

# Cross Sector Property Update

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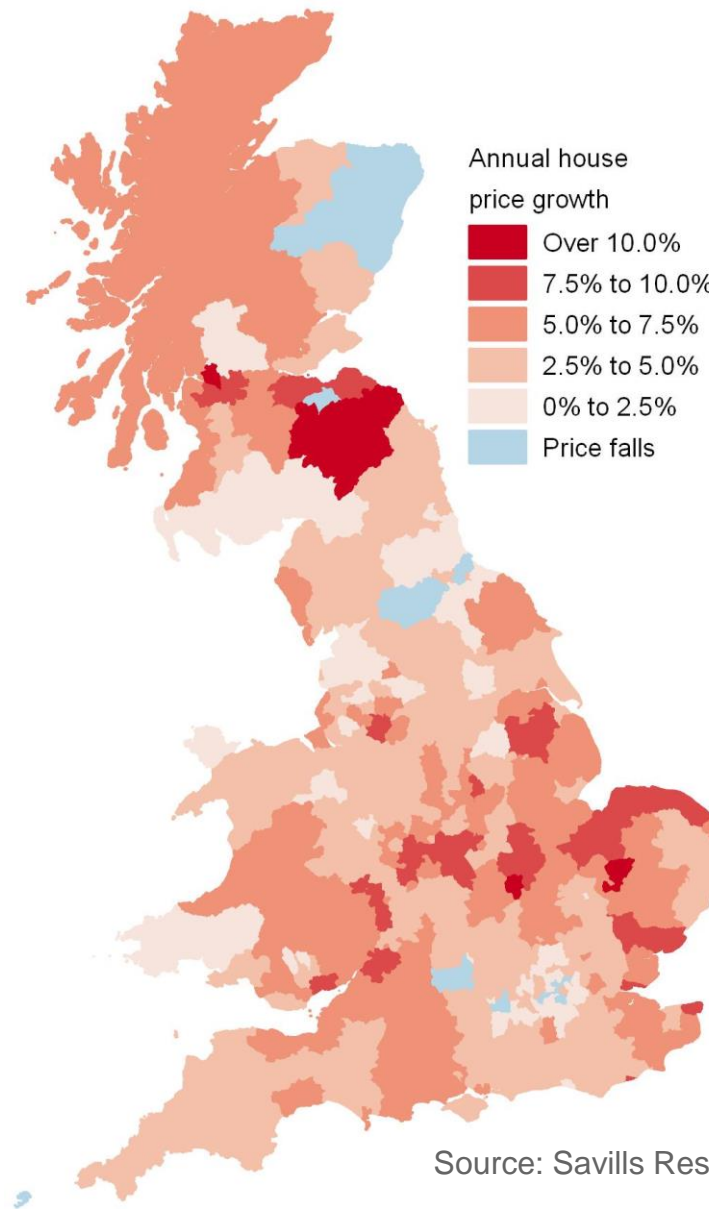
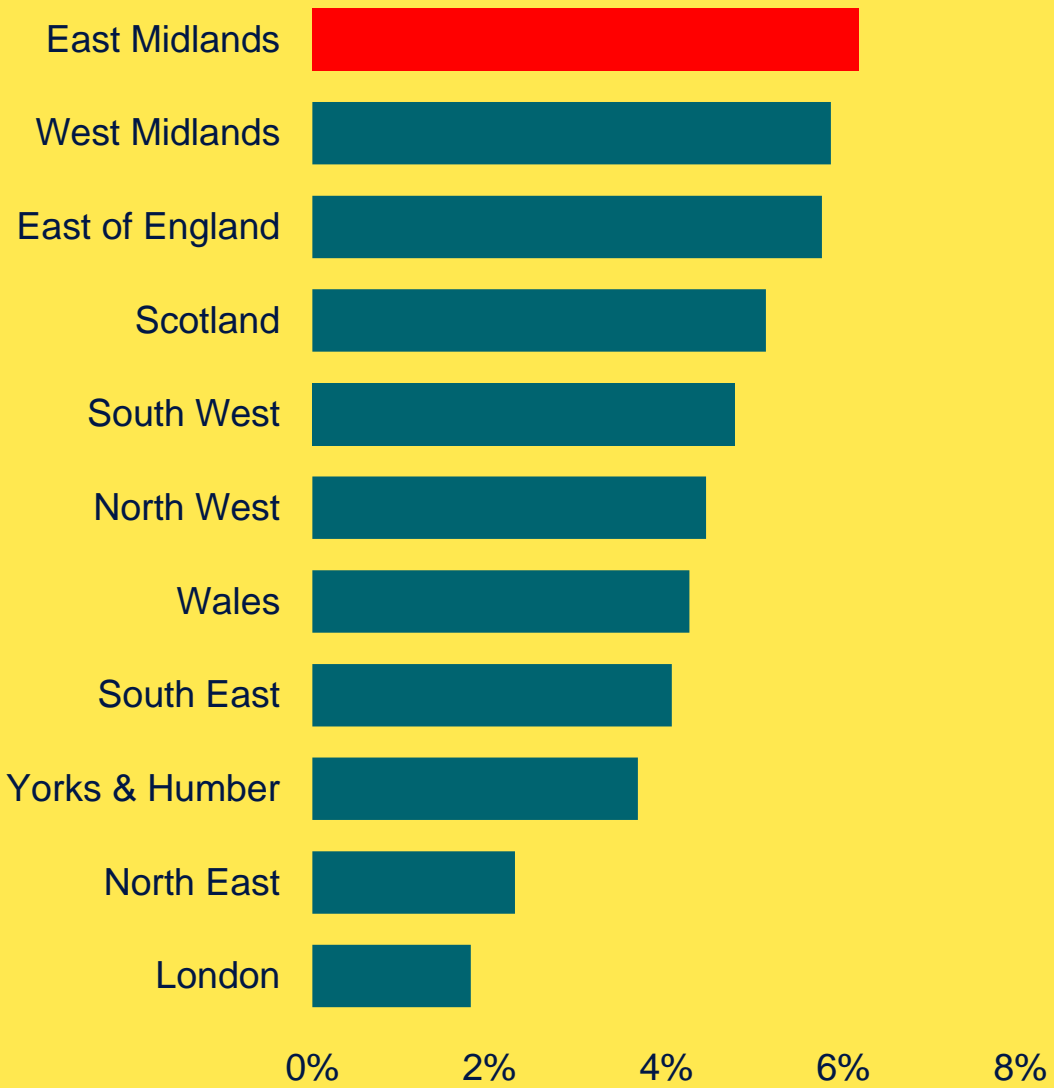
# UK Housing Market

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## Annual House Price Growth



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# UK Mainstream House Price Growth

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Source: Nationwide (to Sept 2017), Savills

**+28%**

Last 5 years

Next five years

**+14%**

## Mainstream house price forecasts 5 years 2018-2022

SCOTLAND

17.0%

NORTH WEST

18.1%

WALES

15.9%

WEST MIDLANDS

14.8%

SOUTH WEST

14.2%



NORTH EAST

17.6%

YORKSHIRE  
& HUMBER

17.6%

EAST MIDLANDS

14.8%

EAST

11.5%

LONDON

7.1%

SOUTH EAST

11.5%

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# UK Housing Transactions

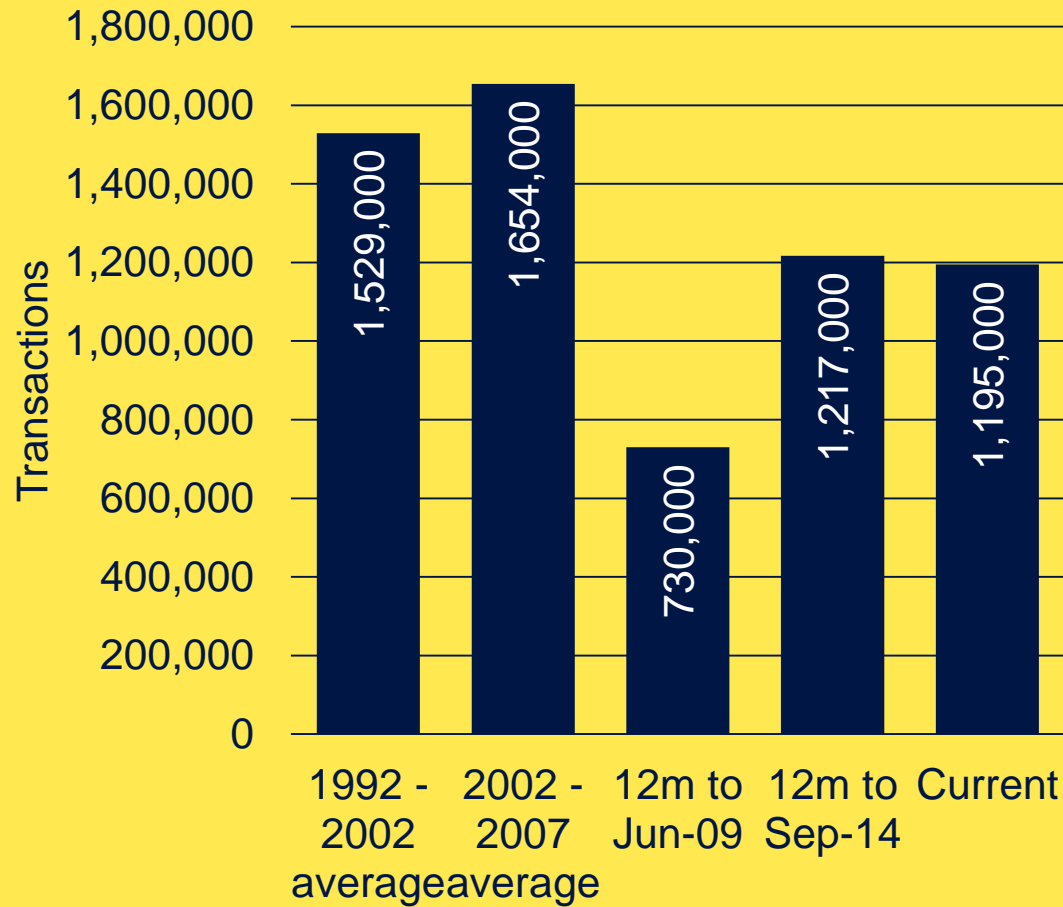


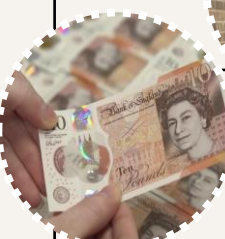


Chart source: HMRC



# Who will be buying?

Source: Savills, \*2007

		Previous (2002-07)	Current (2017)	Forecast (2022)
	First-time buyers	371,000	353,000	380,000
	Mortgaged home movers	<b>750,000</b>	358,000	350,000
	Mortgaged buy to let	183,000*	75,000	55,000
	Cash buyers	386,000	407,000	425,000



