

The background of the slide is a photograph of the Cardiff skyline at dusk. The central focus is the Cardiff City Hall, a large, ornate red-brick building with a prominent clock tower. To its right is the Wales Millennium Centre, a modern building with a distinctive, curved, dark roof. The buildings are illuminated with warm lights, and their reflections are visible in the water in the foreground. The sky is a deep blue with scattered clouds.

# Welsh Residential Property Outlook

Lawrence Bowles

# This time last year...

savills

**Political  
uncertainty and  
economic  
unknowns**

**Transactions to  
fall to 1,200,000  
in 2017 with  
pressure on BTL**

**Price falls in  
Wales in 2017**

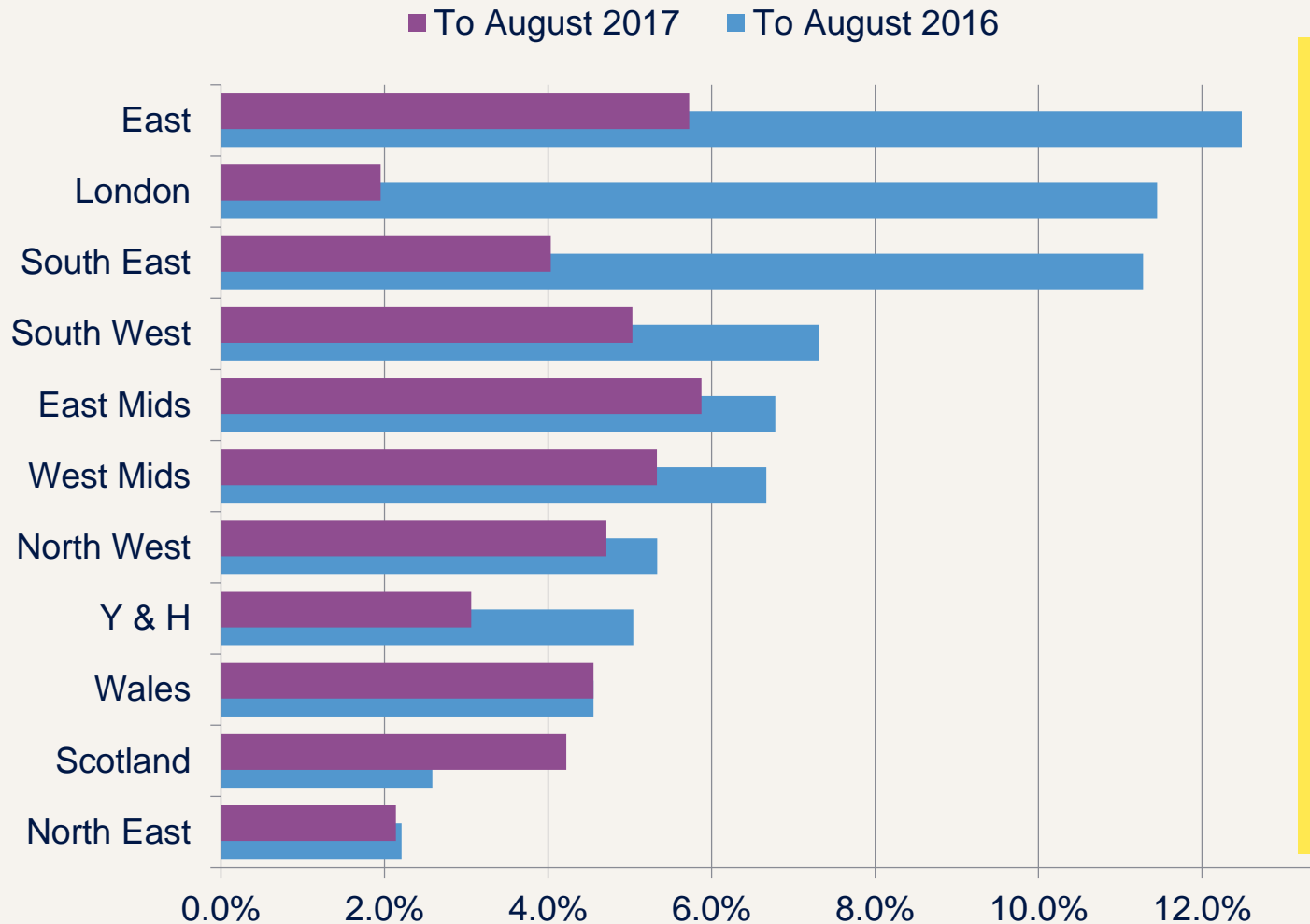
**Growing political  
pressure to  
increase housing  
supply**

