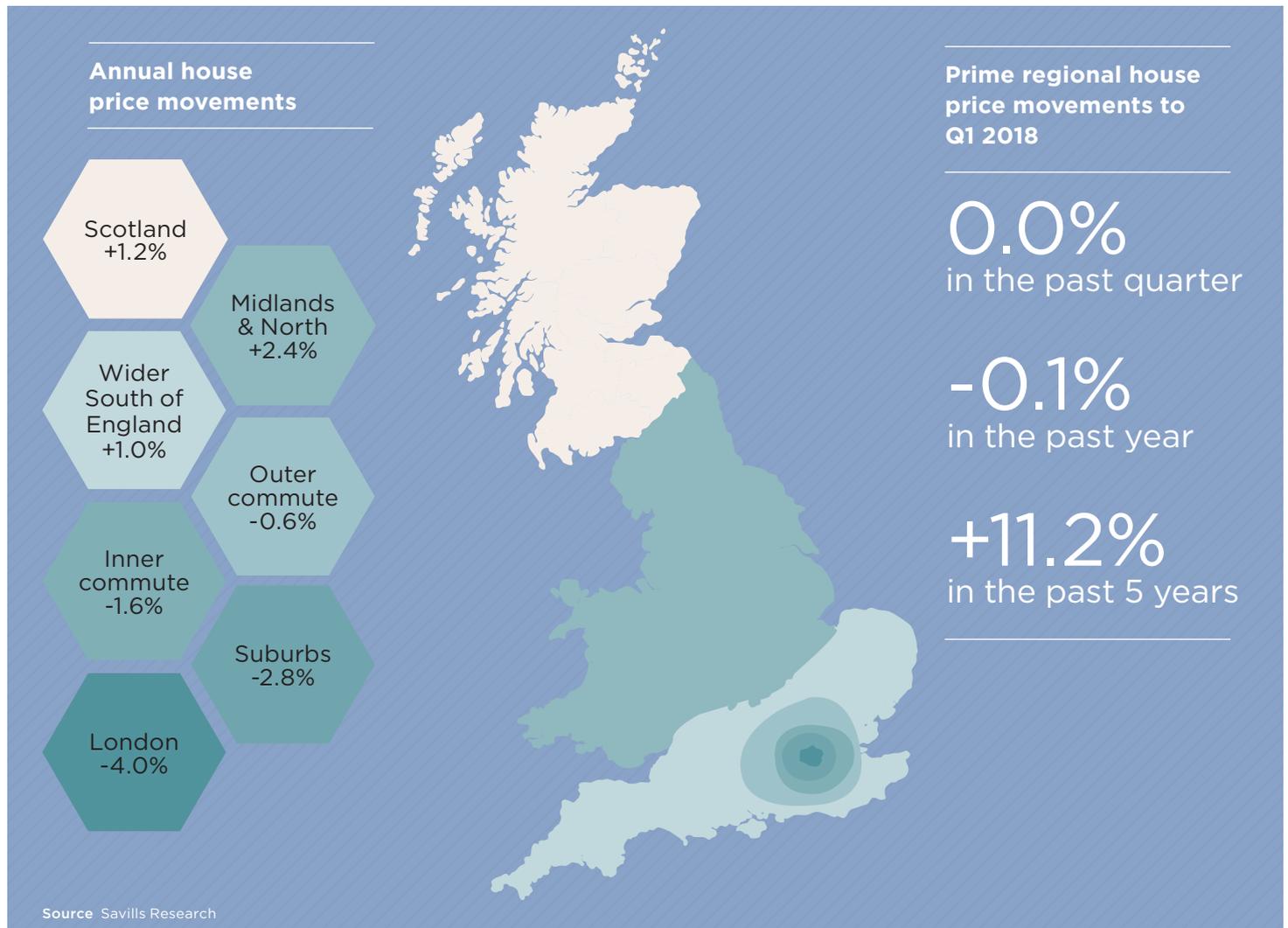


Prime country residential markets



Static figures conceal pockets of stronger activity

On average, prices in the prime country residential markets remained flat during the first quarter of 2018, with a fall of 0.1% over the year. However, this figure masks regional variations.

Political and economic uncertainty, together with the prospect of gradually increasing interest rates, have meant both a lack of urgency among buyers and low levels of stock being brought to the market by sellers. Generally, that means there has been no significant imbalance between supply and demand to drive prices in either direction.

Yet some areas have had stronger activity and there are instances of competitive bidding for the best properties in the best locations.