# The Rural Land Market

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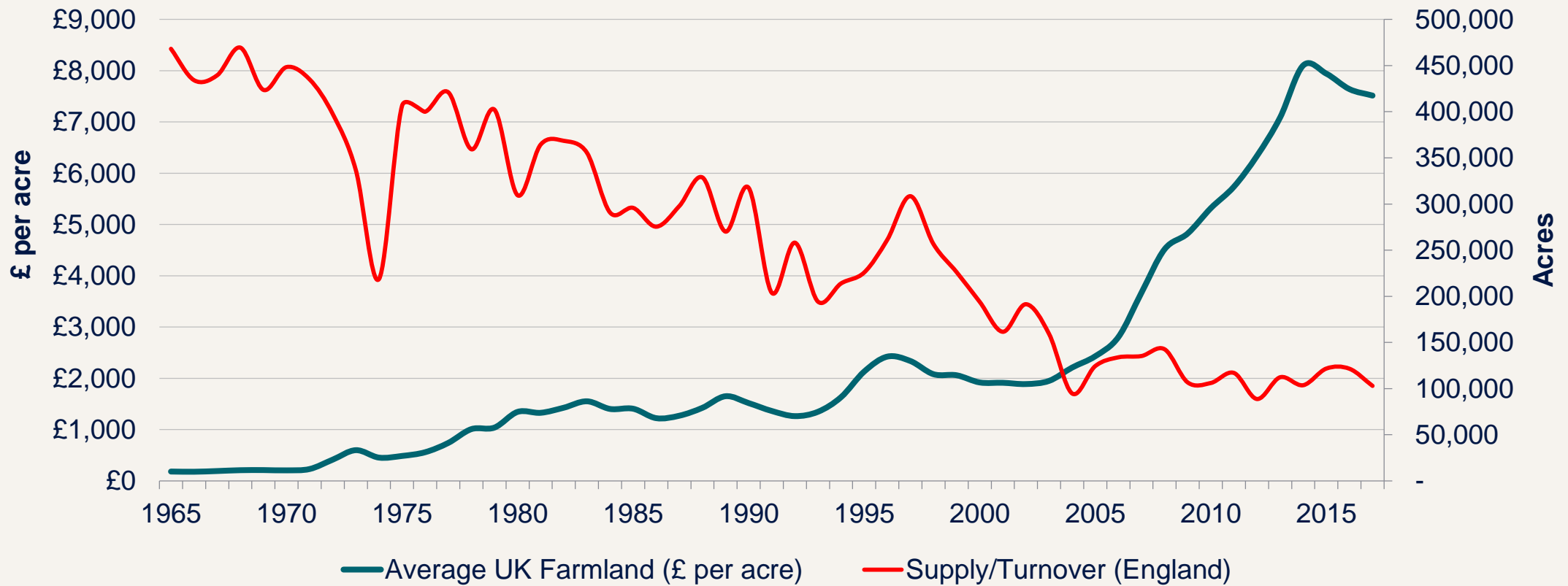
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# Long term values and supply

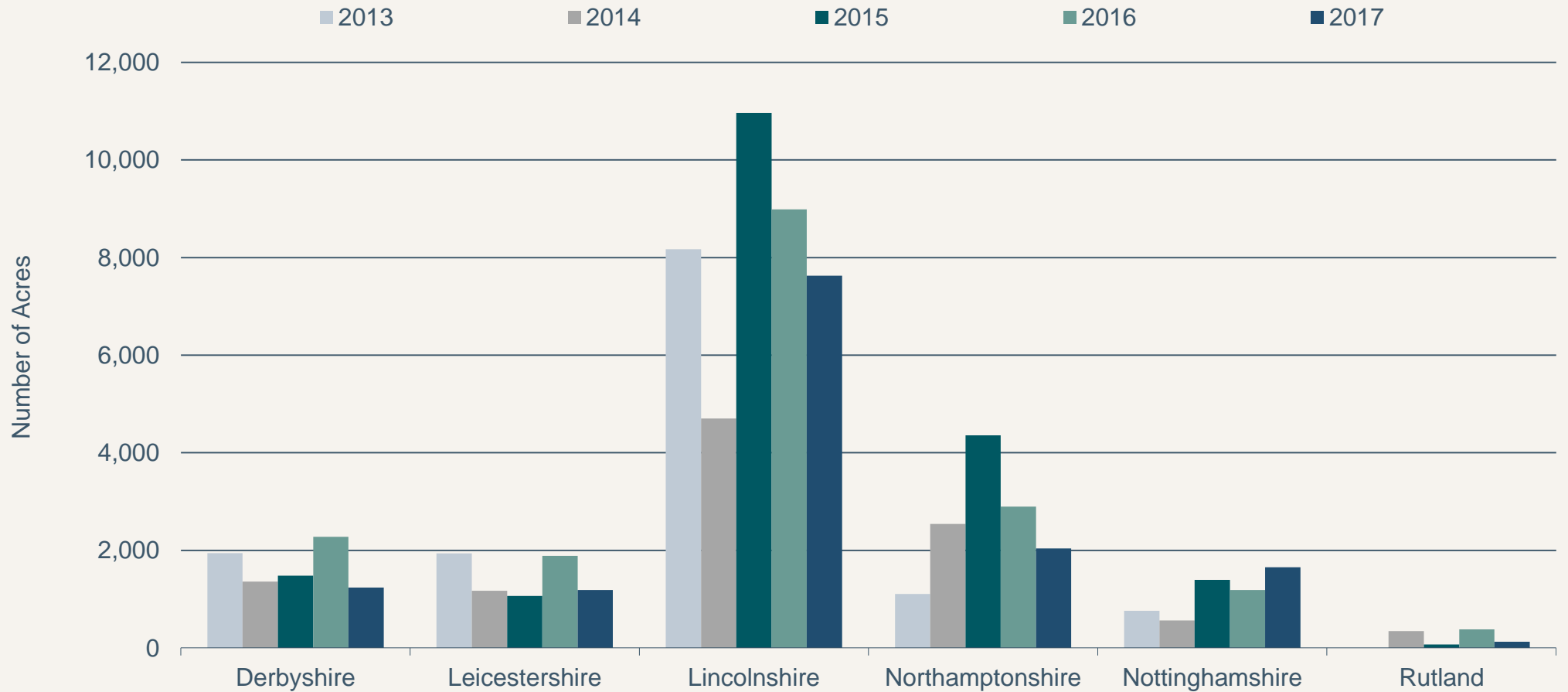
Source: Savills Research & Defra



Source: Savills Rural Research & DEFRA

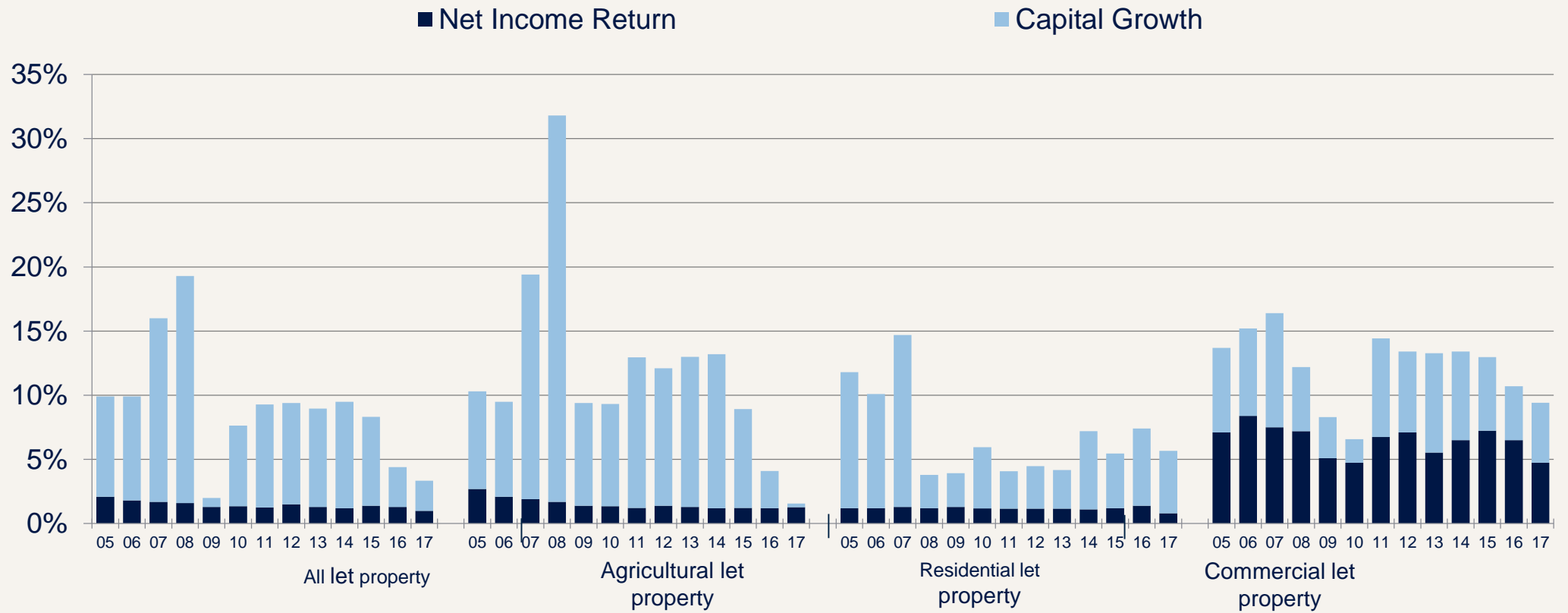
# East Midlands - Publicly Marketed\* Farmland

