Matter 22 Hearing Statement: The Supply of Land for Housing

North Hertfordshire Local Plan Examination:
Further Matters, Issues and Questions

On behalf of Bloor Homes

September 2020

Ref: 2012.002

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Bloor Homes

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Authorised for and on behalf of White Peak Planning Ltd.

Rob White
Director

This report takes into account the particular instructions and requirements of our client. It is not intended for and should not be relied upon by any third party. Any such party relies on this report at their own risk.

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Appendix 1 Savills – Prime UK Residential Report – Autumn 2020

Appendix 2 Updated housing trajectory for the East of Luton sites

1.0 Introduction

1.1 Background

1.1.1 This Statement has been prepared by White Peak Planning on behalf of Bloor Homes.

1.1.2 Bloor Homes control a substantial tract of land within the area identified in the Local Plan submission version as the Land East of Luton allocation (site references: EL1 and EL2).

1.1.3 Bloor Homes has submitted an outline planning application to North Hertfordshire District Council (NHDC) for the majority of sites EL1 and EL2 (planning application reference: 17/00830/1) for up to 1,400 new homes, as well as a local centre, primary school and all-through school.

1.1.4 The application documents can be viewed on the Council's website via the following link: https://pa2.north-herts.gov.uk/online-applications/.

1.1.5 Information in relation to the deliverability of sites EL1 and EL2 has previously been provided to the Examination in the joint SoCG between NHDC, Bloor Homes and The Crown Estate at ED28, the Matter 10 Hearing Statements (Jan 2018).

1.1.6 This statement should be read in conjunction with the Further Matters, Issues and Questions Matter 22 Written Statements submitted by Savills on behalf of The Crown Estate and Bloor Homes.

2.0 Responses to Inspector's Further Matters, Issues and Questions

2.1 22.1 (a) Is reducing the overall housing requirement to 13,000 and undertaking an early review of the Local Plan, the most appropriate way forward? If not, why not?

2.1.1 Our response to this question relates only to the proportion of North Hertfordshire's housing requirement which is intended to help meet Luton's unmet housing need.

2.1.2 We concur with the response from Savills on behalf of The Crown Estate in relation to the housing requirement for North Hertfordshire's need.

2.1.3 In so far as Luton's unmet need is concerned, again in agreement with Savills on behalf of The Crown Estate, it is unnecessary to reduce the housing requirement as there is no change to the level of need. Indeed, to do so would ensure that Luton's needs are not met (at least without a concomitant rise in Central Bedfordshire). We therefore, maintain that the housing requirement in relation to Luton should remain at 1,950 dwellings, which would be delivered from the East of Luton sites. To this extent we take a different view to NHDC.

2.1.4 In paras. 22-24 of ED191B, NHDC confirm that the proposed total housing requirement figure of 13,000 comprises a housing requirement of 11,600 dwellings for North Hertfordshire and the delivery of 1,400 dwellings for Luton from the East of Luton sites. Therefore, any change in delivery from the East of Luton sites would affect the total housing requirement.

2.1.5 The housing trajectory in ED191B anticipates that 1,485 dwellings would be delivered at the East of Luton sites within the plan period, with 1,400 assigned to Luton and 85 to North Hertfordshire. Beyond the plan period, the East of Luton sites would deliver an additional 550 dwellings for Luton and 65 for North Hertfordshire.

2.1.6 Bloor Homes considers the figure of 1,485 dwellings in the trajectory to be too conservative and that 1,740 would be more realistic for the following reasons:

1. The trajectory was prepared earlier this year when there were significant uncertainties in the housing market due to COVID-19 restrictions imposed in March. However, the housing market has successfully recovered since the COVID-19 restrictions were eased and demand for new homes is now high (see the report by Savills in *Appendix 1*).
2. There are already live outline planning applications for the East of Luton sites submitted by Bloor Homes and The Crown Estate which are ready to be taken to NHDC's Planning Control Committee for determination, as well as both a joint full planning application for a shared access and a 'Phase 1' reserved matters application by Bloor Homes ready for submission.
3. On the basis of the above, Bloor Homes envisages first completions in 2022-2023, rather than 2023-2024 as set out in the trajectory (see *Appendix 2*). This assumes outline planning permission being granted in 2020/21 and reserved matters for the first phase of Site EL1 being approved in 2021/22.

4. As NHDC has identified a buffer in ED191B in terms of its capacity for meeting North Hertfordshire's housing need within the plan period, but not Luton's unmet need (see *Section 2.3*), it would seem sensible for the 85 dwellings from the East of Luton sites identified in the trajectory to meet North Hertfordshire's need to be re-assigned to Luton's need so that more dwellings can be delivered for Luton within the plan period, noting that the period is the same for both Local Plans.

2.2 Issue 22.1 (b) If the housing requirement should be modified to 13,000 dwellings, should the supply of housing sites proposed in the Local Plan also be reduced? If so, how?

2.2.1 The proposed East of Luton allocation should not be reduced even if there were to be a modified housing requirement in relation to North Hertfordshire's own housing need.

2.2.2 The East of Luton sites have capacity to deliver approximately 2,100 dwellings with 1,950 dwellings to help meet Luton's unmet housing need and there are live outline planning applications that are ready for determination by NHDC.

2.2.3 The East of Luton sites are vitally important for delivering a significant proportion of family housing, including affordable housing, to help meet Luton's identified housing need as set out in its adopted Local Plan. The East of Luton sites are ideally located for these purposes and further details of this are included in our Hearing Statements for Matters 21, 23 and 24.

2.2.4 The rest of Luton's unmet housing need is to be delivered within Central Bedfordshire. Central Bedfordshire Council's proposed housing target within their new Local Plan (currently undergoing examination) is based on the assumption that 1,950 dwellings will be delivered within North Hertfordshire. A reduction in supply within North Hertfordshire would require an increase within Central Bedfordshire and an amendment to its Local Plan. The reasons why this is not considered to be suitable are set out in our Matter 24 Hearing Statement.

2.2.5 As stated by NHDC in paras. 30 to 32 of ED191B, it is envisaged that a proportion of the housing supply from the East of Luton sites will be beyond the end of the plan period. The reason for this is that determination of the outline planning applications is dependent upon their allocation within the Local Plan and the delay to the examination process has meant that when taking into account lead in times and realistic estimates of annual completions, the projected delivery from these sites now extends beyond the plan period.