Regional differences

The highest level of annual price growth was in the prime markets of the Midlands and the North, though this has

“Prime markets in Edinburgh and Glasgow have arguably had their best market conditions for 10 years”

been contained at just 2.4% per annum. The markets across Scotland and the areas of the South of England that sit beyond the capital’s commuter zone, have also maintained small value increases.

In Scotland, the prime housing markets of Edinburgh and Glasgow have been relatively buoyant – arguably, they have had their best market conditions for 10 years.

By contrast, prime housing in the London commuter zone has witnessed small annual price falls. The weakness in London’s prime housing markets has limited the flow of equity coming out of the capital, and, in turn, has curbed enthusiasm among other buyer groups.

As a consequence, in London suburbs such as Northwood and Cobham, prices have fallen by 2.8% over the past year. In markets within a half-hour commute of London, such as Guildford and Harpenden, there has been a fall of 1.6%.

Here, the market above £2 million has become particularly price sensitive, given the ongoing impact of high stamp duty.

Mirroring the mainstream

These prime market trends mirror the mainstream market. The RICS UK Residential Market Survey indicates subdued levels of new-buyer enquiries and new instructions coming to the market, while Nationwide put annual house price growth across the UK at just 2.5% at the end of March.

The flight to quality

Because of these market conditions, buyers are choosing to be particular, creating a disparity between those best-in-class properties, and the rest. So, perhaps more than ever, an individual property’s attributes can be as important as its location in determining marketability.

In the prime markets, we are seeing higher demand for more traditional stock. Prime period homes across the country have had sustained, albeit marginal, price growth.

Meanwhile, in urban areas – where prices of prime properties have risen by 16% during the past five years – access to transport, amenities and good schools remain as crucial as ever.

Pricing strategy

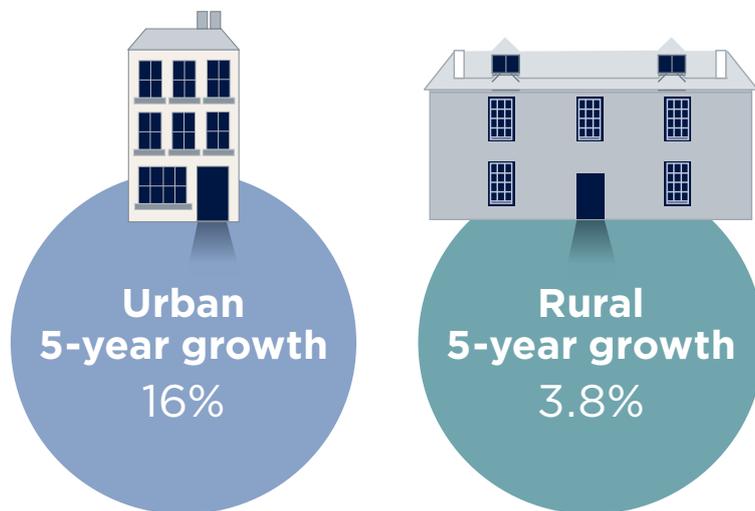
Though the need for realistic pricing is an often-quoted mantra, this has become increasingly important to achieving a successful sale during the past 12 months.

Relatively flat conditions mean there is little prospect of the market catching up with ambitious sellers’ price expectations. Instead, it has increasingly become the norm for sellers’ expectations to have to be re-aligned to the realities of the market.

And there is good evidence that where properties are priced according to market conditions, transactions are proceeding. Figures from TwentyCi suggest that the number of agreed sales for properties worth more than £1 million were higher in the first quarter of 2018 than in the first three months of either of the two preceding years.

Urban expansion

Prime properties in towns and cities have outperformed their counterparts in rural locations over the past five years



Source Savills Research

Outlook

Over the next two years, we expect the market to remain price sensitive. While negotiations have progressed, the uncertainty surrounding our exit from the EU is likely to continue to subdue sentiment from both buyers and vendors.

We expect buyers to remain cautious in the short term as interest rates start to rise.

However, by 2020, we believe there will be greater clarity on the UK’s global position post-Brexit. This is likely to bring a degree of confidence back to the market.

In the meantime, there still remains the opportunity for buyers to lock into a low interest rate and take a longer-term view on price growth.

Prime country forecast We expect house price growth to be subdued in the short term

	2018	2019	2020	2021	2022	5-year compound growth
Prime country	0.5%	1.0%	4.0%	4.0%	3.5%	13.6%

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

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