\* Revised Series January 2016 - Lowland farms/farmland over 50 acres with VP marketed in the National Press + Regional press & internet sites (since beginning 2013)



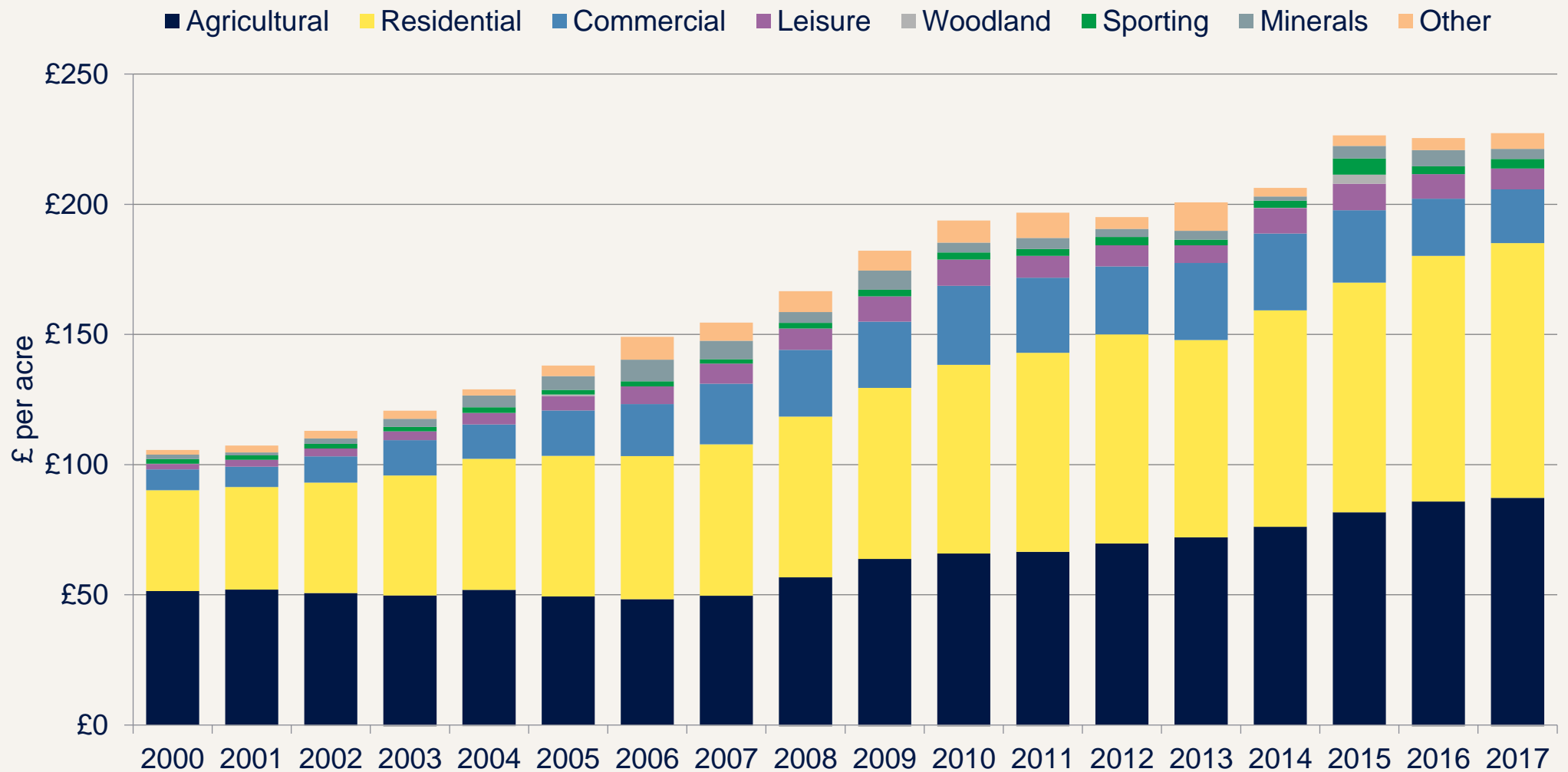
# Investment performance

Source: Savills Research



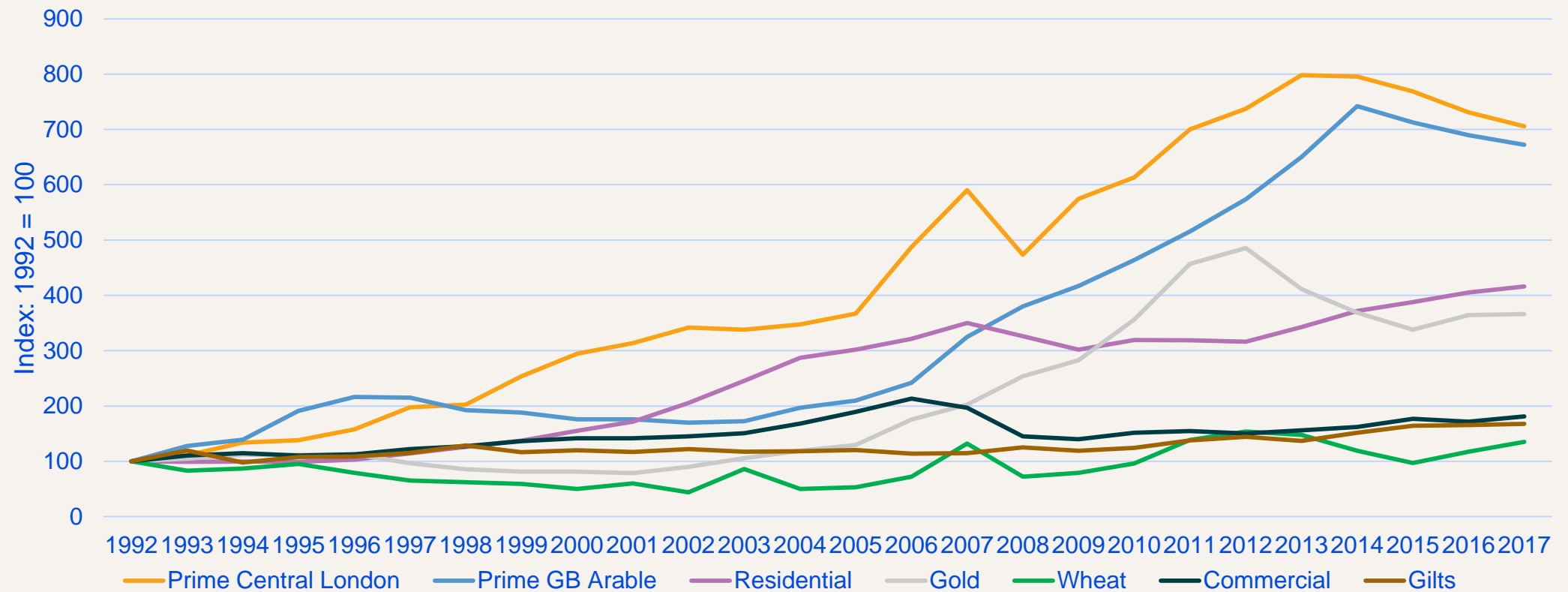


# England - Source of income

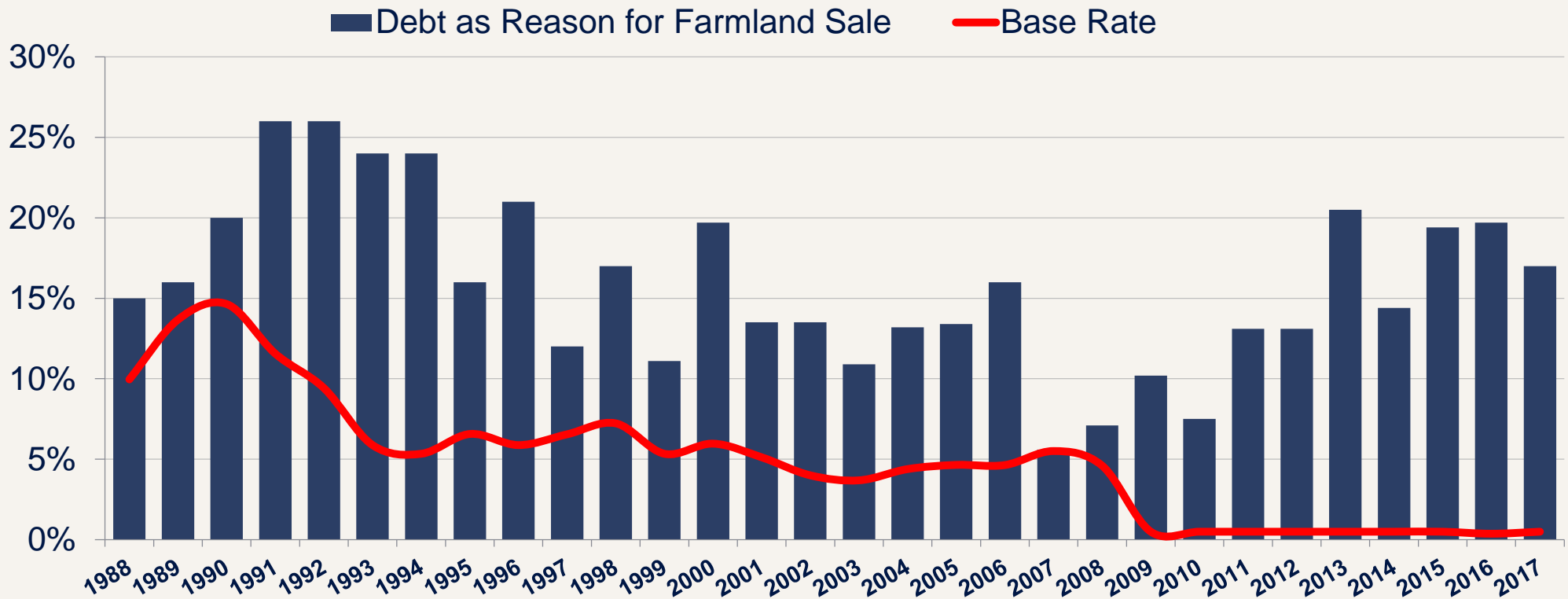


# Farmland v other assets (capital growth)

Source: Savills Research



# Debt Sales Significant in Light of Low Base Rates



Source: Savills Rural Research, Bank of England



# UK Government View: Devolution and future farm policy

“I want to see the devolved administrations **exercise more power in the future**, just as long as it is consistent with making sure farmers in every part of the country have unimpeded access to the UK wide internal market”.