Proposed schemes at the East of Luton sites, for which outline planning applications have been submitted, would provide defensible Green Belt boundaries beyond the plan period and are of a sufficient scale to ensure the delivery of appropriate on-site community facilities such as primary and secondary education. Therefore, the allocation should remain with no reduction.

2.3 Issue 22.1 (c) Is a 'buffer' of around 13% an appropriate approach? If not, why not?

2.3.1 This question is not applicable to the housing requirement in relation to Luton's unmet housing need as there is no buffer. Para. 2.4 of ED191B demonstrates that the total housing requirement is based on the amount of delivery from the East of Luton sites towards Luton's unmet need.

2.3.2 In so far as it is being suggested that the element of the OAN in relation to Luton's unmet need is to be revised to 1,400 as indicated in the Inspector's questions, this would be to plan not to meet Luton's unmet need.

2.3.3 We concur with the response from Savills on behalf of The Crown Estate in relation to the housing requirement for North Hertfordshire's need.

2.4 Issue 22.1 (d) If there is a 'buffer' of around 13%, do the exceptional circumstances required for the 'release' of land from the Green Belt for housing development exist?

2.4.1 For the reasons set out above, there is no buffer applicable to the housing requirement in relation to the supply of housing for Luton's unmet housing need.

2.4.2 The need these sites are designed to meet remains in full (or is even proposed not to be met) and accordingly, there is no change in relation to need and exceptional circumstances in relation to the East of Luton sites.

2.4.3 The exceptional circumstances are covered extensively elsewhere within our Hearing Statements for Matters 23 and 24, as well as para 12 of ED173 and include:

- The extent and scale of Luton's unmet housing need and the pressing need for this to be met.
- The ability of the East of Luton sites to contribute a significant proportion of Luton's unmet market and affordable housing need.
- The ability to deliver housing towards Luton's unmet need in the right place: a sustainable location within the Luton Housing Market Area (HMA) where the need arises and without significant barriers to integration with Luton.
- The absence of sufficient non-Green Belt alternatives in the wider Luton HMA that would allow the unmet need to be addressed in full without the need for Green Belt release.

2.4.4 Moreover, as set out in our Matter 21 Hearing Statement, the need is multi-layered. Luton is not delivering sufficient family housing and affordable housing to meet its identified need. The East of Luton sites will deliver approximately 11% of Luton's total housing need and 21% of its total unmet housing need, including 40% affordable housing, noting that there is no mechanism in this examination to review Luton's housing target set out in its adopted Local Plan. The East of Luton sites will deliver predominantly family housing to meet Luton's identified need, rather than the 1-bedroom and 2-bedroom flats being delivered within Luton, which LBC acknowledges do not meet its need.

2.4.5 The North Hertfordshire buffer in no way undermines the exceptional circumstances case, set out above, for the release of the East of Luton sites. Firstly, the buffer is required as a matter of judgment by NHDC for flexibility in its plan. This is a perfectly sound approach and has been endorsed by the courts (where the buffer was much more significant (c.35-40%) (see ***Compton Parish Council v Guildford Borough Council*** [2019] EWHC 3242 (Admin)). Secondly, the courts have held that such a buffer does not necessarily undermine the case for green belt release because such buffers can properly form part of the requirement (see ***Compton Parish Council***). Thirdly, distributing the Luton unmet need through sites which make up the NHBC buffer would not properly provide for Luton's needs in locational terms and would take away necessary flexibility from NHDC.

2.5 22.2 (a) to (d)

2.5.1 In this instance and given the circumstances, we support the approach set out by NHDC in ED191B as a practical way of meeting its housing requirement over the remainder of the plan period.

Appendix 1

REPORT
Savills Research

UK Residential – Autumn 2020

Prime UK Residential

savills

Reshaping priorities

How changing attitudes to work-life balance are accelerating activity in the prime housing market

Responding to change

Unexpected events have a way of shaking the UK housing market. From Brexit to stamp duty reforms, we thought we might have seen it all. But nothing could have prepared us for Covid-19.

If I look back a few months to May, before we started to slowly ease out of lockdown, I wouldn't have expected to be writing such an optimistic foreword to our annual flagship research publication. But in what continues to be an extraordinary year, demand for UK prime residential property has never been so high.

With that in mind, the theme of this publication focuses on commitment, and how changing attitudes to work-life balance are accelerating activity in the prime housing market.

Over the summer, we would normally pause for breath as buyers and sellers enjoy their holidays and the market becomes quieter. But this year we advised sellers not to wait. With fewer people leaving the UK and more enjoying a staycation, the market has remained buoyant.

So as we enter the autumn months, we've learned to expect the unexpected. While neither I nor our researchers can predict the future, our analysis and insight over the past six months means that we're arguably better positioned than anyone to share our vision of what lies ahead for the market.

Our latest Prime UK Residential report covers it all – whether you're a Londoner reconsidering your work-life balance, a city-dweller eyeing up the country for more space, or a landlord looking for new tenants. We hope our insight and predictions can help you with your property decisions.

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"In what continues to be an extraordinary year, demand for UK prime residential property has never been so high"

