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Savills World Research
UK Residential

Spotlight
**Savills York and Darlington
Residential Offices**

2016



Market overview

WELL CONNECTED

The urban markets remain strong but demand has rippled out to the commuter villages

Price growth across the local authority of York has significantly outperformed the rest of Yorkshire since the credit crunch. In the prime housing markets, average values in York city centre are now 13.4% above their 2007 peak.

The strong growth in the city centre highlights a continuing trend seen across the UK. Attractive towns and cities that are well connected, have a core of good quality family housing and a choice of high-performing schools have become the focus of a widening profile of affluent buyers. York ticks all these boxes and more.

By contrast, as soon as you move outside of York to the surrounding villages and countryside, prime values are still on average -18.8% below this

level. However, signs of recovery can be seen in these markets as prices rose 2.1% in Q1 2016, the strongest quarterly growth since 2009. This is being driven by increased positive sentiment and a number of buyers who have been looking for a long time committing to buying.

In Darlington, the housing market has yet to see prices recover since the 2008 credit crunch as local buyers remain price conscious. On average prices are -23.6% below their 2007 peak, in line with the average for the north east. Over the past year further price falls of -1.9% were seen. However, locations such as central Darlington and Middleton St George have completely bucked this trend, seeing nearly 25% growth over the past five years.

Average values

In the 15 months to March 2016, the average sale price across the local authority of York, which includes the city but stretches from Strensall in the north to Copmanthorpe in the south, was £243k, according to Land Registry records. This is 43% higher than the region average of £170k for Yorkshire and the Humber.

The most expensive areas are the wards of Derwent to the east of the city, which covers the village of Dunnington, and Rural West York, containing Upper and Nether Poppleton, which saw average sale prices of £322k and £312k respectively.

Across North Yorkshire, the average sale price was £217k. High value locations within the county include Harrogate and the Howardian Hills, the latter of which had an average sale price of just under £360k, two thirds higher than the county average. On the coast, the highest value village is Scalby, which had an average sale price of £238k.



In comparison to York, the average sale price in Darlington was £148k in the 15 months to March 2016, in line with the average for the north east. The most expensive areas are to the south west of the town centre, with Blackwell (the ward of Park West) having an average sale price of £278k and Hummersknott an average sale price of £246k.

Demand

Over the last five years, local buyers from Yorkshire and the Humber have consistently accounted for three-quarters of prime purchases in York,

its commuter villages and the Howardian Hills. However, over the past two years, the buyers from outside the region have moved from a wider range of locations, rather than the predominance from London seen previously.

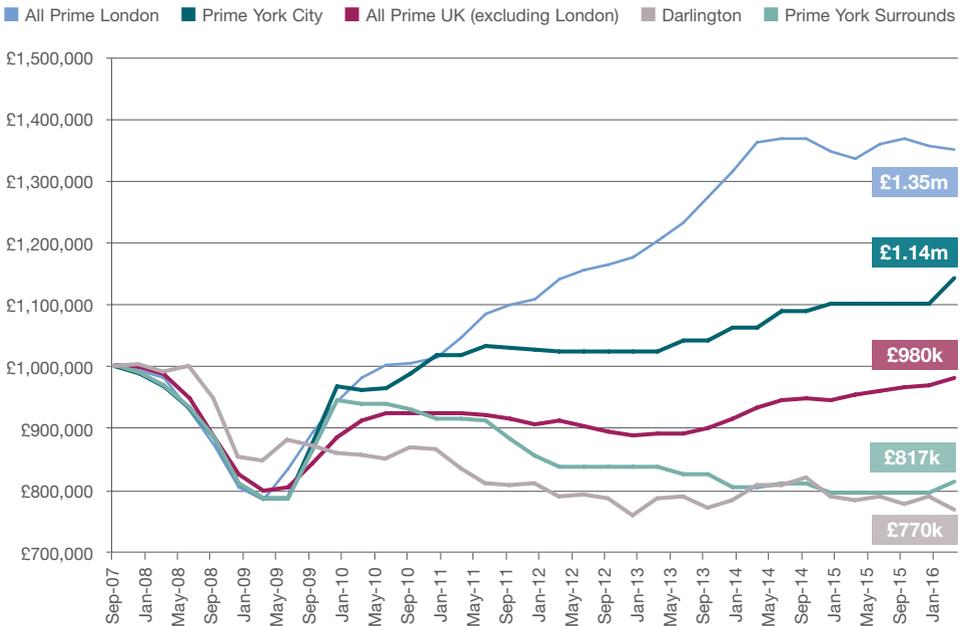
Buyers moving from the capital still play an important role as we see the ripple effect continue. In some cases, the London commuter belt reaches as far as York, with 24% of buyers of prime property in York and 7% of buyers in the surrounding villages working in London, although often just three days a week. This comes

as buyers recognise the very large value advantage.

