

REGIONAL MARKET REVIEW

SUMMER 2015



GARRINGTON

NATIONAL

OVERVIEW

Demand for homes across the UK has picked up following the election, but insufficient supply is constraining transaction levels. Land Registry figures still show annual growth in values of 4.6%, led by London and the South East (both at 9.1%) but transaction levels fell by 12% across England and Wales. There are promising signs that the regions could close this gap though, as they benefit from an improving economy and a political will to ensure other parts of the UK gain from London's success.

The 'Northern Powerhouse' concept was focused on Manchester in George Osborne's budget speech, with power being devolved to locally elected officials. This includes property specific powers such as greater autonomy in relation to planning and the introduction of a Greater Manchester Land Commission.

Londoners are continuing to take advantage of increased property values in the capital, with migration statistics demonstrating a net outflow of movers to some of the more desirable cities around the country.

"Sentiment in the market has improved over the last quarter, although constraints on supply are impeding transaction levels."

JONATHAN HOPPER, MANAGING DIRECTOR

INVESTOR FOCUS

There was much in the summer budget of interest to investors. Primarily, the tax relief on mortgage interest payments for buy-to-let mortgages will be reduced from a maximum of 45% to just 20%. This will be introduced over four years, starting in 2017. While this reduces the appeal for those in higher tax brackets looking at heavily geared direct property investment, investors with higher levels of equity may be able to take advantage of a potential gap in the market. 16.5% of UK households now live in the private rented sector, equivalent to nearly 3.8 million homes.

As a result of tax reforms, we may now see more properties being acquired through corporate structures with lower Corporation Tax and leveraged buyers needing higher yields may need to look at different locations.

Average rental yields	
REGION	YIELD
England & Wales	5.1%
London (All boroughs)	4.3%
North West	7.0%
Yorkshire & The Humber	6.3%
East Midlands	5.7%
West Midlands	5.6%
North East	5.0%
East of England	4.6%
Wales	4.4%
South East	4.4%
South West	3.7%

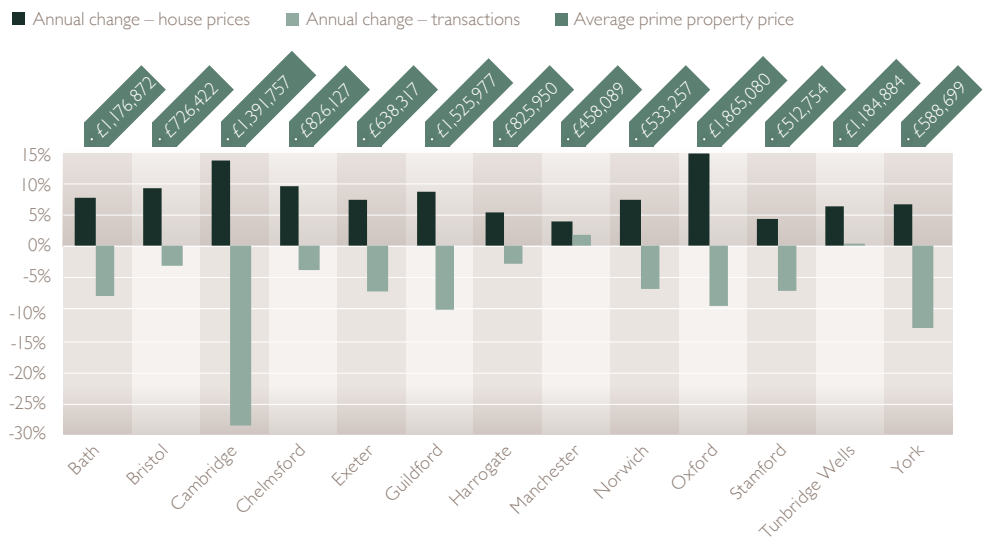
Source: LSL

GARRINGTON CITY BAROMETER

The Garrington City Barometer records activity and price growth across key locations nationally. The greatest growth in capital values seen in the last 12 months was in Oxford (14.9%) and Cambridge (13.8%). However, they have also witnessed some of the greatest falls in transaction levels as constrained supply forces prices higher. Manchester saw a small rise of 7% in transaction levels but also the lowest level of price growth at a more modest rate of 7.6%.

Five of these regional hubs have prime markets (defined as the top 5% of sales by value) in excess of £1 million, with Oxford the most expensive at almost £1.9 million, followed by Cambridge, where the average prime property is approaching £1.4 million.

