

SURREY'S PRIVATE ESTATES

savills

A higher proportion of cash buyers means Surrey's private estates are more robust to economic headwinds impacting the wider housing markets

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Following two and a half years of sustained activity, price and rental growth, September's mini budget marked a noticeable change in sentiment across the prime residential markets of the UK. But there are a few discernible differences that mean Surrey's private estates and roads have remained more robust.

Values across the private estates of St George's Hill and Wentworth have increased by an average of 23% over the past three years. But values appear to have peaked, falling by -0.5% in the final quarter of 2022 and by a further -1.3% during the first three months of this year.

Whilst rising interest rates have begun to impact the budgets of those most reliant on mortgage finance, almost two fifths of private

estate buyers used cash to fund their purchase over the past two years, higher than the 22% for buyers of prime property in the markets of Elmbridge and Sunningdale that aren't on a private estate or road. As such, these price falls have been more modest than the total fall of -2.8% seen across the wider markets of Elmbridge and Sunningdale.

And despite strong price growth since the beginning of the pandemic, there remains value on offer for new buyers as prices are still -17.7% below their previous peak in 2014.

Taxes, Brexit and political uncertainty can partly explain these falls but a unique factor also affecting the private estates is that the price of many properties is dictated by their value as a development plot, so knock down and rebuild costs also need to be considered.

For the rental markets, demand continues to significantly outweigh available supply, keeping upward pressure on rents and new stock coming to the market has been letting quickly. But much like the sales markets, growth has begun to slow after almost three years of significant growth.

Value comparisons

Along with exclusivity, the luxury and security provided by these estates means homes command a premium when compared to nearby areas.

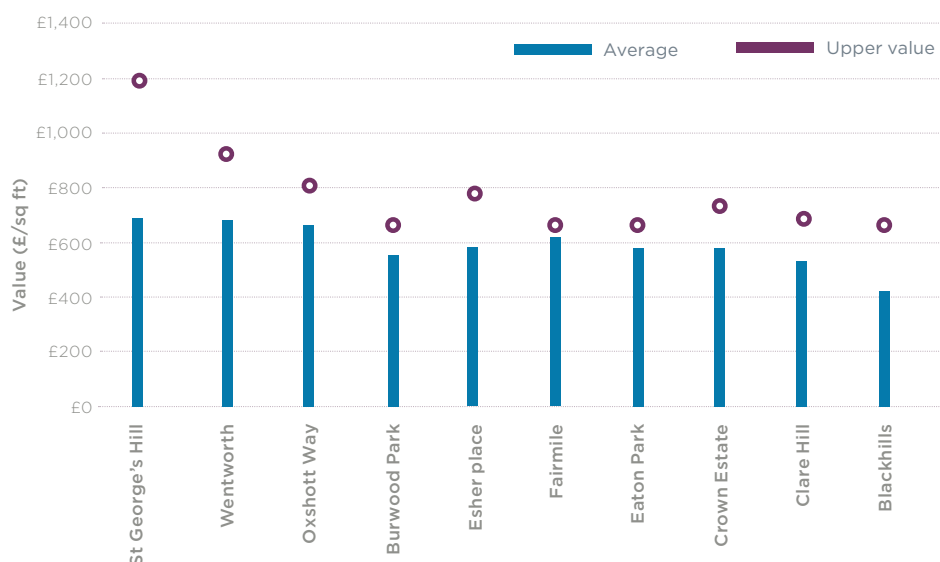
Analysing Savills sales and lets during 2021 and 2022, buyers paid an average of £611/ sq ft for a home on one of Surrey's private estates and roads, 11% higher than the wider Elmbridge and Sunningdale markets. Meanwhile tenants can expect to spend £24/ sq ft on average.

For St George's Hill, Wentworth and a number of Cobham and Esher's private roads and estates (such as Esher Park Avenue, Leigh Place or Pelhams Walk Estate) these figures are closer to £700/ sq ft for buyers and more than £30/ sq ft for tenants.

The Crown Estate in Cobham offers slightly more value with an average of £560/ sq ft but across all of these estates, the most desirable properties on the best roads can often exceed £1,000 sq ft for sales and £35/ sq ft for lets.

But the relative value compared to a flat in Chelsea (£1,500/ sq ft for buyers and £54/ sq ft for tenants) or a house in Knightsbridge (£2,100/ sq ft for buyers and £73/ sq ft for tenants) still provides a financial incentive. As buyers and tenants are getting more for their money, they can enjoy living in larger homes with a higher specification than the equivalent in central London which remains part of the attraction to these estates.

£/sq ft comparisons across Surrey's private estate sales



Source: Savills dealbook data, 2021-22

SAVILLS PRIVATE ESTATES DEPARTMENT

Savills private estates specialists cover the whole of Surrey, working from offices in Cobham, Esher, Weybridge, Sunningdale and London. Our expertise is supported by specialist Savills departments, as well as 600 offices worldwide.



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92% *Proportion of buyers across Surrey's private estates who have bought their main residence*

£611 *Average price per square foot for property sold on one of Surrey's private estates or roads*

71% *Proportion of tenants across Surrey's private estates who work in London*

BUYER & TENANT PROFILES

These unique neighbourhoods are deemed to be some of the most exclusive residential areas in the UK. Around a third (30%) of Savills private estate sales and half of lets have been to overseas buyers or tenants during the past two years. Internationally renowned schools, the quality of life and easy access to Heathrow, Gatwick and Farnborough for private jets underline their appeal to these residents.

This also highlights the importance of domestic demand for these estates. The vast majority (92%) of buyers are looking to purchase a main residence and nearly half (47%) are upsizing. A further 32% of purchasers are relocating to one of these estates, double the proportion who relocate to the surrounding Elmbridge and Sunningdale neighbourhoods.

Proximity to London also remains a key driver of demand with 54% of buyers and 71% of tenants working in the capital. All of this suggests that most buyers and tenants are looking for a lifestyle change and are wanting a family home, as opposed to buying a second home or searching for an investment opportunity.

Outlook

There remains an imbalance between demand and supply across the prime regional markets of the UK, particularly for best in class homes such as many of those on Surrey's private estates. But recent economic challenges have put buyers' spending power under pressure and this has begun to temper demand.

We are forecasting that prices in the prime regional markets will fall by -6.5% on average by the end of 2023, leaving values where they were in mid-2021. The increased cost of borrowing is likely to have more of an impact on those markets which typically take on more debt.

Price growth is likely to return next year once we pass a period of elevated interest rates and we are forecasting total growth of 9.9% in the five years to 2027 for the prime regional markets as a whole.

For the prime rental markets, we expect supply constraints to ease gradually with some additional stock coming to the market from accidental landlords and continued activity from opportunistic cash investors looking to take advantage of higher yields.

There are signs that the rate of prime rental growth has already begun to slow across London's commuter belt. We are forecasting average rental increases of 3.0% during 2023 and total five year growth of 8.8% on average.

More specifically for the private estates, the value on offer in a historical context and less reliance on borrowing means price falls are likely to be more modest. Homes on these estates remain aspirational to many high net worth individuals from the UK and globally, whether buying or renting.