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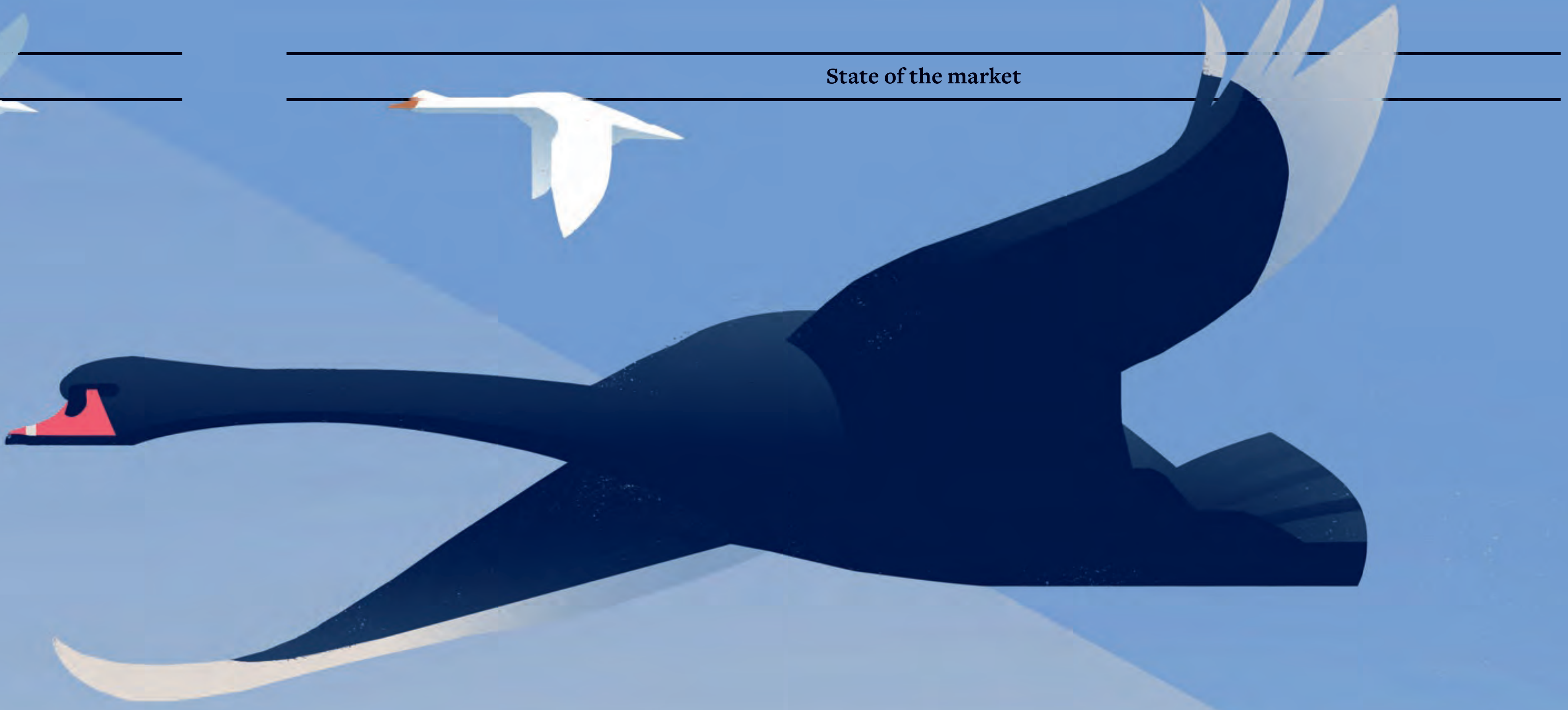
Prime insight and intelligence

State of the market



"The black swan has become synonymous with unpredictable events"

Defying expectations

Covid-19 was forecast to slow housing activity. But economic and behavioural changes mean that buyers are now more committed to moving

Words Lucian Cook **Illustration** Mark Boardman

In 1697, a group of Dutch explorers travelling through Western Australia and led by Willem de Vlamingh were the first Europeans to see a black swan. So unlikely was the prospect of this occurring, that the phrase 'black swan' had been a common expression to depict something considered an impossibility since Roman times.

Since then, black swan has become synonymous with unpredictable events; those beyond what is normally expected and which carry severe consequences. Arguably, Covid-19 has been the mother of all black swans.

From the perspective of the UK's prime housing markets, the impact on activity during lockdown was all too predictable – perhaps even inevitable. The market was effectively in suspended animation.

The number of sales of property worth more than £1 million that were agreed in April was 72% lower than the previous year. The coronavirus waddled up to the credit crunch, looked it squarely in the eyes and gave it the full ugly duckling treatment.

What has happened since the English housing market reopened in mid-May has been anything but predictable. Yes, we expected some release of pent-up demand, but never did we foresee such a rebound in activity.

In the absence of any reliable market indicators, we launched our first buyer and seller survey at the end of April. It hinted that buyers' attitudes were changing, with a much greater focus on the things we might have expected, such as access to good broadband, a space to work from home, and a decent garden or other outside space.

But amid the deepest contraction in the economy since the Second World War, what we didn't expect was a net balance of potential buyers to say they had become more, not less, committed to moving in the next 12 months. This was not simply because interest rates had been cut and a massive furloughing scheme was being unrolled. It reflected a behavioural response to a unique crisis – one where people have reassessed their work-life balance, how they want to live and where they want to live.

Since then – with the possible exception of the highly discretionary, essentially global prime central London market – it has added a degree of urgency to people's search for their next home. And because of the relative financial security of the buyers at the top end, it has been amplified compared with the rest of the UK housing market.

116%

The percentage increase in the number of sales of £1 million+ properties agreed in the first two and a half weeks of August compared with the same period in 2019

In June, July and the first two and a half weeks of August, the number of sales of £1 million+ property that have been agreed were 35%, 98% and 116% higher than the equivalent period last year, according to TwentyCi (who monitor activity across all the major listing websites).

