Temporary Accommodation Acquisition Options

Savills Research report for Westminster City Council – Final

12th May 2023

Purpose and structure of the report

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Purpose

Westminster City Council (WCC) are reviewing their strategy for acquiring properties that can be used for providing temporary accommodation. As part of this process Savills have been instructed to produce a research report that looks at the potential availability of properties that might come to the market over the next 5 years that could be suitable to understand the potential ‘total universe’ within which they will be active.

Potential properties can be both new build and second hand and from 1 beds up and priced up to £750,000 (all-inclusive of fees and refurbishment costs), which are broken into 10 price bands.

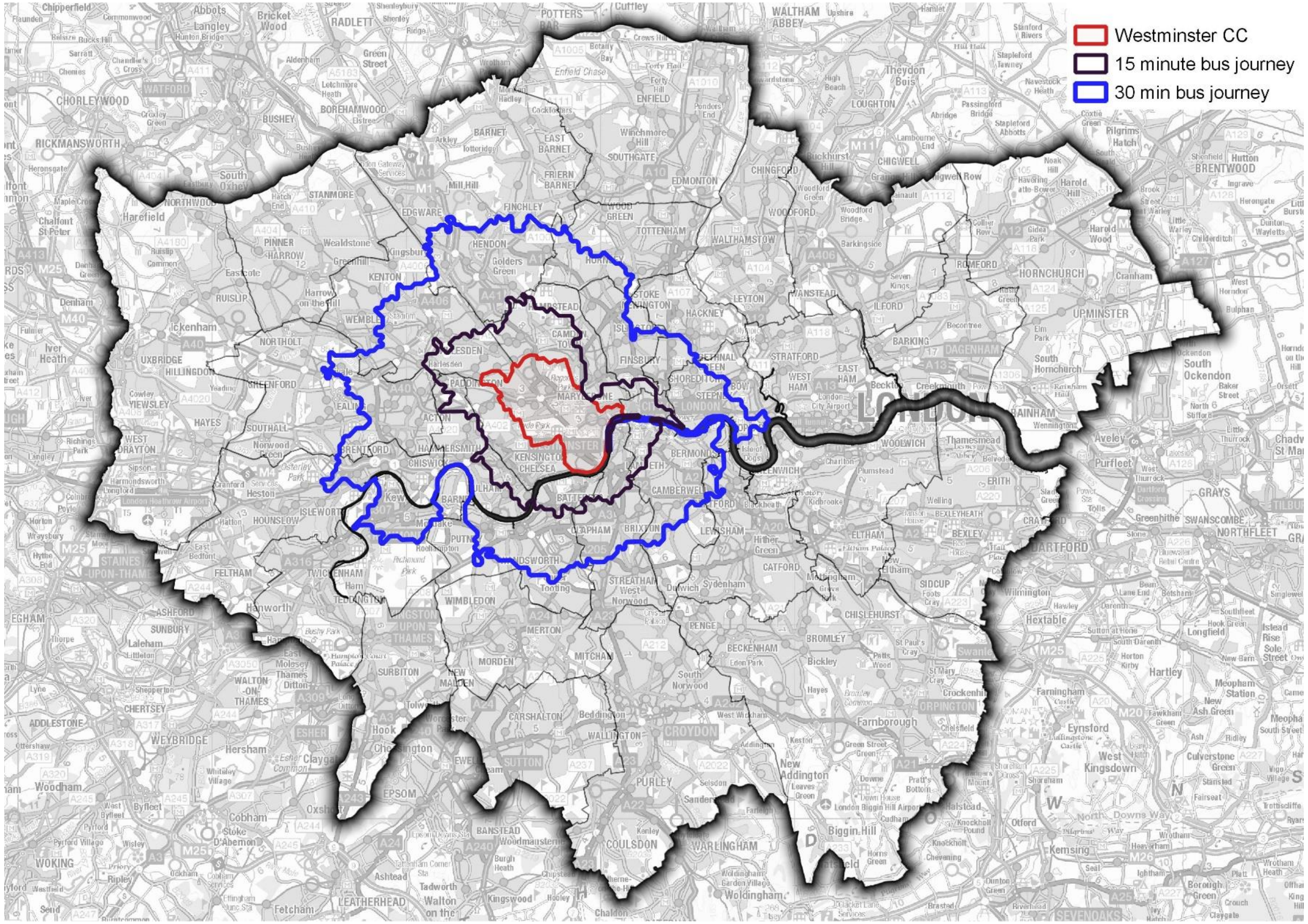
The properties will be let out at Local Housing Allowance (LHA) rates. Properties purchased within Westminster should be EPC B and EPC C for those purchased outside of the borough; or include refurbishment cost to reach these levels.

The two areas of focus are a 30-minute bus ride from WCC boundary.

Structure

The report comprises the following sections:

1. Macro overview of the London residential market and forecasts for the next five years
2. Secondhand market projections 2023 to 2027;
3. New build properties coming to market between 2023 and 2028;
4. Appendix.



Executive Summary

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Potential to acquire second-hand homes

- Across the travel time area (shown in the map on the previous slide and in more detail in Slides 22 and 23) we estimate that there will be c.9,460 second-hand property sales in total over the next 5 years that meet WCC's value and EPC requirements and are below the breakeven values required to be able to let them out at LHA rates. Only 292 of these sales are expected to happen within Westminster, with 1,143 expected within a 15-minute bus journey from Westminster* and the remining c.8,000 happening in other parts of the travel time area**. This level of sales equates to c. 58 sales each year in Westminster, c.220 sales in a 15-minute bus journey and c.1,605 sales a year across the rest of the travel time area. This only represents c.6% of all homes expected to be sold across the travel time area.

- The majority (91%) of properties that are likely to be sold over the next 5 years across the entire travel time area will be flats between 1 and 3 beds. In terms of houses, 3 beds are the most common, accounting for 6% of potential sales over the next five years. Furthermore, not all of the properties being sold will meet WCC's other criteria around service charge, ownership and whether they are tenanted etc, which means that the true number of potential homes will be lower than we have estimated above.

- These figures represent the total number of sales that could meet WCC's requirements, however, if WCC try to acquire too many properties then they will distort the market. In order to ensure fair competition and meeting their fiduciary duty we estimate that at most 40-50% of properties could be purchased before having this impact. Furthermore, this 40-50% threshold is considering the point at which WCC start to distort the market and not reflective of the likely ability of WCC to acquire homes. Instead this will likely be much lower as the council will be competing with a range of other potential buyers to acquire these homes, including other investors and cash purchasers who will be able to move quickly to complete transactions and therefore likely acquire many of the homes that WCC are targeting.

- WCC is likely to see the greatest opportunity to buy homes when the market bottoms out in 2024 and early 2025. House prices in London are expected to decline by -12.5% in 2023 and by -1.0% in 2024. This will bring more properties below the value threshold, widening the potential pool of supply that WCC could target.

Potential to acquire new build homes

- The new build market is likely to offer very few opportunities for acquisitions, especially in Westminster and the 15-minute bus journey area. No new build homes will be delivered in Westminster at below £900psf, putting them out of reach for WCC. There will be just 1,220 new build homes delivered across the bus travel areas at below £600psf in the next five years – all of which are in the 30-minute travel zone. Homes above £600 per square foot will exceed WCC's break-even price points, as will some of those below £600psf.

Service Charge and First Time Buyers

- We were asked by WCC to look at the possibility to provide further segmentations of the sales including: whether they are street properties or in blocks, whether they will be tenanted properties, whether they are owned by large or small landlords and whether they are former Right to Buy. Unfortunately, the data that is required to undertake this analysis doesn't exist, so it was not possible to provide further breakdown of potential sales for these eventualities.

- The service charge is payable annually to cover the upkeep of communal areas, repairs, maintenance and building wide services. The level of service charge payable varies across building to build across London. The factors that influence the level include the level of amenity provided in the block, such as staffing, communal gardens, the presence of lifts that will require more maintenance costs and need for additional repairs. The Association of Residential Managing Agents estimates that in London the average service charge is £1,800 to £2,000 per annum.

- First Time Buyers (FtBs) are less likely to compete with WCC at higher price points. Although many of the properties in the addressable market are valued at less than £400,000, this section of the market is likely to see greatest competition from potential FtBs. There will be a number of homes available at between £500,000 and £600,000 – a price which only c.25% of PRS households in the target market can afford, using standard mortgage assumptions.

*This area excludes Westminster | **This relates to areas that are further than a 15-minute bus journey but within a 30-minute bus journey.

Executive Summary

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WCC Price Band	Price Range	All second-hand sales over next 5 years that meet WCC's EPC requirements				Second-hand sales over the next 5 years that meet WCC's EPC requirements and are below the relevant break-even price point			
		Westminster	15-min bus journey	30-min bus journey	Total travel time area	Westminster	15-min bus journey	30-min bus journey	Total travel time area
Band 1	Up to 200K	9	318	1,855	**2,182**	9	275	1,625	**1,909**
Band 2	£201-300K	48	600	4,011	**4,659**	48	519	3,513	**4,080**
Band 3	£301-£400K	77	1,798	10,433	**12,308**	77	154	1,191	**1,422**
Band 4	£401-£450K	57	1,484	7,303	**8,844**	37	53	485	**575**
Band 5	£451-£500k	62	1,796	7,847	**9,705**	19	96	834	**949**
Band 6	£501-£550k	102	1,936	7,749	**9,787**	35	46	377	**458**
Band 7	£551-£600K	114	1,953	7,110	**9,177**	38	0	0	**38**
Band 8	£601K-£650K	122	1,941	6,648	**8,711**	29	0	0	**29**
Band 9	£651-£700K	130	1,794	5,459	**7,383**	0	0	0	**0**
Band 10*	£701-£750K	108	-	-	**108**	0	0	0	**0**
Total	-	*829*	13,620	58,415	**72,864**	*292*	*1,143*	*8,025*	***9,460***

The table on the left, breaks down the potential number of sales over the next 5 years into 10 price bands in Westminster and 9 price bands in outer boroughs. Just looking at EPC level and price there will be an estimated 72,864 transactions over the next five years that fall into one of those price bands (up to £750,000 in Westminster and up to £700,000 out of borough). Particularly in Westminster, many of these properties are in the higher bands.

However, WCC are planning to let the properties acquired out at LHA levels to those in need of temporary accommodation. Therefore, we have applied a further filter looking at the break-even price point, shown in the table below. The break-even price has been provided to us by WCC and draws upon LHA rates and the total delivery cost of a home, including purchase price, Stamp Duty, works and management costs and is the 'maximum stretch point'. Ideally, WCC will be purchasing properties below these levels where possible.

We have applied these break-even price points to the expected sales over the next years that meet EPC levels to filter down the potential target market further. These price points act as caps on what WCC can acquire, and these caps are much lower than many of the price bands. Outside Westminster for example, no property of 1 or 2 beds can be acquired for more than £400,000. This significantly reduces the number of transactions which will be available to WCC.

When these break-even price points are accounted for, WCC have a total addressable market of 9,459 transactions over the next five years across the travel time area. Just 290 of these transactions will be in Westminster. Again these represent the total market opportunity, however, WCC will be in competition from other potential purchasers that mean the realistic proportion the they could acquire is much lower.

	Break-even price points for properties to be lettable on LHA	
	In Westminster	Other boroughs
1 Bed	£426,303	£300,480
2 Bed	£629,652	£391,988
3 Bed	£638,548	£517,810

Source: Savills Research, HMRC, EPCs | *Westminster only

Executive Summary

The table on the right breaks down the number of transactions which we expect to take place by property type over the next 5. These numbers take into account WCC's break-even price points and EPC requirements – but not market distortion.

In Westminster, almost half of the properties which we expect will be available will be 1 bed flats, at 139 sales, with just 4 houses available over the five years.

Across the 15-minute bus journey (ex WCC), 56% of sales which meet WCC's criteria will be 1 bed flats. This decreases marginally to 52% of expected sales for the whole travel time area.

Across the 15-minute bus journey 40% of sales will be for 2 and 3 bed flats, this falls to 39% of potential sales across the whole travel time area.

There will be fewer opportunities to purchase houses, with just 740 house transactions expected over the five years which meet the criteria outside Westminster, 80% of which will be in the 30-minute journey time.