Overview of the housing market in key regional towns and cities



Source: Garrington Research, Land Registry

RELOCATION RELOCATION

MIGRATION TO KEY REGIONAL TOWNS AND CITIES

With increasing levels of house price disparity between London and the rest of England and enhanced regional job opportunities, domestic relocation levels have increased over recent years. We have analysed the origins of these domestic relocations to assess the impact of local and more distant moves on the locations in our City Barometer:

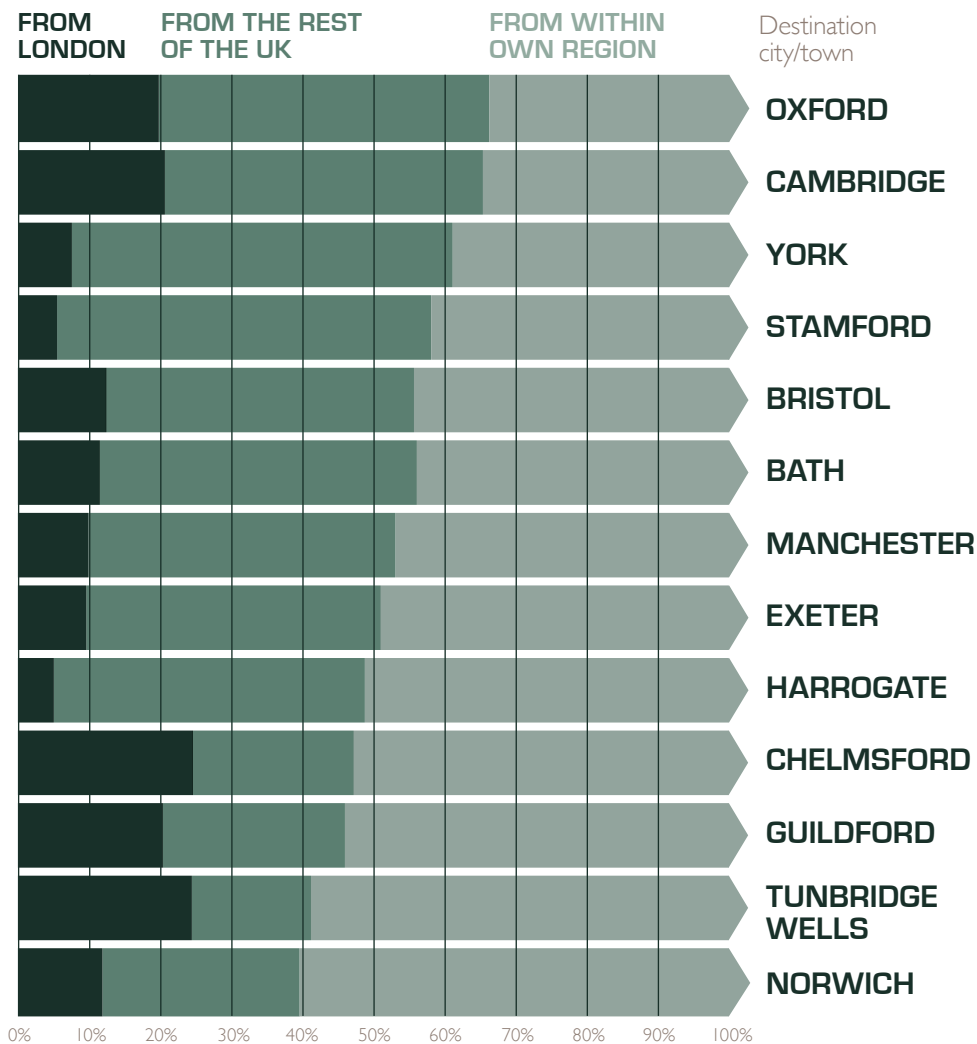
Despite the impact of Londoners, and long distance relocation, moving within an existing region remains the most common source of in-movers for most cities, as people climb up and down the local housing ladder. On average, 47% of moves take place within the home region. Norwich tops the chart where the share rises to over 60% within the eastern region, compared with only 34% and 35% respectively in Oxford and Cambridge.

Our analysis found that three of the cities that attracted high percentages of movers from London – Cambridge, Oxford and Guildford, were also those that recorded the highest house price growth in the last five years; 48.5%, 32.4% and 38% respectively. In contrast, the two destinations where only around 5% of all domestic relocations originated from London were Stamford and Harrogate, with both experiencing some of the lowest upward price pressure.

The cities with the highest proportion of movers from London also recorded the highest average prime property values in our Barometer, all being over £1 million. These prices are being driven by a 'flight of equity' from the Capital. Relocations from London drive house price growth, especially when the destination city is both supply-constrained and popular – both of which apply to these three locations.

Looking at absolute numbers of migrants, it is unsurprising that the two largest cities,

The chart below shows domestic migration patterns for the locations in our City Barometer over the last year. Taking Oxford as an example, 20% of residents have moved from London, 47% from the rest of the UK and the remainder from the home region.



Source: Source: ONS Internal migration, Census 2011, Land Registry

Manchester and Bristol, absorbed the largest number of displaced Londoners. However, the impact on house prices was much greater on smaller cities, like Oxford and Cambridge, that

had a higher overall percentage of in-movers. Around one-fifth of all the people who moved to Oxford and Cambridge previously lived in London.

MEET THE REGIONAL TEAM



Jonathan Hopper, Nicholas Finn, Phil Martin, Julian Rich, Jo Nash, Michelle Daisley, Toby Ridge, Mandy Bissell, Kate Vincent, Andrea Hewitt, Nick King, Philippa Mills, Liza Hackney, Mike Bowden

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

The Property Search Consultancy

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