

The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, is positioned in the top right corner of the slide. The text is white and set against a solid yellow rectangular background.

HBF – Housing Policy Conference

Housing Market Outlook

Lucian Cook

March 2017

This time last year

savills



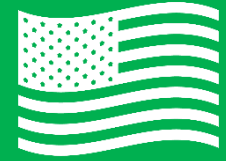
2:1

UK to vote to
leave the EU



7:2

Trump
to become the next
US President



11:1

Combined

A large white rectangular frame is centered on the page. Inside the frame, the text "Mainstream House Prices" is displayed in a white, bold, sans-serif font.

Mainstream House Prices

The theory about Brexit



Sterling devalues
pushing up
inflation



Uncertainty feeds
into economic
growth



Wage growth
suffers



Base rate cut &
remains lower for
longer

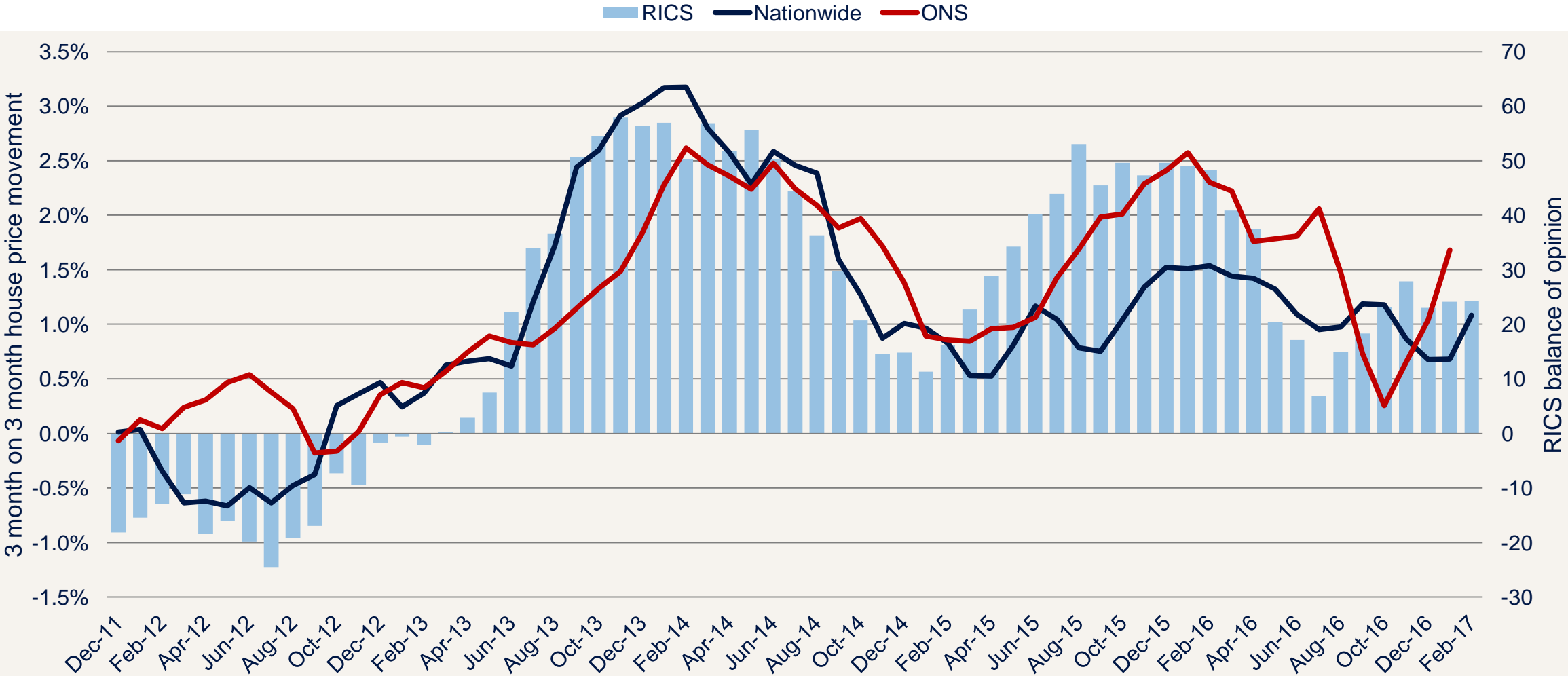


Investors
demand higher
UK returns

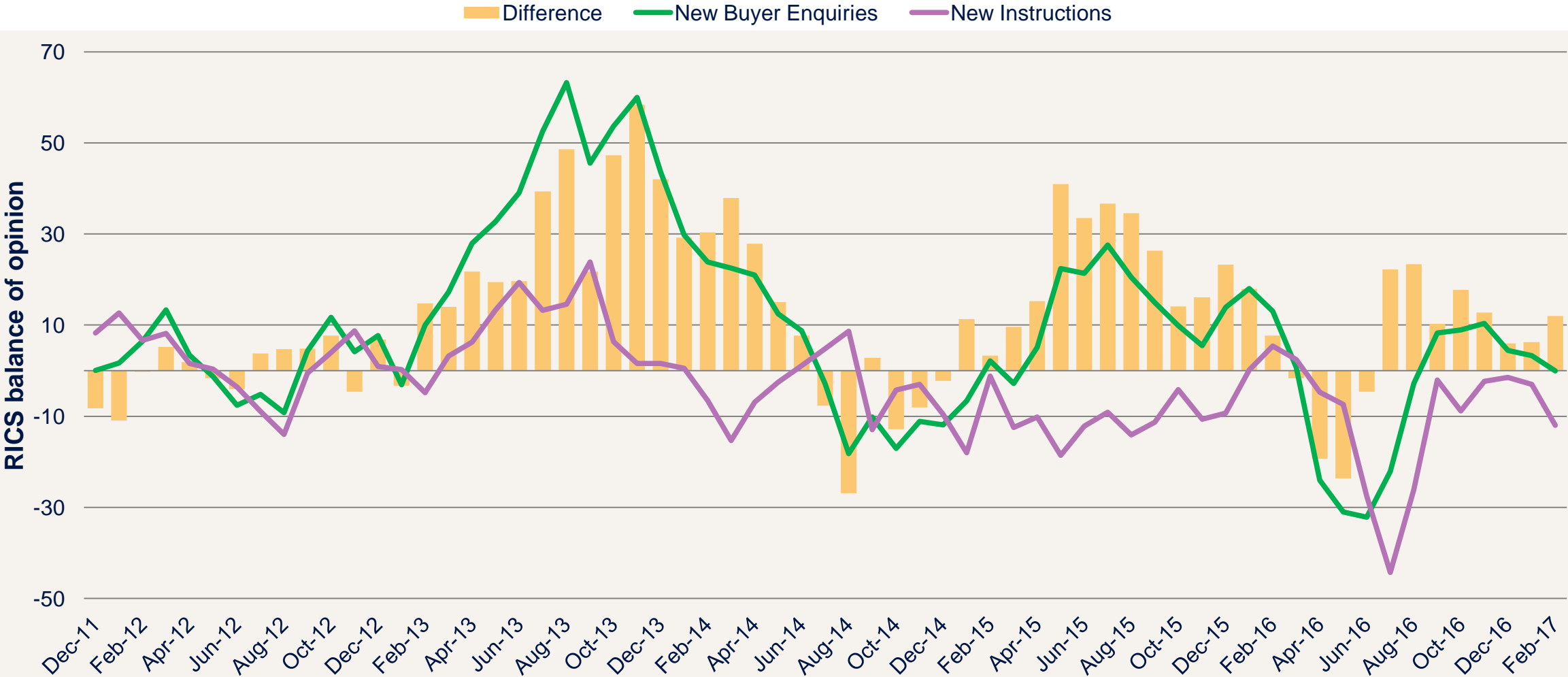


Bigger lenders
margins & tighter
lending criteria?

Beginning to filter through?



Looking at lead indicators



Other factors

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Existing and future
mortgage regulation