	Westminster	15-minute (ex WCC)	30-minute (ex 15-minute)	Total travel time area
1 Bed Flat	*139*	656	4,167	**4,962**
2 Bed Flat	*102*	188	1,378	**1,668**
3 Bed Flat	*34*	269	1,722	**2,025**
4 Bed Flat	*13*	8	41	**62**
1 Bed House	*0*	0	27	**27**
2 Bed House	*0*	3	48	**51**
3 Bed House	*3*	12	588	**603**
4 Bed House	*1*	7	54	**62**

Source: Savills Research, HMRC, EPCs

1

Macro overview of the London residential market and forecasts for the next five years

Recession and a high cost of debt will characterise the next year, but the longer term view is more positive

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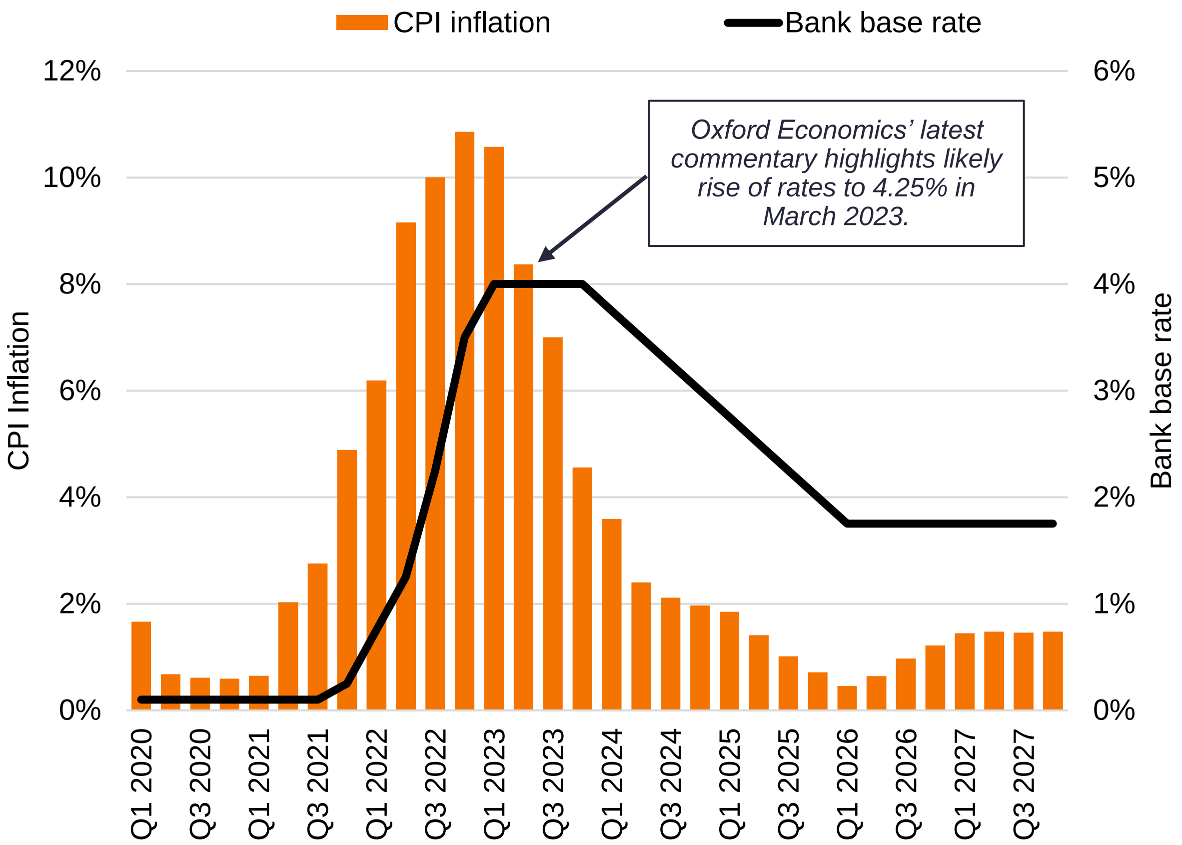
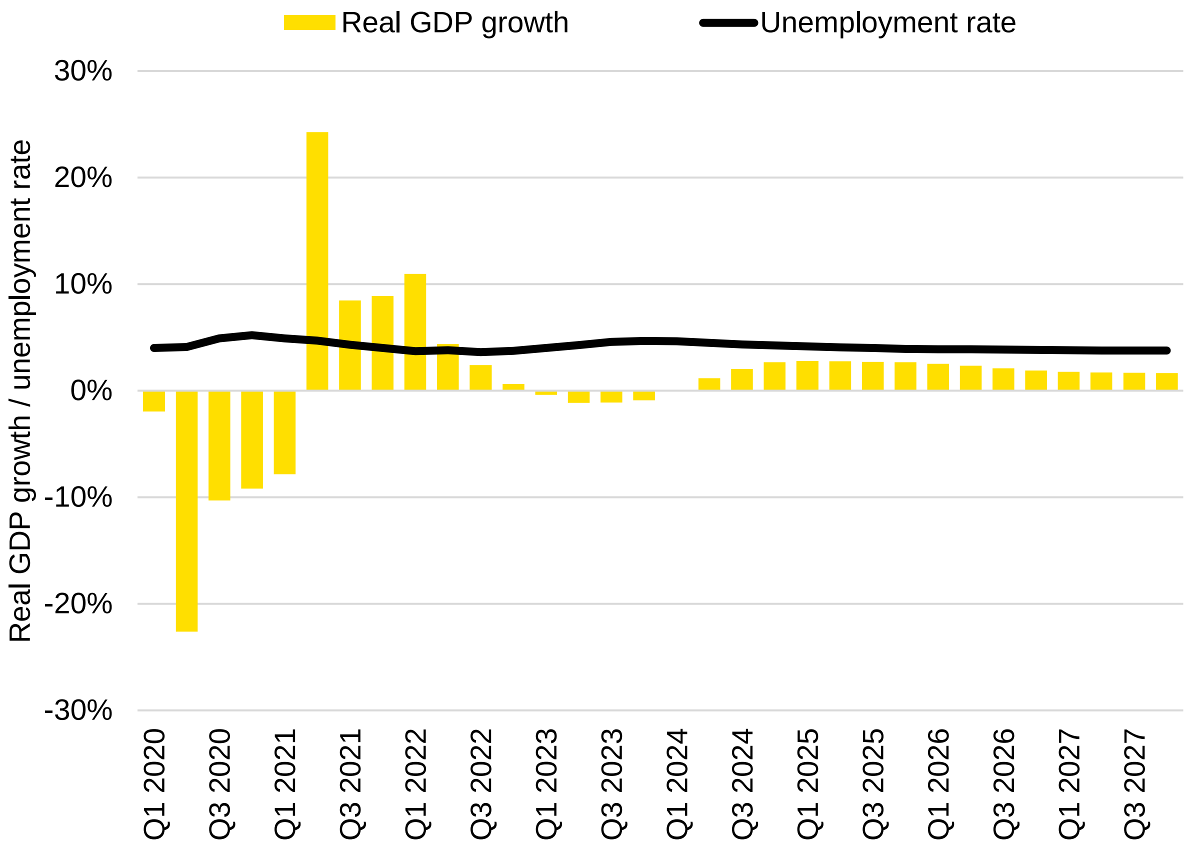
Inflation has dominated macroeconomic discourse over the last year. A combination of factors, including war in Ukraine and supply chain issues following the pandemic, have pushed prices up rapidly over the last year. CPI inflation peaked at 10.9% on an annual basis in Q4 2022. The Bank of England have responded to this by raising the base rate of interest sharply, from 0.1% in Q3 2021 to 4.0% in February 2023. Oxford Economics expect that the base rate will again rise in March to 4.25% (although not yet updated in their databank and graph below), and will be held there for a year, before being gradually reduced. Inflation has now begun to fall, and will continue its downward path in the rest of 2023.

Oxford Economics are also forecasting a minor recession in 2023, with annual GDP growth falling to -1.1% in Q2 2023. Unemployment will remain low in an historic context, which will protect existing mortgaged homeowners and prevent a large increase in repossessions, as we saw in 2008/09.

The base rate of interest will remain high in 2023, while inflation will begin to fall away



A minor recession will have a limited impact on unemployment



Source: Oxford Economics

The cost of mortgage debt has risen sharply, but is expected to have peaked towards the end of 2022

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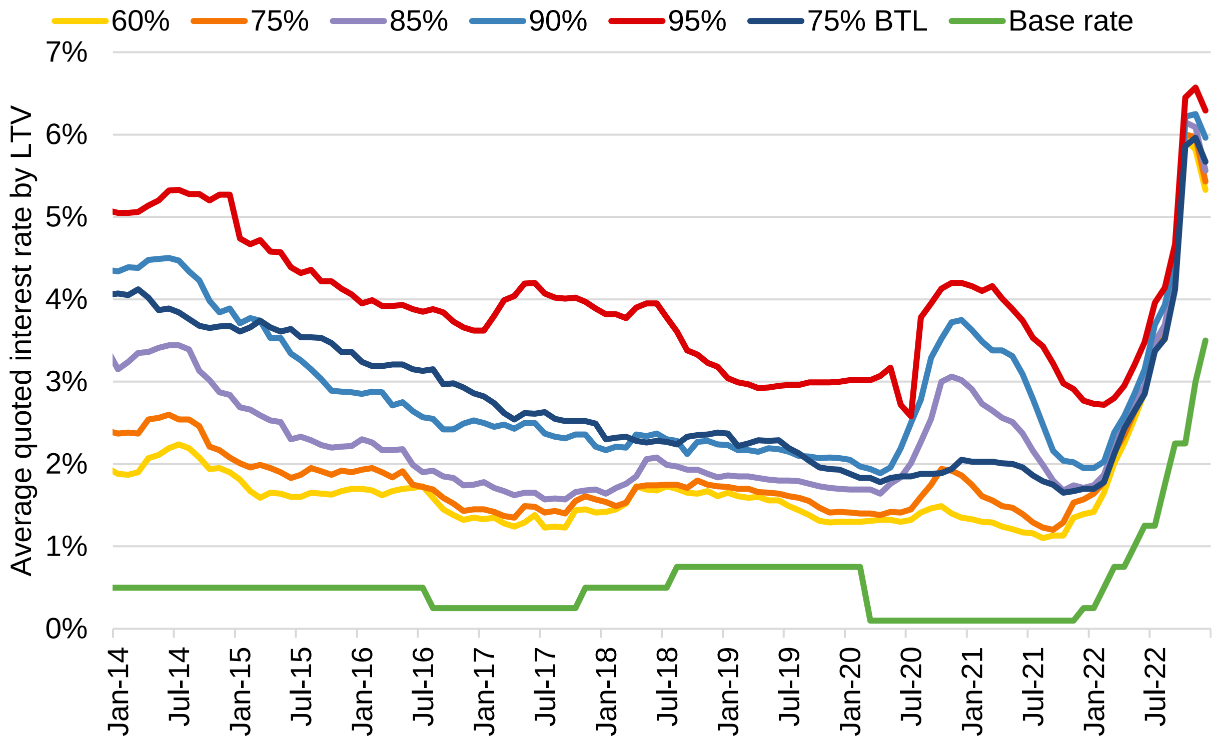
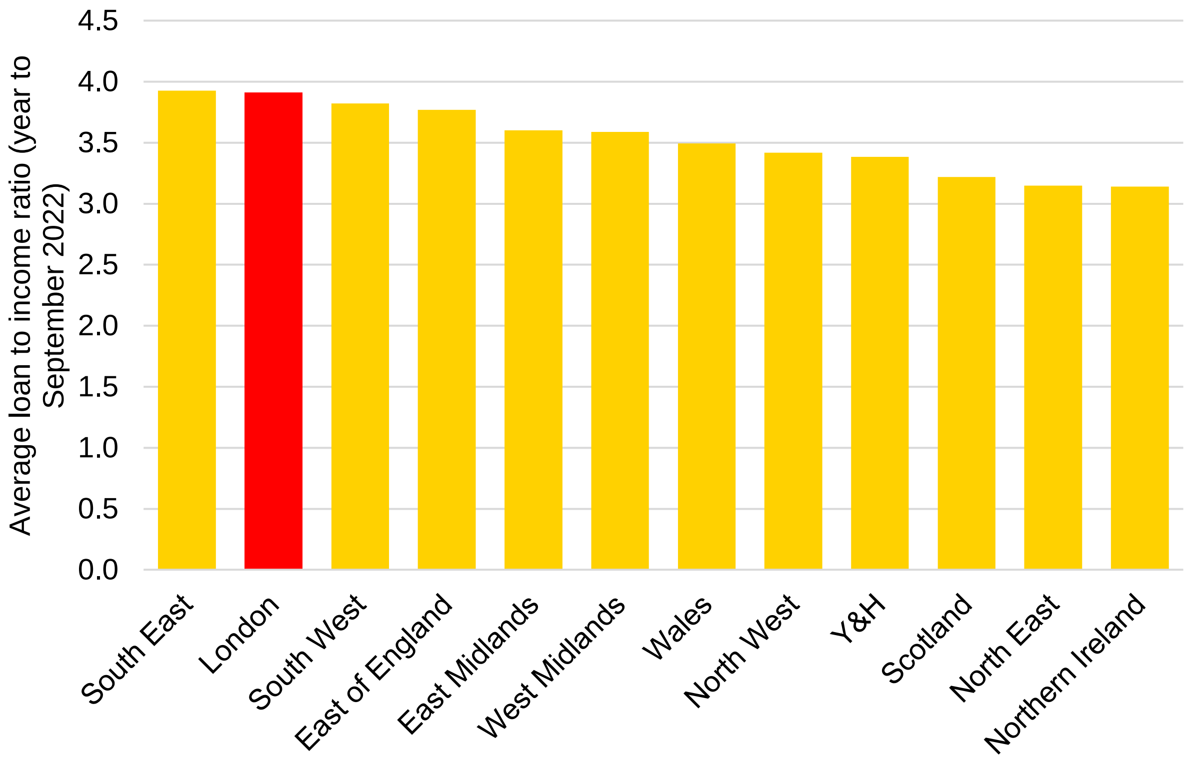
Mortgage rates have skyrocketed in the last year as a response to an increase in the Base Rate and to rising economic uncertainty in the UK. Towards the end of 2021, average rates on two year fixed rate products were below 2% for all but the highest loan-to-value mortgages. In October and November of 2022, these rates peaked at around 6%. Following the mini-budget in September, lenders increased their margins significantly, to account for much greater uncertainty about the UK's economic performance. But with the change of leadership bringing greater stability, lenders then decreased margins again. It is expected that rates will fall gradually over the course of the next year, although they will still remain significantly higher than before the pandemic, where they were historically low.

Buyers in London rely more heavily on debt, taking on a larger mortgage relative to their income than most other regions of the country. This means that the rise in the cost of mortgage debt is likely to impact buyers in London to a greater extent than those elsewhere.