“outside the EU the devolved administrations will have more powers than ever before to **shape agricultural policies that suit their jurisdictions**”.



# Key issues of Brexit for Agriculture

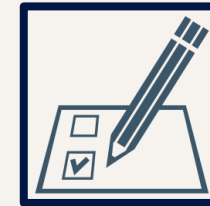
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Support



Trade



Regulation



Labour

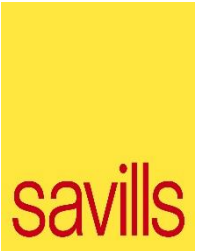


Restructuring

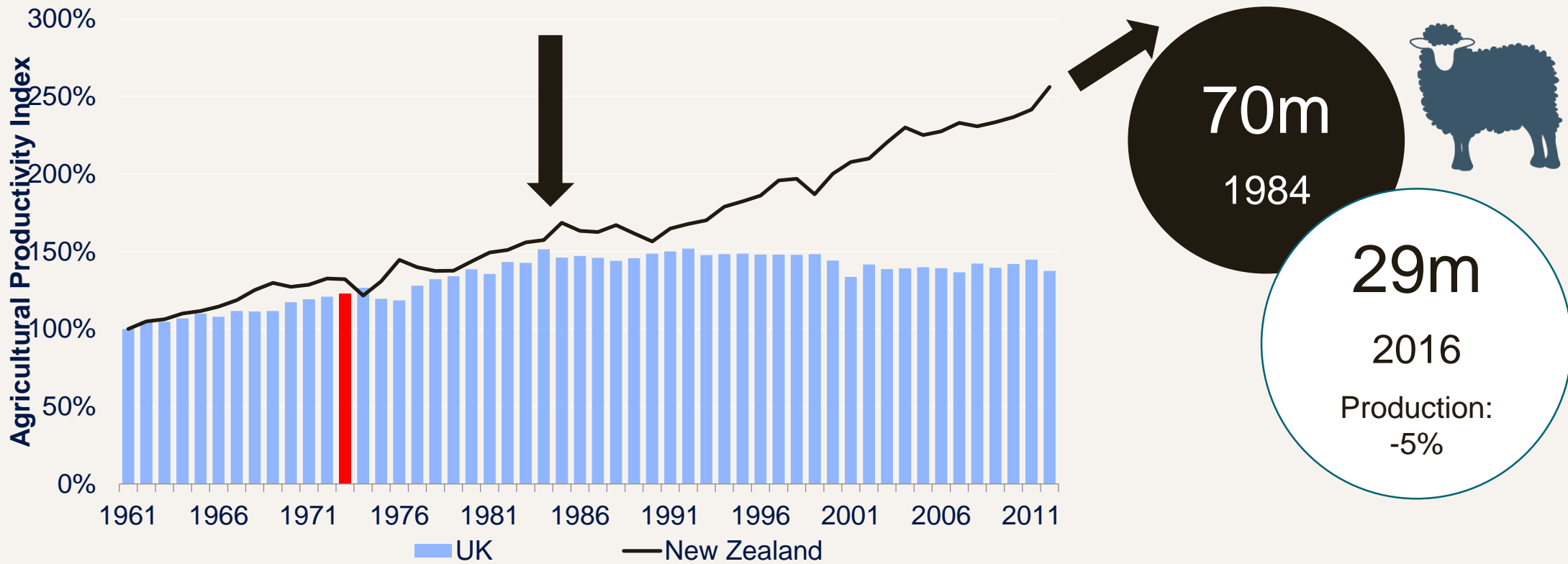


Innovation

# Productivity of UK Farming vs New Zealand

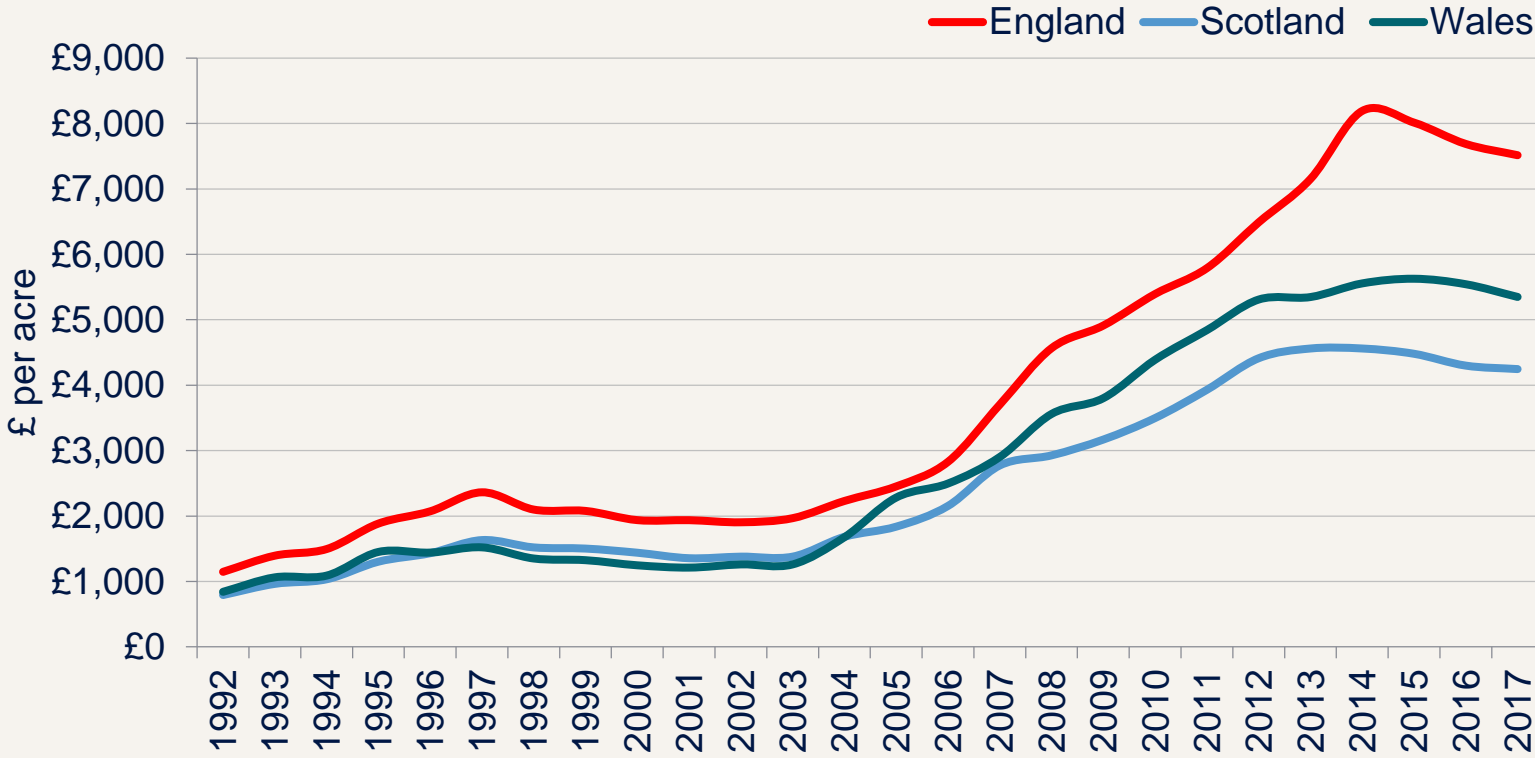


Source: Food & Agriculture Organisation of the United Nations (FAO)





# GB farmland values by country



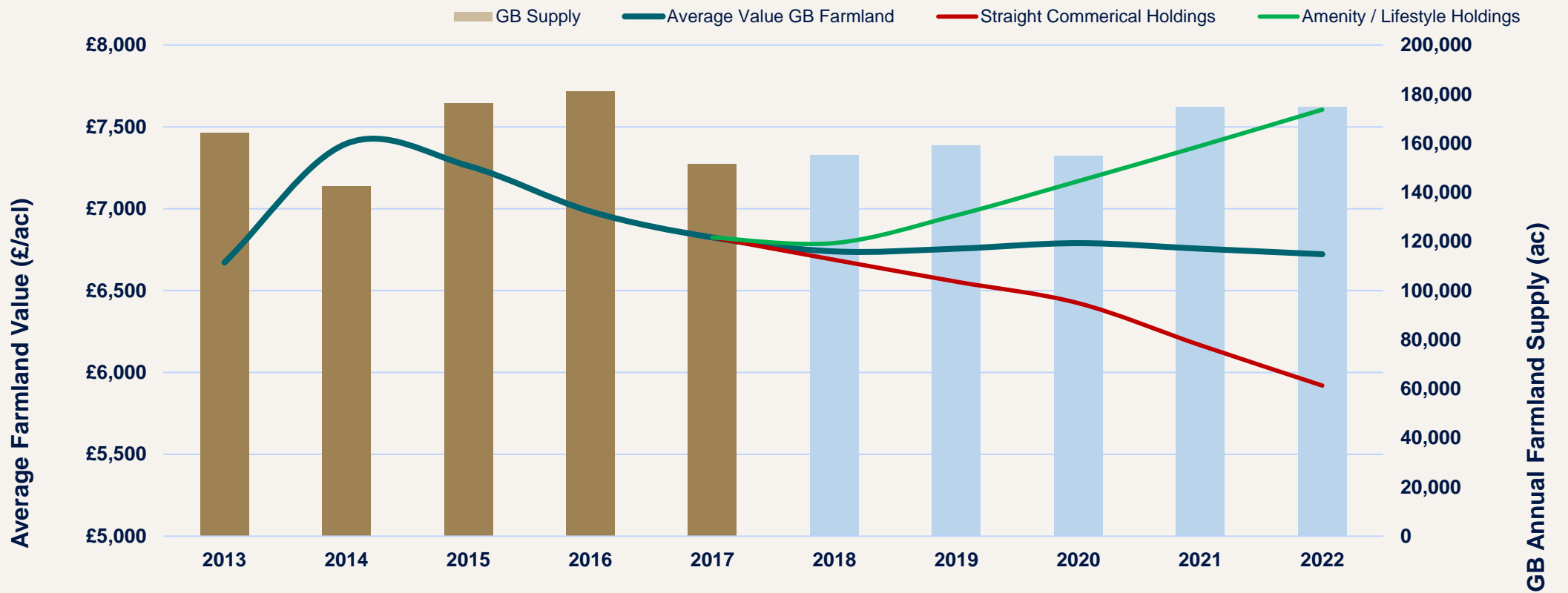
Source: Savills Rural Research

	<u>Year-on-Year</u>	<u>10 Yr CAGR</u>
Great Britain	(2.3%)	7.0%
England	(2.2%)	7.3%
Scotland	(1.2%)	4.4%
Wales	(3.5%)	7.4%
<b>English Regions</b>		
East	(2.7%)	6.5%
East Mids	(6.1%)	6.6%
North	(4.2%)	6.5%
West Mids	(2.7%)	6.0%
South West	(2.1%)	7.6%
South East	3.1%	7.4%