Stamp duty & tax relief
on investment
properties



Government white
paper on housing
delivery

Mainstream house price forecasts 5 years 2017-2021

SCOTLAND
9%

NORTH WEST
12%

WALES
10%

WEST MIDLANDS
13%

SOUTH WEST
14%



NORTH EAST
9%

YORKSHIRE
& HUMBER
10%

EAST MIDLANDS
14%

EAST
19%

LONDON
11%

SOUTH EAST
17%



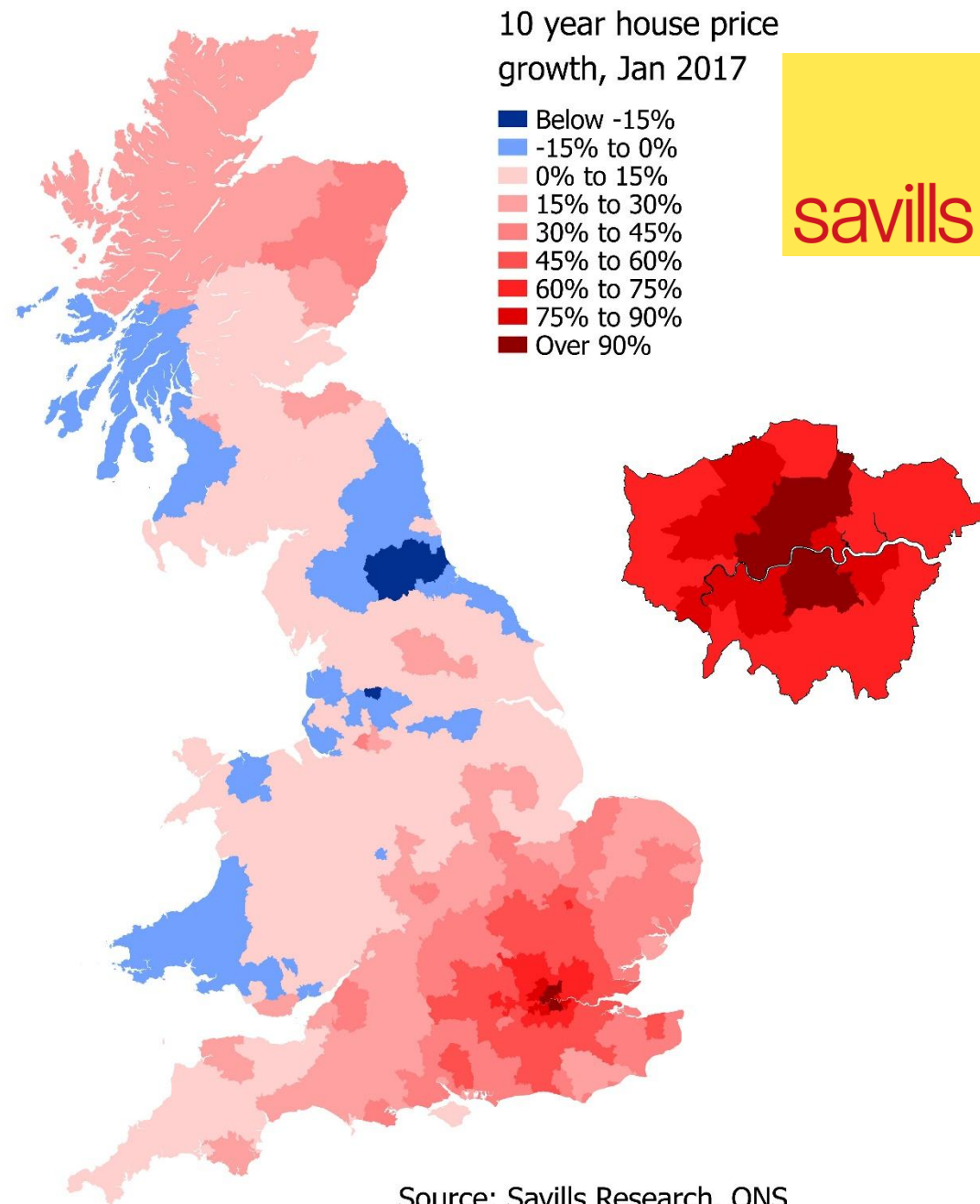
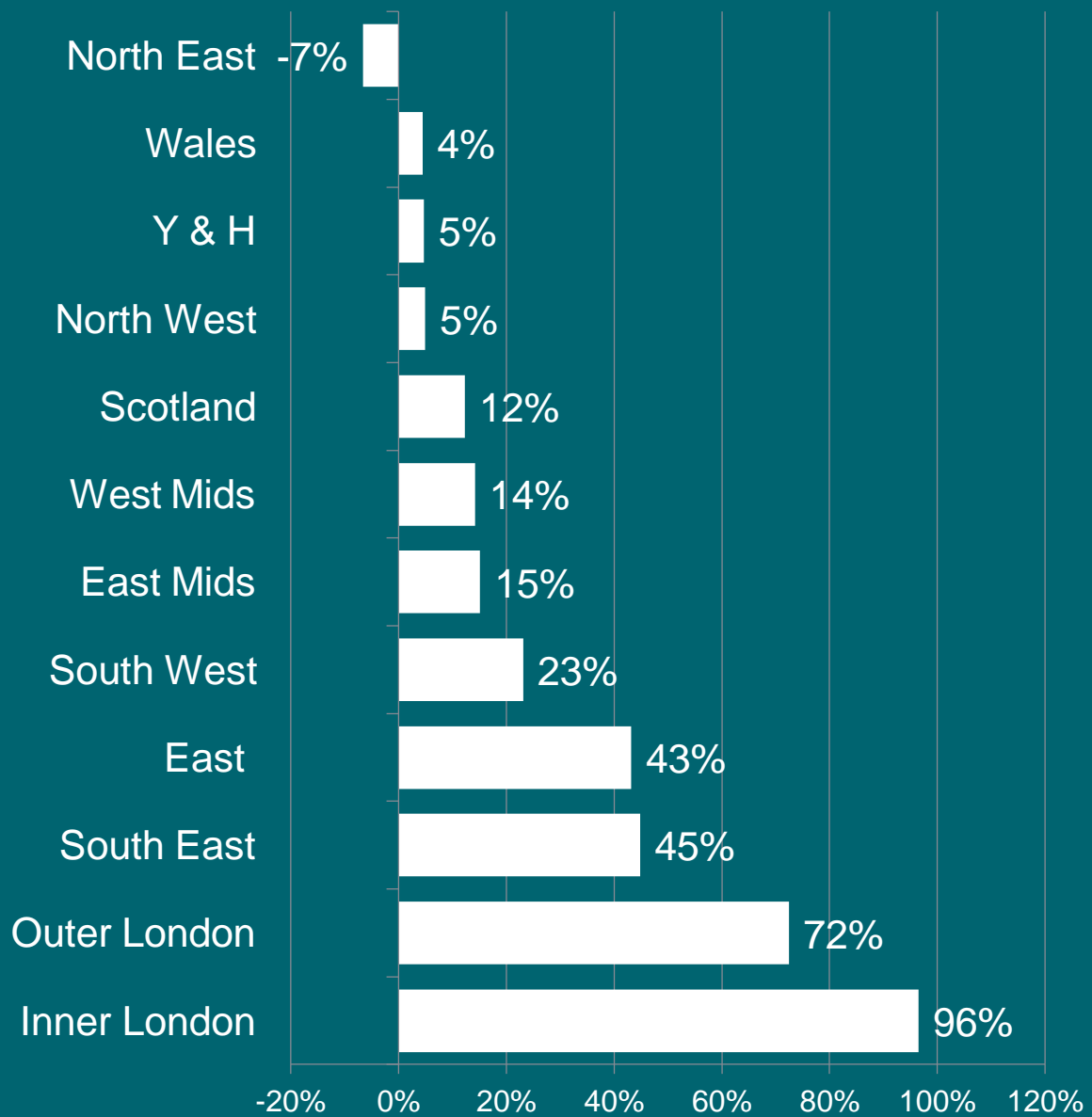
Mainstream