**0% UK growth in  
2017 on the back  
of buyer caution**

**Short lived  
bounce in 2019  
before interest  
rate rises**

# The reality...

Source: Savills Repeat Sales Index, HMRC



**Transactions:**

**Forecast  
1.2m**

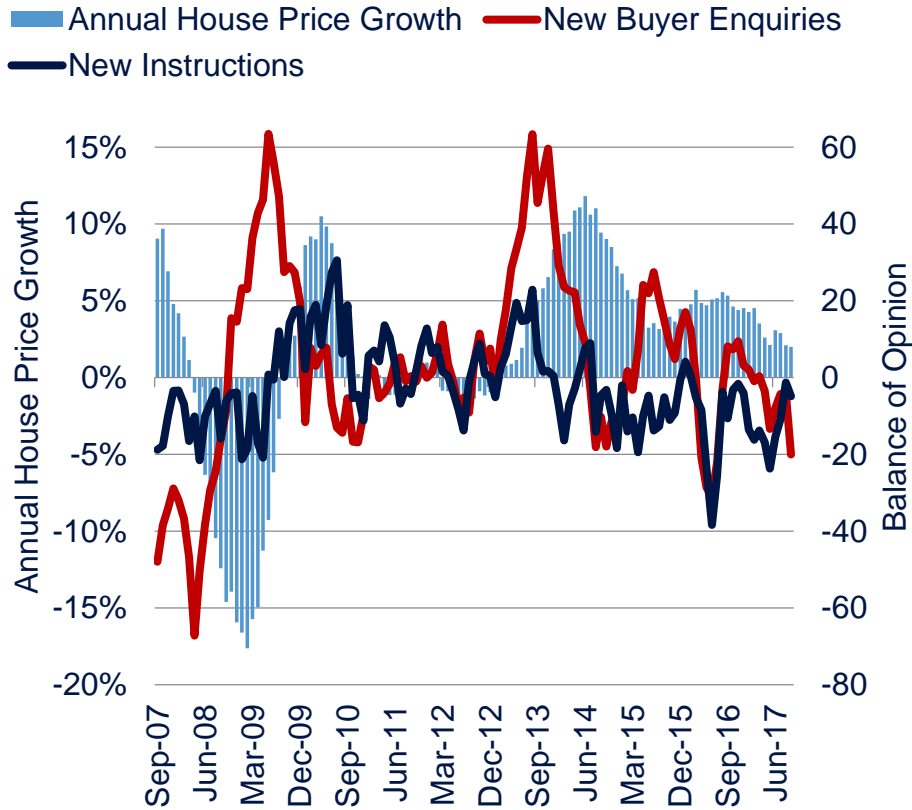
**Actual  
1.2m  
12m to Sep-17**

**(but BTL falls slightly  
more than expected)**

# 6 key knowns



Graph Source: RICS, Nationwide



Brexit uncertainty will make buyers cautious in the short term

# 6 key knowns

Graph Source: RICS, Nationwide

<b>%</b>	<b>2012</b>	<b>2017</b>	<b>2022</b>
<b>Base Rate</b>	<b>0.50%</b>	<b>0.25%</b>	<b>2.25%</b>
<b>Mortgage</b>	<b>3.50%</b>	<b>2.00%</b>	<b>4.00%</b>