2 year fixed mortgage rates have risen significantly in 2022, but look set to decline in the early part of 2023



London is a more debt-driven market than other regions, with borrowers taking on a greater loan relative to their income



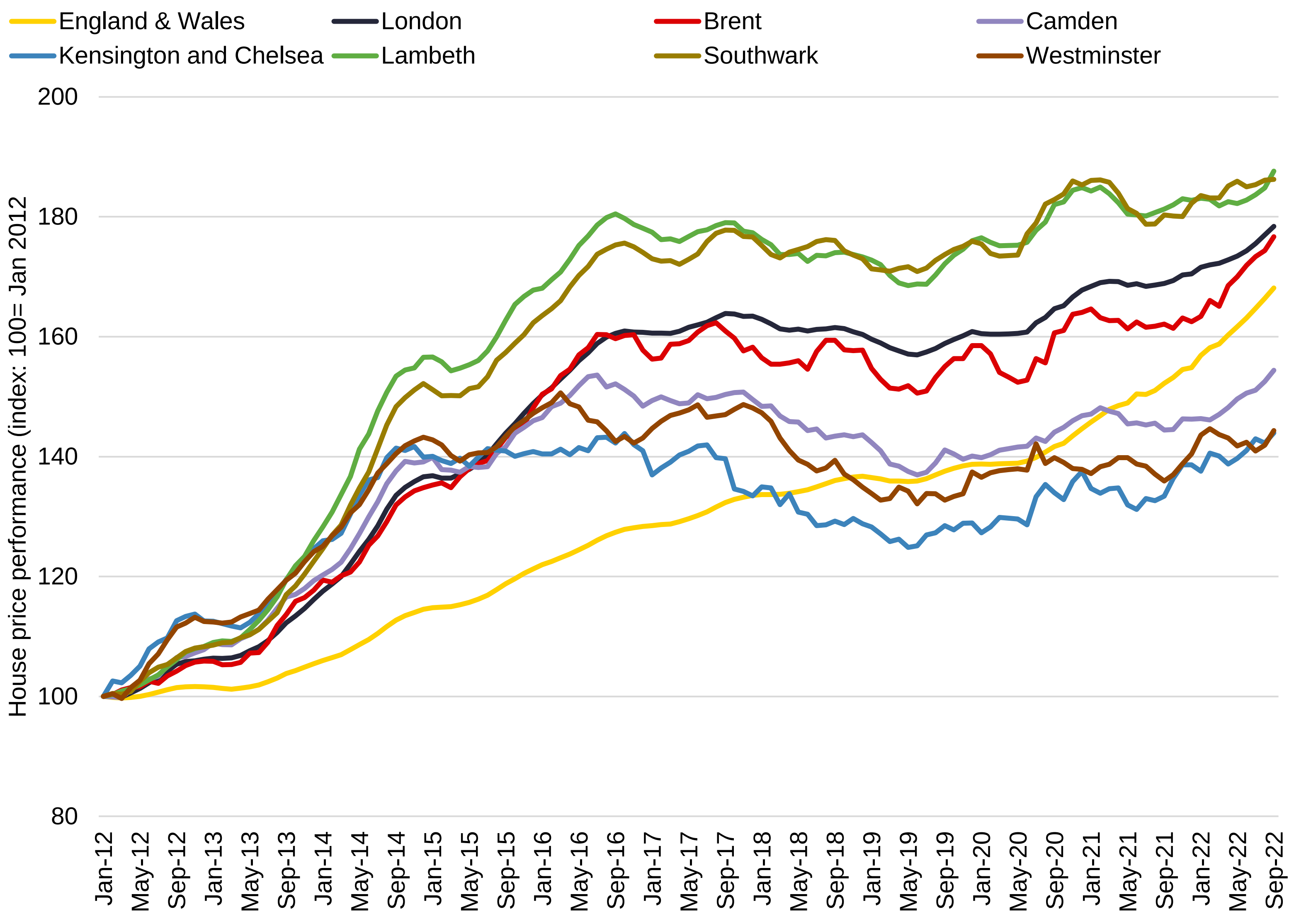
London saw strong price growth in the early 2010s, but has lagged the UK average since 2017

Price growth in London has exceeded the England and Wales average since 2012, with the average property in September 2022 valued at 78% more than in January 2012, compared to an increase of 68% across England & Wales. But across the capital, price growth has been slow since 2016.

Lambeth and Southwark have seen the fastest growth in our target area, but have some of the lower average property values

Kensington and Chelsea and Westminster are the most expensive areas in our target market, but have seen the slowest growth since 2012. Values in Westminster actually sit 4% below their peak in early 2016.

	Average transaction value (year to Sep 2022)	Annual house price growth (to Sep 2022)
Kensington and Chelsea	£2,030,362	7.9%
Westminster	£1,516,625	6.2%
Camden	£1,081,157	6.9%
Lambeth	£658,772	3.5%
Southwark	£658,492	3.3%
Brent	£610,218	9.0%
London	£697,496	5.6%
England & Wales	£379,428	10.4%



House price growth has been positive in London over the last year, but has varied quite considerably across the capital

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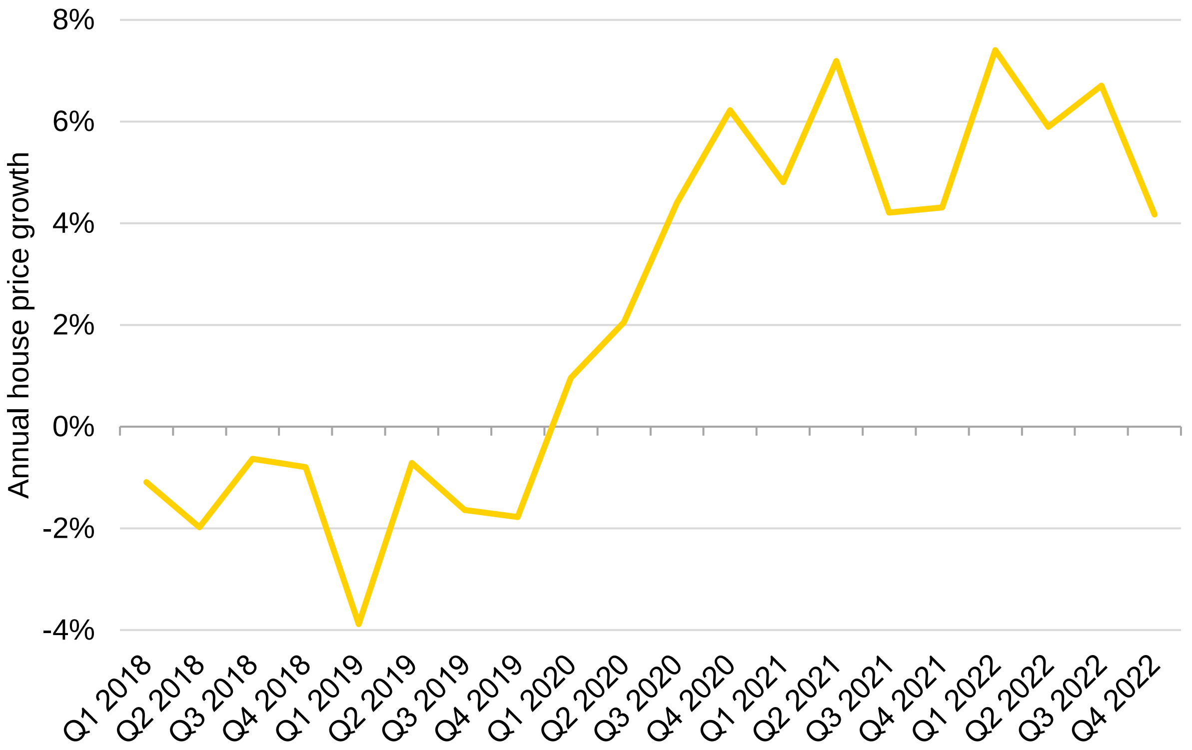
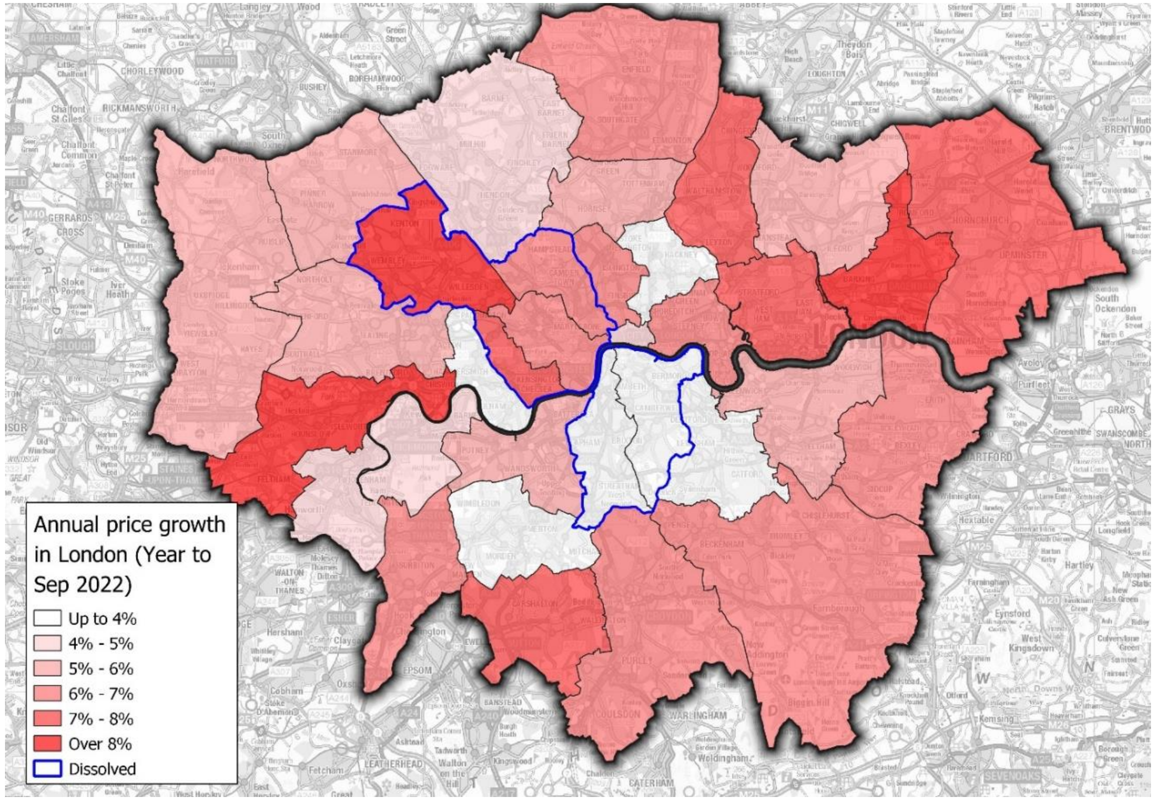
Average property values rose by 4.2% in London in 2022, compared to the UK average of 4.8%, according to Nationwide. This marks a third consecutive year of house price growth since the pandemic, which caused a mini-boom in the housing market. Prices in London fell over each of the preceding three years (2017-19).

Growth in the capital varied by borough. Since the pandemic, outer London has generally performed more strongly than inner London, because more buyers have demanded larger homes with more access to outside space. This is more readily on offer further from the centre of London. In the year to September, that pattern held for the most part, but had muddied somewhat. The fastest-growing areas were still in outer London (Brent, Barking and Dagenham, Hounslow). But places like Kensington and Chelsea in inner London had begun to perform quite well, while areas such as Richmond and Barnet have seen slower growth.

Price growth in London has been firmly positive since the pandemic, with prices having fallen in the two years before this



Growth has been stronger in outer London, because more buyers have demanded larger properties, often with gardens, since the pandemic



Prices in London are forecast to underperform the UK average over the next five years, but growth patterns will converge

Affordability pressure is more acute in London than in the rest of the country – the average house price to income ratio is 13.0 in the capital, compared to 8.9 across England and Wales and 6.4 in the North West. This means buyers must save for significantly larger deposits and take on larger amounts of debt in London. This is particularly important in a higher interest rate environment, like that which we expect for the next two years at least. We expect house prices in London to fall further than the UK average over the next two years, and to recover more slowly as well. We have forecast total growth over the next five years of -1.7% in London, compared to 6.2% growth in the UK.

After the five year period, if our forecasts are correct, London will have underperformed the UK average price growth for 11 years, as the second half of the current housing market cycle has taken effect. From 2028, it may be that the housing market cycle enters a new phase, in which London can once again outperform the average.

	2023	2024	2025	2026	2027	5-year
UK mainstream house prices	-10.0%	1.0%	3.5%	7.0%	5.5%	**6.2%**
London mainstream house prices	-12.5%	-1.0%	2.0%	6.0%	5.0%	**-1.7%**

Transactions fell during the pandemic, but then rose to the highest level seen since the GFC