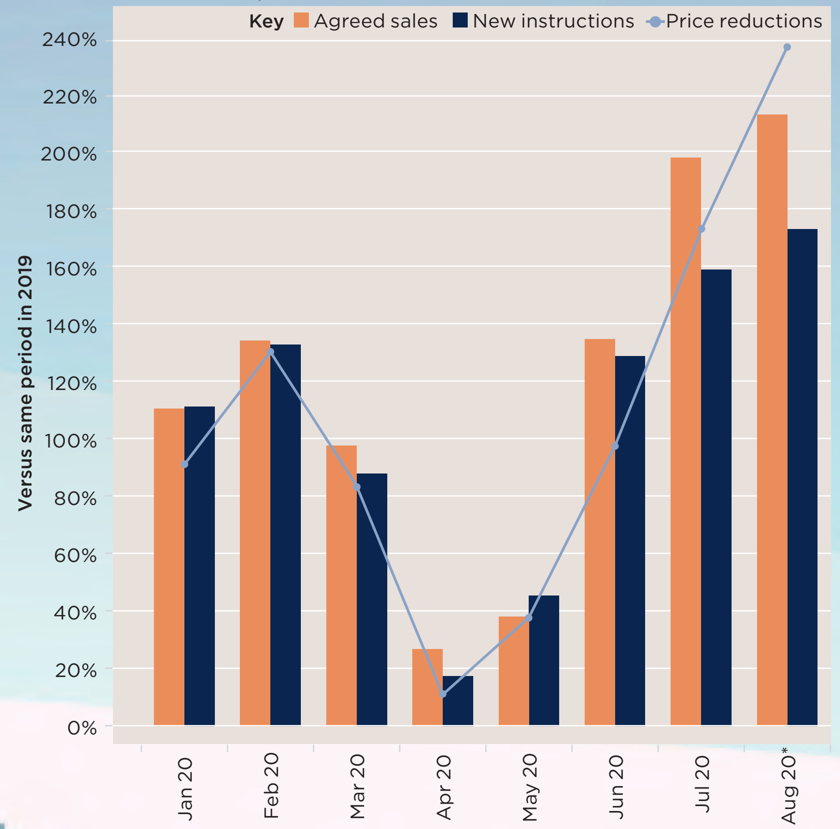
In these circumstances, prices have stood up much better than many were initially predicting. In part, this is because they started from a point where they had been buffeted by a combination of stamp duty rises and political uncertainty over the preceding five years and then had enjoyed only the very briefest of Boris bounces.

But equally, despite lower levels of stock and higher levels of competition than buyers were expecting, the market has remained relatively price sensitive. In the second quarter of the year, prices of prime property in London fell by 1.1%, while in the country, on average, they stood still. In the month to the end of July, the average agreed sale price remained at 97% of the asking price on average across our own agency business.

As we look forward, given the uncertain nature of the outlook for the economy and the possibility that this particular black swan may hang around for a while yet, we expect the price sensitive nature of the prime market to continue for the remainder of the year. This is despite the Chancellor's welcome, but somewhat unexpected, announcement of a partial stamp duty holiday and a healthy build-up of new buyer registrations.

This will mean both buyers and sellers will need to remain pragmatic if the unexpectedly strong current levels of activity in the market are to be sustained.

Remarkable recovery Activity in the £1 million+ market compared with the same month in 2019



Note *1-19 August **Source** Savills Research using TwentyCi

Sold on moving

During April, June and August we received more than 2,600 responses to our surveys from our prospective buyers and sellers to understand how the experience of Covid-19 had affected their desire to move and what they valued in a home. Here are our findings

Figures are from August unless stated

1. Commitment to move
Since April, potential buyers say they have become more committed to moving

Net balance of those who have become more committed to move in the next 12 months

2. Changing attitudes
More appetite for indoor and outdoor space and rural living

74% WORK LIFE

say the experience of Covid-19 has made them reconsider their work-life balance (34% significantly so) (June)

38% significantly more inclined to work from home (18% in April)

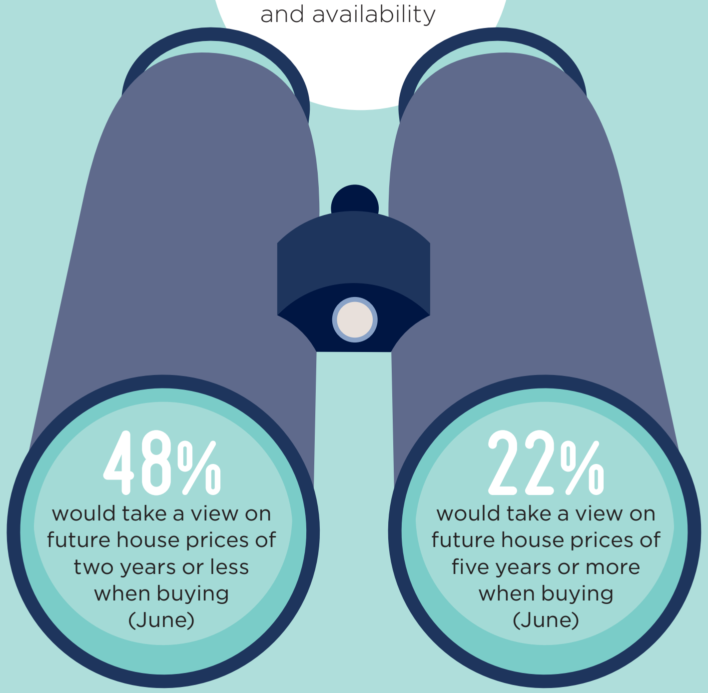
18% somewhat more inclined to work from home (31% in April)

57% a separate space to work from home more important (44% in April)

62% a garden or outside space more important (49% in April)

48% WiFi/a good internet connection more important (48% in April)

3. Market expectation
How people envision current and future prices and availability



View on house prices in the next two and five years

47% 69% believe they will rise

9% 11% believe they will stay the same

44% 20% believe they will fall

Key ■ Two years ■ Five years

48% find a village location more attractive than before Covid-19 (39% in April)

39% of those under 50 now feel more inclined to upsize (contributing to a net balance of +32%) (April)

UPSIZE

20% of those over 50 now feel more inclined to downsize (contributing to a net balance of +10%) (April)

DOWNSIZE

53% find a countryside location more attractive than before Covid-19 (41% in April)

49% TO LET

say they would be prepared to rent if they were unable to buy in the next six months (June)

+18% net balance of people who felt the level of stock available was less than they expected (June)

+20% net balance of people who felt the level of competition was higher than they expected (June)

7% felt prices were lower than they expected (June)
53% felt prices were higher than they expected (June)

London movers

LONDONERS ON THE MOVE

While London will remain one of the most desirable cities in the world to live in, more Londoners are beginning to look for homes beyond the capital. We examine how rebalancing priorities for work and home are influencing the decisions of four types of London buyer

Words Frances Clacy **Illustrations** Telegramme

During lockdown, we have seen changes in the way people think about where they live, how they work and how the two intertwine.

That has prompted a resurgence in the number of Londoners looking to move and redistribute the significant levels of housing wealth that they accumulated prior to the EU referendum.

Throughout June and July, viewing levels of our London applicants have been 37% higher than in January and February. That increases to 96% for those considering leaving the capital.