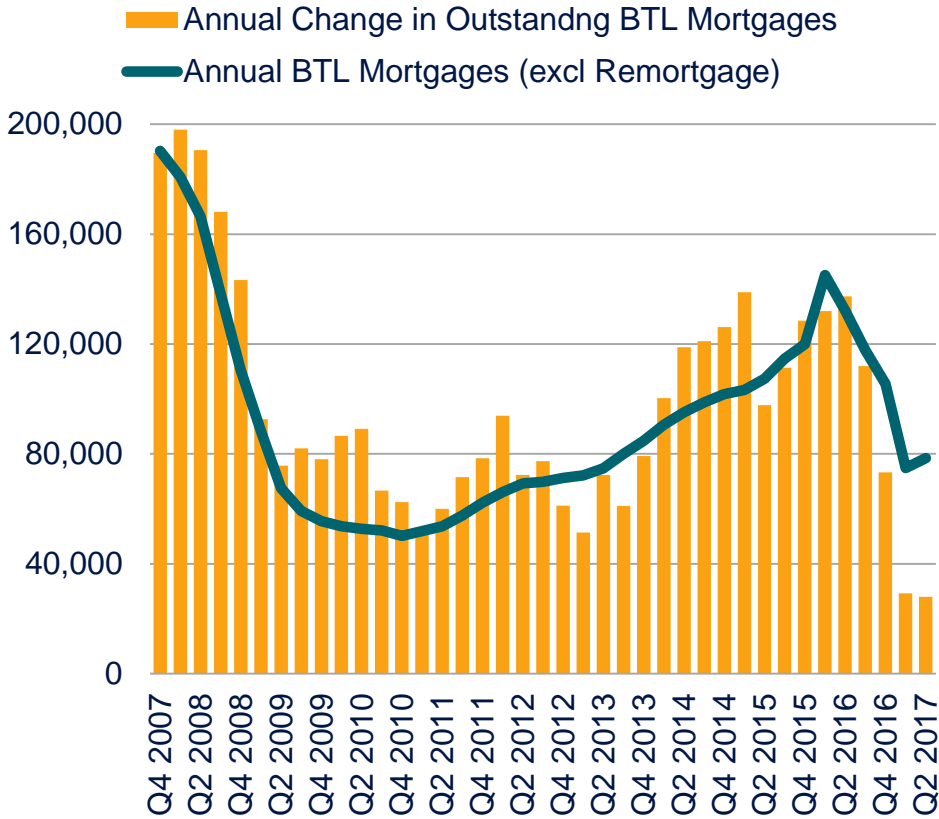


Interest rate rises & stress testing will put a squeeze on borrowing

# 6 key knowns



Graph Source: RICS, Nationwide



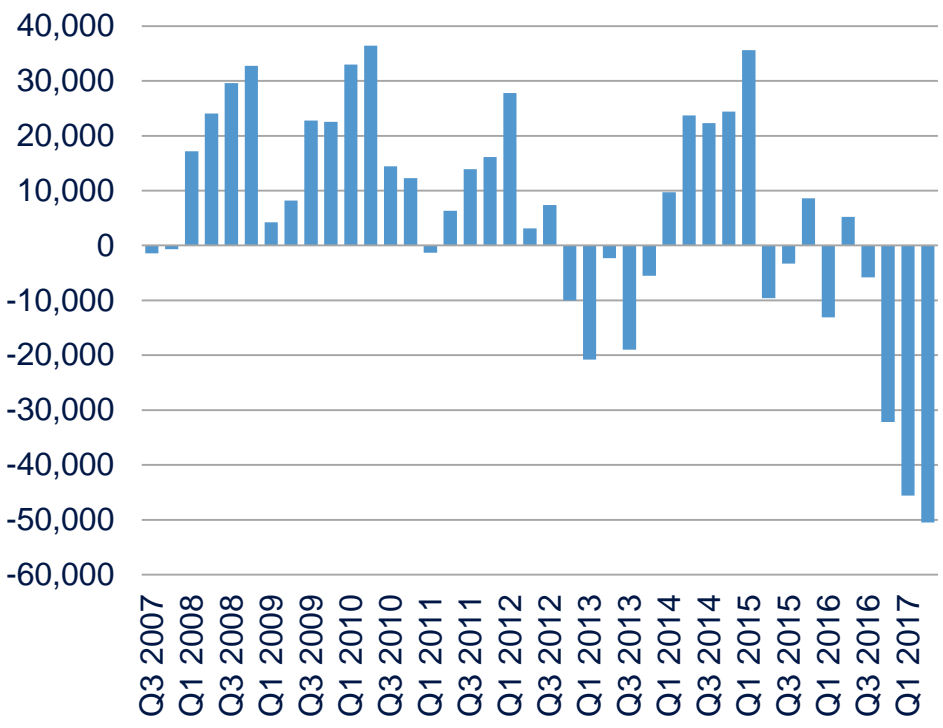
Further pressure on mortgaged buy to let from tax & regulation