# GB Farmland Forecasts



Source: Savills Research



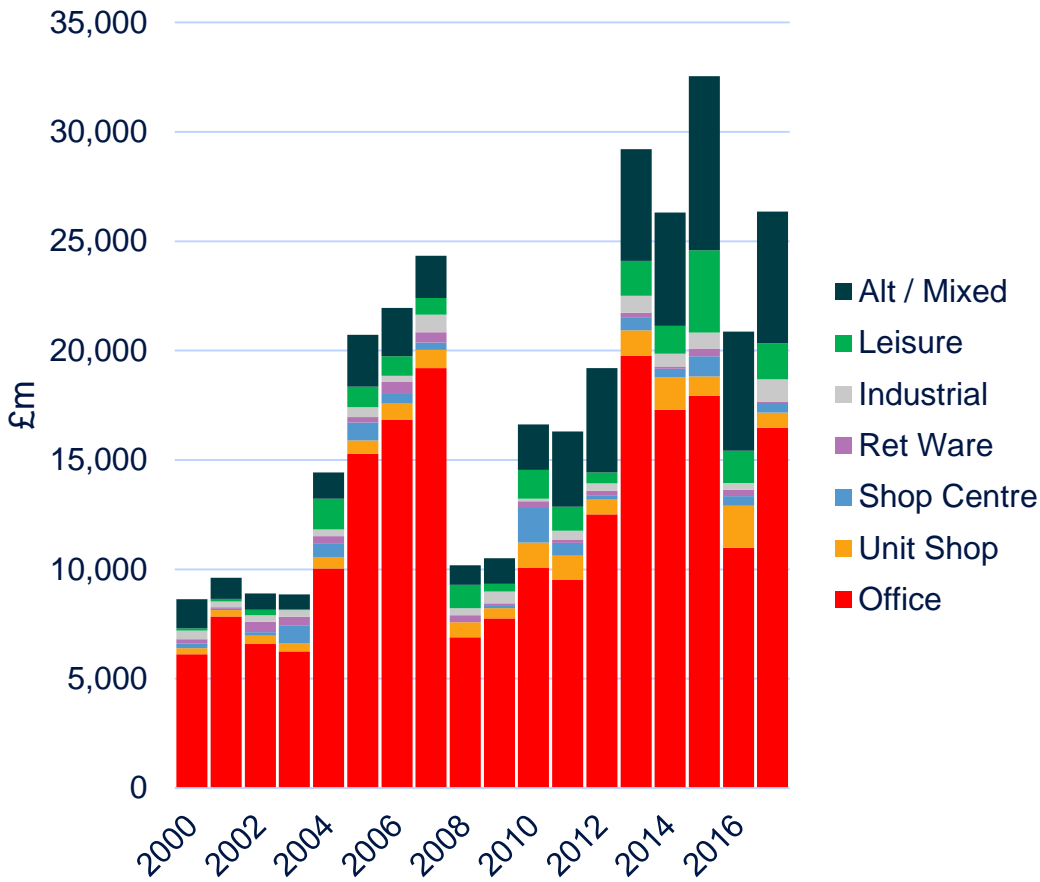
# Commercial

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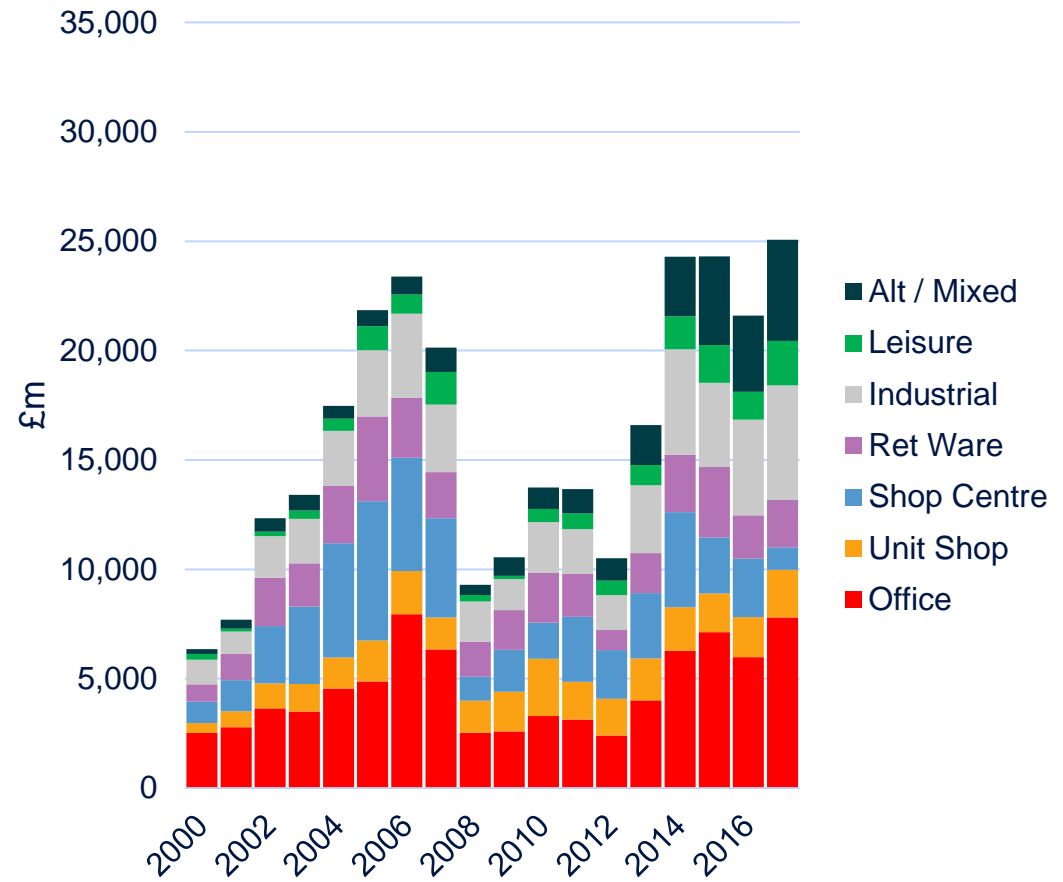