For this reason, we have profiled four key London buyer types and how their changing wants and needs are impacting the prime residential markets.

1. The capital's upsizers

Even among those buyers who expect to work in the office for the majority of the working week, lockdown has increased the desire for more space. These prospective buyers are looking to move further out along the capital's traditional wealth corridors.

Prime markets such as Chiswick, Wandsworth and Wimbledon, for example, have seen the greatest uptick in activity. In some cases, viewing levels are up to two and a half times higher than before lockdown.

As a result, the value of houses in these areas proved more robust than flats in the second quarter of 2020 (with houses falling marginally by 0.5% compared with a 1.6% decrease for flats). This trend is likely to continue throughout the rest of this year.

For those willing to take a slightly bigger step but retain accessibility to London, well-connected villages with an abundance of local amenities, schools and a degree of buzz about them have been most popular.

Our commuting database highlights that there are 60 villages with a direct train link into the capital and a journey time of less than an hour. Popular options include Cobham and Oxshott in Surrey, where average prices are in excess of £1 million. Little Chalfont in Buckinghamshire, Sunningdale in Berkshire and Lower Shiplake near Henley-on-Thames are also in demand.

> “Prospective buyers are looking to move further out along the capital's traditional wealth corridors”

2. The house swappers

These buyers predominantly live in London but often spend weekends in a smaller country property, such as a second home in the Cotswolds, the South West or North of England.

Lockdown has sparked a renewed love for the countryside and the coast, and they've made the decision to do a swap – having a larger country house as their primary residence while keeping a pied-à-terre in London that can be used two or three nights a week. Lock up and leave new build schemes that provide security and a concierge may therefore prove particularly popular.

So, for example, the owners of a 2,100 sq ft, £3 million house in St John's Wood plus a 1,000 sq ft, £400,000 house in Stow-on-the-Wold may trade that situation for a 1,300 sq ft flat in central London and a 2,800 sq ft house in Stow-on-the-Wold.

Or similarly, a 1,400 sq ft, £2 million Chelsea house and a 2,000 sq ft, £500,000 house near Chester can be traded for a 4,000 sq ft house near Chester and a 1,000 sq ft Chelsea flat.

At the top end of the country house market, where values remain on average 21% below their 2007 peak, new buyer registrations have been three times higher and viewing levels more than double in the period from the beginning of June to mid-August compared to before lockdown.

We expect buyers will continue to take advantage of the value on offer in this part of the market at a time of unprecedented demand for more outside space.

This trend is likely to benefit local economies and these buyers will tend to be families willing to make a wholesale commitment to a change in lifestyle.

London movers

3. The extended commuters

People who are only expecting to return to work for two or three days a week are typically considering a longer commute and looking more widely.

While the price differential between London and its immediate surrounds is well documented, the value on offer beyond its established commuter belt is often far more significant. Detached houses close to stations with a journey time into London of 30-59 minutes cost an average of £660,000. Increase that time to 60-89 minutes and average values drop by around a quarter to £500,000.

Of course, the cost of commuting has to be considered, but house price savings will almost always outweigh the extra cost of travel, while increased travel times will be offset by the improvements in the quality of family life.

These buyers who have a London salary and equity from property sales are likely to have plenty of spending power, supporting demand for more expensive homes. Indeed, Londoners accounted for 31% of viewings of properties worth £1 million+ across these markets in January and February, a figure that has risen to 36% in June and July.

As such, we expect to see an extension of London's traditional commuter zone into areas that were once considered a less viable option.

4. The super prime London buyers

Our final group includes ultra-high net worth individuals (UHNWIs) who typically have interest in the top end of the prime London market, one of the most exclusive in the world.

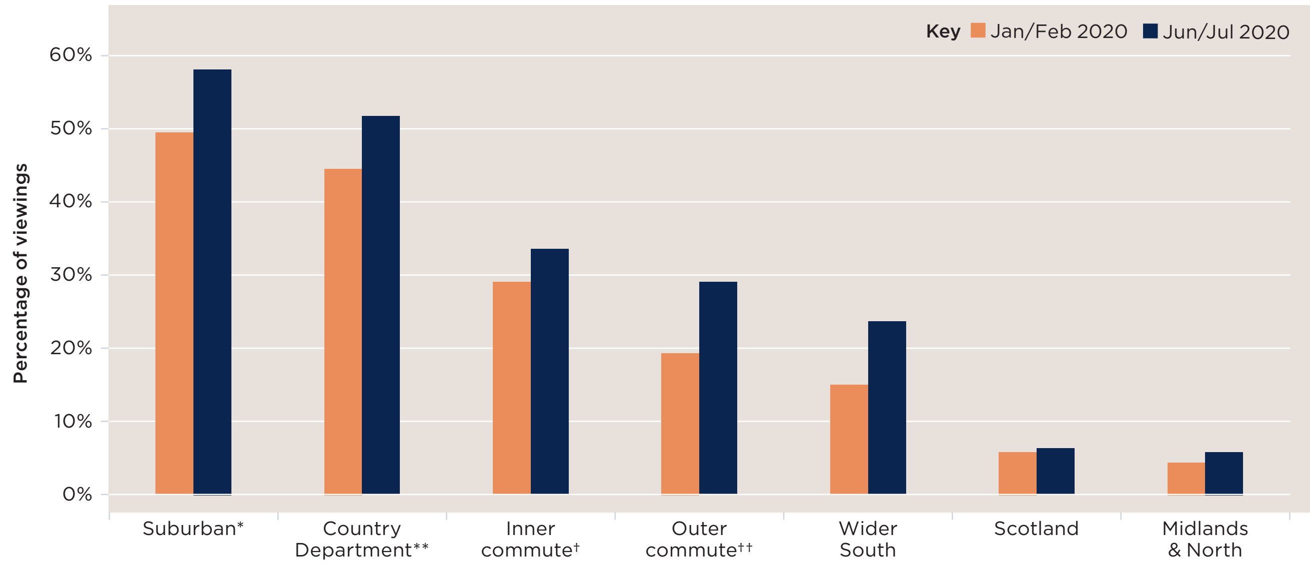
These buyers tend to be much more discretionary, so there hasn't been the same sense of urgency as that seen in more domestic prime markets. With the amenities of central London slow to reopen and travel restrictions constraining international demand, central London has taken longer to come out the blocks.