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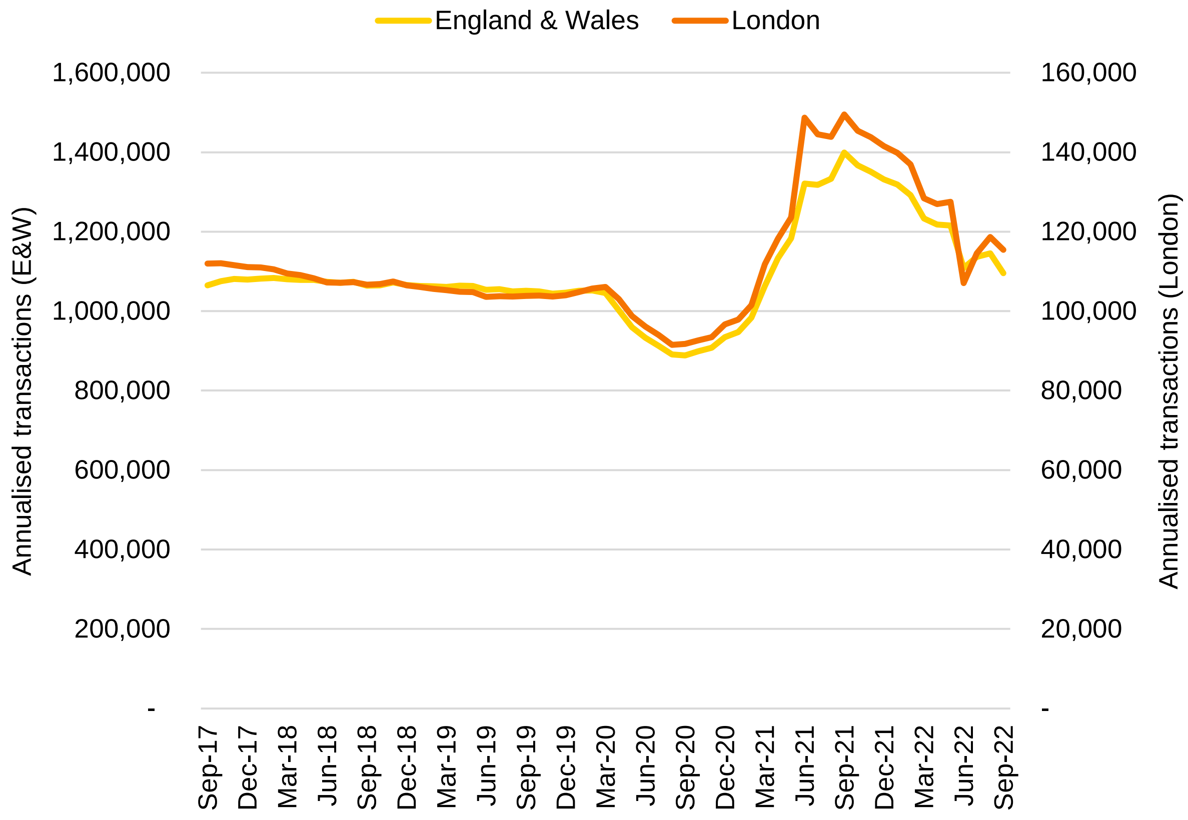
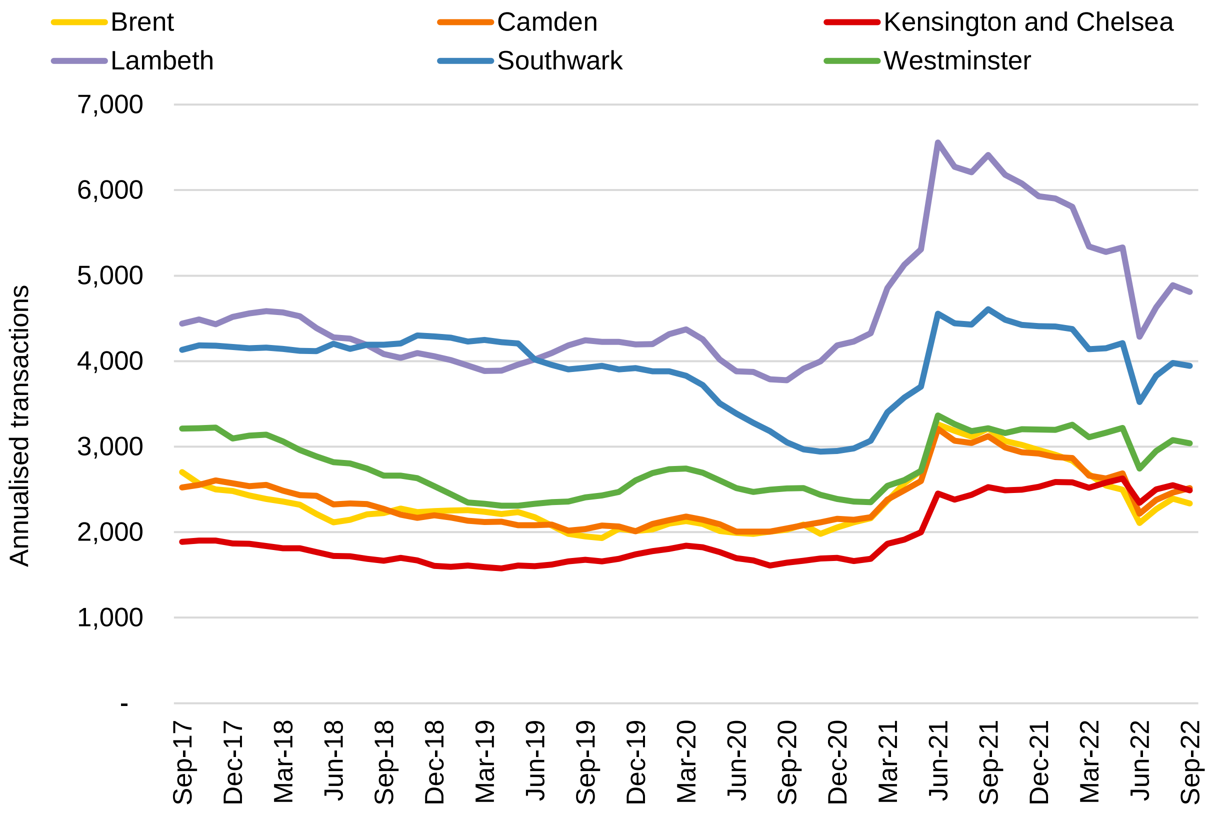
In the lead up to the pandemic, transactions had been relatively flat, falling slightly since 2017 on an annualised basis. Because the housing market was forced to close in March and April of 2020, there were very few transactions for a short period of time. But the experience of lockdown made many people rethink what they wanted from their homes. This prompted many to move home, looking for larger properties with more open space. The stamp duty holiday put a sense of urgency into the market by offering a time-limited tax saving, while record low interest rates facilitated buyers taking on large amounts of mortgage debt very cheaply. These factors caused transactions to increase significantly in both London and England and Wales as a whole.

Of the areas in our target market, Lambeth consistently saw the most transactions in the recent past, matched by Southwark before the pandemic. Kensington and Chelsea has consistently seen the fewest transactions.

Transactions in London reached nearly 150,000 in the year to September 2021 on the back of the stamp duty holiday and strong price growth



The lower value areas in the target market have more transactions per year, including Lambeth and Southwark



Source: HMRC and Land Registry

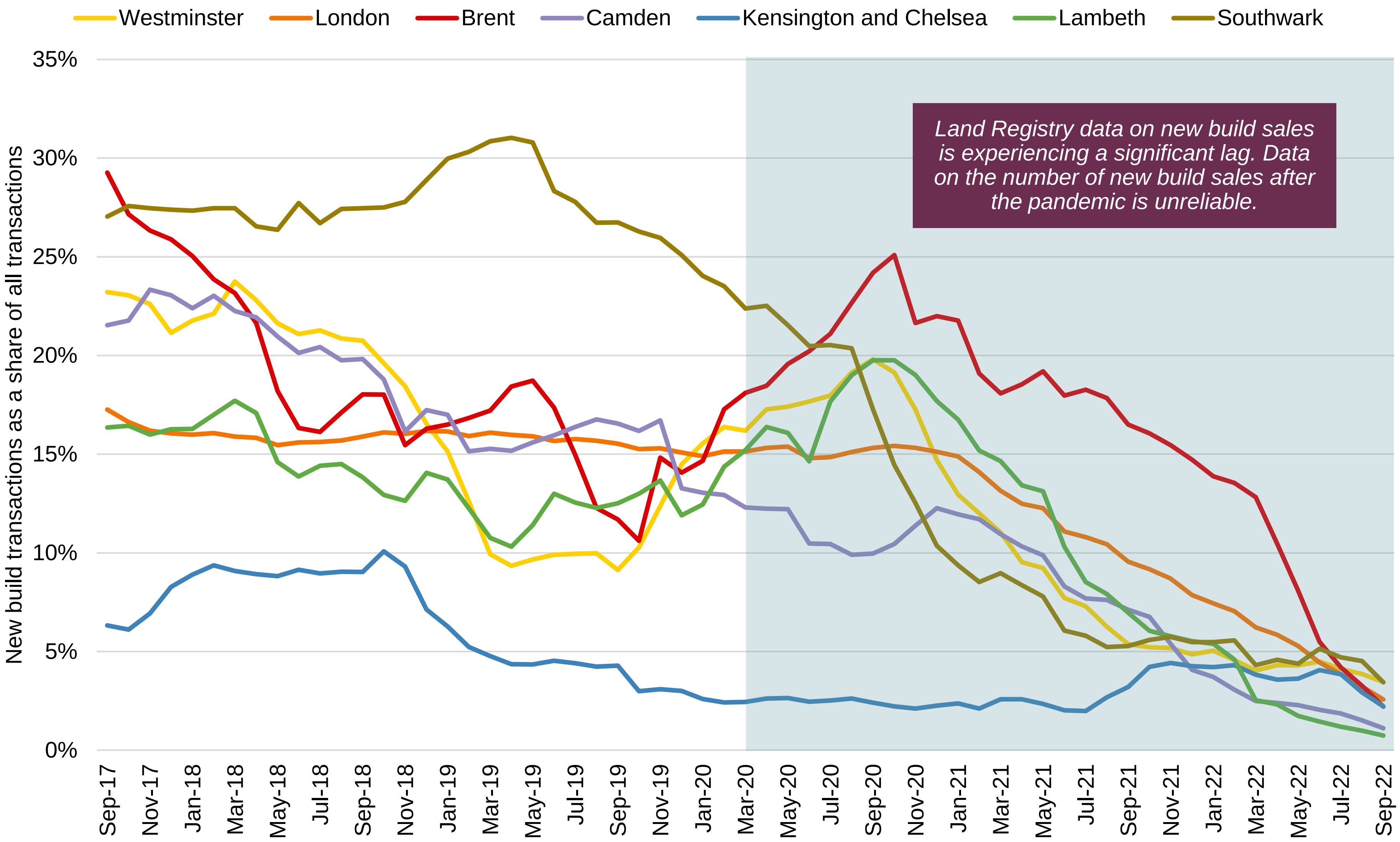
New build sales were highest in Southwark and lowest in K&C, but data quality is poor following the pandemic

New build sales data from the Land Registry is impacted by a significant lag following the pandemic. We can use the period before that to assess a more normal market.

The chart shows the number of new build sales in London and the target boroughs as a proportion of all homes sold.

Southwark leads the way by some distance, with more than 25% of homes sold being new builds for most of the pre-pandemic period. Kensington and Chelsea is consistently had the lowest proportion of new home sales, only reaching 10% of all sales in one month over this period.

Westminster had been quite strong at delivering new build in 2017 and 2018, but had fewer developments selling in 2019.

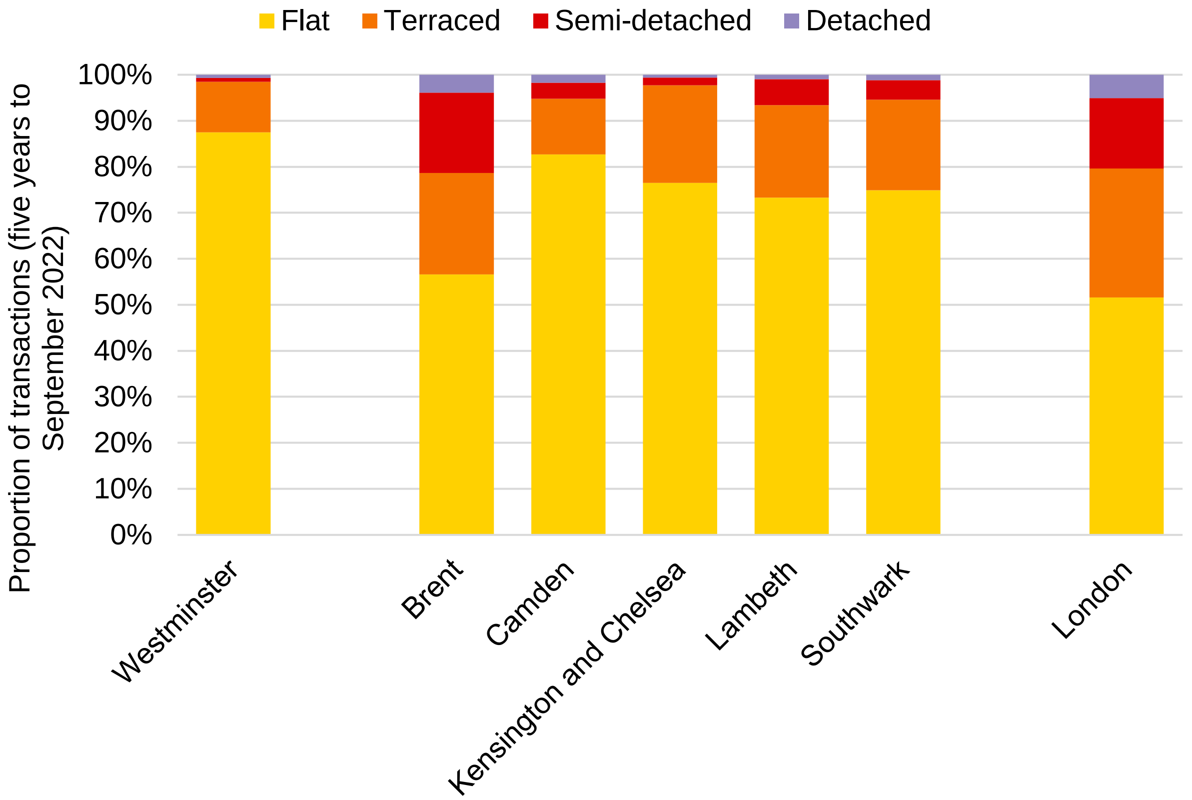


Flats form the largest share of the market across all areas, but houses have increased as a share of the market since the pandemic

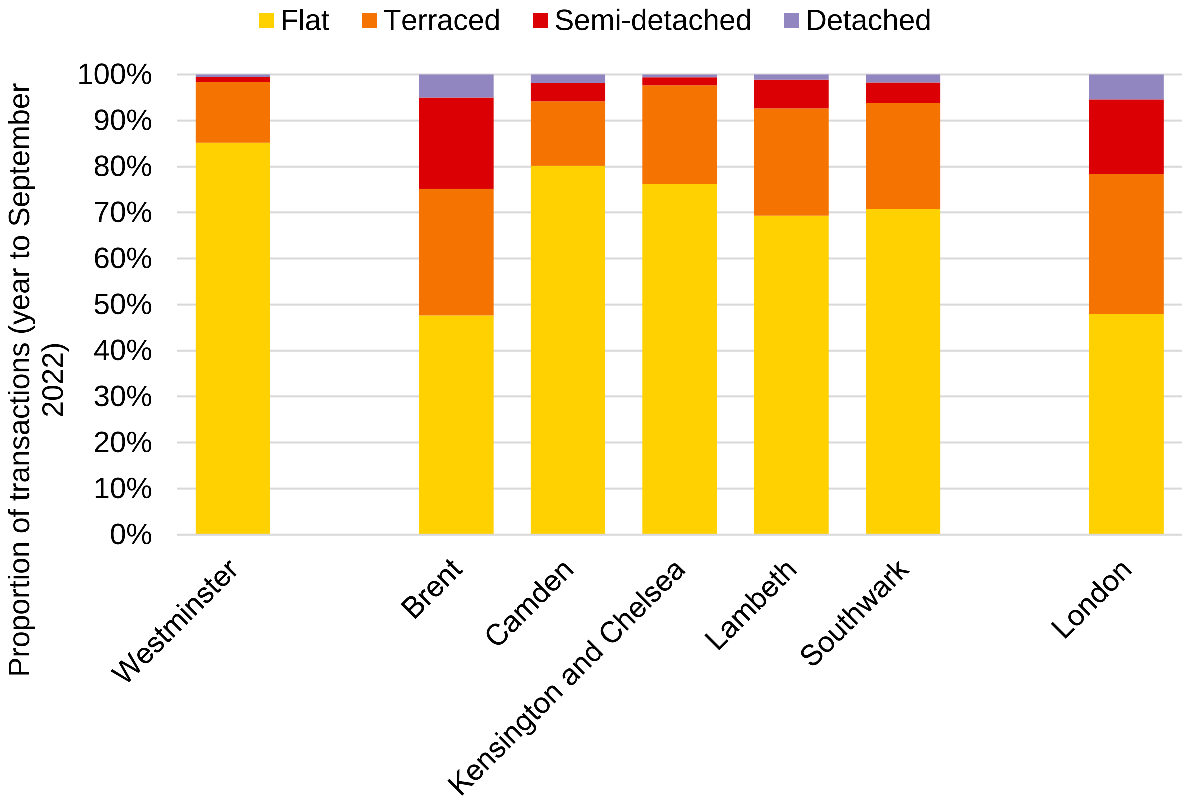
Across London, flats accounted for 52% of all sales in the five years to September 2022. Terraced homes accounted for 28%, with detached and semi detached combining for the final 20%. In all the target boroughs, flats form a larger share of the market than the London average. This is to be expected given that they cover a large amount of inner London. Brent has the lowest proportion of flats, at 57%, while Westminster has the highest, at 87%.

