

Prime Regional Residential



Fletton Tower,
Peterborough,
£1,850,000

Price monitor

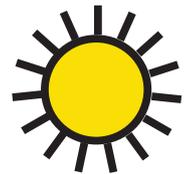
Key stats for the prime markets



Proportion of regional agents who reported a greater alignment of buyer and seller expectations on price in Q4 2019



+25%
Increase in buyer registrations across the UK, 2019 vs 2018



+16%
Predicted growth in the prime regional markets in the five years to 2024

Source Savills Research

Causes for optimism

For the first time in almost two years, values across prime regional markets saw modest annual growth of 0.1%.

In the run up to the general election the market remained subdued, with Brexit-related uncertainty continuing to be the greatest challenge according to our agents. However, a lack of stock, which was identified as the second biggest challenge by our agents, helped to support values.

In the last three months of the year, 46% of agents noticed greater alignment of price expectations between buyers and sellers – primarily as sellers accepted more

realistic pricing. Nearly three quarters of the agents surveyed saw competitive bidding, particularly for newly launched properties that were priced according to prevailing market conditions.

A steep rise in registered buyers and viewing activity during 2019 provides cause for optimism as a sense of urgency begins to return to the market. But despite greater political stability, buyers' and sellers' expectations will need to continue aligning in order for this to translate into activity, given some of the economic uncertainty that persists.

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% | 0.2% | 0.1% | 0.2% | 0.3% | 0.1% |
| Annual growth | 0.9% | -2.3% | 0.5% | -0.2% | 1.3% | 1.9% | 0.1% |
| 5-year growth | -3.9% | 2.1% | 5.2% | 6.2% | 7.5% | 7.1% | 4.3% |

Note *Within the M25 **Within a 30-minute commute †Within a one-hour commute. Price movements to December 2019 Source Savills Research

The regional markets in review

The Midlands & North and Scotland continue to outperform the rest of the regions with annual growth of 1.3% and 1.9% respectively during 2019. These markets continue to show resilience despite political uncertainty, with many viewing Brexit as less of a market barrier. The rise in Scotland was primarily driven by high-value Edinburgh homes in the £1m-£2m market. In the Midlands & North, annual price growth was mainly driven by property at the lower end, below £500,000.

The picture was more varied further south. The London suburbs (within the M25) saw annual growth of 0.9% during 2019 in contrast with the price falls seen over 2018. Markets within an hour of London and those across the wider south of

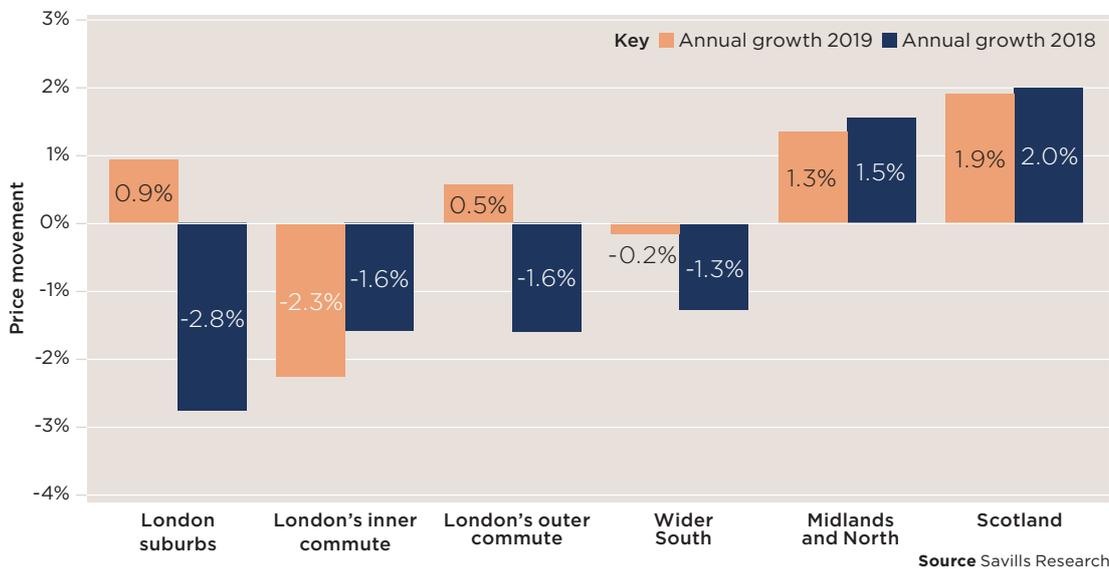
England saw prices remain broadly flat, with annual price movements of 0.5% and -0.2% respectively.

In contrast, markets within 30 minutes of London saw prices continue to fall with annual movements of -2.3% during the course of 2019.

At the top end, in the £2m+ country house market, three quarters of agents report lack of stock as the biggest constraint on the market. Prices remained flat this quarter, with falls of only 0.7% during 2019 as a whole.

On average, prices in this sector of the market are 4.1% below where they stood pre-EU referendum, though this re-pricing appears to have resulted in an increased level of activity as buyers see the value on offer.

Annual growth The Midlands & North and Scotland continue to outperform



OUTLOOK

A strong majority government is expected to improve confidence. While we don't anticipate a major rise in house prices in the short term, we do expect market activity to increase at the beginning of 2020 given greater levels of buyer commitment.

However, 2020 will not be without its challenges as the details of Brexit are negotiated. As such, maintaining the balance between buyer and seller expectations will remain critical to keep the market moving.

The cuts to stamp duty that were mooted

by Boris Johnson in his leadership bid look increasingly unlikely given the proposals for a further 3% stamp duty surcharge for non-resident buyers.

Across the prime regional markets, we expect growth in the long term to be underpinned by

the relative value on offer compared with London.

Ongoing Brexit uncertainty is likely to hold back any significant bounce in values until 2021, but we are forecasting total five-year growth of 15.9% across the prime regional markets.

Prime market forecasts

| | 2020 | 2021 | 2022 | 2023 | 2024 | 5-year compound growth |
|----------------|------|------|------|------|------|------------------------|
| Prime Regional | 1.0% | 4.0% | 4.0% | 3.5% | 2.5% | 15.9% |

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.

Savills team

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