Good schools attract many families to both York and the surrounding villages as the majority of both private and state schools in the city perform above the national average. Families with children accounted for nearly three-quarters of buyers of prime property over the past year and the high-performing schools, such as Millthorpe and Fulford, drive demand within their catchment areas.

York city centre increasingly attracts older buyers looking to downsize, often moving from the

FIGURE 1 Prime property price movements If your property was worth £1m in 2007, what would it be worth now?



Source: Savills Research, Land Registry

countryside to be closer to local amenities and the blend of urban and rural lifestyle this compact city offers.

Other buyers include young professionals, buy to let investors and second home buyers. In the countryside surrounding York, although not as numerous as before the credit crunch, second home buyers are attracted to the country homes and coastal hotspots nearby.

In Darlington, the market is more local than York with the majority of buyers moving from within the region. The relatively strong employment in Darlington plays an important role in attracting buyers and 64% of people living in Darlington work locally, according to the 2011 census.

However, the good transport links are also attracting people to buy in Darlington for better value properties and then commute out to higher value locations such as Newcastle and Durham. ■



Darlington

FIGURE 2 **What would the same sized property sell for in different locations?**

PERIOD PROPERTY, 2,000 SQ FEET, 4 BEDROOMS			
Property	Street Name	Post Code	Sale Price
Terraced house	East Mount Road, York	YO24	£600,000
Village house	Hovingham, North Yorks	YO62	£500,000
Detached house	Malton, North Yorks	YO17	£400,000
Terraced house	Fife Road, Darlington	DL3	£295,000
Terraced house	Middleton Tyas, North Yorks	DL10	£450,000
Detached house	Hurworth, Darlington	DL2	£500,000
Terraced house	Fulham, London	SW6	£1.95m

Source: Savills Research

24%

Buyers of prime property in York work in London

64%

People living in Darlington who work locally

The economy

HIGH VALUE EMPLOYMENT MARKETS

Wealth creation will continue to strengthen the demand for residential property in both York and Darlington

York and Darlington are important urban locations within the UK with strong local economies. Although the majority of wealth is generated within these economies, the major financial centres of London and Edinburgh are easily commutable, with fast trains linking York and London in under two hours.

Both locations have historically prospered on their large manufacturing and railway industries, yet this emphasis has more recently shifted to the service sector. Forecasts from Oxford Economics anticipate the employment market will grow over the next 10 years,

by 5.1% across the local authority of York and by 2.2% in the local authority of Darlington.

Positive employment growth is expected in many sectors with the professional, scientific and tech sectors expected to see the largest increase in both areas. As these high value employment markets become increasingly important, the resulting wealth creation will continue to strengthen the demand for housing in both city centre and commutable locations.

An exciting opportunity for the area is the Northern Powerhouse policy, which is helping shift the focus of investment from the south to the north. Although neither location is included in the

initial plans, both Darlington and York are well placed to benefit. For example, the electrification of the railways will better connect the main cities and attract new industry to the area, such as Hitachi's rail vehicle manufacturing facility, which has created 730 new jobs in Newton Aycliffe near Darlington. ■



Positive employment growth is expected over the next 10 years



York station

Outlook

CONTINUED RECOVERY

York and Darlington's housing markets will benefit from an improvement in buyer sentiment

The prime housing markets of York, Darlington and the surrounding villages and countryside are largely dependent on wealth generated in the local economy. As economic recovery spreads from London

and the south east to the north, we believe that the prime housing market will benefit from a continuing improvement in buyer sentiment.

We expect prime urban markets to continue outperforming their neighbouring villages and rural areas as the

trend for urban living remains popular. However, villages and rural countryside now represent good value in comparison to larger towns and this will make them a very attractive prospect to some buyers. We have already seen a significant increase in activity this year in villages to the north of York.

The recent stamp duty changes, imposing a 3% surcharge on the purchase of 'additional homes', poses a slight threat to the investment and second home markets due to the increased tax burden. These markets will therefore remain price sensitive, especially for high value properties that have not had the historic stamp duty increases priced into the market.

Looking forward, we forecast that prime values across the north of England will grow by an average of 18.2% over the five years to 2020, as the local economies strengthen and buyers become more aware of the comparative value this region offers, particularly regarding higher value properties. ■



The trend for urban living remains popular

18.2%
Growth of prime values
across the north of
England to 2020

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