

particularly evident in the prime cities in the outer commuter zone, notably 'little London' locations such as Oxford, Cambridge and Winchester.

Demand is strong in these cities, in part due to the high concentration of prime housing stock and good schools. This has led to a strong growth in house prices with average values now reaching 15.7% above their 2007 peak; the best performing subsector of the prime regional market. In fact, in the past year alone, house price growth reached double figures at 11.2%, comparable growth to prime London at 13.1%.

Beside the seaside

The prime coastal hotspots of the south west and the east, locations such as Wells-next-the-Sea, Aldeburgh, Sandbanks and Salcombe, were traditionally driven by buyers coming from London – often with bonus money and looking for a second home. This resulted in very strong house price growth in the years leading up to 2007.

This changed when the credit crunch hit and the demand adjusted to become predominantly local, resulting in prices being re-pegged to the change in the market as buyers had lower levels of discretionary equity. By mid 2013 values reached their lowest levels since the downturn at -26% below their 2007 peak.

However, over the past six months, the prime coastal property markets have seen evidence of discretionary second homes buyers re-entering the market, and average values have increased by 8.3%.

What next?

We expect, as we enter the next phase of the housing market recovery, house prices across the prime regional market to perform in line with prime London. In stark contrast to the previous five years, we anticipate that the suburbs and commuter locations will outperform prime London.

In 2013, we saw the first signs of wealth beginning to flow out of the capital, and this has become even more evident so far this year. As the economy continues to recover and house prices outside of London show growth, we predict more London buyers will make the move out to the regions, and take advantage of the price gap.

The prime markets face some challenges over the next five years

given the focus on the taxation of high value property that has already resulted in increased stamp duty above £2 million.

With an election in 2015, and property taxation high on the political agenda, any further changes to the

taxation of high value property risks a period of sobriety.

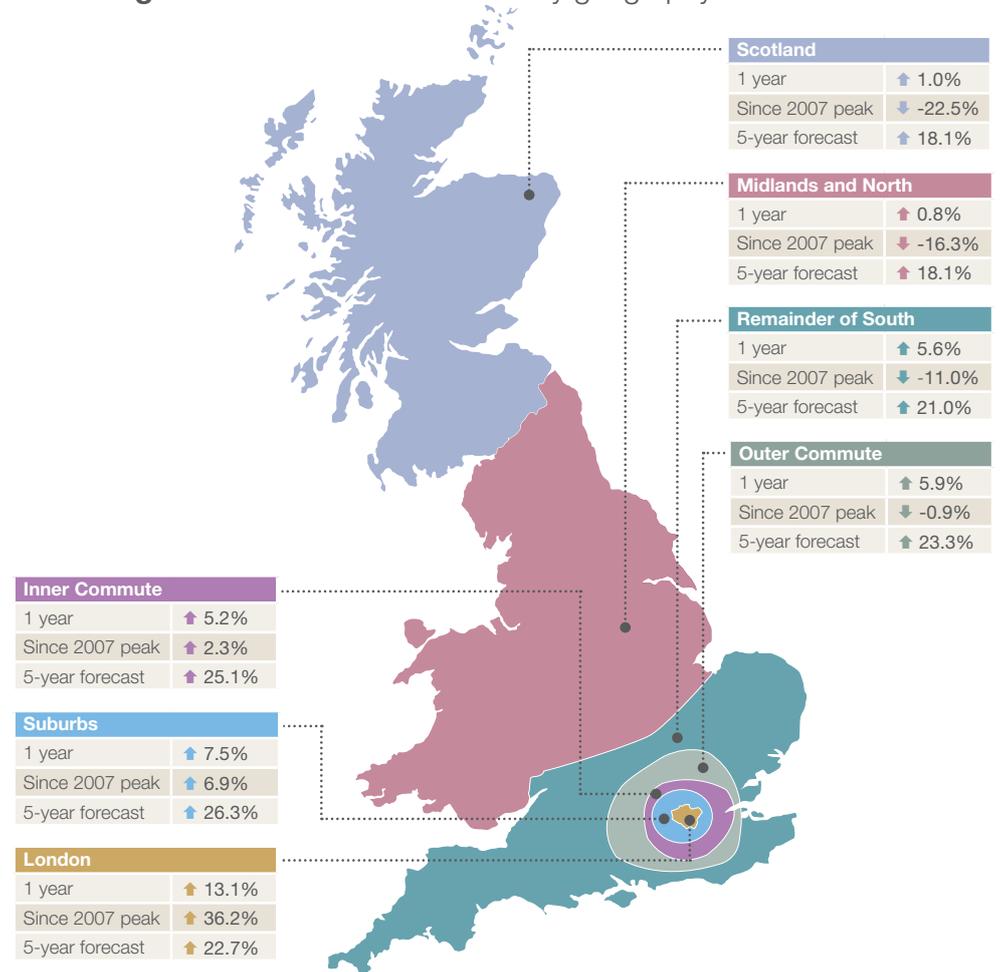
However, on the assumption that sense prevails and a full scale mansion tax is avoided, we expect a continuation in the growth cycle post 2015. ■

TABLE 1.1 Annual house price growth

	2014	2015	2016	2017	2018	5-year
Prime London	4.5%	-0.5%	7.0%	7.0%	4.5%	22.7%
Prime Regional	4.5%	1.0%	5.0%	5.5%	5.0%	22.7%

Source: Savills Research

MAP 1.1 Prime regional markets Performance by geography



Source: Savills Research

Prime buyers survey

WHAT DO BUYERS WANT FROM THEIR PROPERTY?

Our bespoke survey of 450 individuals looking to buy prime property outside of London gives an insight as to the changing demands in the upper echelons of the market

Location There is broadly even demand across the three locations of urban, countryside and village, with a stronger preference for urban locations among downsizers



Property attributes Buyers of New Build properties value convenience over aesthetic appeal

	1 st	2 nd	3 rd	4 th	5 th
All buyers	Views	Number of bedrooms	Privacy	Land surrounding property	Size of bedrooms
Buyers who prefer Period Property	Internal period features	External period features	Large garden	Land surrounding property	Views
Buyers who prefer New Build	Ready-to-move-in condition	Number of en-suites	Garage	Kitchen layout	Security