In the last year, all areas have seen an increase in houses as a proportion of all sales. Across London and Brent, more than 50% of all sales were houses in the year to September 2022, while that figure reached 30% in Lambeth and Southwark.

Flats have dominated transactions in the last five years



Houses have been in greater demand in the last year, but flats still form the majority of transactions



Source: Land Registry

Properties are more affordable in Brent, Lambeth and Southwark, while properties in Westminster and K&C are much more expensive

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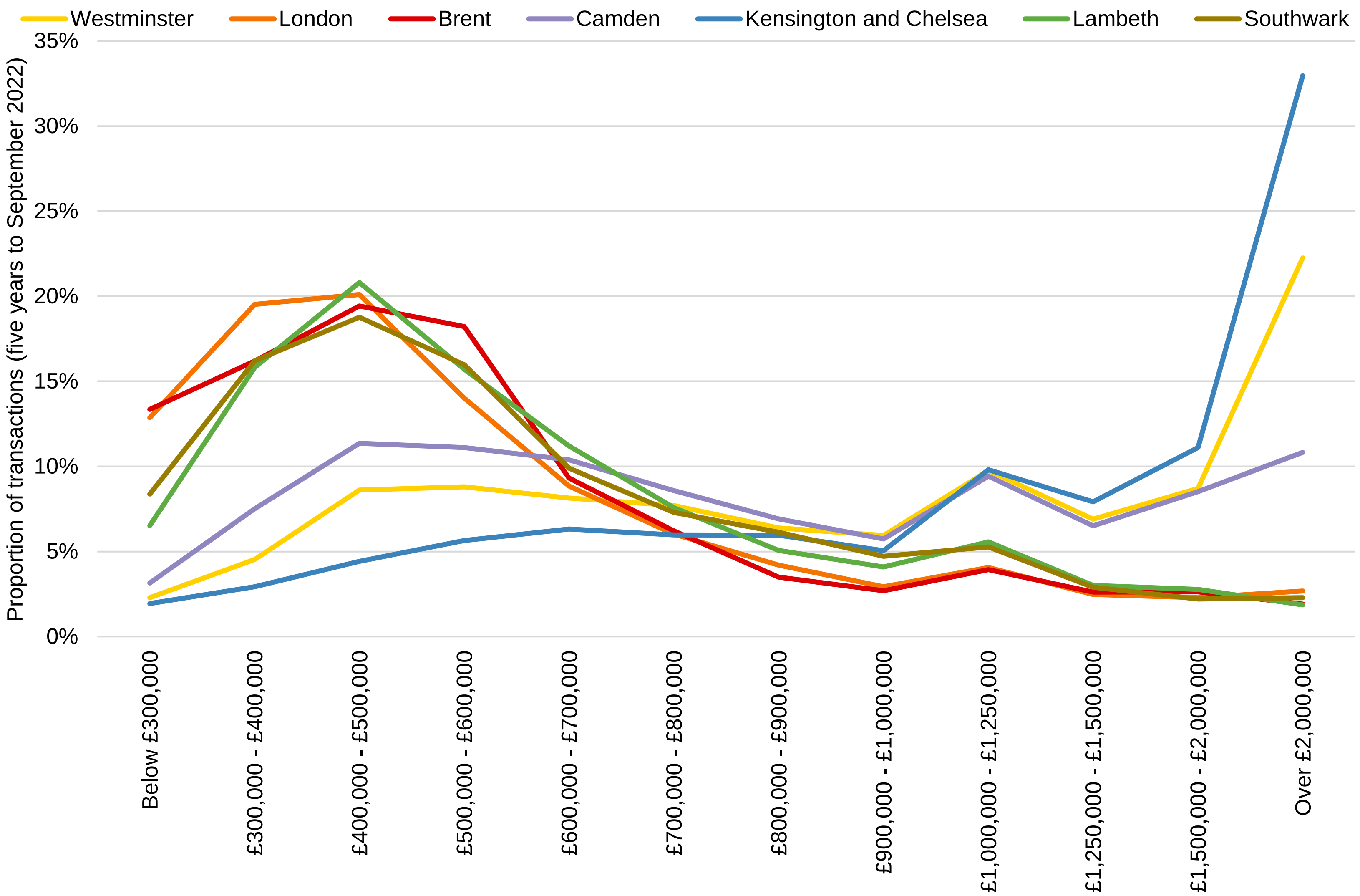
In Brent, Lambeth and Southwark, most properties are clustered towards the lower end of London's value distribution, below £600,000. Two thirds of properties in Brent, 60% in Lambeth and 59% in Southwark are in this range.

That compares to just 15% in Kensington and Chelsea, 25% in Westminster and 33% in Camden.

In Westminster and Kensington and Chelsea particularly, the majority of homes have sold for more than £1,000,000 over the last five years – 48% in Westminster and 62% in K&C.

WCC are much more likely to find affordable properties in Brent, Lambeth and Camden than in their own borough.

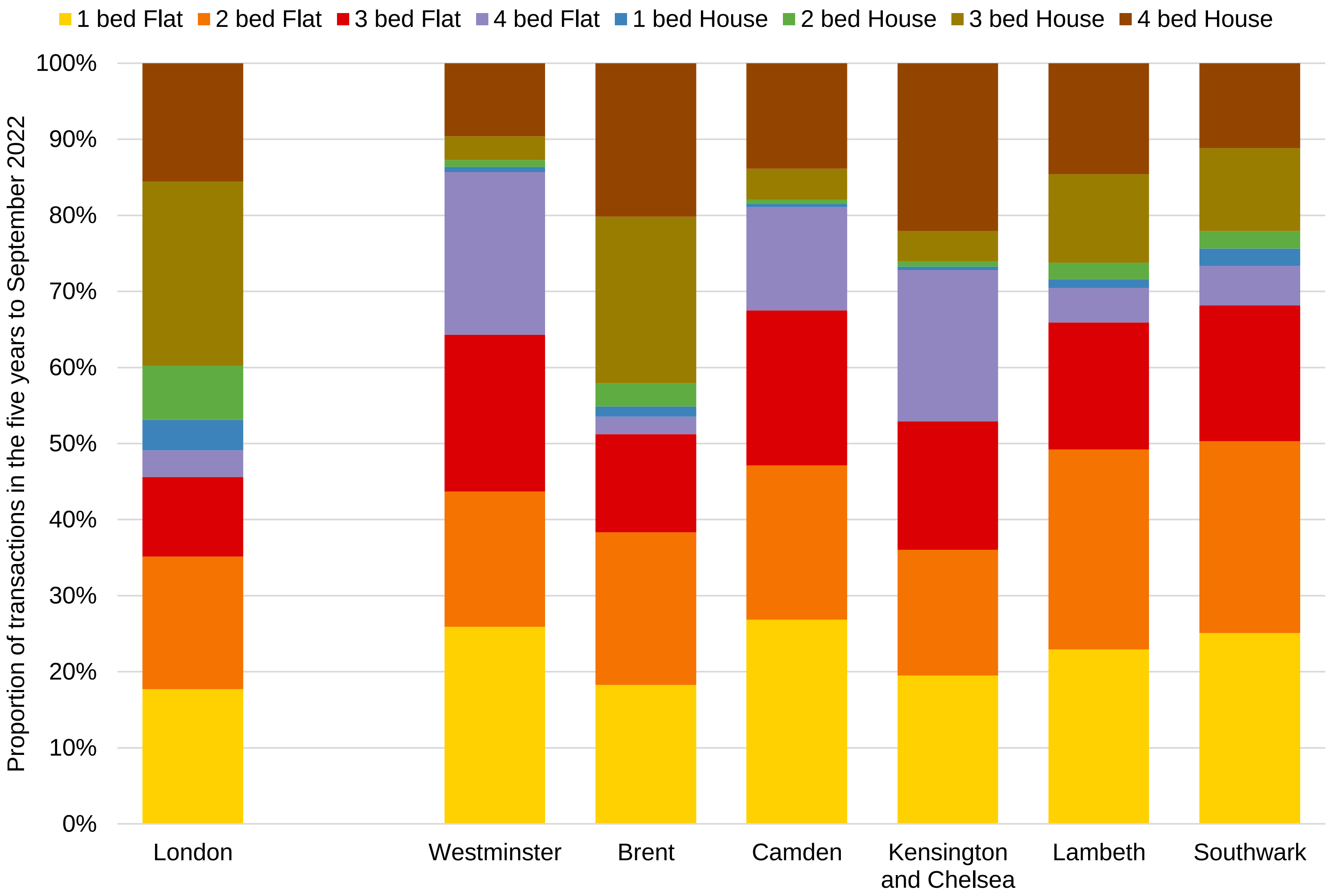


More flats are sold than houses across all the selected boroughs, with one and two beds the most common

This chart uses a matched dataset of the Land Registry and EPCs, meaning the sample is slightly smaller than the previous slides looking at transactions by property type. We have used a standard set of assumptions using the nationally described space standards. This data suggests that across London, more houses have sold than flats in the last five years.

But in all of the target boroughs, more flats have sold. In Westminster and Camden, more than 80% of sales have been of flats, while in Brent, that figure is just above 50%. Across London as a whole, 40% of sales were for houses with three or more beds. This proportion is similar in Brent, but is much lower in the other target boroughs.

Westminster contains a large number of larger flats, with 42% of all sales being for 3 and 4 bed flats under our assumptions. By contrast, in Southwark, more than 50% of sales were for 1 and 2 bed flats.

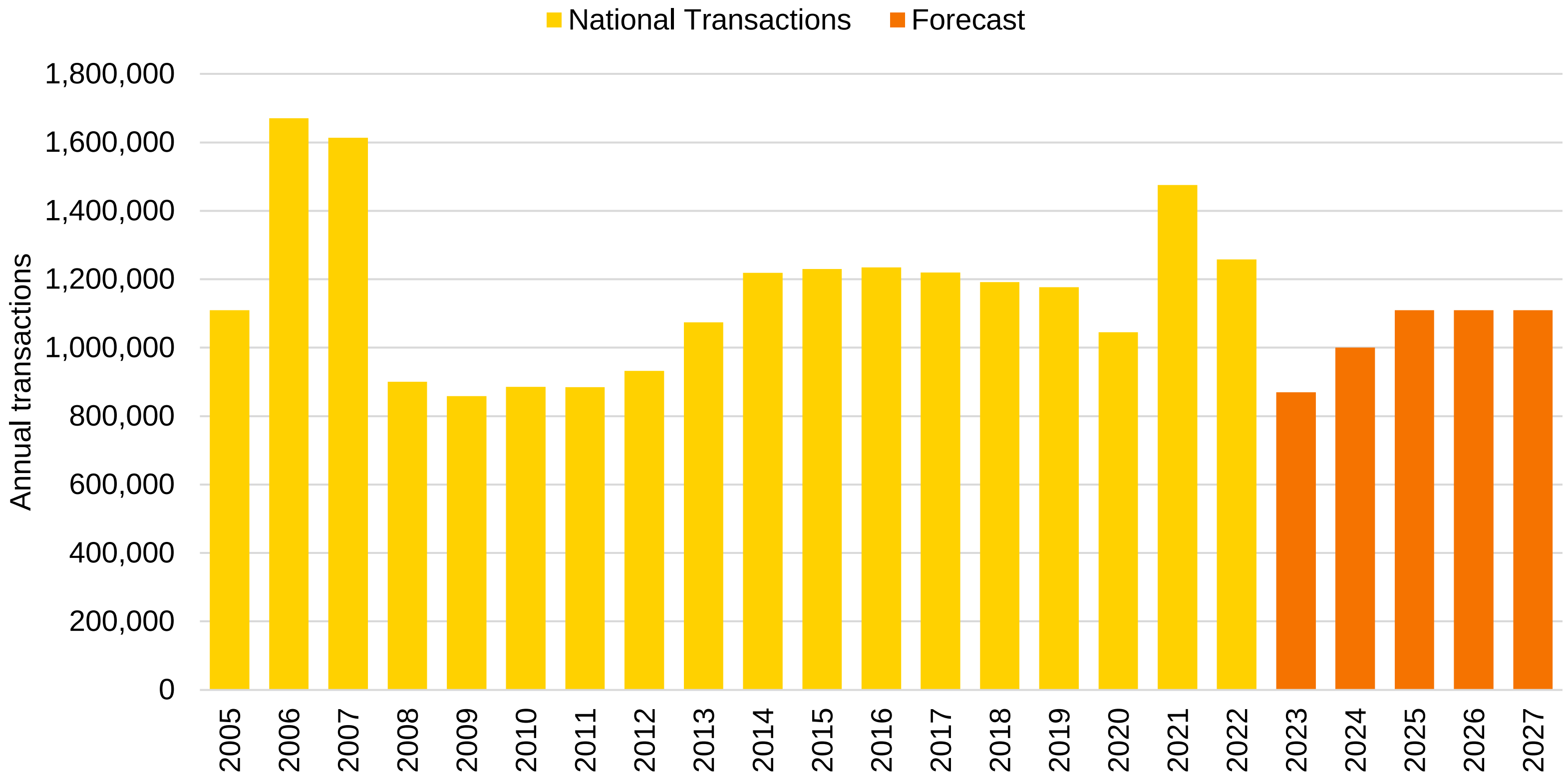


Transactions will fall in the short term, as sellers will wait for a stronger market and buyers will wait for the cost of debt to fall

With the market slowing and prices set to fall in the next couple of years, there will be a sharp contraction in discretionary moves. Those who can afford to wait will not want to buy in a falling market, and may instead choose to wait until prices have bottomed out. Those selling equally will be met with a weaker pool of demand than they may have in a couple of years time.

