REGIONAL
MARKET REVIEW

SPRING 2015

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GARRINGTON

NATIONAL

OVERVIEW

The significance of the housing market to the economy and the British public was reiterated in the Chancellor's Budget in March and throughout its continued prominence in political party manifestos.

Although uncertainty has affected London's housing market, causing transaction levels to drop and the growth in values to slow, it is a different story in other parts of the country. Latest data from the Land Registry reveals house prices nationally are now 6.5% higher than they were at this point a year ago, while transaction levels have increased by 14% year-on-year. London is still recording the highest regional annual price growth at 13.1%, but the gap is starting to narrow with the next best performing region, East of England, seeing price growth of 10.5%.

An increasing number of buyers are taking advantage of the price gap between property in London and its surrounding regions. Capital value appreciation rates are forecasted to be higher outside London and many areas are set to benefit from extensive infrastructure plans set out in the latest Budget.

	Average house price – last three months	Growth in average house price – last 12 months
PRIME REGIONAL	£766,608	5.1%
PRIME LONDON	£2,621,976	4.6%
NATIONAL	£181,083	6.5%

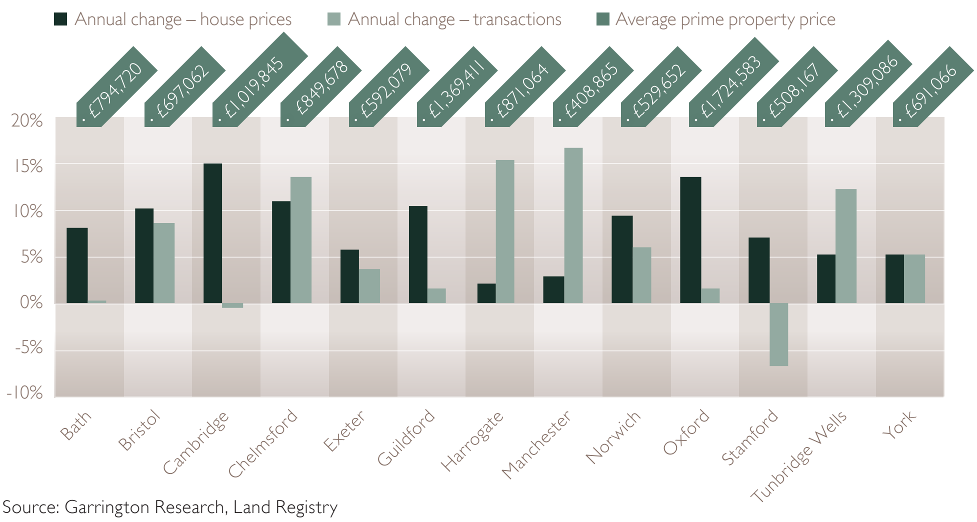
Source: Land Registry
N.B. Prime markets defined as top 5% of sales by value. Mainstream market includes all sales recorded by Land Registry.

CITY BAROMETER

Our City Barometer records activity and price growth across key locations nationally. The latest figures show the highest growth in average values were achieved in Cambridge and Oxford, up 15.0% and 13.7% in the last 12 months. Towns and cities in the commuter belt of London also performed well, with Chelmsford and Guildford both seeing prices rise by in excess of 10% over the last year. Outside of the commuter belt, both Bath and Bristol have also seen price growth exceed the national average.

In the North of England, Harrogate and Manchester have experienced the highest increase in transactions of any of the regional town and cities evaluated. The number of properties sold in Manchester has risen by 15.8% and in Harrogate by 15.3% compared with the same period a year ago. These latest trends further underline how market conditions are improving across the UK.

