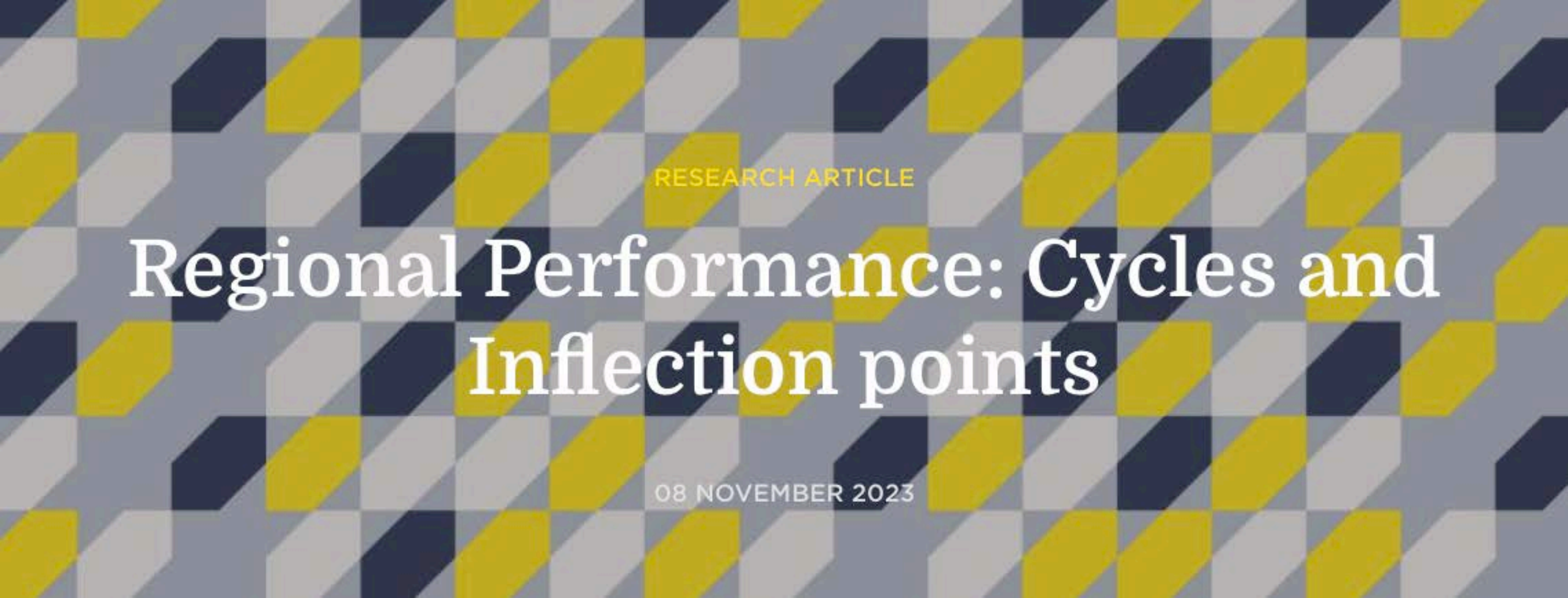




RESEARCH ARTICLE

Regional Performance: Cycles and Inflection points

08 NOVEMBER 2023

When we last forecast in 2022, we thought that we were in the late stages of a typical housing market cycle, that had been disrupted by the behavioural changes brought about by the pandemic. We broadly still believe that is the case.

In 2024 further modest price falls will be driven by stretched affordability across all regions, though slightly more so in London and the South East where buyers continue to need to accumulate much bigger deposits and borrow more relative to their income than the national average.

Once the Bank of England begins to cut the base rate in the second half of 2024, we expect affordability to ease with every region seeing improving conditions compared to 2023. The more affordable markets in the North, where mortgaged buyers are under less strain, should see the most recovery initially.

	2024	2025	2026	2027	2028	5 years to 2028
UK	 -3.0%	 3.5%	 5.0%	 6.5%	 5.0%	17.9%
North East	 -1.5%	 4.5%	 5.5%	 7.0%	 4.5%	21.4%
Wales	 -2.0%	 4.5%	 5.5%	 7.0%	 5.0%	21.4%
North West	 -2.5%	 4.5%	 5.5%	 7.0%	 4.5%	20.2%
Scotland	 -2.0%	 4.0%	 5.5%	 6.5%	 5.0%	20.2%
Yorkshire and The Humber	 -2.5%	 4.5%	 5.5%	 7.0%	 4.5%	20.2%
West Midlands	 -2.0%	 4.0%	 5.5%	 6.5%	 5.0%	20.2%
East Midlands	 -2.5%	 4.0%	 5.5%	 6.5%	 5.0%	19.6%
South West	 -3.0%	 3.5%	 5.0%	 6.5%	 5.0%	17.9%
South East	 -3.5%	 3.0%	 4.5%	 6.5%	 5.5%	16.7%
East of England	 -3.5%	 3.0%	 4.5%	 6.5%	 5.5%	16.7%
London	 -4.0%	 2.0%	 4.0%	 6.0%	 5.5%	13.9%

Source: Savills Research

Note: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.

A NEW CYCLE?

Our analysis suggests that we have been in the late stages of the housing market cycle since 2018, where London underperforms the UK average, and more affordable markets lead the way. Over the last five years, the ratio between UK and London house prices has been falling, albeit at a more gradual pace than in previous cycles.

We expect this trend to continue over the next four years, but with UK and London performance slowly converging. The inflection point is likely to be reached in 2028, where the London v UK ratio will have fallen as far below the long term trend as it has in previous cycles. From this point, we expect to move into the next phase of the market cycle. London will once again lead price growth across the UK, driven by underlying population pressure, and a stronger economic outlook compared to the rest of the UK.

London vs UK performance through cycles