However, whether through a change in personal circumstances, the desire to start a family or indebtedness, most of the transactions which we see in the market need to happen, regardless of the state of the market at the time. As a result, we are forecasting that transactions will fall to 870,000 in 2023, which is roughly 25% below the pre-pandemic norm. They will then recover to 1.11m by 2025 and remain there for the rest of our forecast period.

There may be a change in the composition of the demand pool. First-time Buyers, who rely heavily on debt, are likely to struggle in the next couple of years particularly, while the cost of debt remains high. Cash buyers, on the other hand, are able to take advantage of the fall in prices without reliance on more expensive debt. When the market bottoms out, they are therefore likely to return more quickly.



	2023	2024	2025	2026	2027	5-year
National transactions forecast	870,000	1,000,000	1,110,000	1,110,000	1,110,000	**5,200,000**

Source: Savills Research

Rents fell in major cities during the pandemic, but very strong growth since has more than cancelled this out

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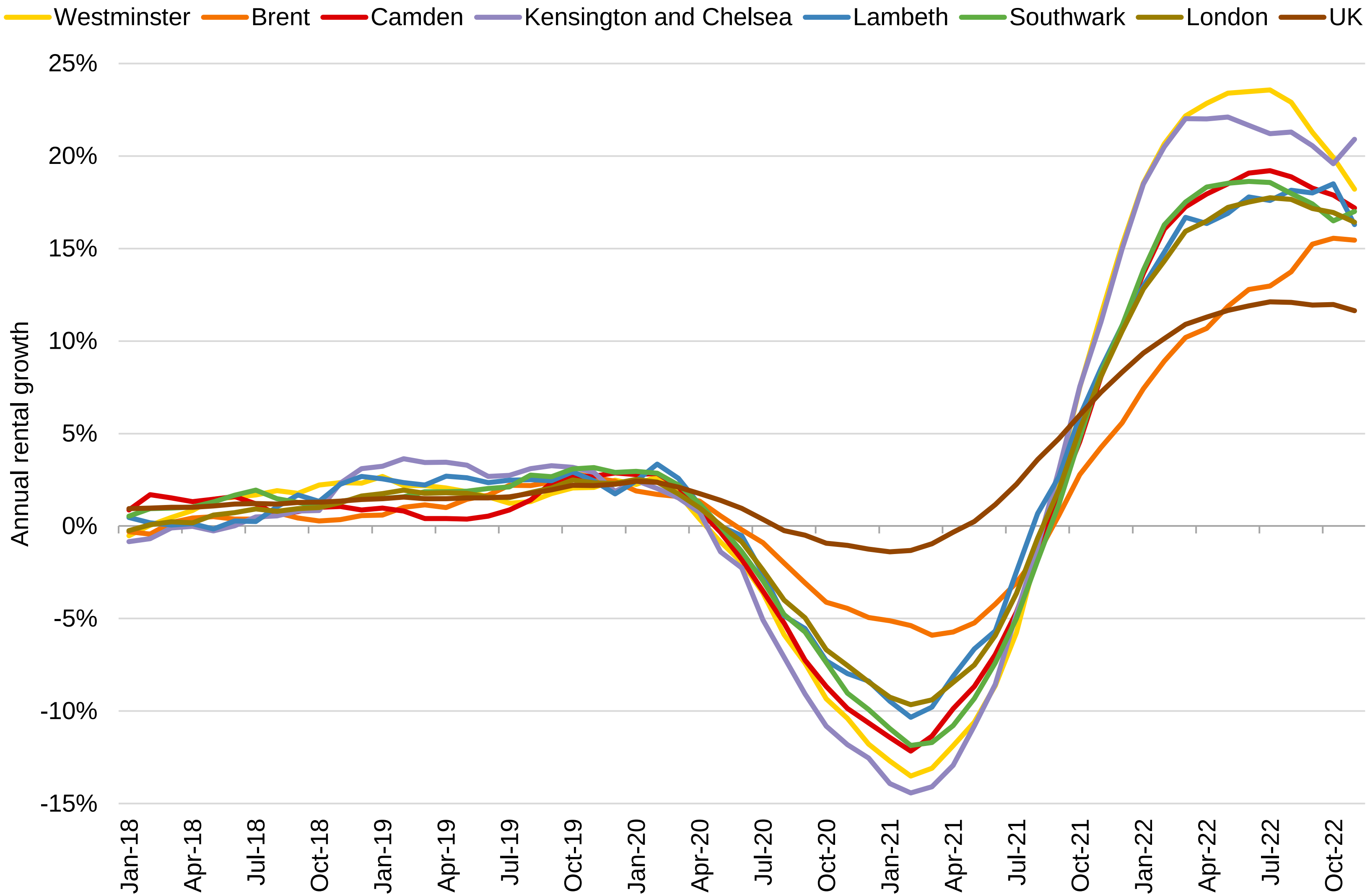
Annual rental growth in London fell to -9.7% at its lowest during the pandemic. Young people in cities decided to save on rent and move back in with parents over successive lockdowns, while others looked to move to larger homes with more outside space outside of cities. Kensington and Chelsea was the worst-affected area in our target market, with annual falls of up to -14.4%. Brent was relatively better off, troughing just below -5%.

As the economy reopened and people returned to cities, they were met with a significant shortage of stock. Competitive bidding then led to rapidly rising rents, particularly in London. Annual growth in London therefore peaked at nearly 18% in mid-2022.

Those boroughs which saw the largest falls (K&C and Westminster) then saw the largest rises, while Brent lagged behind somewhat.



A shortage of stock in the London market is driving significant rental growth

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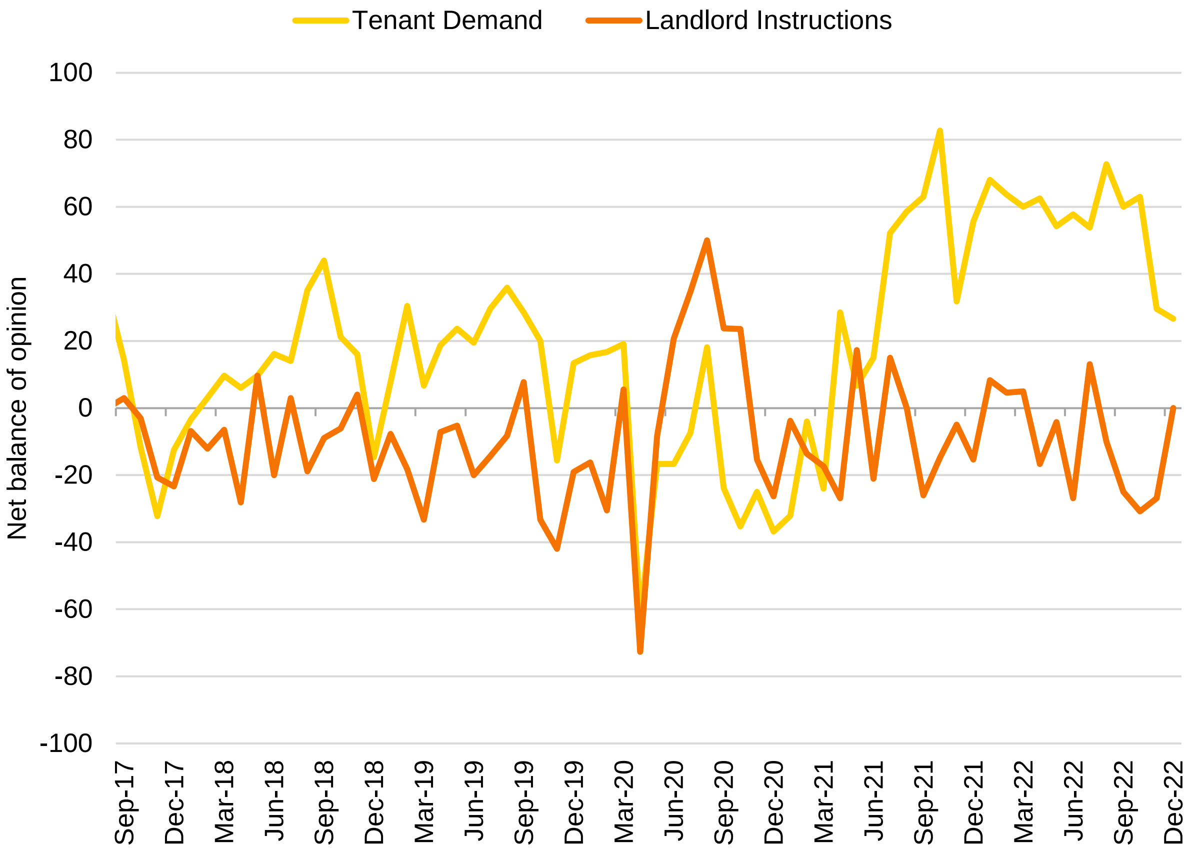
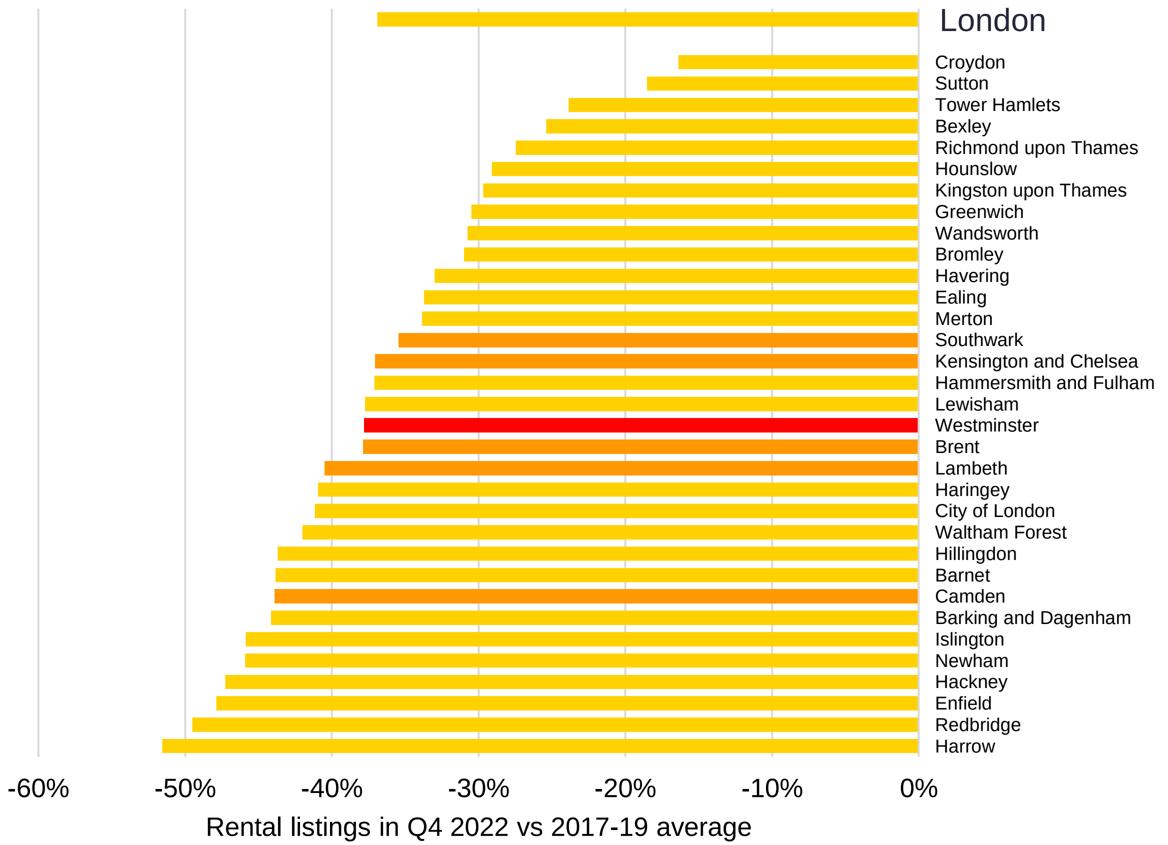
This significant rental growth we've seen is being driven by an imbalance between supply and demand in the rental market. Over the last couple of years, many landlords have decided to sell and exit the sector. This is partly in response to the significant capital gains they have made – house prices have grown by nearly 70% in the last decade across England and Wales. With the prospect of house price falls around the corner, many landlords may have chosen to exit and crystallise the gains they've made. Others may be fearing greater regulation in the sector, either on the requirements for energy efficiency or on tenants' rights surrounding no-fault evictions.

Across London, there was 37% less stock to rent in Q4 2022 than the 2017-19 average. Tenant demand has been consistently strong since the middle of 2021, but these prospective renters have been competing for fewer properties, hence the competitive bidding and rental growth that we have seen.

Tenant demand has exceeded landlord instructions consistently since the pandemic



A rise in landlords selling their Buy-to-Let properties has led to a shortage of stock to rent



Source: RICS, Rightmove

The stock shortage is likely to continue to dominate in the short term, before affordability pressures moderate growth

Over the short-to-medium term, we expect the supply-demand imbalance which currently exists to continue to drive strong rental growth. Tenant demand is unlikely to fall away, while supply coming back to the market will not happen quickly. Those landlords which have sold and exited the sector have made a long-term decision and will not return in the near future.

In the medium term, though, we expect rents to reach an affordability ceiling. Rental growth can only remain strong if renters have the income to support it, and given recent historic rental growth, the proportion of income which renters must put towards their housing costs has increased.