Overview of the housing markets in key regional towns and cities

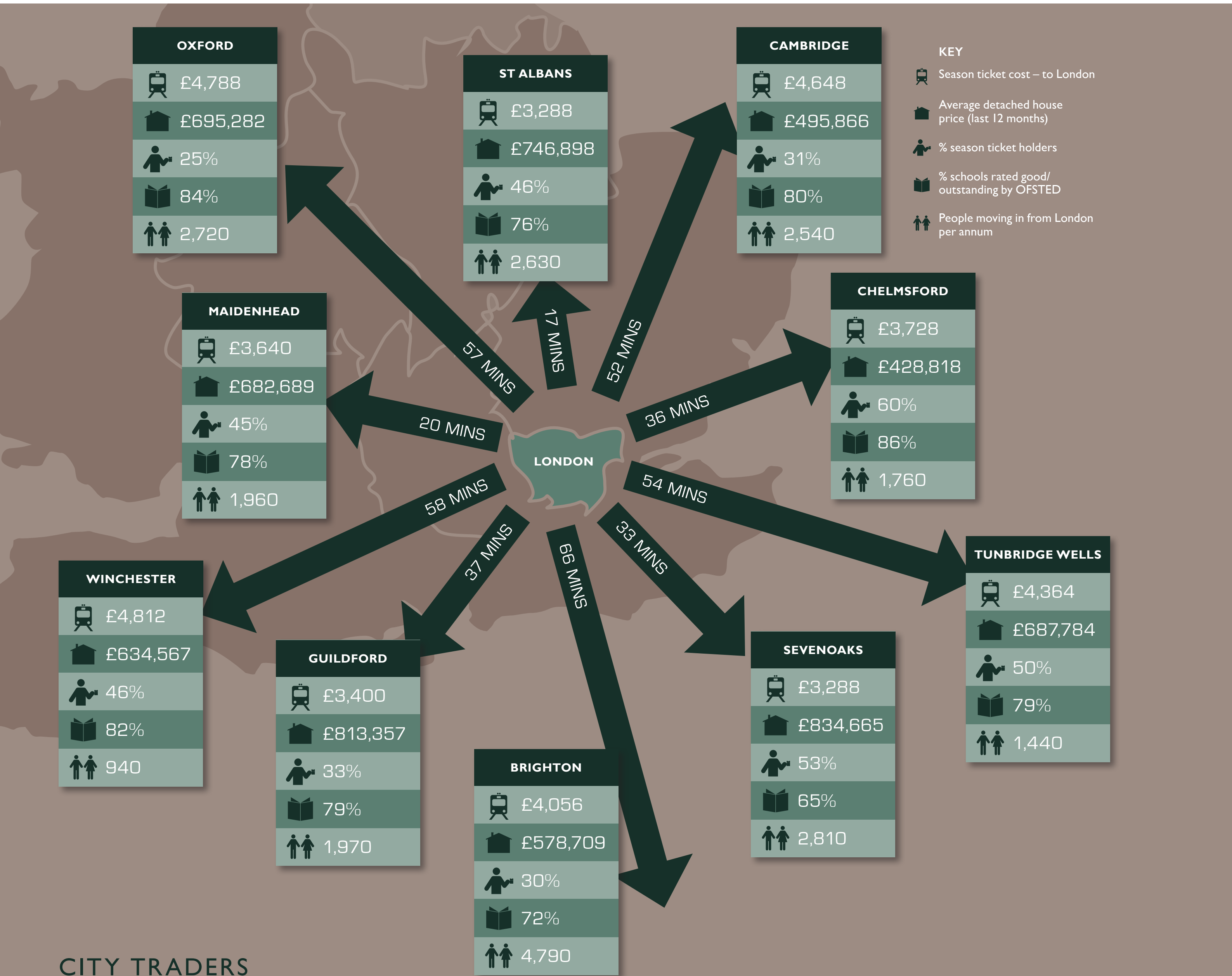


Source: Garrington Research, Land Registry

"ALTHOUGH UNCERTAINTY HAS AFFECTED LONDON'S HOUSING MARKET, WITH TRANSACTION LEVELS FALLING, IT IS A DIFFERENT STORY IN MANY PARTS OF THE COUNTRY."
JONATHAN HOPPER, MANAGING DIRECTOR

THE GREAT COMMUTE

A COMPARISON OF SOME OF THE KEY COMMUTER LOCATIONS ACROSS THE SOUTH OF ENGLAND



CITY TRADERS

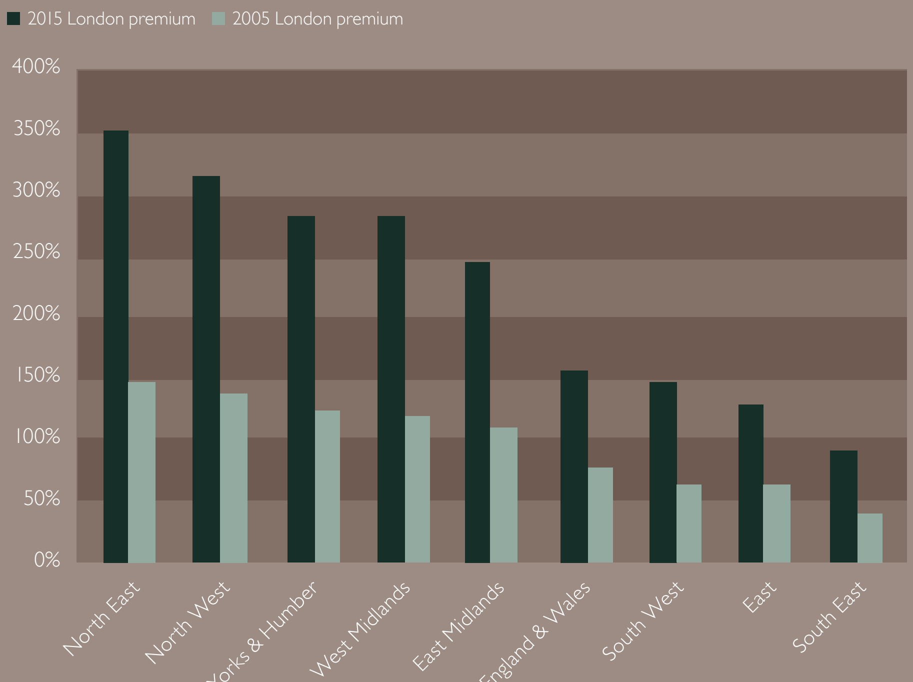
Over 250,000 people a year are moving out of London to live elsewhere in the country, but many are retaining their employment in the capital. Figures from the Office of Rail Regulation suggest that over 225 million journeys were made by season ticket holders arriving at inner London stations last year, an increase of 12.6% over the last three years. The most popular destinations for commuters have been the South East and East of England, accounting for 65% of the residents on the move out of London. The number of journeys made by season ticket holders commuting from Brighton has increased by 25% since 2011, with Cambridge station seeing an increase of 32% over the same period.

