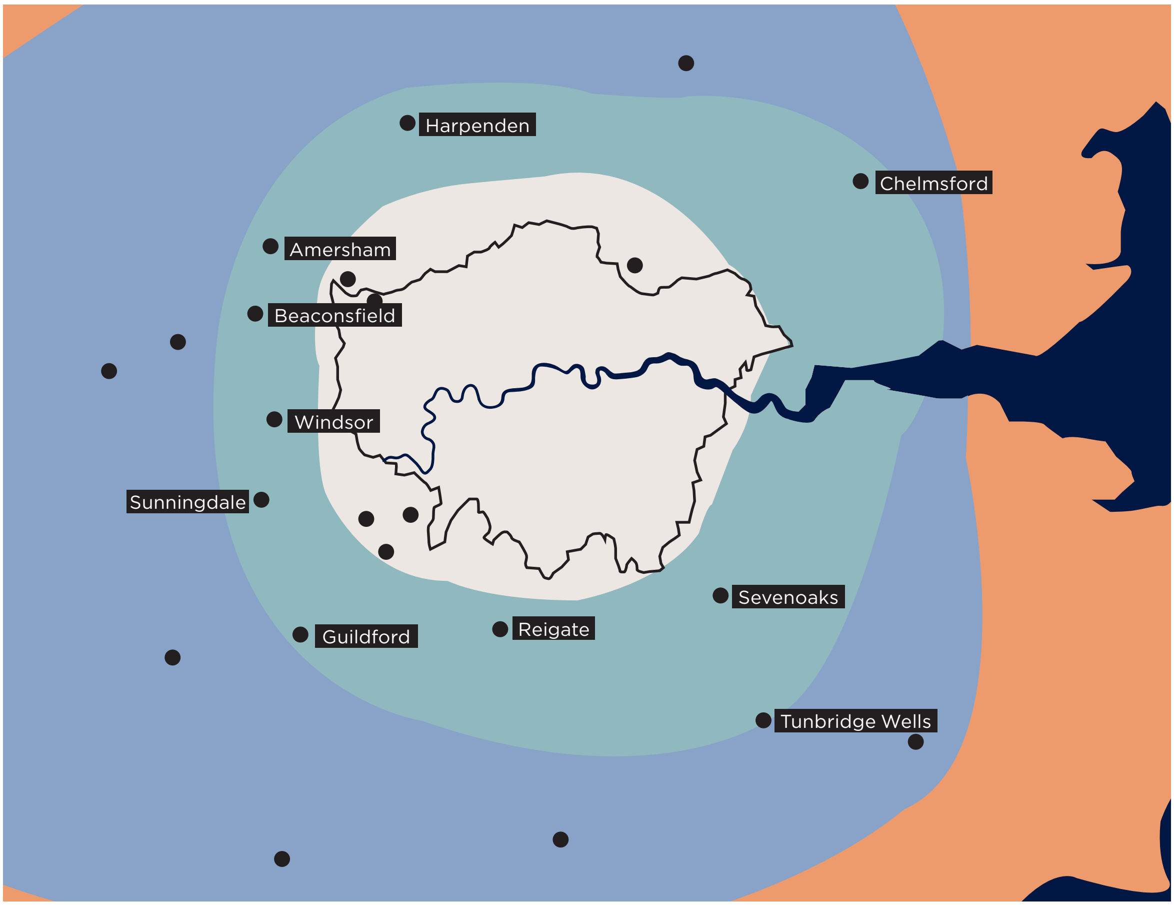
UK Residential – Q2 2019

Prime London's Inner Commute

PROPERTIES LOCATED WITHIN 30 MINUTES OF LONDON

savills



Key London's inner commute · London suburbs · London's outer commute · Wider South · Savills office index areas

Source Savills Research

Price monitor

Key statistics for house price growth

0.3%
Quarterly price movement across all prime regional housing markets

-0.6%
Quarterly price movement across prime London's inner commute

3.9%
Five-year price movement across prime London's inner commute

-10.4%
Five-year price movement for property worth £2m-plus in prime London's inner commute

Note Prices to June 2019
Source Savills Research

Brexit uncertainty stifles the market

Prices in the prime London's inner commuter zone continue to soften, in what remains a price-sensitive market. During the second quarter of 2019, values eased back by 0.6%, contributing to an annual decrease of 2.4%.

Brexit appears to be the main cause of the decline. In a recent survey, each Savills office in the region – an area typically less than 30 minutes from London – reports that uncertainty surrounding Brexit is the biggest challenge they face, given that prices have generally adjusted to the stamp duty changes of the past five years.

This uncertainty means that prime prices in this market have only risen by 3.9% on average during the past five years. That said, growth of 28% during the past 10 years has enabled longer-term owners to take a more pragmatic view of the current market.

With more than one-quarter of prime buyers in this area moving from London and 60% still travelling to work in the capital, the weakness in the prime London markets has been a contributory factor in these price adjustments.