But there has still been a pick-up in activity post-lockdown, and history tells us that this market quickly gathers significant momentum when demand returns. For example, for luxury new build homes above £5 million, the number of exchanges in July alone was higher than the number throughout the period of April to June.

As London regains its buzz, buyers will be able to take advantage of a market that has historically been viewed as a safe haven and has looked good value for some time.

In particular, the combination of the end of the existing stamp duty holiday and the expected imposition of a 2% non-resident buyers stamp duty surcharge is likely to be a catalyst to the market in the early part of 2021.

Proportion of viewings by Londoners Interest in property outside London is increasing



Note *Within the M25 **Country Department consists of £2 million+ country houses †Within a 30-minute commute ††Within a one-hour commute **Source** Savills Research

Covid-19 shifts tenant demand

At the end of July, Savills saw 60% more new applicants registering in prime rental markets than in the 12 weeks before lockdown. Covid-19 has also affected the profile of tenants and what they want from their properties, as our research reveals

Words Jessica Tomlinson **Illustrations** James Boast

The try before you buy tenant
A move to a new area can be daunting. As a result, 64% of our regional lettings agents have seen an increase in the number of try before you buy tenants.

This is underpinned by the fact that in our June buyer and seller survey, around half of respondents said if they were unable to secure a property in the next six months, renting would be a viable option. Half of these would do so happily (as opposed to reluctantly), reflecting part of a wider trend where people are choosing to rent as part of a lifestyle decision.

Many of these tenants are looking for extra space, possibly a garden, and are now less constrained by a daily commute to the office thanks to the changing trends around working from home. As a consequence, we have seen an increase in demand for larger family homes both in London and the commuter zone. This has particularly fuelled demand for properties in more rural locations, which historically have had a much thinner seam of demand than other parts of the rental market.

The changing nature of the corporate tenant
When the lettings market reopened, corporate relocation demand was initially slower to return but has seen a positive uptick since the end of June. The profile of relocation tenants has also changed, with the average budget now higher than for the same period last year. Corporate tenants now seem to be seeking larger properties for more senior staff with a focus on family homes in London.

As people start returning to offices and companies feel more confident in the economy, we should see demand continue to recover and the profile of corporate demand widen again. However, for the moment, this means that owners of flats, who have historically benefitted from such corporate demand, need to take a pragmatic view on asking rents.

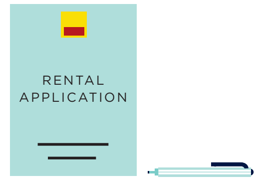
“In our June buyer and seller survey, around half of respondents said if they were unable to secure a property in the next six months, renting would be a viable option”

The non-resident tenant with a base in London
Restrictions on international travel have resulted in some parts of London's rental market being slower to recover post-lockdown. As the city reopens, we expect this demand to return, with stamp duty changes set to supplement demand from April of next year.

The proposed additional 2% surcharge for non-resident buyers will mean those who only spend part of the year in the UK will increasingly opt to rent. We expect demand among this group of tenants to be focused on best-in-class properties that offer outside space and are located close to amenities in the most prestigious addresses of central London.

The 'wait and see' student tenant
The demand from student tenants has undoubtedly been impacted by Covid-19, initially cutting short the summer term. However, the latest data from The Universities and Colleges Admissions Service (UCAS) shows that the number of UK applicants with a firm offer to start university in September 2020 is 1% higher than in 2019. Furthermore, offers to start for non-EU international students are 12% higher than last year, reflecting the strong global reputation of UK universities.

Many universities may be planning to blend quality online learning with face-to-face teaching and support, meaning there will still be a requirement to live near campus. But the true impact on the coming academic year will in part be dependent on how prevalent travel restrictions are. That may mean landlords need to look beyond this source of demand in the short term, ensuring their properties appeal to a wider range of tenants.



Key impact on the rental market
Robust rental growth outside London

Despite the influx of activity since the market reopened, some areas of London have seen an increase in stock immediately following lockdown. Prime central London and East London in particular have had more new build stock and also properties previously available as a short let enter the market. As a result, prime rents across London fell by 2.0% in the second quarter of 2020.

By contrast, in the prime regional markets up to an hour outside of London, rental values increased by 0.8% over the three months to June, marking the second quarter of consecutive growth. Much as we have seen in the sales market, these areas have reported a strong increase in demand, especially from families moving out of London. During July, applicants were 72% higher than the same month in 2019 in this part of the market.

A main driver for the market going forward is now on property attributes as tenants have reassessed their requirements. London still remains an international city and once it regains its buzz and travel restrictions ease, there will be more capacity for growth over the long term as stock levels stabilise. For rental markets in the commuter belt, the current strength of demand for family housing should underpin more steady growth over the next few years.

The revival of the country house

Buyers are heading out to the country, thanks to a renewed appetite for space and a market that is undervalued compared with London

Words Faisal Choudhry

A challenging backdrop
Followers of our research have probably wondered why we haven't had more to say about the top end of the country house market – property priced above £2 million. Whether it was the spectre of a mansion tax, the successive increases in stamp duty or just general political and economic uncertainty, this rarefied part of the market seemed perpetually under siege for a number of years. Consequently, it has remained price sensitive, with property values falling by 7.7% since the first of successive stamp duty changes some six years ago.

Into recovery
However, the country house market is showing tentative signs of recovery: buyers are back, vendor confidence is rising and prices ticked up by an average of 0.3% in the three months to the end of June, the first quarterly growth since spring 2017. This upturn comes amid the wider recovery seen across the prime UK housing market since it reopened in England in May. Indeed, the number of buyers registering with our country offices outside London more than doubled in July 2020 compared with July 2019. More specifically, Savills Country Department has almost three times as many registered buyers as in 2019. Despite more demand, a lack of stock remains the biggest constraint in this traditionally undersupplied market.

Drivers of demand
The key driver of demand, particularly from town and city dwellers, has been the renewed appetite for space, mainly as a result of the lockdown. More garden and outdoor areas – as well as homes with a separate space to work – are currently top of buyer wish lists, as they look to rediscover the pleasures of country living.