savills

Central Five-year forecast	2017	2018	2019	2020	2021	Total
UK house price growth	0.0%	2.0%	5.5%	3.0%	2.0%	13%
Household income, y/y change *	1.0%	1.9%	2.6%	3.3%	3.2%	13%
Employment, y/y change *	-0.4%	0.0%	0.4%	0.8%	1.0%	2%
Bank of England base rate *	0.1%	0.1%	0.4%	0.9%	1.4%	n/a

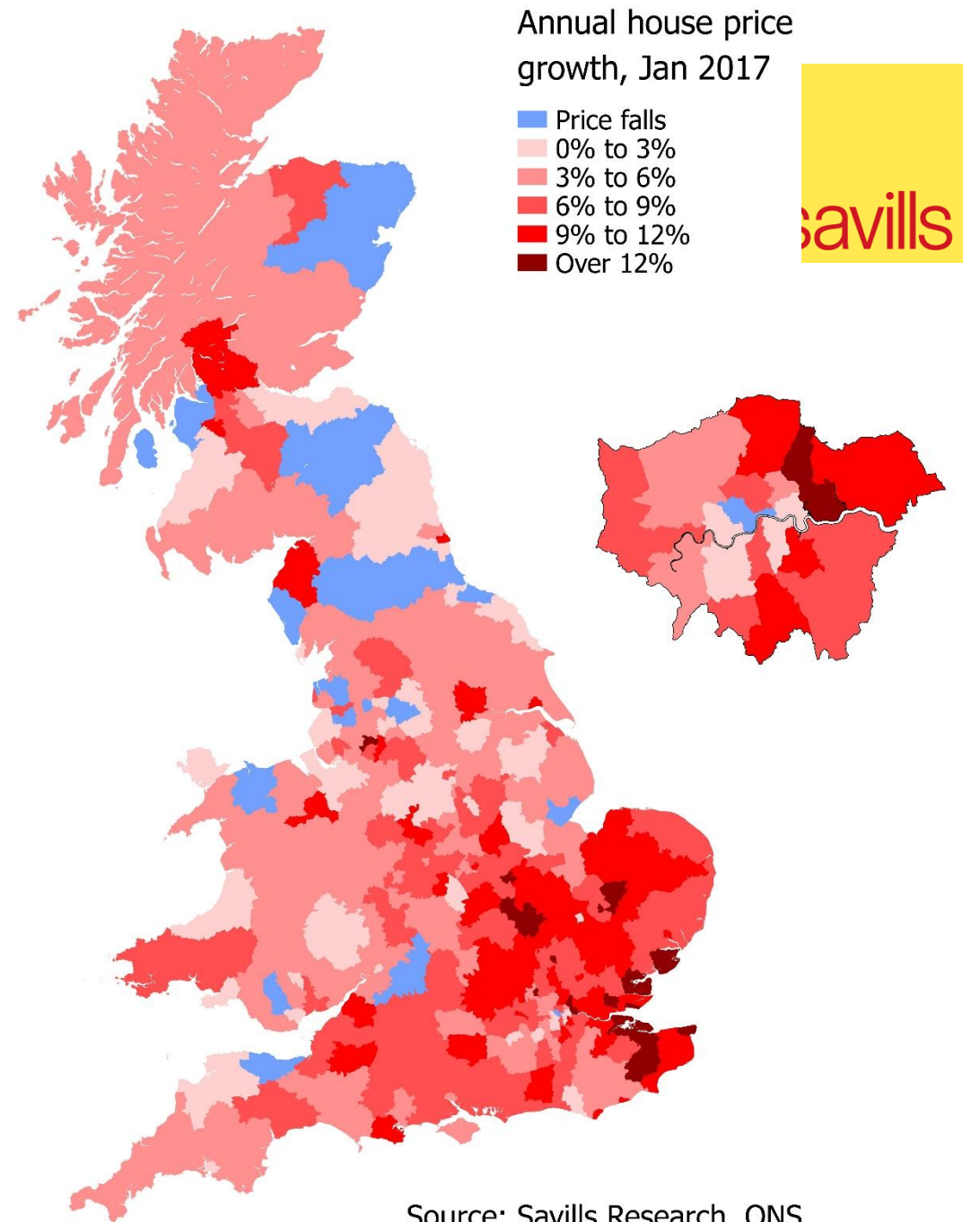
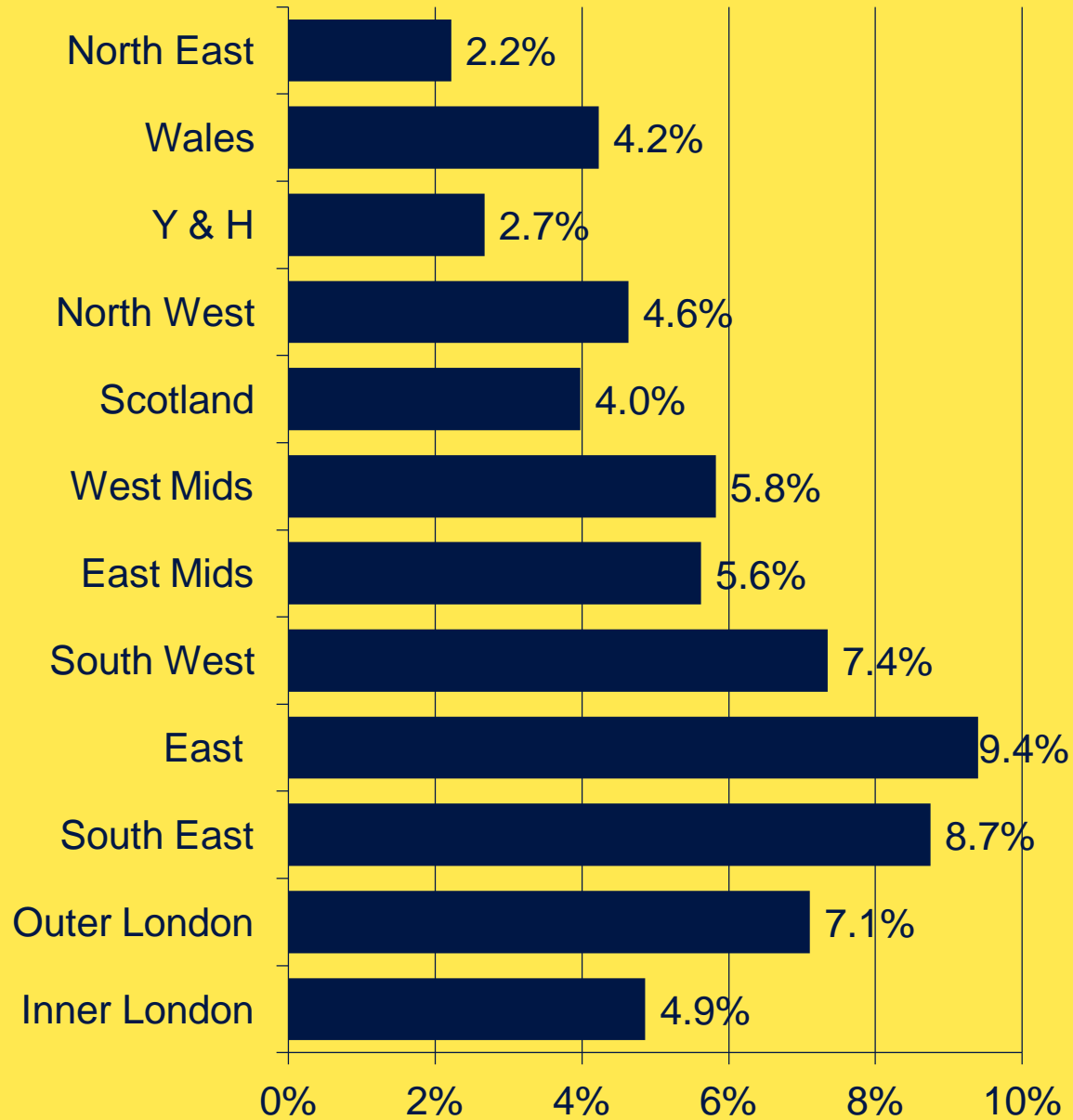
* Oxford Economics – October 2017