However, much greater pragmatism among those selling in London has continued to underpin activity, especially from those looking for more family living space. Here, 80% of buyers have children and 60% cite upsizing as the main reason for their move.

Prime price movements (to June 2019)

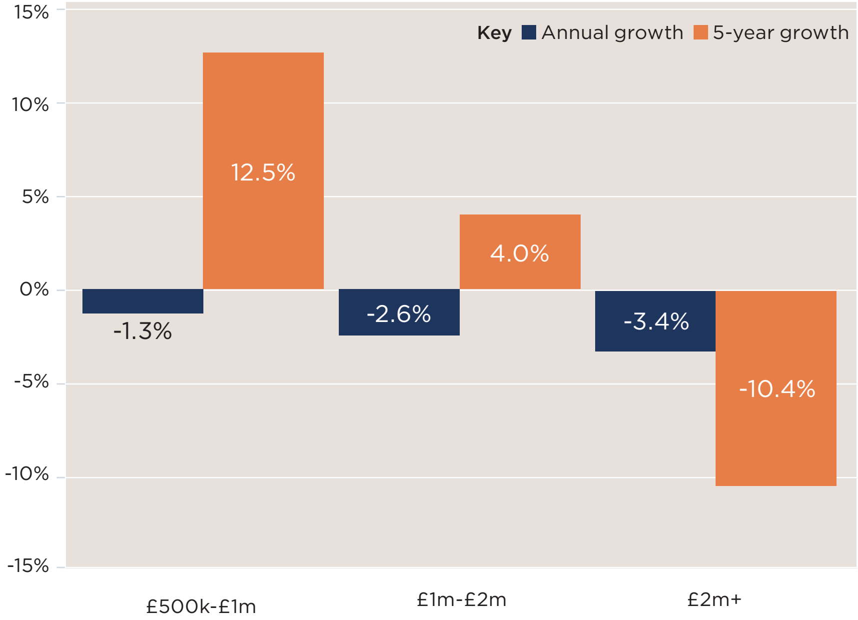
	All prime London	All UK prime regional	London suburbs	**London's inner commute**	London's outer commute	Wider South	Midlands and North	Scotland
Quarterly growth	0.0%	0.3%	0.7%	**-0.6%**	0.4%	0.6%	0.3%	0.6%
Annual growth	-1.8%	-0.4%	-0.1%	**-2.4%**	-0.3%	-0.7%	0.6%	2.0%

Source Savills Research

VALUE MATTERS

In a similar way to other prime markets across the UK, higher-value properties in London's inner commute have been most affected by the rise of stamp duty in 2014. This part of the market also tends to be more discretionary, so Brexit uncertainty and its potential effects on household finances is having a greater impact. Properties worth less than £2 million have continued to see values rise over the past five years, despite falls in the past 12 months.

A tale of three values The 2014 stamp duty changes have impacted London's inner commute values to different extents



Source Savills Research

Value and transport remain key

The most robust market in London's inner commuter zone is in and around Chelmsford. Here, prime property prices increased by 0.6% in the year to the end of June, despite a marginal softening in the last three months of that period.

Buyers have been drawn to the area by the relative value on offer and the city's improving reputation following recent investment. Long-term growth has been strong, too, with values up by 18% during the past five years.

Prices have also held up well in Sevenoaks, where values have remained flat both annually and in the most recent quarter. This has been helped by the fast commute into London and the quality of grammar and private schools in the area.

Similarly, values in Tunbridge Wells remained flat during the past three months, but declined by 2.3% over the year.

In contrast, prices have adjusted more during the past year in the higher-value markets of Surrey and Berkshire. In that period, they have decreased by 5.2% in Sunningdale, by 4.0% in Guildford, by 3.7% in Windsor and by 1.7% in Reigate.

The picture is similar in Hertfordshire and Buckinghamshire. Average prime prices eased by 3.9% in Amersham, while they decreased by 3.2% in Beaconsfield and 1.5% in Harpenden.

> **"Buyers have been drawn to Chelmsford and the surrounding area by the relative value on offer and the city's improving reputation following recent investment"**

OUTLOOK

A rise in registered buyers and viewing activity this year are positive signs and a cause of optimism. However, for the rest of 2019, we expect the prime markets to remain price sensitive and driven by needs-based purchasers.

Heightened uncertainty over what the new prime minister will mean for Brexit, the economy and tax policy will weigh down on market sentiment.

Boris Johnson has already raised the possibility of changes to stamp duty as a means of freeing up the housing market. For some sellers, this may seem like a reason to delay, in the hope that it spurs an increase in demand. But a decision to do so will be weighed against the risks of disruption to the market from a possible no-deal Brexit or, in more extreme circumstances, tax changes in the case of a change in government.

The relative value in the regional prime markets compared with London will underpin future growth. Quality is key in this cautious market, so vendors must present stock of the best condition.

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.

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