Value for money
Despite the quarterly price growth, country house values remain on average 21.4% below the peak of 2007. That sits in stark contrast to London, where prices of £2 million+ homes are 11% above that previous high point, a figure that underscores the relative value on offer in the country, particularly when property size is considered.

Our analysis of Savills properties that have sold for £2.5 million since the beginning of 2019 show that the average size outside London was 6,070 sq ft, compared with 2,913 sq ft in the capital, a difference of 108%.

Outlook
Across the country, the price gap between properties in urban and surrounding areas has begun to narrow, as buyers consider life in the countryside. But due to the discretionary nature of the country house market above £2 million, appropriate pricing is key to sustaining current momentum, particularly given the prevailing economic uncertainty, which we expect to slow the market in the latter part of the year before a more sustained pickup as concerns around Covid-19 and Brexit ease. Overall, this exclusive market will continue to create compelling buying opportunities which should underpin a long-term recovery.

£2m+ country house price movements Despite recent growth, country house values remain well below their peak

	Cotswolds	East	South	South East	South West	Midlands & North	Home Counties*	Private estates	Scotland	All country houses
Quarterly	2.0%	1.2%	0.3%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.2%	**0.3%**
Annual	3.0%	2.3%	-0.1%	0.0%	0.0%	-2.1%	-1.3%	-3.1%	1.1%	**-0.1%**
Since peak of 2007/08	-5.1%	-10.6%	-18.8%	-14.3%	-27.9%	-34.5%	-9.8%	-13.4%	-43.7%	**-21.4%**

Note *Excluding private estates **Source** Savills Research

Relative values This is how much space £2.5 million buys you in regions across Britain


Comrie, Perthshire 6,100 sq ft


Bristol, Somerset 5,500 sq ft


Chesterfield, Derbyshire 10,300 sq ft


Frodsham, Cheshire 8,800 sq ft


Melton Constable, Norfolk 6,600 sq ft


Battersea, London 2,200 sq ft


Wimborne, Dorset 6,800 sq ft


Gerrards Cross, Buckinghamshire 7,114 sq ft


Hartfield, East Sussex 7,100 sq ft

Regional review

Which regions are leading the recovery and which ones represent the best value?

The leaders

Well-known for its rural landscape dotted with traditional stone-built villages, historic towns and stately homes, the Cotswolds enjoys a longstanding reputation as one of the country's most desirable places to live.

This hotspot has led the country house market recovery, registering a 2.0% rise in value in the three months to the end of June.

Other locations that have bucked the trend are those within easy reach of London. This includes the relatively undervalued East of England, where country house values went up by 1.2%.

Holding steady

A desire for space has caused homeowners in central London to look to outer London locations and beyond, notably the Home Counties and the South East, where country house values saw little change in the three months to the end of June.

Local residents in these well-connected areas are also increasingly looking to upsize. Improved confidence, coupled with pent-up demand, has also supported the markets across the Midlands and North of England, with village and accessible country locations experiencing a significant increase in activity. Elsewhere, demand from London buyers looking for main or second homes has strengthened across coastal hotspots of the South West.

Scotland

Easing the lockdown restrictions in Scotland came slightly later. However, since the Scottish market reopened, there has been a strong recovery in activity and the number of buyers with a current London address viewing properties has doubled. These buyers look to use the equity they have built up in their London property to secure a new home and lifestyle north of the border.

Private estates

The private estate markets of the Home Counties, epitomised by the neighbourhoods of St George's Hill and Wentworth, in Surrey, have similar characteristics to prime central London. Like the capital, they have been more exposed to a less welcoming tax environment. That has meant prices have seen bigger adjustments than elsewhere in the country market.

As a consequence, prices have fallen by 33% since the stamp duty changes of December 2014, meaning they now represent real value, especially to dollar-based buyers. Alongside other country markets, values across private estates saw little change in the three months to the end of June.

Where next for prime prices?

Our outlook factors in a range of key economic influences – the low cost of debt, low levels of price growth pre-Covid, stamp duty support and, of course, Brexit

Words Lucian Cook

The experience of the past six months is a stark reminder that housing markets, particularly the prime housing markets, can be frustratingly difficult to predict. Were they just a function of what is going on in the domestic economy, there is little doubt that we would be forecasting a price correction of the levels seen in both the early 1990s and in the wake of the credit crunch.

While the economic outlook is likely to mean the market remains price sensitive for the next 12 months, it is other factors, such as the level of pricing prior to the pandemic and the behavioural change sparked by the experience of the lockdown, that underpin our expectation of only modest price adjustments in the short term before a return to growth supported by the return of economic expansion.

How we got to this point

Since George Osborne increased transaction costs and suppressed values in his wide-ranging stamp duty reform at the end of 2014, the prime housing markets have faced a number of other political and fiscal headwinds that meant pricing was not stretched in the way it was prior to previous recessions.

In the markets of prime central London, these headwinds meant values were a full 20% below their 2014 level even before the pandemic – with a further fairly substantial currency play for overseas buyers.

Here, the timing of a recovery appears to be just as dependent on the speed at which international travel restrictions and social distancing restrictions are eased as the pace of recovery in global stock markets or the price of oil.

