

PRIME REGIONAL HOUSE PRICES Q1 2022

“In the UK’s prime residential markets, annual price growth in the country continues to exceed that in the capital. Here, there remains a strong core of unmet demand at the top end of the market that, for now, is undeterred by the higher costs of debt, rising costs of living and the geo-political uncertainty triggered by the war in Ukraine”

Faisal Choudhry

Supply and demand imbalance in regional markets



80.1% increase in the number of people registering to find a home outside of London

During the first three months of 2022 compared to Q1 2019

Prime regional markets might feel slightly less febrile than a year ago, however the ‘race for space’ has not yet fully run its course and demand for homes outside London remains extremely strong. With the spring market well underway, the number of new buyers who registered with Savills during the first three months of 2022 was 80.1% higher than Q1 2019 and only marginally lower than last year.

This demand has translated into transactional activity a little higher than in the same period of 2021. The first three months of 2022 saw year-on-year sales growth outside London of 4.9% in the market between £500,000 and £1 million and 11.0% from £1 million to £2 million, according to data provider TwentyCI. At the very top-end above £2 million, there were 16.8% more sales than last year.

There is beginning to be more new supply to support these sales. Yet such has been the speed at which new listings have been snapped up there were 12.3% fewer prime properties available to buy at the end of March in the market above £500,000 outside London. In fact, larger homes spent 27.7% less time on the market in March compared to last year according to Home.co.uk, making it an opportune time for would-be vendors to list their home.

Areas surrounding London leading property price growth



9.0% annual price growth in the UK’s prime regional property markets

Driven by a renewed focus on being closer to work

Against a backdrop of constrained availability, house prices across prime regional locations rose by 2.0% in the quarter and 9.0% year-on-year, with proximity to London starting to influence performance once again.

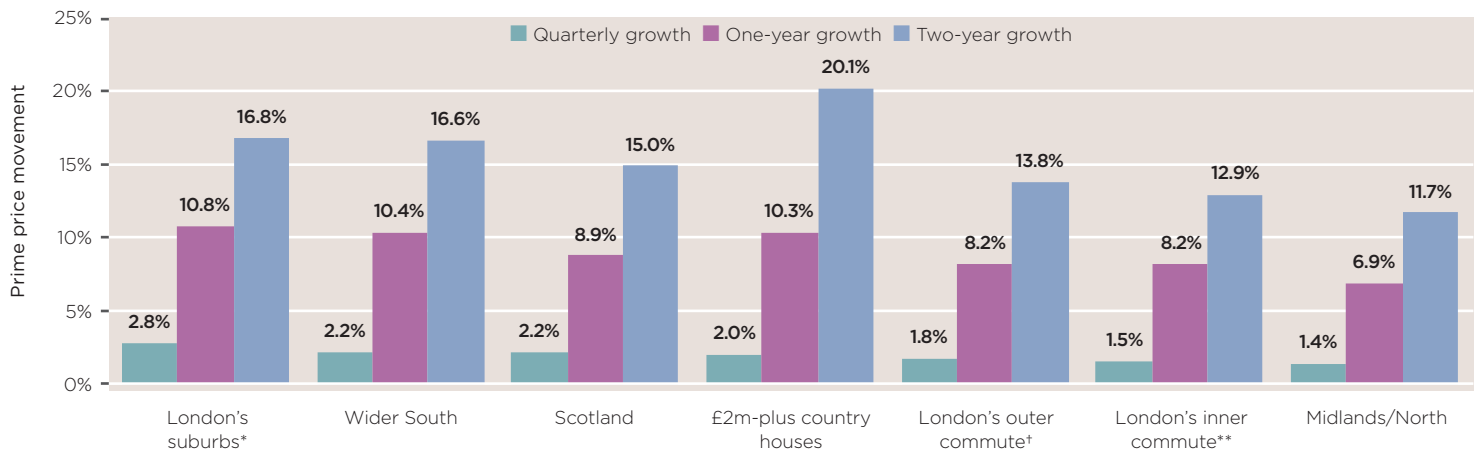
There is clear evidence of proximity to work being more regularly factored

into buying decisions. The strongest quarterly growth in the three months to March 2022 was recorded in the high value markets dotted around London’s M25, such as Rickmansworth (6.1%), Sunningdale (4.3%), Reigate (4.0%), Esher (3.8%) and Weybridge (2.6%).