10 year house price growth




























Source: Savills Research, ONS

Annual house price growth



Source: Savills Research, ONS

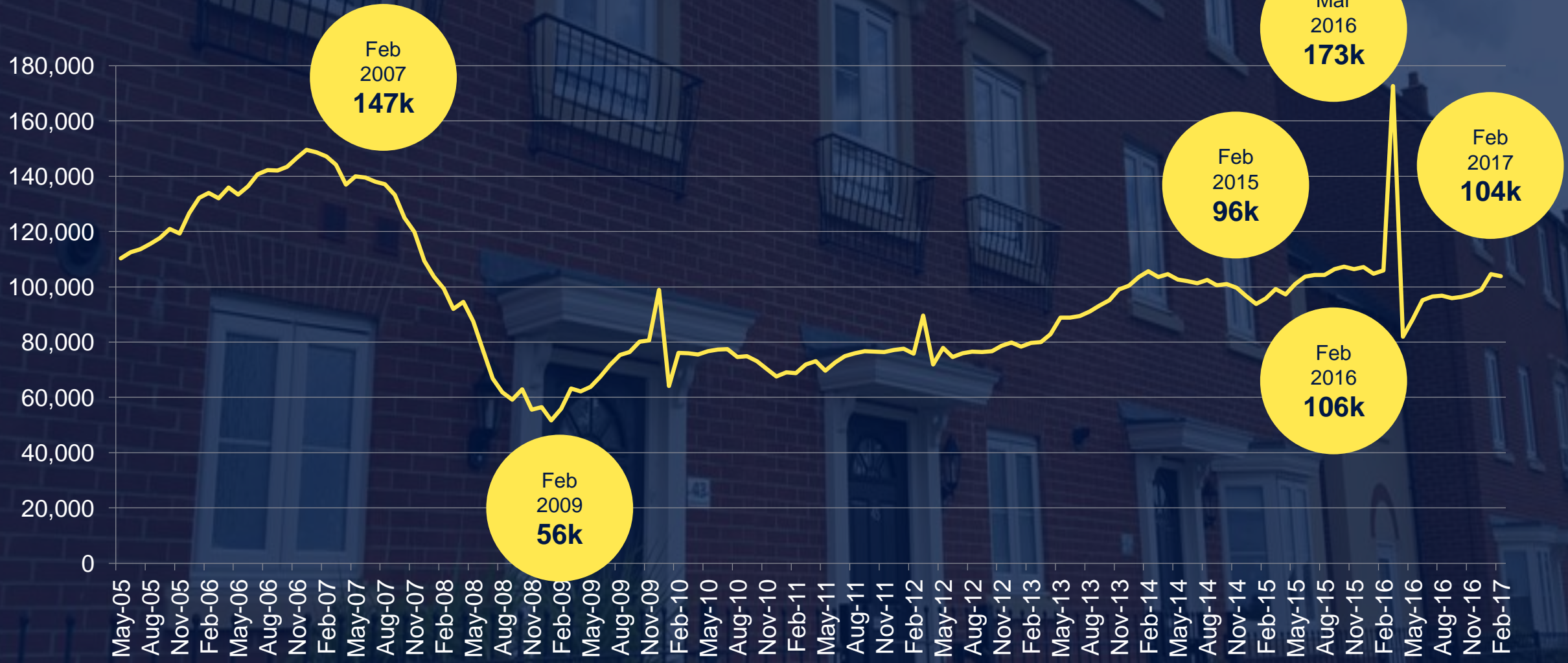
	2017	2018	2019	2020	2021	5-year
UK	 0.0%	 2.0%	 5.5%	 3.0%	 2.0%	13%
London	 0.0%	 3.0%	 4.5%	 2.0%	 1.0%	11%
South East	 2.0%	 2.0%	 6.5%	 4.0%	 1.5%	17%
East of England	 2.5%	 2.5%	 6.5%	 4.0%	 2.0%	19%
North West	 -2.0%	 2.0%	 5.5%	 3.0%	 3.0%	12%