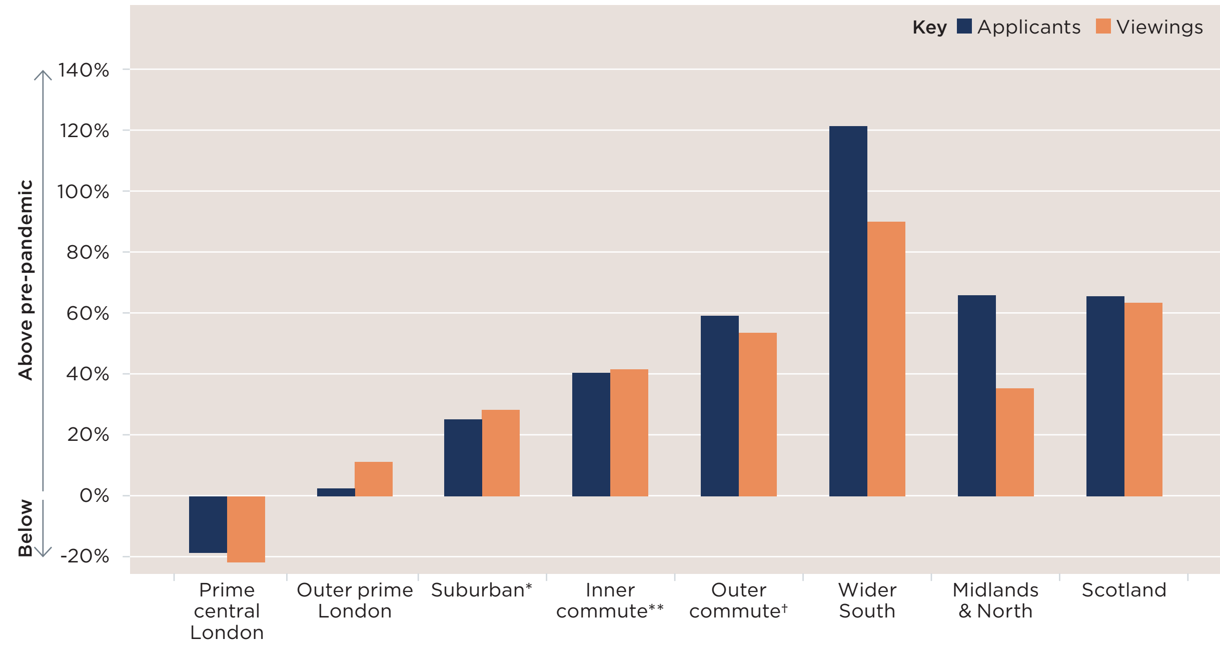
While the global economy will dictate longer-term wealth retention and generation, reignition of this market will be dependent on when the streets of central London regain their buzz.

Prior to the pandemic, prime central London property was not the only market that was looking good value and, arguably, overdue a recovery. The £2 million+ country house market, which now appears to be waking from its slumber, had been something of a sleeping giant for some time, as buyer attention had turned to prime urban living over the past decade or more.

The cost of debt and lifestyle drivers

In the more needs-based markets along London's domestic wealth corridors and beyond the capital, the underlying low interest rate environment means that there are not the same affordability pressures at play as during previous downturns. This has meant buyers have been able to act on the changing lifestyle priorities highlighted by our buyer and seller surveys, wherever they currently reside.

Strong summer demand will support the autumn market New buyer registrations and viewings in the period 1 June to 16 August compared with pre-pandemic



Note *Within the M25 **Within a 30-minute commute †Within a one-hour commute **Source** Savills Research

The spectre of a spike in unemployment is likely to make buyers cautious on how far they stretch themselves financially, which is likely to continue to drive demand towards properties that offer more inside and outside living space, rebalancing the market between town and country outside of London.

How long this period of rebalancing lasts depends on whether changes to our working and commuting patterns become permanent and we make good on the promises made to ourselves during lockdown to recalibrate our work-life balance. That remains something of an unknown, partly dependent on the speed of the race to find a Covid-19 vaccine, though we expect the shift in mindset to be an important driver of the market over the next 12 months at least.

What then of stamp duty and Brexit?

Stamp duty and Brexit were the two factors that dominated discussions regarding the prime housing markets pre-Covid-19.

We expect the stamp duty holiday announced in the Chancellor's summer statement to act as a further cushion on price falls over the period to the end of March 2021. For its duration, it will deliver savings equal to more than 2.5% of purchase price in the 'sweet spot' for homes between £400,000 and £600,000 – essentially the lower end of the prime market beyond London.

At higher price points, the £15,000 saving is probably best described as 'a nice to have' rather than an unmissable gain but, together with the anticipated 2% non-UK resident surcharge that is due to be introduced in April 2021, it will support demand while the economic recovery is at its most fragile.

But given that the government is going to need to have a strong focus on tax revenues once the economic recovery has gained a foothold, it seems unlikely that we will see any further stamp duty giveaways unless they are part of a wider overhaul of property taxes. In that respect, we need to be careful what we wish for.

Brexit undoubtedly poses a risk to the pace of economic recovery as we come out of recession, with the uncertainty that surrounds it having the potential to slow the market in the latter part of this year. Here our forecasts are based on the assumption that a trade deal is negotiated, even if that requires a short extension to the transition agreement.

Prime market price forecasts

	2020	2021	2022	2023	2024	5-year compound growth
Prime central London	-2.0%	4.0%	7.0%	4.0%	2.0%	**15.7%**
Outer London	-0.5%	4.0%	3.0%	2.0%	1.5%	**10.3%**
Suburban*	-1.0%	4.0%	5.5%	3.0%	1.5%	**13.6%**
Inner commute**	-2.0%	4.5%	5.5%	3.0%	2.0%	**13.5%**
Outer commute†	-2.0%	4.5%	5.5%	3.5%	2.0%	**14.1%**
Wider South	-1.5%	4.5%	5.5%	3.5%	3.0%	**15.8%**
Midlands & North	-2.5%	5.5%	6.5%	4.5%	3.5%	**18.5%**
Scotland	-2.5%	5.5%	7.0%	4.0%	2.5%	**17.3%**

Note *Within the M25 **Within a 30-minute commute †Within a one-hour commute
These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate **Source** Savills Research

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Savills Research
We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market

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Appendix 2

Appendix 2 - Revised Housing Trajectory for the East of Luton sites

Plan ref	Address	Town/Parish	Area (ha)	Homes	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025	2025 2026	2026 2027	2027 2028	2028 2029	2029 2030	2030 2031	Total to 2031	Beyond 2031
EL1	Luton East (west)	Luton (adjoining)	69.3	1050										**OP**	**RM/S**	100	100	100	100	100	100	100	100	100	900	150
EL2	Luton East (east)	Luton (adjoining)	15.1	350										**OP**		**RM/S**	35	35	35	35	35	35	35	35	280	70
EL3	Land north east of Luton	Luton (adjoining)	33.8	700										**OP**		**RM/S**	70	70	70	70	70	70	70	70	560	140
				Totals												**100**	**205**	**205**	**205**	**205**	**205**	**205**	**205**	**205**	**1740**	**360**

OP Grant of outline planning permission
RM Grant of (1st phase) reserved matters
S Start on site