In London, this affordability ceiling is likely to be reached slightly earlier, as renters already spend a greater proportion of their income on housing. London is also likely to see a greater increase in accidental landlords over the coming years. Whether through the death of a family member, divorce or problems associated with indebtedness, homes will come to the market regardless of the economic context. Owners may decide that instead of selling into a very weak sales market, they might instead rent out the property for the next few years, before selling later down the line when the sales market has recovered. This could help bring some stock back onto the market.

Rental growth in London is expected to be much greater than house price growth over the next five years. This will improve the yield on Buy-to-Let properties significantly, meaning some landlords might find it profitable to get back into the market. This may also help increase the supply of rental homes.

	2023	2024	2025	2026	2027	5-year
UK mainstream rental growth	6.5%	4.0%	2.0%	2.4%	2.3%	**18.3%**
London mainstream rental growth	**5.5%**	**5.0%**	**2.0%**	**2.4%**	**2.3%**	**+18.4%**

Source: Savills Research

2

Second hand market sales projections 2023 to 2027

Defining the search area: travel time area

The next two sections of the report undertake analysis of potential number of sales in the second-hand and new build markets between 2023 and 2027.

This analysis has focused on areas within either a 15 minute or 30 minute bus journey from the WCC boundary.

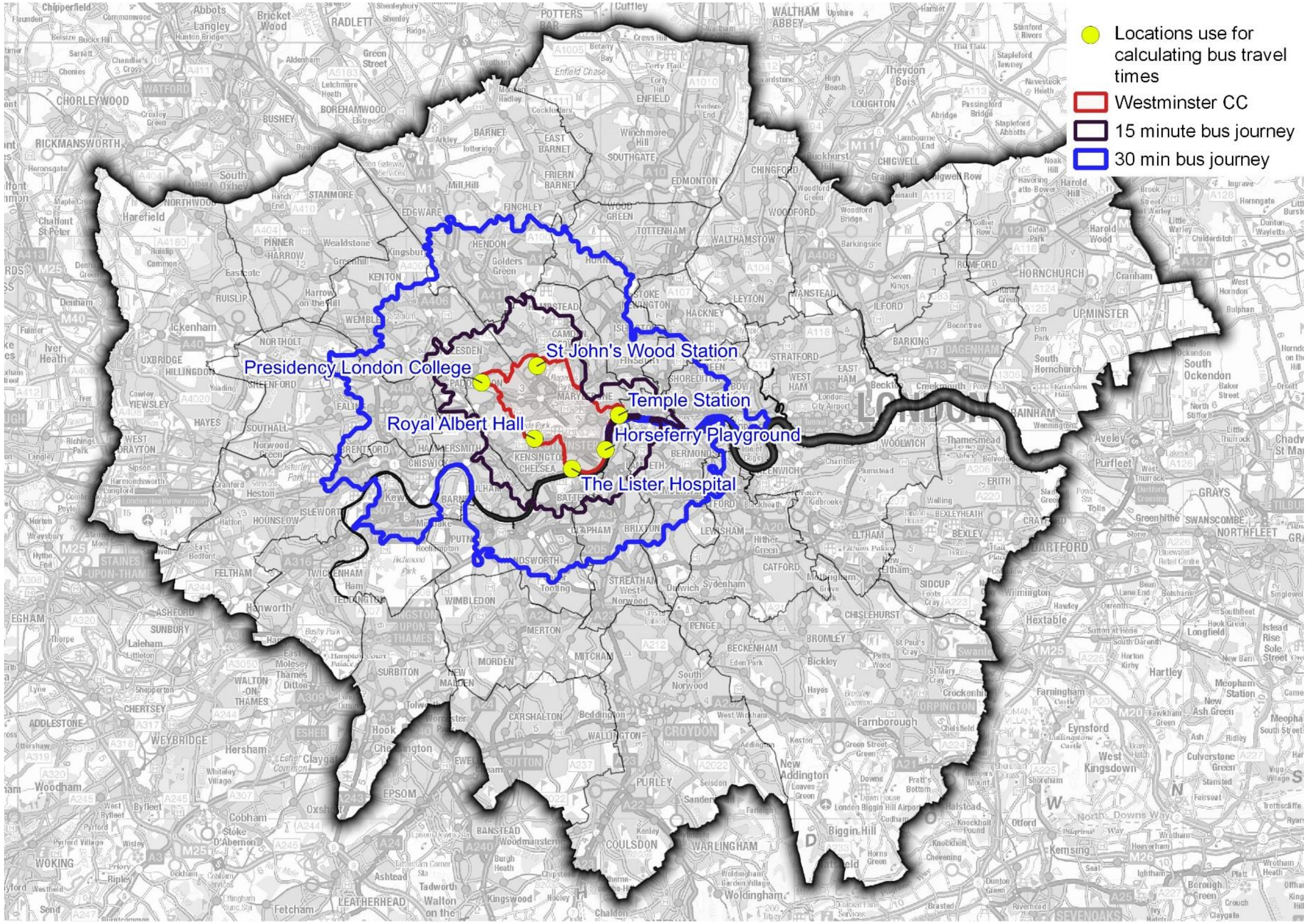
To calculate the search area we have used travel-time mapping data from Traveltime.com that allows us to select starting points, the type of transport and how long the journey can be.

We have used the following criteria:

1. Traveling on Monday morning at 7.30am;
2. For bus journeys we have had to select 6 points around WCC boundary (shown in the map on the right) and from any of these points travel for up to 30 minutes.

By using these criteria we have created a combined travel time area that has been used as a boundary for where WCC could look for potential temporary accommodation.

As shown in the map this covers all, or part of, 18 boroughs across London – including Westminster. The majority of the travel area is north of the river, with only parts of boroughs immediately south falling within the travel area.



Defining the search area: segmenting the travel time area

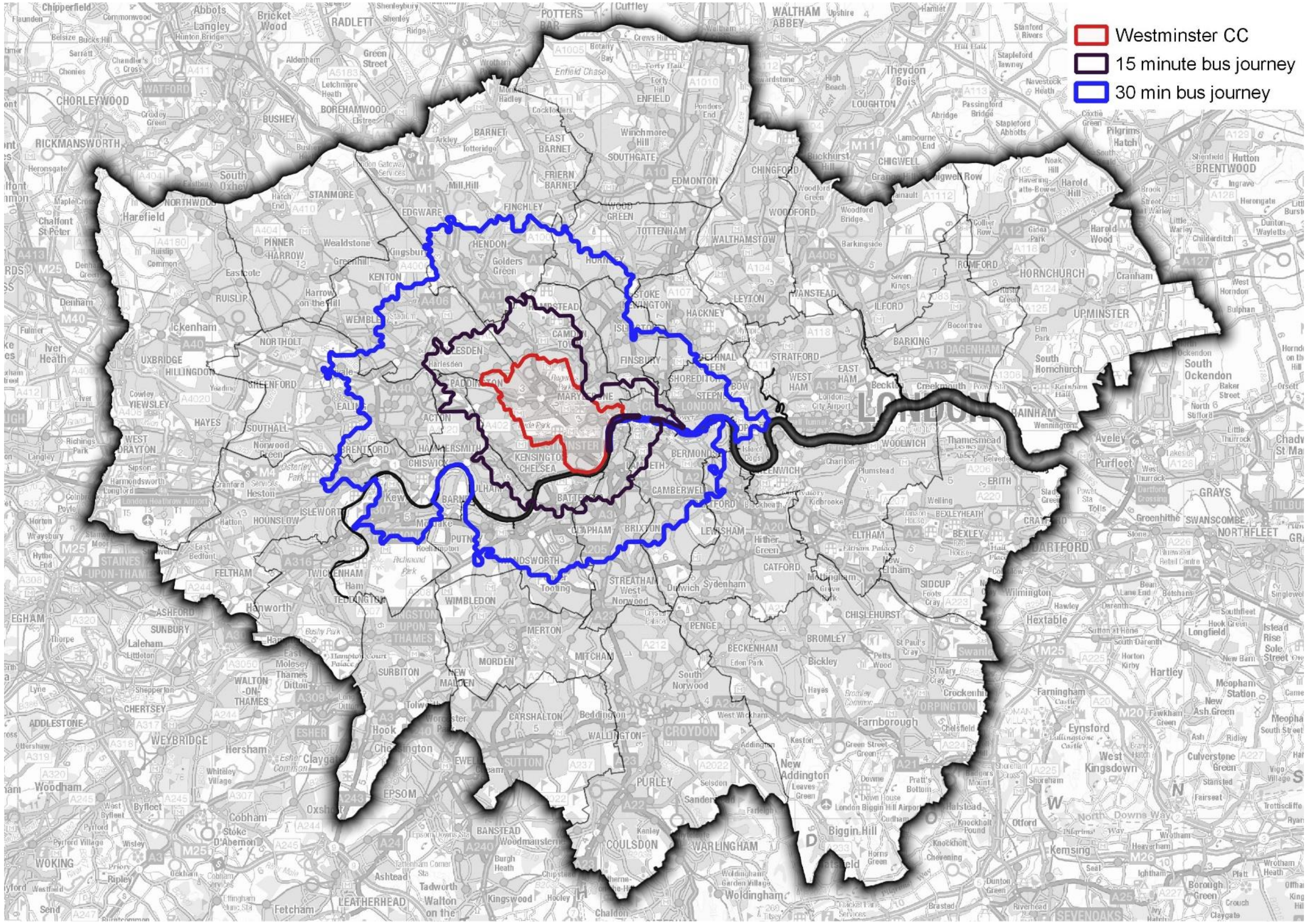
The travel time area defined on the previous slide sets the outer limits of our search area. However, we are aware that the preference for acquisitions is to be in, or as close to Westminster as possible.

Therefore, through the next two sections we have broken down the data and analysis into three ‘buckets’:

1. Westminster;
2. 15-minute bus journey;
3. 30-minute bus journey.

This allows a more nuanced view of the potential opportunities across the different geographic areas we have analysed.

It should be noted that when referring to these areas they are exclusive of each other – i.e. 15-minute bus journey doesn’t include data within Westminster and the 30-minute journey doesn’t include Westminster or 15-minutue area data.



Historical trends in the second-hand sales market: 2015-2019

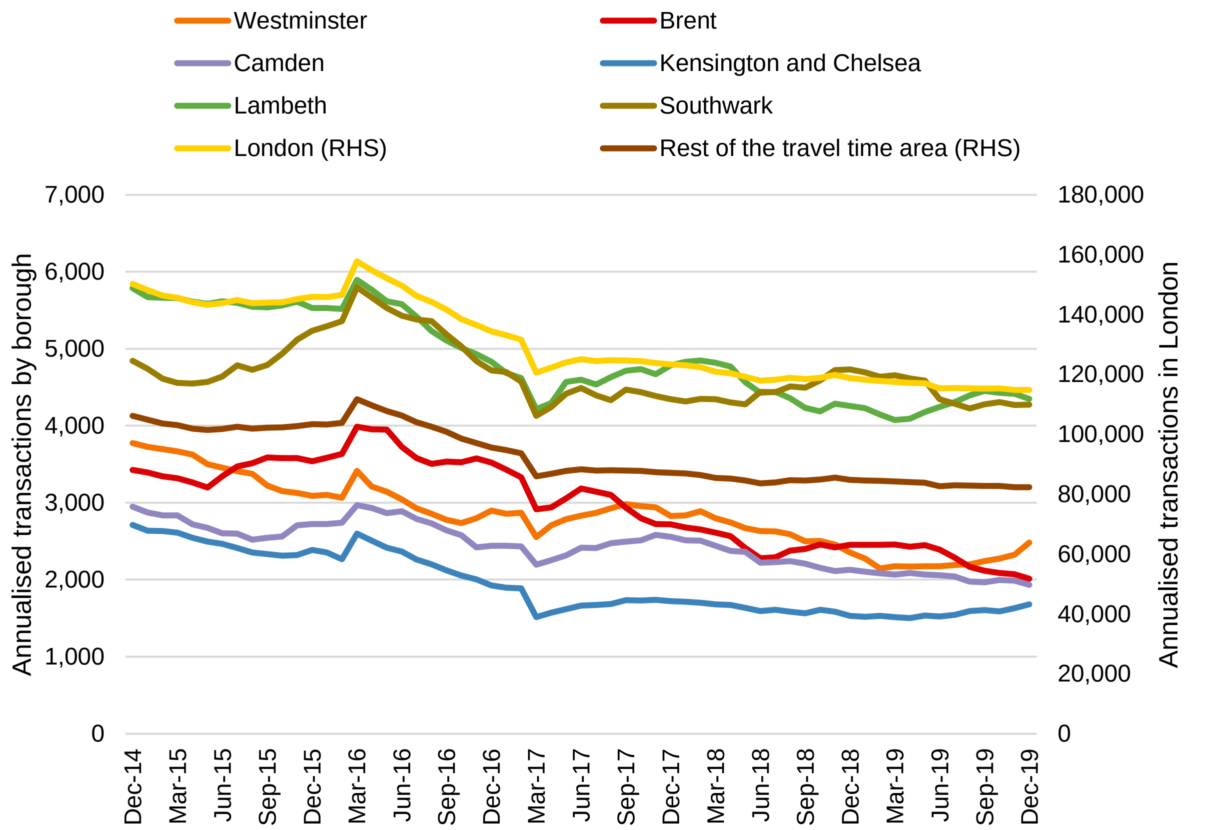
We have chosen the years 2015 to 2019 to give an indication of what might happen in a ‘normal’ market. Since 2020, we have seen a number of unique factors affect the housing market, including the Covid pandemic and the Stamp Duty Holiday. These distorted the pattern of transactions, meaning we cannot use 2020 and 2021 to assess ‘normal’ market conditions.