# The markets outside London had their best ever year for investment activity

## Greater London

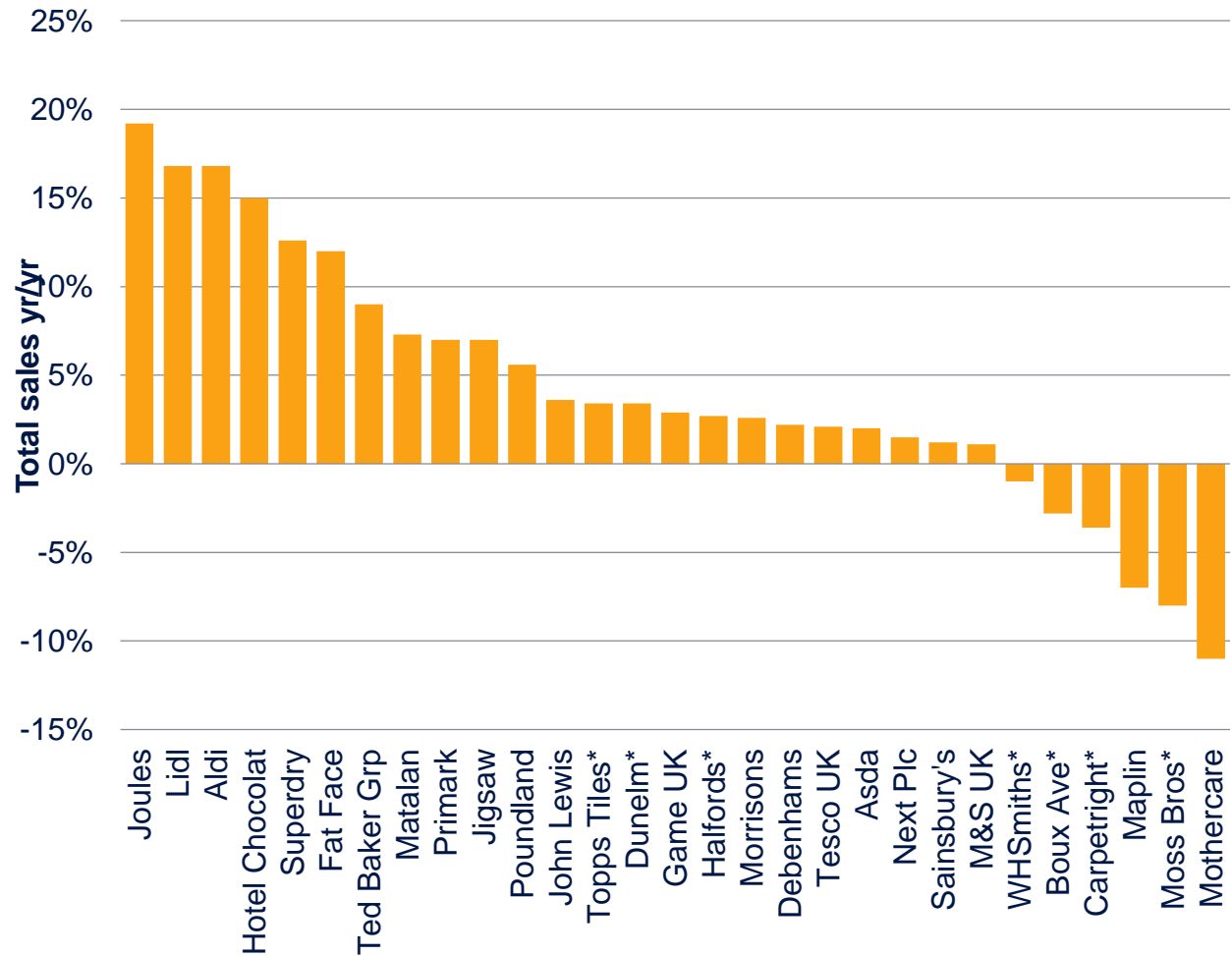


## Outside Greater London



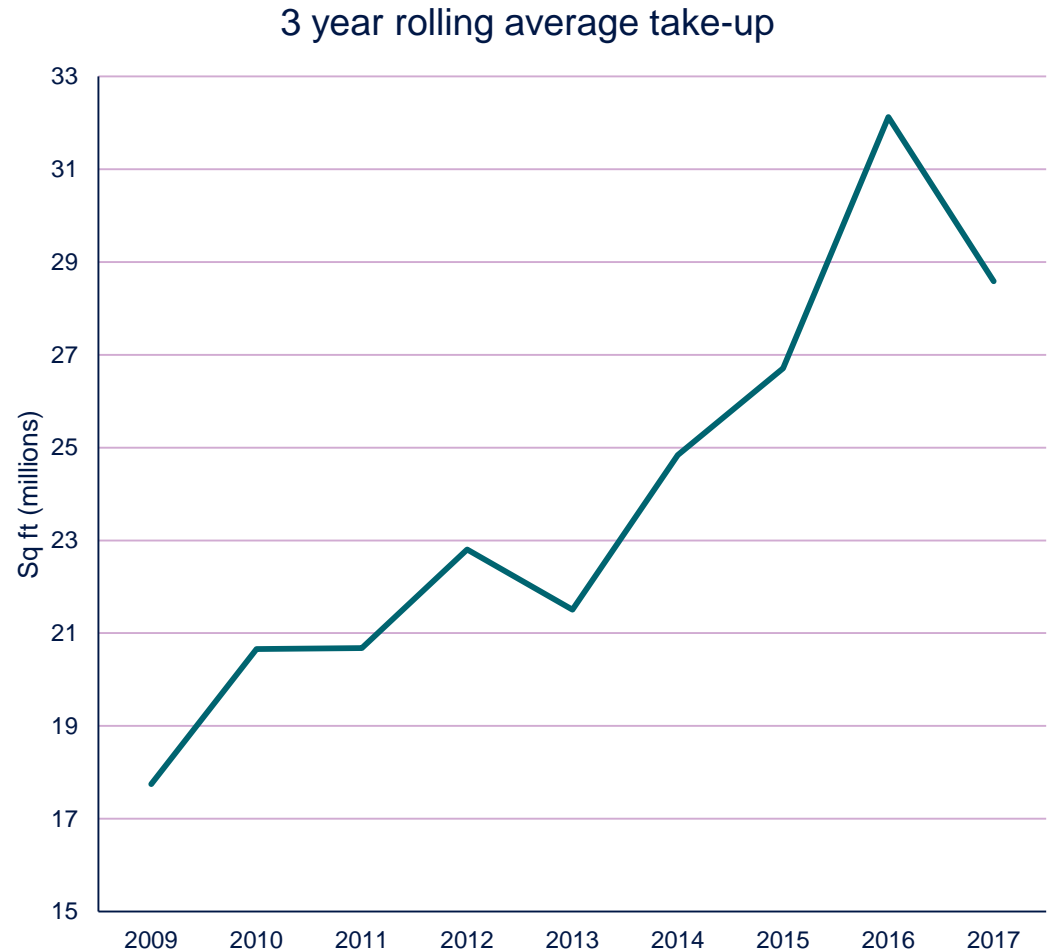
# Retail – unfashionable but past its darkest moment

- Christmas 2017 was better than expected (again)
- What is defensive against internet shopping?
- There will be more stock on the market this year
- Stock selection is everything in retail
  - In 2006 the vacancy rate for prime locations was 2.1% and for secondary 7.6%
  - Now prime is 1.4% and secondary is 14.5%
- **Pick: Experience or Convenience, retail warehousing**



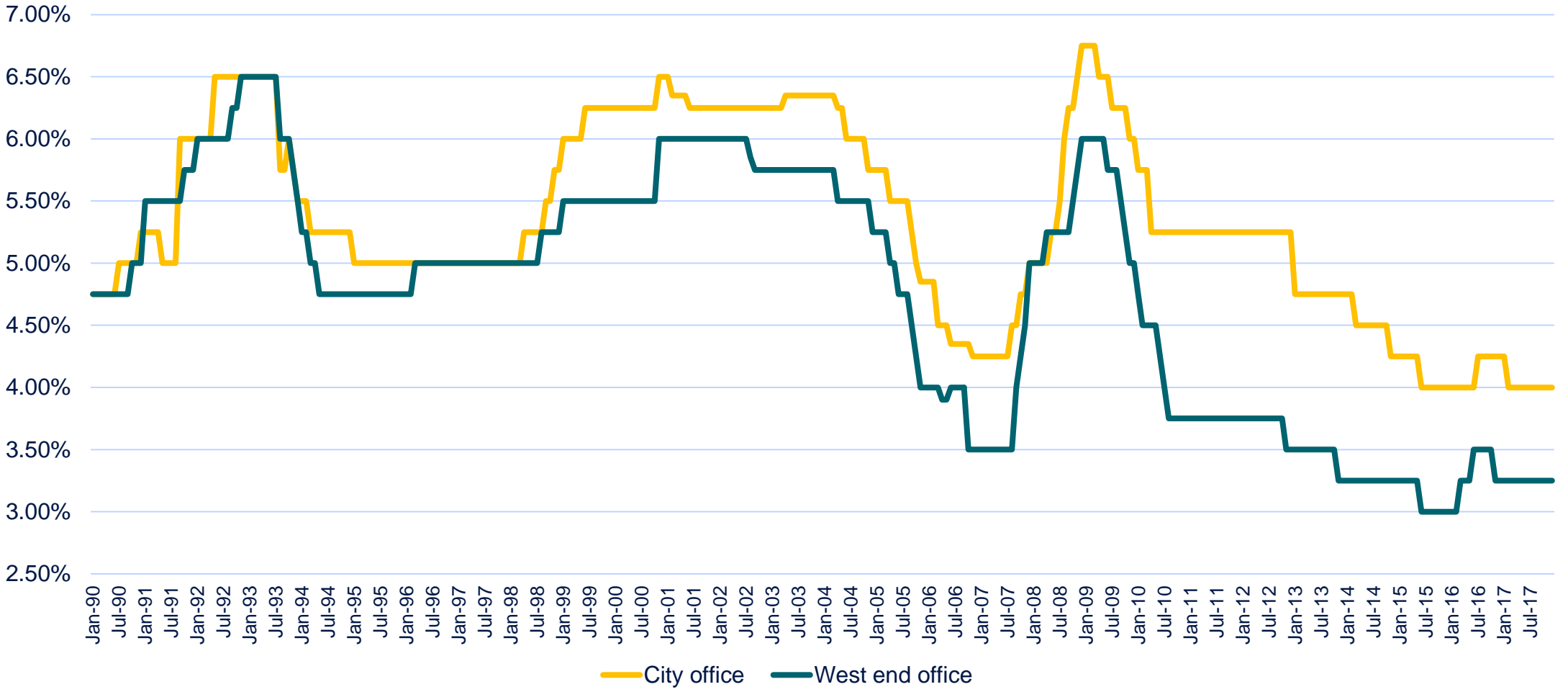
# Logistics – supported by structural change

- Take-up hit record levels in 2016, but was only average in 2017, Q1 2018 strongest ever quarter
- Supply tight
- Rental growth at double normal levels, and yields are now lower than offices
- Urban logistics supported by last mile, densification, mixing of uses
- Impact on the larger logistics markets of Brexit, staff costs and AI?
- **Pick: Develop big sheds or buy urban logistics especially where there is medium term potential for change of use**