Over the last five years house price growth in London has outperformed all other regional markets, with London homes worth 92% more on average than those in the South East. This is up from 42% a decade ago (see chart on page 3). However, forecasts from the Centre for Economic and Business Research (CEBR) expect regional house prices to outperform London this year, with expected growth of 1.5% nationally compared to price falls of 3.6% expected across Greater London. Therefore, it appears that now could be an opportune time to consider locations further afield.

Many of the ex-London residents will still commute back into the city and their place of work could play a significant part in the decision of where to relocate to. For those working in the City or Canary Wharf, commuter towns such as Sevenoaks and Chelmsford are ideally placed to minimise travel times. Locations with trains arriving into Cannon Street, London Bridge and Liverpool Street also make the onward journey easier.

Looking ahead, commuting patterns could be set to change once Crossrail is up and running in 2018. Stations to the west of London, such as Maidenhead and Reading will have direct connections to the West End, City and Canary Wharf. Direct trains from Maidenhead will reach Bond Street in 41 minutes, Liverpool Street in 48 minutes and will take just 55 minutes to get to Canary Wharf.

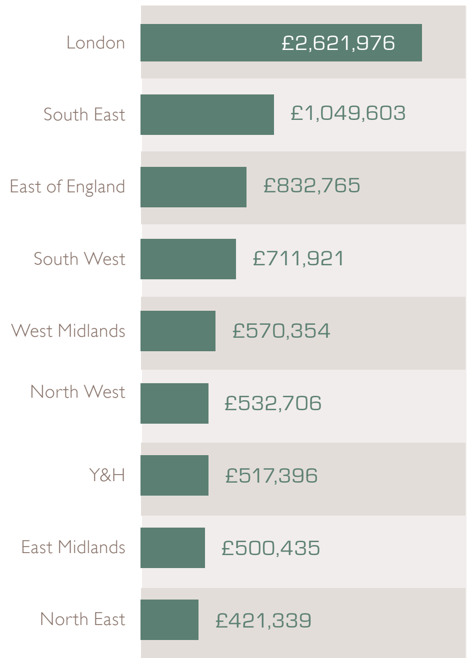
Regional affordability versus London prices



Source: Land Registry (looking at the premium paid in London over each region)

THE PRIME REGIONAL HOUSING MARKET

Average prime property price



Source: Garrington Research, Land Registry

The cost of moving to a prime property, defined as the top 5% of the overall housing market by value throughout the UK, can vary by more than £2.2 million depending on where you are in the country.

In London, prime property buyers would need to pay an average of £2.6 million. In the South East this lowers to £1.05 million. Heading north into the Midlands and the north of England, average prices paid for prime properties are less than £550,000.

In the last 12 months, the average cost of a prime property in London has increased by 4.6%, whereas prime properties outside London have seen prices rise by an average of 5.1%.

The price growth within the prime market in the North West and Yorkshire and Humberside has been particularly strong, with prime homes selling for an average of 8.1% more than at this point a year ago.

