

Prime Residential Property Forecasts

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Prospects for prime growth across the UK

Throughout the unprecedented events of the past year, the housing market has shown it can perform in isolation of the wider UK economy. People's desire to move has outweighed uncertainty surrounding jobs and finances.

This has been particularly true of the prime markets where affluent buyers are less reliant on the mortgage market, are likely to have some established housing equity and have remained more financially secure. Our forecasts consider the factors shaping values in the prime London and regional markets.



Ilchester Place, Holland Park, London

New sense of optimism for prime central London

Prime central London has been affected by a unique set of drivers. As values remain 21% below their previous 2014 peak, property here looks good value and has done for some time. Prices also remain competitive in a global context – buy, hold and sell costs are lower than many comparable prime locations around the world.

For a market that is truly global in nature, a lack of international travel has undoubtedly had an impact. However, this has given the advantage to those already

based in the UK. This is evidenced by sales of property worth £5m or more in the capital which were at their highest level for four years in 2020. This demonstrates the confidence in London as a leading world city as well as buyers' acknowledgement of the relative value on offer.

History tells us that this market rebounds quickly and there remains pent-up demand from those who have been unable to travel and view properties in person. The rollout of vaccines around the world gives

us confidence that travel corridors will reopen and prices are likely to start increasing throughout the second half of this year before a more sustained recovery takes hold in 2022.

Global wealth generation and the prevailing tax environment will dictate longer-term price movements but the fundamentals that underpin central London's housing market will remain and demand is likely to continue strengthening once the signs of the Covid-19 effect have dissipated.

7%

Predicted growth for the prime central London market in 2022

20.5%

Predicted five-year compound growth for the UK's prime regional markets

“Sales of London properties worth £5m or more reached their highest level for four years during 2020”



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Outer London and regional markets in demand

Over the past year, the rest of prime London and much of the country market have been dominated by those in search of more inside and outside space or a change in their way of life.

The start of 2021 shows no signs of this dissipating and we anticipate these trends will continue to be dominant drivers through much of the year, particularly now that the stamp duty holiday in England and Northern Ireland has been extended and we know that there remains an underlying commitment to move this year.

Longer-term adaptations to home working will benefit London's commuter zone and beyond, especially as the prolonged experience of lockdown will drive more people to upsize. In particular, this points to a continuation of

the country house revival we saw last year as the relative value and people's desire and ability to work from home more frequently offset a longer commute and any Brexit implications.

Indeed, ultimate lifestyle and second home locations were the top performers during 2020 and this is likely to continue in the short term at least, especially as holidays abroad seem less likely this year and many may look more locally to one of the UK's hotspots.



















































The price sensitivity we saw throughout 2020 will continue to be a factor this year, but the value gap between towns and cities and their nearby village and rural markets will continue to support prices in the latter.

Looking further ahead, the wider tax environment and any

longer-term implications of Brexit are likely to dictate price movements as they could impact the spending power of those looking to buy in the prime markets. Further lockdowns and more spending means the government will need to recoup some of its losses and this will likely happen once the economic recovery takes hold towards the back end of this year and during 2022.

“The value gap between towns and their nearby rural markets will continue to support prices in the latter”

Prime price forecasts

	2021	2022	2023	2024	2025	5-year
Prime central London	 3.0%	 7.0%	 4.0%	 2.0%	 4.0%	21.6%
Outer prime London	 2.0%	 5.0%	 3.0%	 2.0%	 2.0%	14.8%
All prime London	 2.5%	 6.0%	 3.5%	 2.0%	 3.0%	18.1%
London suburbs*	 5.0%	 3.5%	 3.0%	 2.0%	 3.0%	17.6%
London's inner commute**	 5.0%	 3.5%	 3.0%	 2.5%	 3.0%	18.2%
London's outer commute†	 5.0%	 3.5%	 3.0%	 2.5%	 3.5%	18.7%
Wider South	 5.5%	 4.0%	 4.0%	 3.0%	 3.5%	21.6%
Midlands/North	 4.5%	 4.0%	 4.0%	 3.0%	 4.0%	21.1%
Scotland	 5.5%	 4.0%	 4.0%	 3.5%	 4.0%	22.8%
All prime regional	 5.0%	 4.0%	 3.5%	 3.0%	 3.5%	20.5%

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

Read our UK mainstream residential property forecasts at [savills.co.uk/mainstreamforecasts](https://www.savills.co.uk/mainstreamforecasts)

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