Housing Transactions

Impact on Transactions

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Impact on Transactions

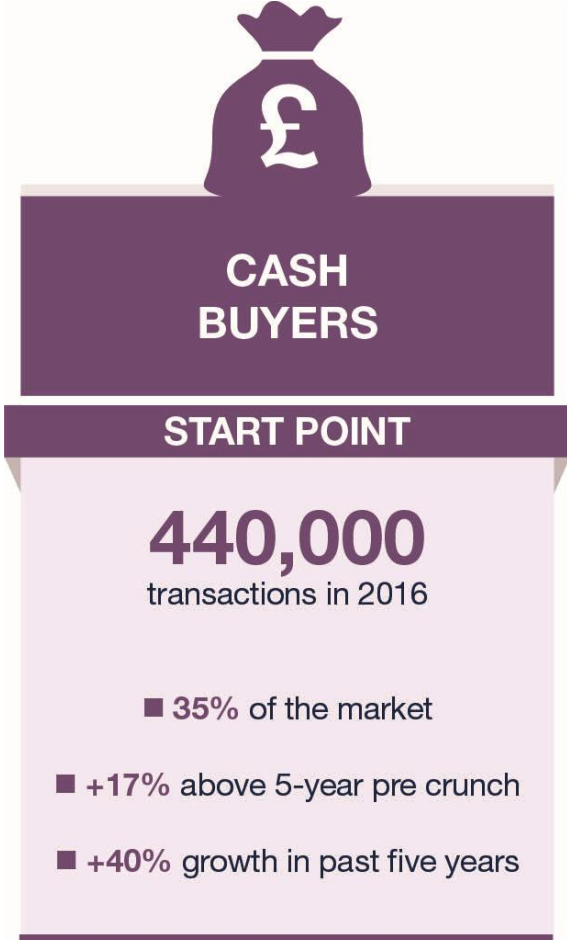
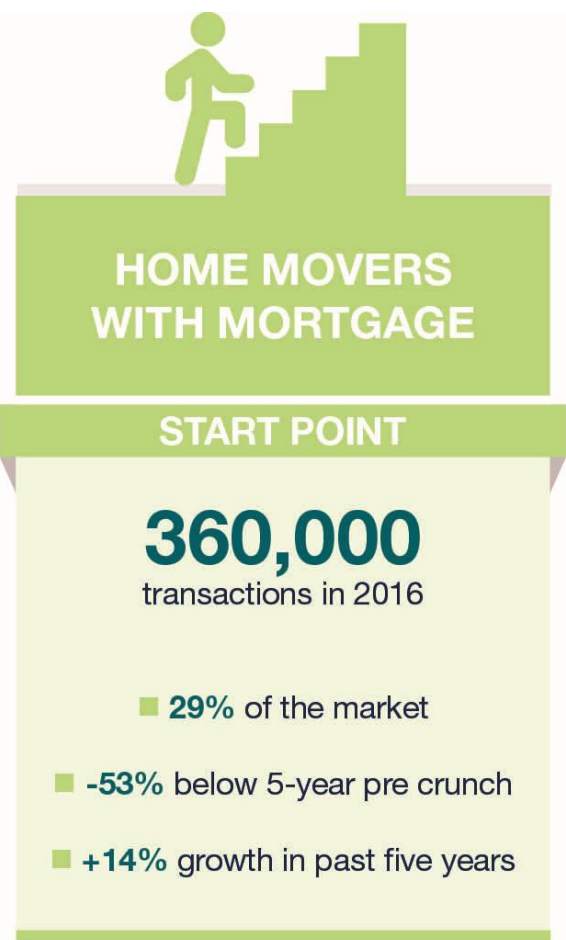
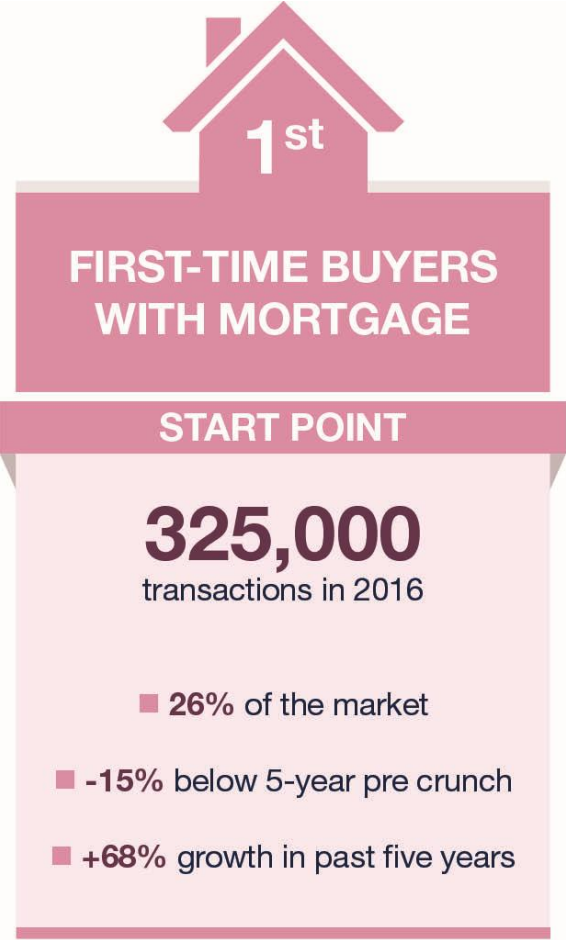
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	2016	2017	2018	2019	2020	2021
Total Housing Transactions	1,245,000	1,125,000	1,040,000	1,145,000	1,195,000	1,240,000