Continued demand from London-based buyers is another factor driving the performance in these areas. Whereas the percentage of buyers moving from London to the regions fell from 23.7% in 2020 to 19.7% in 2021, those moving from London to the capital’s suburbs made up around 43% of Savills buyers.



London's suburbs record strongest quarterly growth as proximity to the capital is starting to influence performance once again



N.B. Within the M25 **Within a 30-minute commute †Within a one-hour commute

Source Savills prime regional index, Q1 2022

Village and rural areas remain attractive to buyers



2.0% price growth in Q1 2022 in prime village and rural areas

Driven by the continued desire for lifestyle change and country living

With hybrid working patterns now embedded, a dream move to the country for many buyers is still at the forefront of their minds, fuelling a 2.0% quarterly price growth

in prime village and rural areas. Here, the Cotswolds remains at the top of buyer wish lists, recording quarterly growth of 5.0%. Elsewhere, country areas surrounding

Edinburgh (4.9%), Petworth (3.3%), Exeter (3.3%), Lincoln (3.0%) and Chester (2.8%) were the top performers.

Regional cities bucking the trend



2.3% price growth for Bristol in Q1 2022

The strongest performing regional city as buyers are drawn to its amenities and services

Despite the ongoing trend for country living, for some buyers, proximity to the wider range of amenities and services offered in city locations compared to their surrounding areas is

becoming a more pressing consideration. Here, availability of family homes remains scarce and high demand levels have led to competitive bidding and upward pressure on prices.

As such, quarterly price growth in the prime city areas of Bristol (2.3%), Glasgow (1.6%), York (1.3%) and Winchester (1.0%) outperformed their surrounding areas.

Country house market remains strong



10.3% annual price growth for £2m-plus country houses

Led by ultimate lifestyle and second home locations such as the Cotswolds

A limited number of available properties has also supported growth in the rarefied £2 million-plus country house market, where prices increased by 2.0% in the three months to March 2022.

Distance to London is becoming an important factor with the South East (6.4%) and East of

England (3.6%) leading the price performance. Annual price growth in this exclusive segment of the market reached 10.3%, led by the ultimate lifestyle and second home locations such as the Cotswolds, where prices increased annually by 16.6%.

Meanwhile, prices in the private estates of

St George's Hill and Wentworth witnessed a quarterly price rise of 2.6%.

Prices across the £2 million-plus country house market still remain 5.8% lower than their 2007 peak. So despite recent price growth, value remains on offer, presenting an opportunity for new buyers.



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Outlook for the UK's prime regional markets

There continues to be unmet demand from those searching for more space across prime regional markets. While the supply-demand imbalance remains a feature of the market, the lack of suitable stock is expected to support further price growth, despite three successive increases in the bank base rate.

Equity outweighs debt as a source of funding in the prime market and much higher levels of disposable income mean buyers have been more insulated against economic pressures, such as the higher costs of debt, rising inflation and the geopolitical uncertainty triggered by the disturbing events in Ukraine.

However, we expect to see increasing price sensitivity creep into the market during the second half of the year given the economic backdrop. Realistic pricing will become more important as the market starts to feel the knock-on effect of the overall increase to the cost of living.

Prime Price Forecasts

	2022	2023	2024	2025	2026	5-year
London suburbs*	3.5%	3.0%	2.0%	3.0%	3.0%	15.4%
London's inner commute**	3.5%	3.0%	2.5%	3.0%	3.0%	15.9%
London's outer commute†	3.5%	3.0%	2.5%	3.5%	3.5%	17.1%
Wider South	4.0%	4.0%	3.0%	3.5%	3.5%	19.3%
Midlands/North	4.0%	4.0%	3.5%	4.0%	5.0%	22.2%
Scotland	4.0%	4.0%	3.5%	4.5%	5.0%	22.8%
All prime regional	4.0%	3.5%	3.0%	3.5%	4.0%	19.3%

Note. *Within the M25 **Within a 30-minute commute †Within a one-hour commute. These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate

Source Savills Research

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