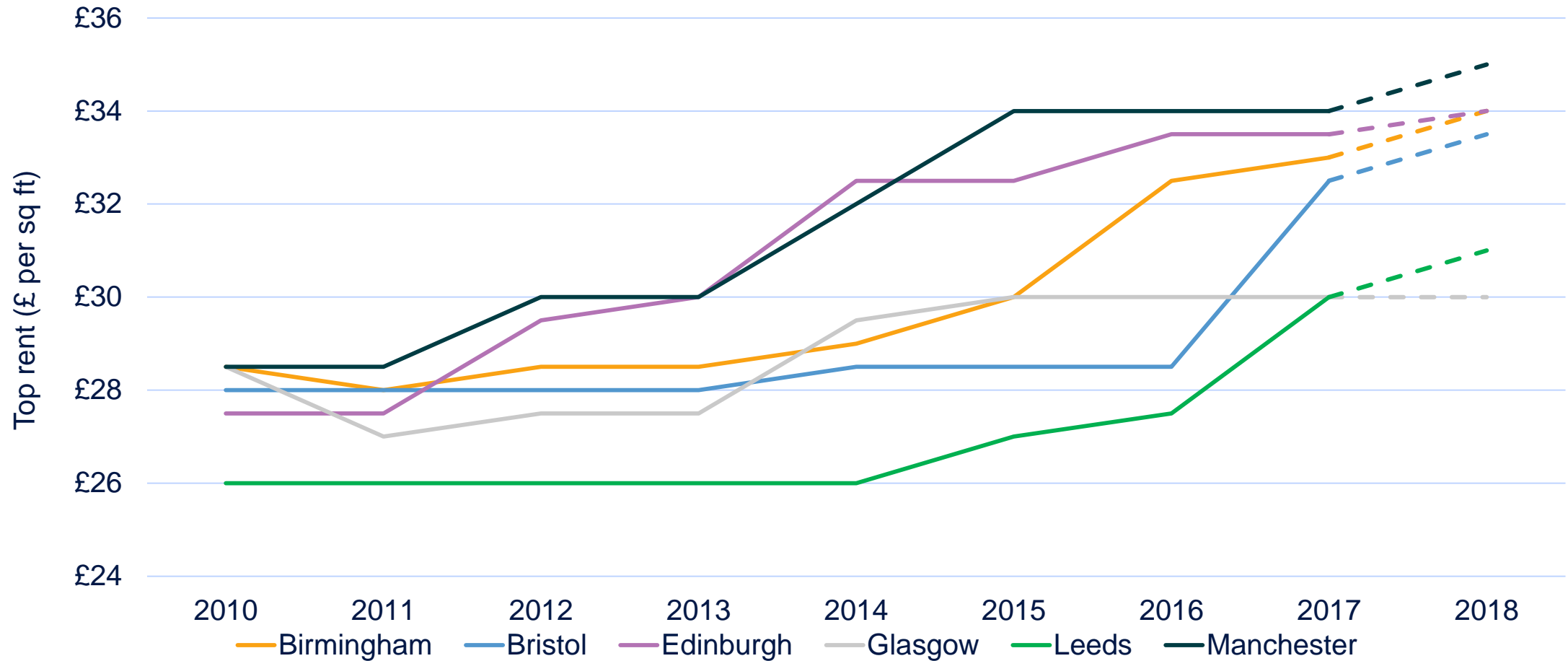




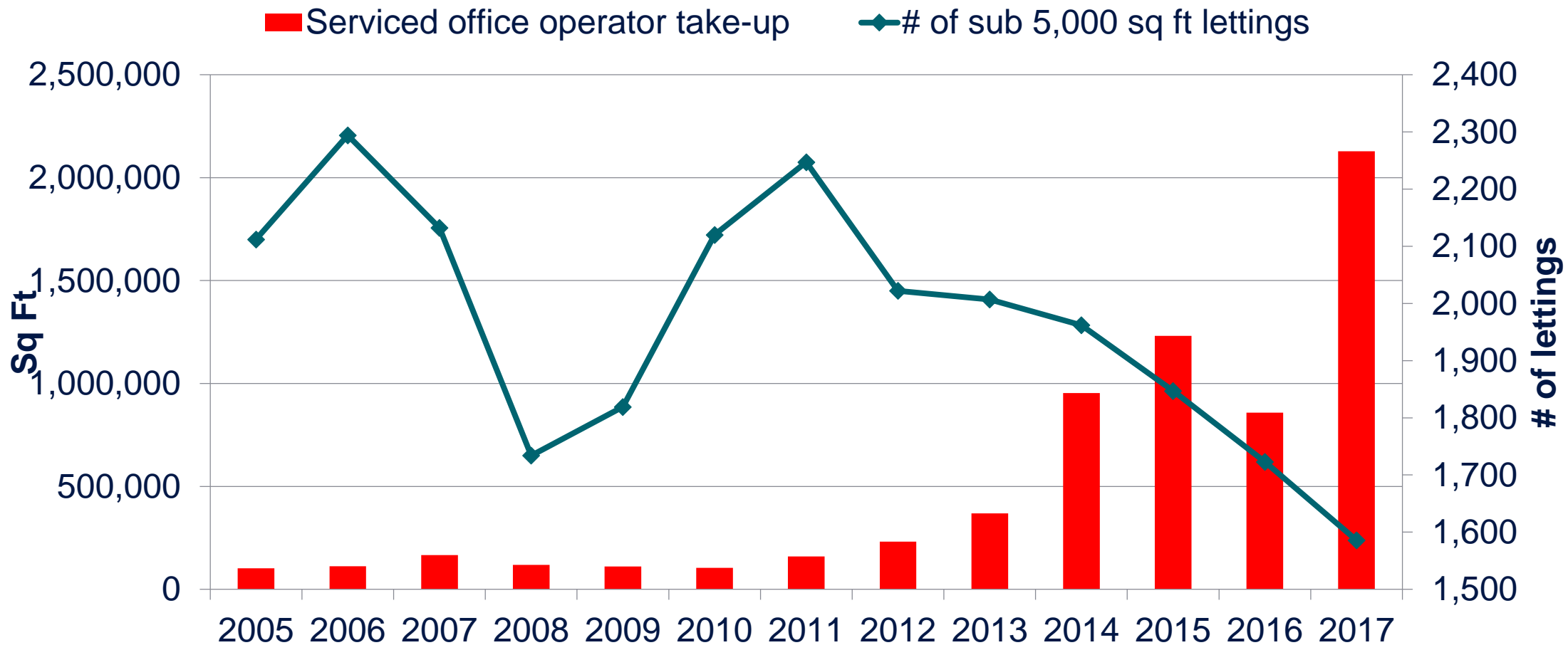
# London prime office yields are low in historic terms...



# And tight supply will drive further growth in prime rents in the major regional cities



**However, the growth of the serviced office operator has definitely affected take-up of units of less than 5,000 sq ft (8% down yoy, 29% down on 2011)**



# Planning and Development

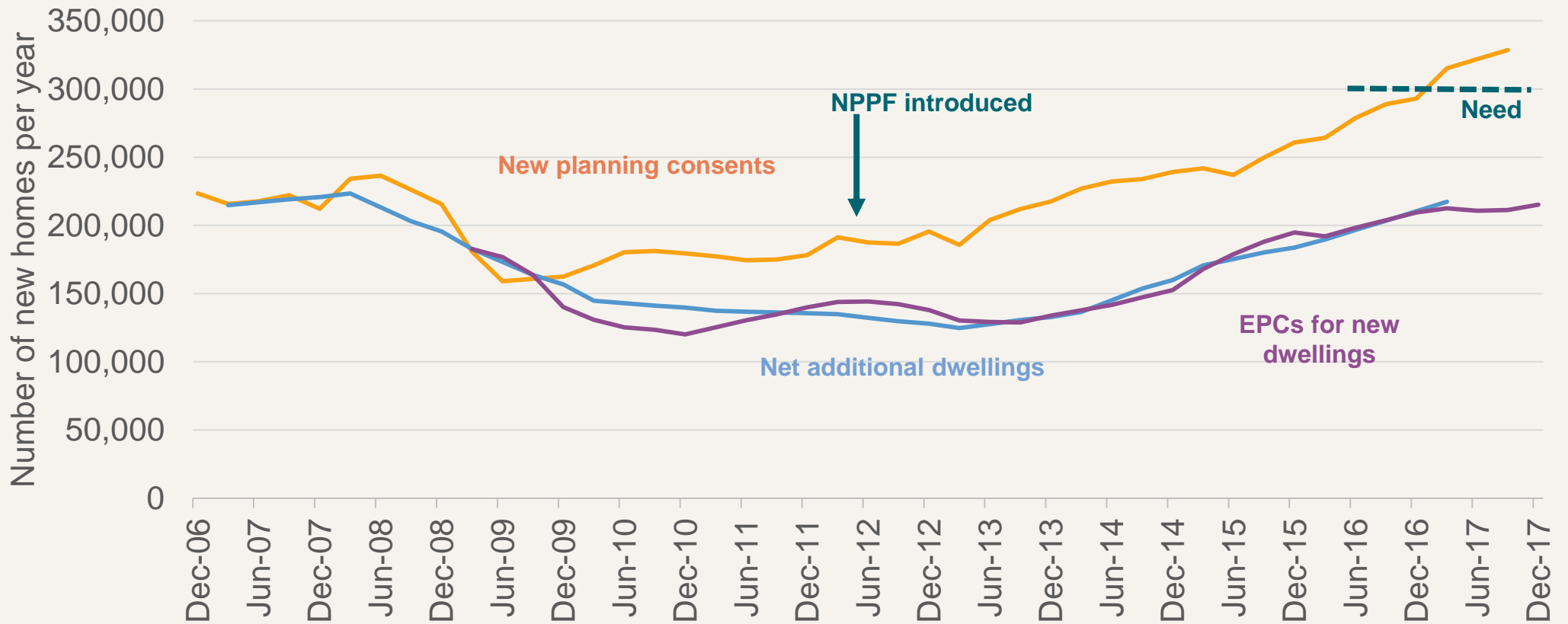
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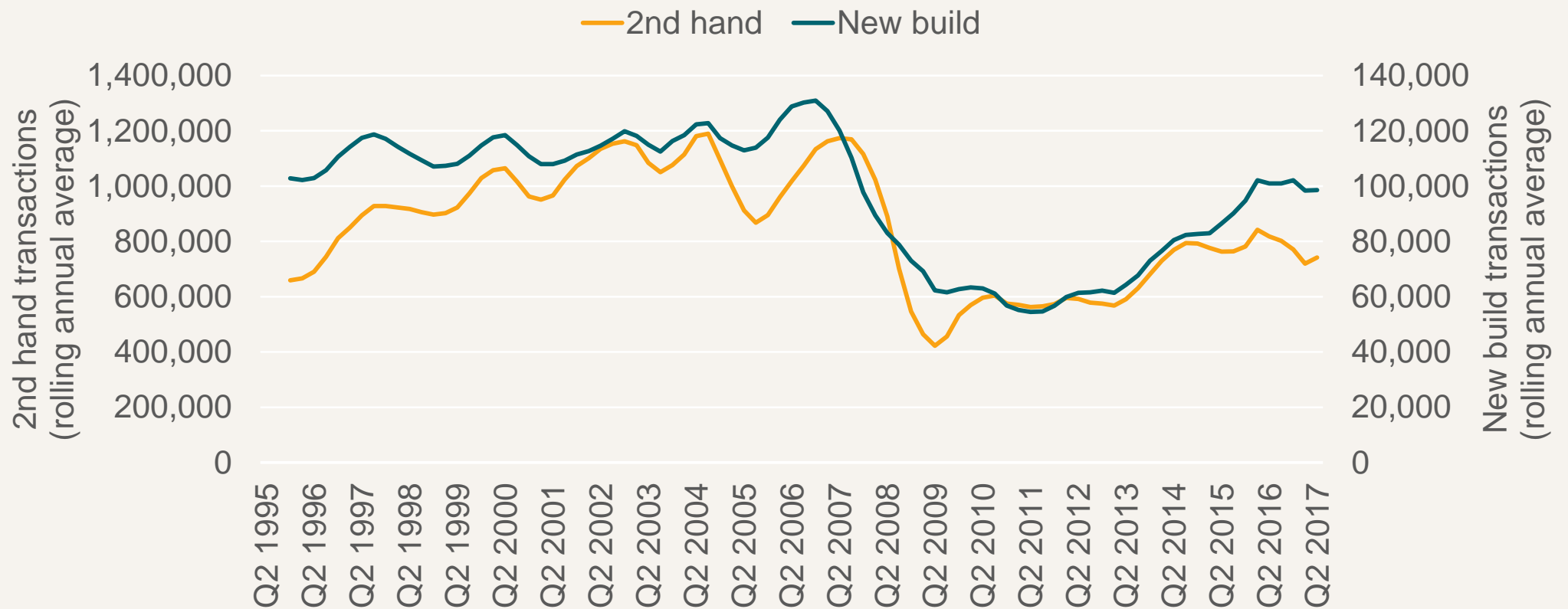
# Political urgency to accelerate to 300K homes per annum. Is there market capacity?