Start point




Source: Savills Research



Drivers

Source: Savills Research



FIRST-TIME BUYERS WITH MORTGAGE

DRIVERS

SUPPORTED BY

- Help to Buy
- Starter Homes
- Shared ownership
- Access to Bank of Mum & Dad

.....

RESTRICTED BY

- Mortgage regulation
- Tighter lending criteria
- High deposit requirements



HOME MOVERS WITH MORTGAGE

DRIVERS


SUPPORTED BY

- Continued low interest rates
- Option to accelerate mortgage repayments

.....

RESTRICTED BY

- Economic uncertainty
- Mortgage regulation
- Ability to accumulate equity



BUY-TO-LET WITH MORTGAGE

DRIVERS

SUPPORTED BY

- Low returns on alternative investments
- Growth in rental demand
- Historic investment track record

.....

RESTRICTED BY

- Additional 3% stamp duty
- Reduced tax relief
- Tighter lending criteria
- Impending mortgage regulation



CASH BUYERS

DRIVERS

SUPPORTED BY

- Greater pension freedom
- Increased downsizing

.....

RESTRICTED BY

- Additional 3% stamp duty on investment property and second homes

Forecasts

Source: Savills Research



Consequences

A continuation of the tenure shift

Source: English Housing Survey

49,000 more mortgaged owner occupiers aged 24-35 in 2015/16.....

....but there were also 56,000 more private renters in that age band

Private renters aged 24-35 have increased by 808,000 in 10 years.....

.....while those aged 35-44 have gone up by 505,000

Debt free owner occupiers aged 65 or over rose by 116,000 in 2015-16...

...and have increased in number by 1,083,000 in 10 years

Continued pressure on rents

savills

	2017	2018	2019	2020	2021	5-year
UK	 2.5%	 4.0%	 5.0%	 3.5%	 3.0%	19%

Pressure on the delivery of new homes



Political pressure to increase output



Historic delivery linked to transactions



Particular pressure on BTL



More reliance on government support



More balanced approach to tenure



Wider range of policies

£171 BN
EQUITY



Less than
5% of owner
occupier's
equity

Under 35s

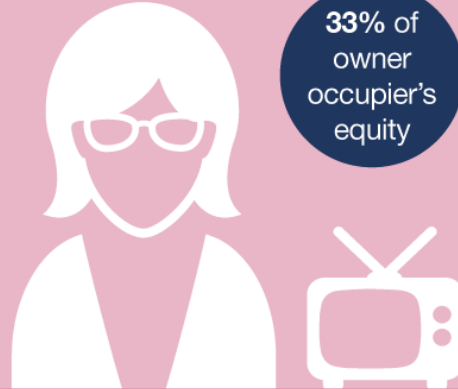
£692 BN
EQUITY



Over **50%**
of owner
occupier's
debt

35 – 49-year-olds

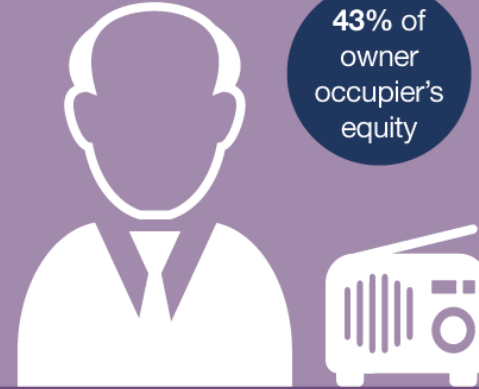
£1,167 BN
EQUITY



33% of
owner
occupier's
equity

50 – 64-year-olds

£1,534 BN
EQUITY



43% of
owner
occupier's
equity

Over 65s

£1,172 BN
EQUITY



Debt
accounts
for **16%** of
value

Private landlords

£204 BN
MORTGAGE
DEBT

£522 BN
MORTGAGE
DEBT

£239 BN
MORTGAGE
DEBT

£45 BN
MORTGAGE
DEBT

£227 BN
MORTGAGE
DEBT



Market
Build to Rent



Starter
Homes



Shared
ownership
and
intermediate
tenure



Help to Buy



Discounted
Rent



Affordable
Housing



Retirement
housing

Thank you