# 6 key knowns



Graph Source: RICS, Nationwide

### Difference between New Mortgages and Change in Outstanding Mortgages



Further pressure on mortgaged buy to let from tax & regulation

# 6 key knowns

Graph Source: RICS, Nationwide


10 year house price growth



Average deposit for a 1st time buyer



Average household income for a mortgaged home mover



London is left looking stretched



# 6 key knowns

Graph Source: RICS, Nationwide

**+70%**  
3.4 x GB average

**£91,329**

**£99,753**  
6.2 x Wales average

**+96%**  
above Wales average

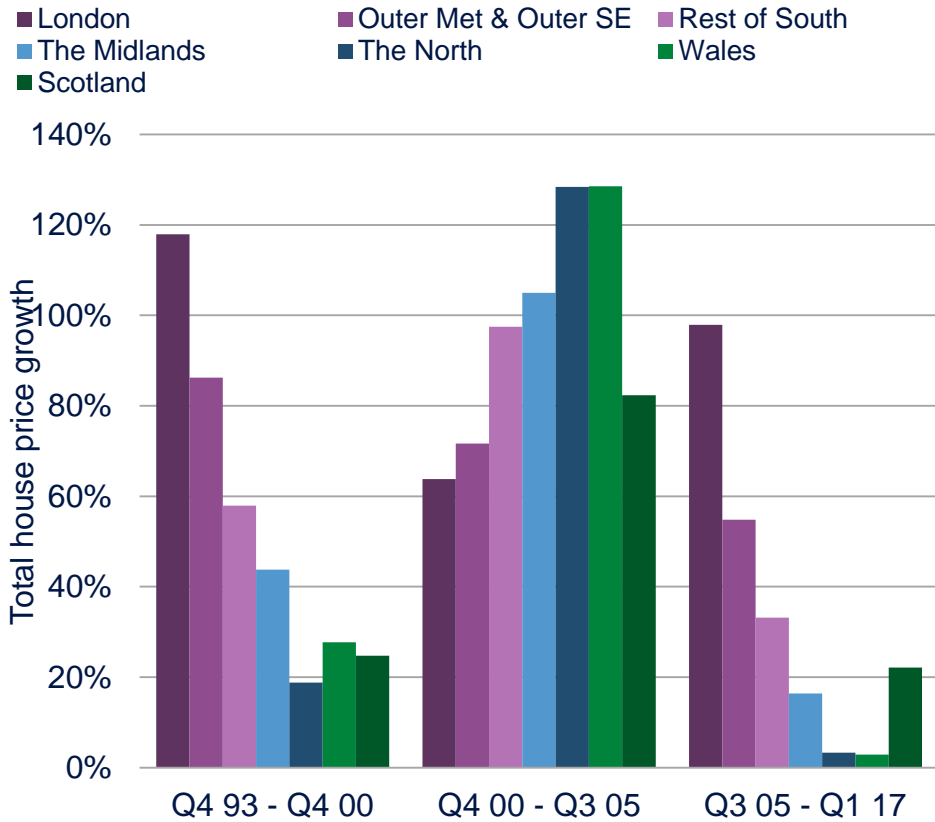


London is left looking stretched

# 6 key knowns



Graph Source: RICS, Nationwide



Wales and the North have previously performed strongly late in the cycle

# 6 key knowns

Graph Source: RICS, Nationwide



We are not building enough houses of the right type in the right places

# UK Mainstream House Price Growth

savills

Source: Nationwide (to Sept 2017), Savills

**+28%**

Last 5 years

Next 5 years

**+14.2%**

# Wales Mainstream Forecasts Year by Year

Source: Savills using Oxford Economics

**+1.0%**

## 2018



Brexit uncertainty cools the market



Base rate min **0.50%** | CPI **1.9%** | GDP growth **3.1%**



↑ Interest rates still low | ↓ Low transactions

**+3.0%**

## 2019



Transition agreement



Base rate min **0.75%** | CPI **1.7%** | GDP growth **3.0%**



↑ Some confidence returns | ↓ Mortgage interest rates start to rise

**+5.0%**

## 2020



Progress towards a Free Trade Agreement continues



Base rate c.**1.00%** | CPI **1.9%** | GDP growth **3.7%**



↑ EU confidence boost | ↓ Buy to let mortgage interest relief gone

**+3.0%**

## 2021



The UK formally leaves the EU



Base rate c.**1.75%** | CPI **1.8%** | GDP growth **4.1%**



↑ Continued transaction growth | ↓ Mortgage affordability constrained