Source: DCLG



# Help to Buy is accelerating new build delivery

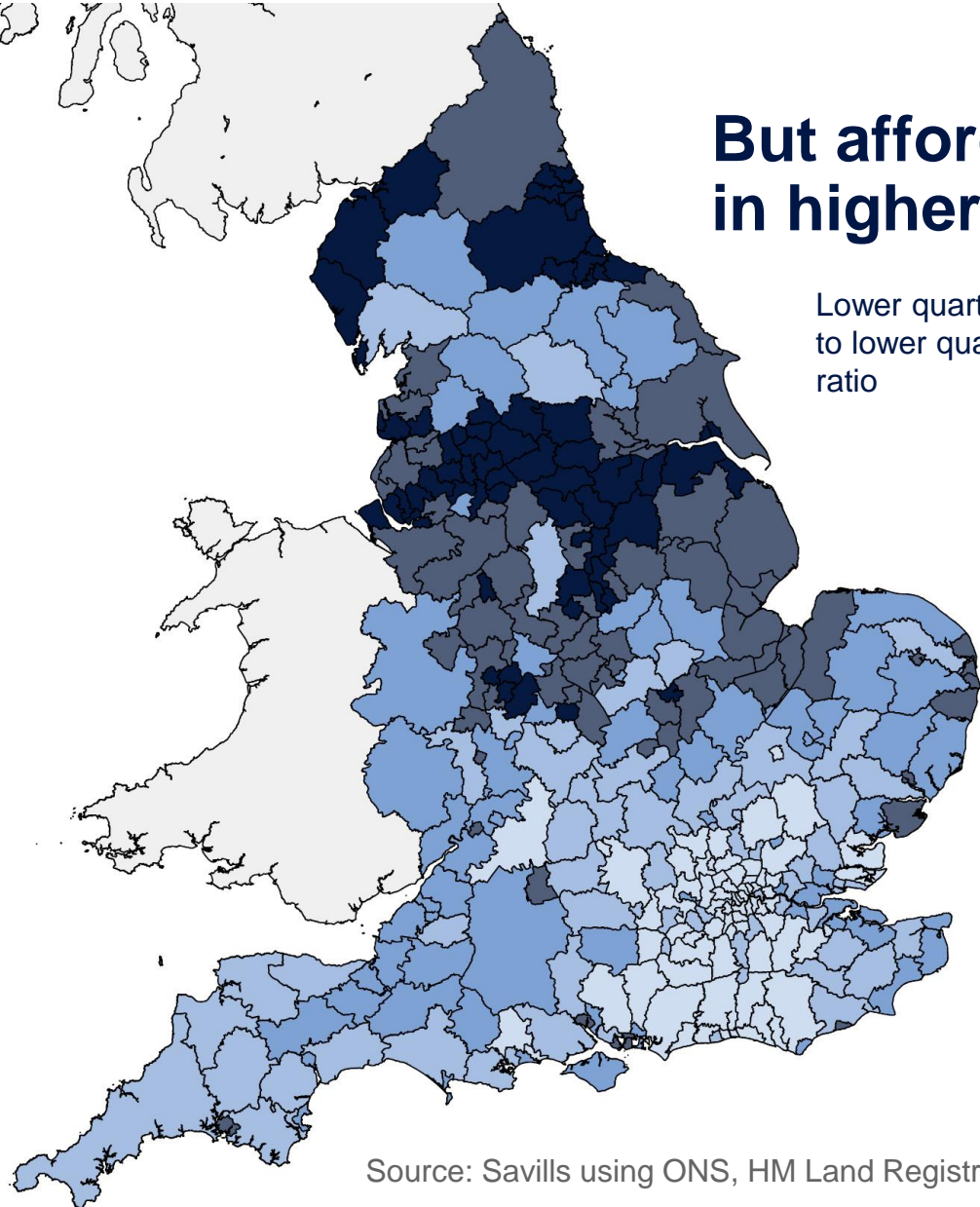
Source: Savills using Land Registry







# But affordability limits market volumes in higher priced markets



Lower quartile house price to lower quartile earnings ratio

Income required to buy the average new home

Percentage of households with the required income

Lower quartile house price to lower quartile earnings ratio	Income required to buy the average new home	Percentage of households with the required income
0.0 to 5.9	£27,000	45%
5.9 to 7.6	£30,000	47%
7.6 to 9.1	£36,000	43%
9.1 to 11.4	£44,000	39%
11.4 to 30.7	£68,000	21%

Source: Savills using ONS, HM Land Registry, DCLG and CACI

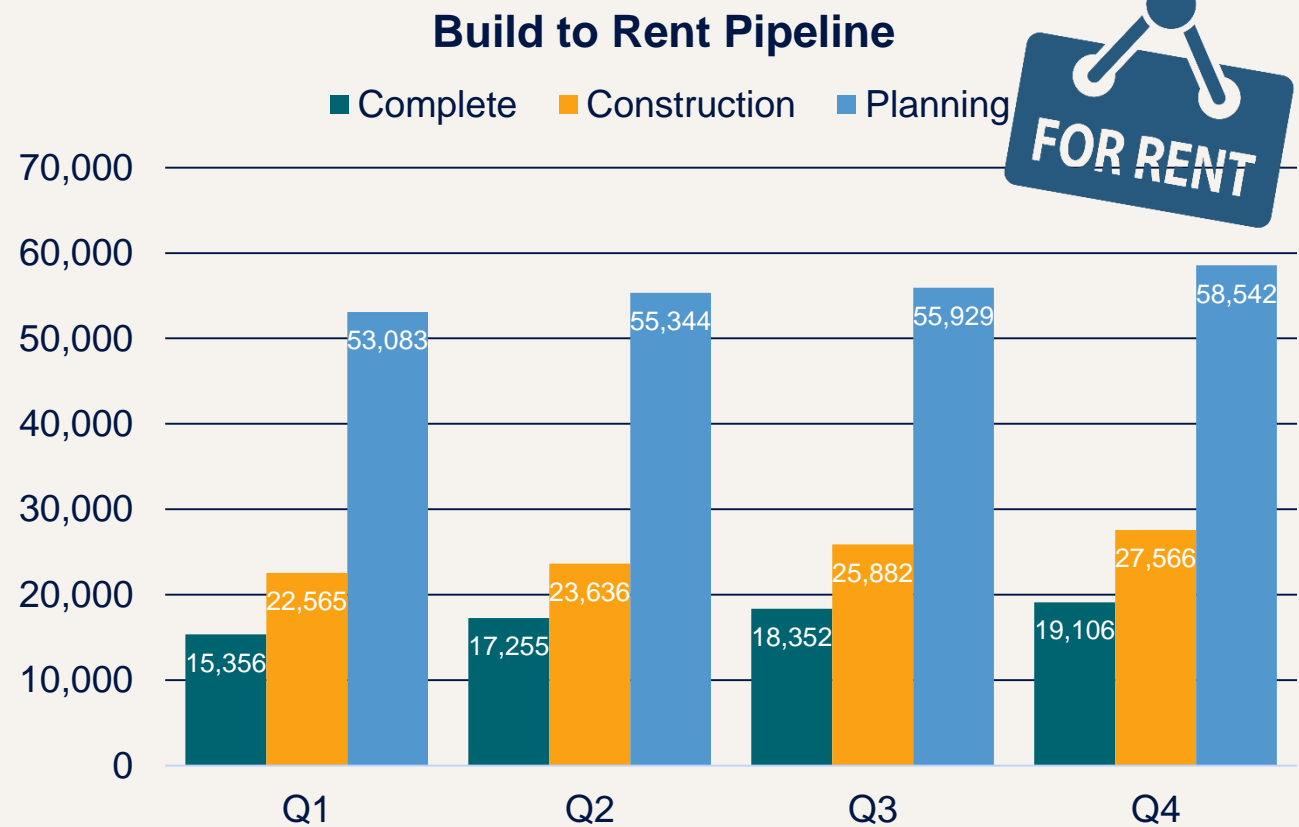
# Growing Build to Rent pipeline

Source: HMRC, Savills / BPF

# 20%

Of households in England privately rent

The number of **35-44 year olds** in the private rented sector has **increased** from **11%** to **29%** in the last 10 years.



# Summary

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- Residential mainstream had a good run but more muted going forward
- Farmland had a phenomenal last 10 years. More commercial farmland having a price adjustment
- Commercial yield compression in West End offices and logistics
- Strategic land – Government still not getting close to 300,000 houses being built per annum
- Always opportunities in a changing marketplace

# Thank you

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The Savills logo consists of a yellow square above the word "savills" in a lowercase, sans-serif font.

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