PROPERTY SPOTLIGHT

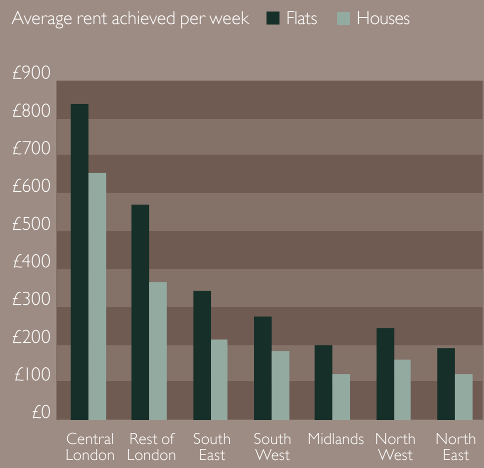
REGIONAL RENTAL MARKET

Rising employment levels and an improving UK economy are benefitting the lettings market nationally, with demand for rental properties increasing. The results of the most recent Association of Residential Lettings Agents (ARLA) survey suggests that almost a third of the agents surveyed had seen values rise over the last month, while just 3% had seen achieved average rental values fall.

According to ARLA, over the last 12 months nationally, the length of time a property remains empty between lets has fallen to three weeks, and 65% of properties let were after five or fewer viewings.

The Acadata rental index shows that average rental values nationally increased by 3.1% over the last 12 months and are now 16.2% higher than they were five years ago. The East of England saw rental values increase by 10.7%, the highest rise in rental values seen in any UK region, and the highest regional growth recorded for five years. Average rental values in London increased by 4.9% over the same period but both the North West and North East regions recorded small falls in achieved rents of -0.3% and -0.4% respectively.

Average weekly rents of flats versus houses



Source: ARLA

"IN THE LAST 12 MONTHS, PRIME PROPERTIES OUTSIDE LONDON HAVE SEEN PRICES RISE BY AN AVERAGE OF 5.1%, COMPARED WITH 4.6% IN PRIME CENTRAL LONDON."

NICHOLAS FINN, EXECUTIVE DIRECTOR

FOCUS ON INVESTORS

Pensions reforms which govern the way in which savers can access their pensions, have now come into force, meaning far greater flexibility in the way in which pension savings can be invested. Gone are the old rules where an annuity was the usual option. Instead, as of April this year, savers aged 55 and over can potentially access their pension pots and invest or spend their money in any way they wish. They can access the first 25% tax free, with the remainder attracting tax at a marginal rate.

Government figures suggest 18 million savers will now be eligible to withdraw their savings if they wish. Disillusioned with other asset classes, there are widespread predictions that a significant number of these savers may enter the investment property market as landlords, seeking a trusted source of income and capital appreciation.

Regional Rental Yields

	Average rental return – flats	Q/Q* change
Central London	3.9%	↓
Rest of London	5.2%	↓
Rest of South East / East	5.3%	↑
South West	5.3%	↑
Midlands	5.4%	↑
North West	5.6%	↔
North East	5.5%	↑

Source: ARLA

* Quarter-on-quarter change

"BE IT STUDENT ACCOMMODATION IN A TOP UNIVERSITY TOWN OR A PRIVATE RESIDENCE IN THE CENTRE OF A BUSTLING CITY, THE BUY-TO-LET MARKET HAS BECOME INCREASINGLY POPULAR, AS MANY DISCOVER THE BENEFITS OF INVESTING IN PROPERTY."

PHIL MARTIN, DIRECTOR OF REGIONAL OPERATIONS

BUY-TO-LET MARKET

Nationally, the private rental sector has more than doubled in size since 2001, accounting for nearly one in five households (19%)*.

With rising demand for privately rented homes, the residential investment market continues to see a pick-up in activity. According to the Council of Mortgage Lenders, buy-to-let lending activity increased by 18.5% over the past 12 months, with over 200,000 buy-to-let loans issued. The total value of loans increased by 25.7% over the same period, with almost £3 billion lent for new buy-to-let purchases in the last three months.

Buy-to-let investors are motivated by either rental income or capital appreciation (or a mixture of both), the value of which will vary depending on the geographical location of the investment property. The London market, particularly prime central London, yields lower rental returns on average than regional markets and the significant capital appreciation seen there has been the main attraction. According to ARLA, average rental returns from flats let nationally vary from 3.9% in central London to 5.6% in the North West of England. Conversely, looking at an investment from a capital appreciation perspective, over the last five years average values in London have risen by 42%, compared with just 11% nationally.

However, over the next five years prospects for capital growth outside London are more optimistic. This means increasing numbers of investors could be looking at properties in regional locations, which are predicted to deliver both in terms of rental returns and value growth. The latest forecasts from the CEBR show prices outside the Capital increasing by 17% over the next five years, compared with 15% growth in London. A further incentive to regional investors are the new initiatives introduced in March's budget to support growth outside of London. Ten Enterprise Zones across the country are being set up to support economic growth and job creation as well as new investment in transport infrastructure across the country.

* English Housing Survey

MEET THE REGIONAL TEAM

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GARRINGTON WORK ON BEHALF OF PRIVATE AND/OR CORPORATE CLIENTS WHO WANT TO BUY, RENT OR INVEST IN PROPERTY THROUGHOUT THE UK AND LONDON.

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