**+3.0%**

## 2022



First full year outside the EU



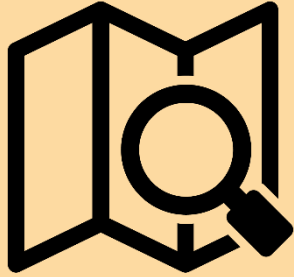
Base rate **2.25%** | CPI **1.9%** | GDP growth **4.3%**



↑ Economy back to real terms growth | ↓ General election

## 5 year growth

↑ 1 ↑	North West	18.1%
↑=2↑	North East	17.6%
↑=2↑	Y & H	17.6%
↑ 4 ↑	Scotland	17.0%
↑ 5 ↑	Wales	15.9%
↓=6↓	East Midlands	14.8%
↓=6↓	West Midlands	14.8%
↓ 8 ↓	South West	14.2%
↓=9↓	East of England	11.5%
↓=9↓	South East	11.5%
↓11↓	London	7.1%



## **Assertive rhetoric**

Housing need at 14,000

Infrastructure investment

## **More tenures**

Not just Help to Buy

Funding for social housing



## **Regulation holding back supply**

Land Transaction Tax

Sprinklers

Welsh language requirements



## **New developers in the market**

Small and medium housebuilders

Housing Associations

Build to Rent



# Conclusions

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**14.2%**  
UK house price  
growth over five  
years

**North West  
strongest**

**London  
weakest**

Bounce delayed  
to **2020**, then  
interest rate  
rises

**2018 will test  
Government's  
appetite for  
delivering the  
right number of  
homes in the  
right places**

**15.9%**  
Wales house  
price growth  
over five years

**Infrastructure  
improvements  
could have  
material impact  
on  
developments**

The Savills logo, consisting of the word "savills" in a lowercase, red, sans-serif font, is centered within a solid yellow square. The background of the slide is a dark, atmospheric photograph of a waterfront at dusk or night, featuring a bridge with ornate metalwork in the foreground, a row of lit-up buildings on the left, and a large, modern building with a curved roof on the right, all reflected in the water.

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Thank you