Most transactions in this period were for flats of between one and three beds, with some areas seeing a minority of larger house sales

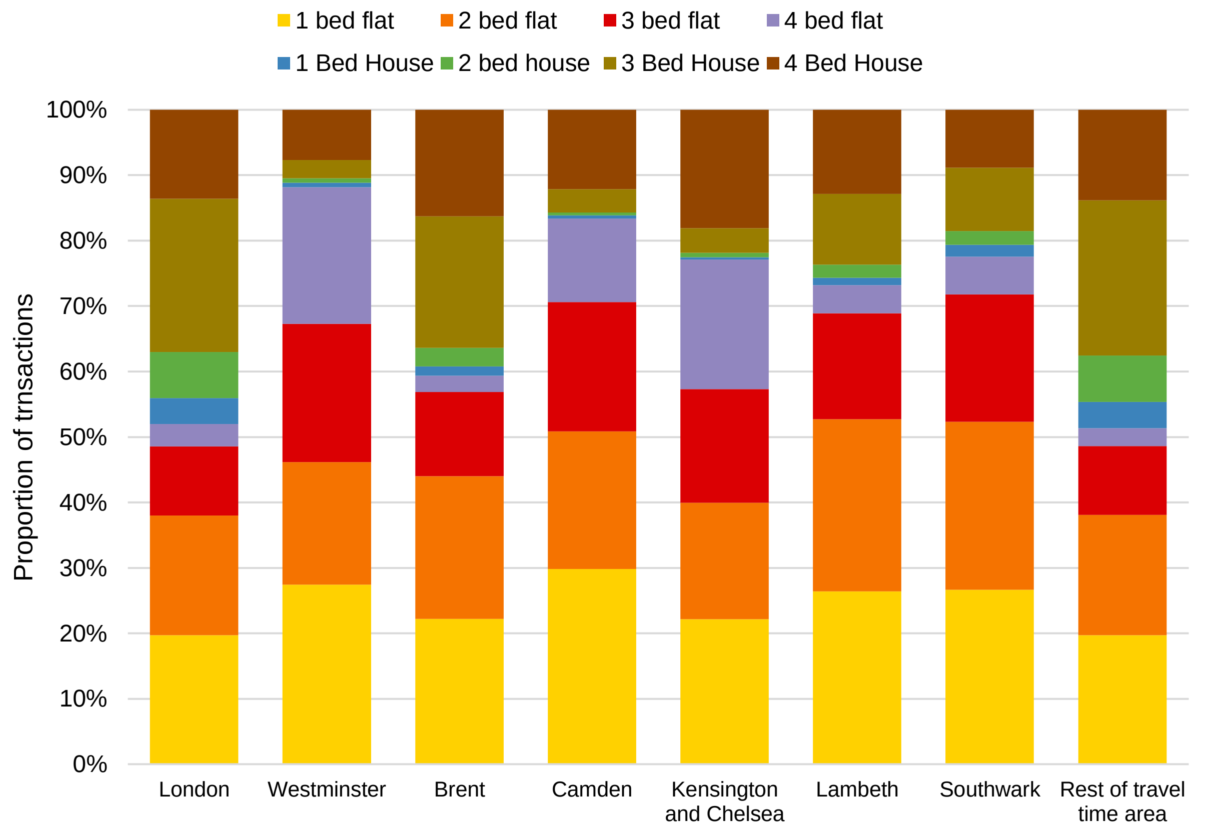
In the five years before the pandemic, transaction activity declined slightly in all target areas. London and many of the boroughs saw a peak in activity in March 2016, because the following month saw the introduction of the 3% stamp duty surcharge for second properties. This caused a flurry of activity in the months before the change as people raced to avoid paying the extra tax. Lambeth and Southwark saw the most transactions over this period, while Kensington and Chelsea saw the fewest.

Across London, just over 50% of transactions in the five year period were for flats. But the share of flats was much higher in many of the target boroughs. In the target market as a whole, 40% of all transactions were for one and two bed flats. In Westminster specifically, almost 90% of transactions were flats, with more than a quarter being one bed flats specifically. Brent has the largest share of houses of any of the target boroughs, at 40%.

Southwark and Lambeth are likely to have the most transactions in a normal market



Smaller flats form the greatest share of transactions in the target market



Source: Savills Research using Land Registry, EPCs

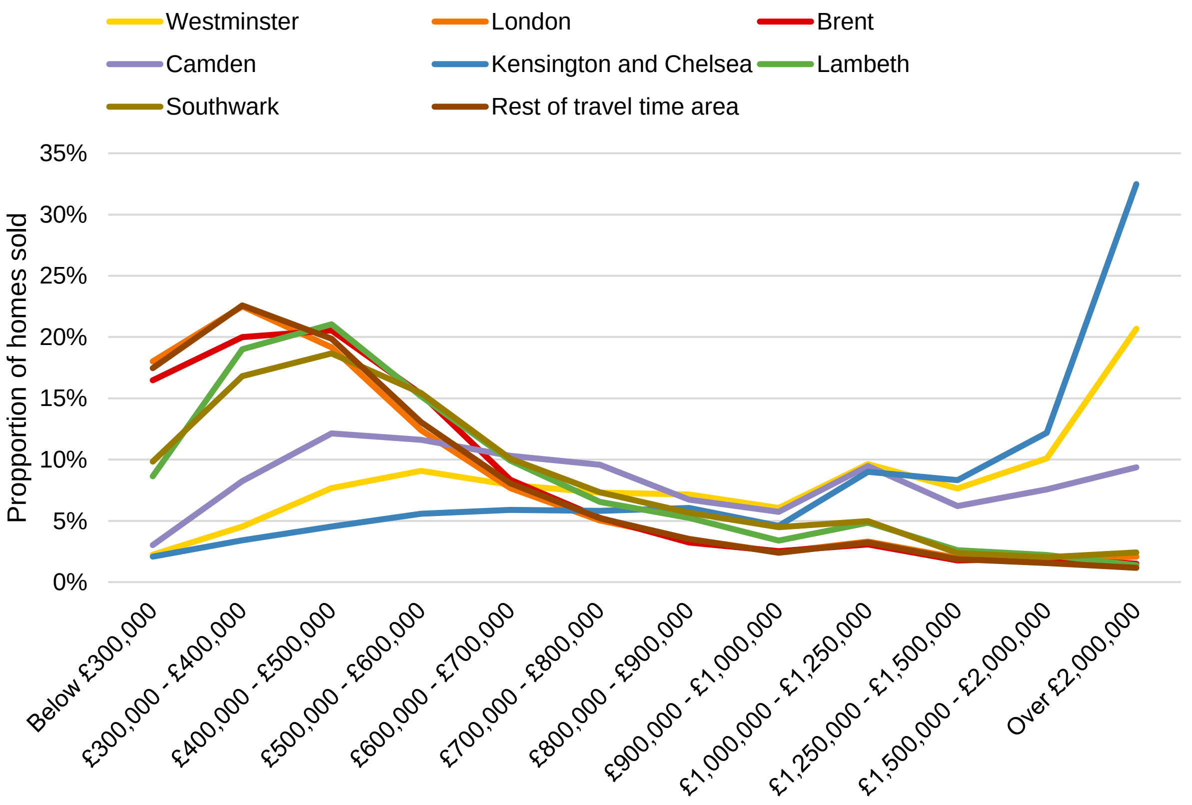
Properties in Brent, Lambeth and Southwark are more likely to be affordable to WCC

WCC are much more likely to find affordable properties outside of their own borough. In Brent, Lambeth and Southwark and areas in the rest of the travel time area, most properties sold between 2015 and 2019 were clustered towards the lower end of London's value distribution, below £600,000. 73% of properties in areas in the travel time area outside of the Westminster and the neighbouring boroughs, 72% of properties in Brent, 64% in Lambeth and 61% in Southwark are in this range. That compares to just 16% in Kensington and Chelsea, 24% in Westminster and 35% in Camden.

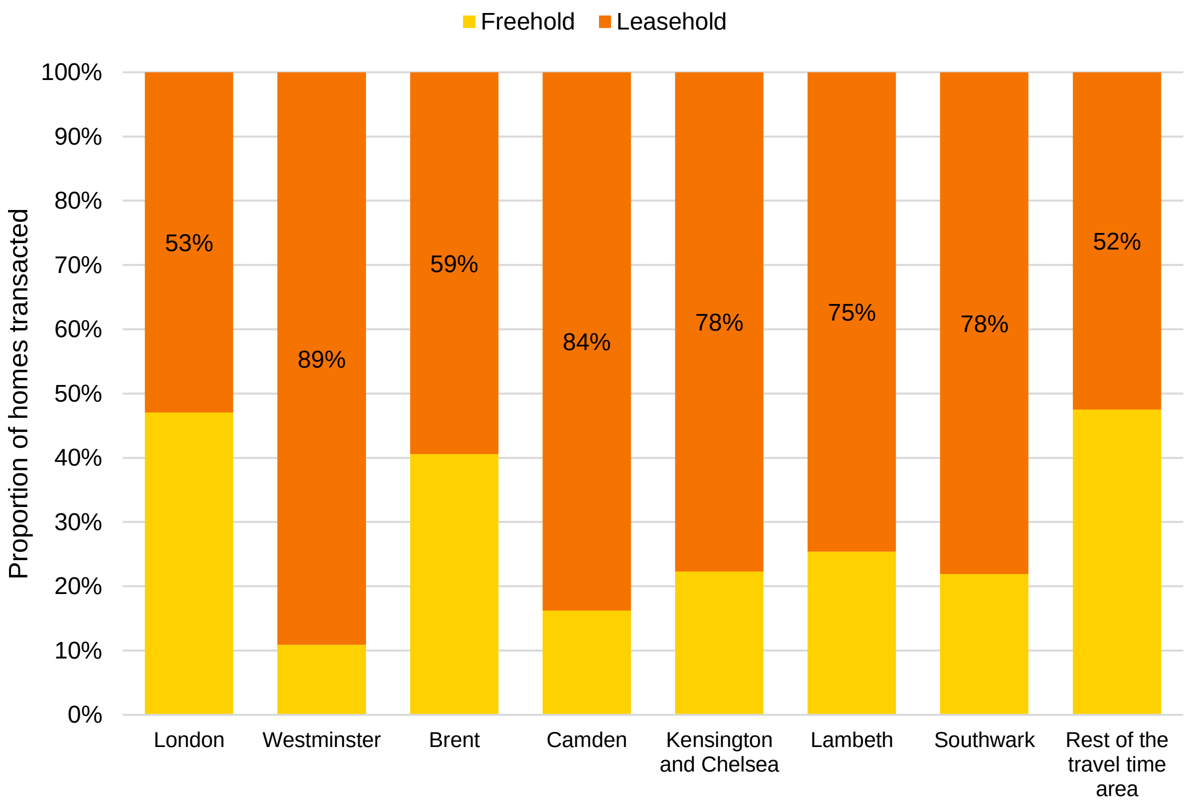
In Westminster and Kensington and Chelsea particularly, the majority of homes have sold for more than £1,000,000 over the last five years – 62% in K&C and 48% in Westminster.

The majority of properties across the target market are leasehold, more so than in London as a whole. Westminster has the largest share of leasehold properties at almost 90%. Brent has the smallest proportion at just below 60%.

Brent, Lambeth, Southwark and areas in the rest of the travel time area offer far more properties which will be affordable to WCC



The majority of properties across the target market are leasehold, with the most in Westminster and Camden



Source: Land Registry, EPCs

Just 43% of homes sold in the target market meet WCC's EPC thresholds now, but 88% could meet them with refurbishment

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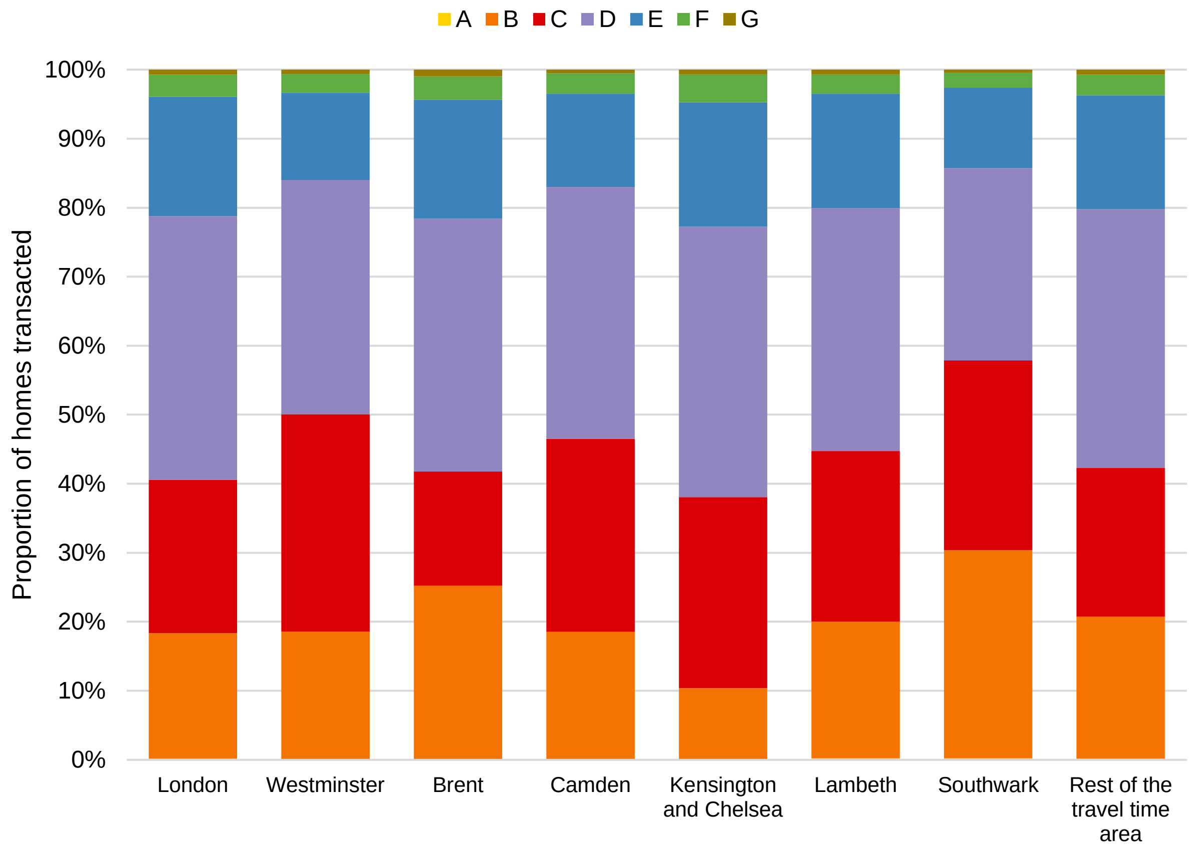
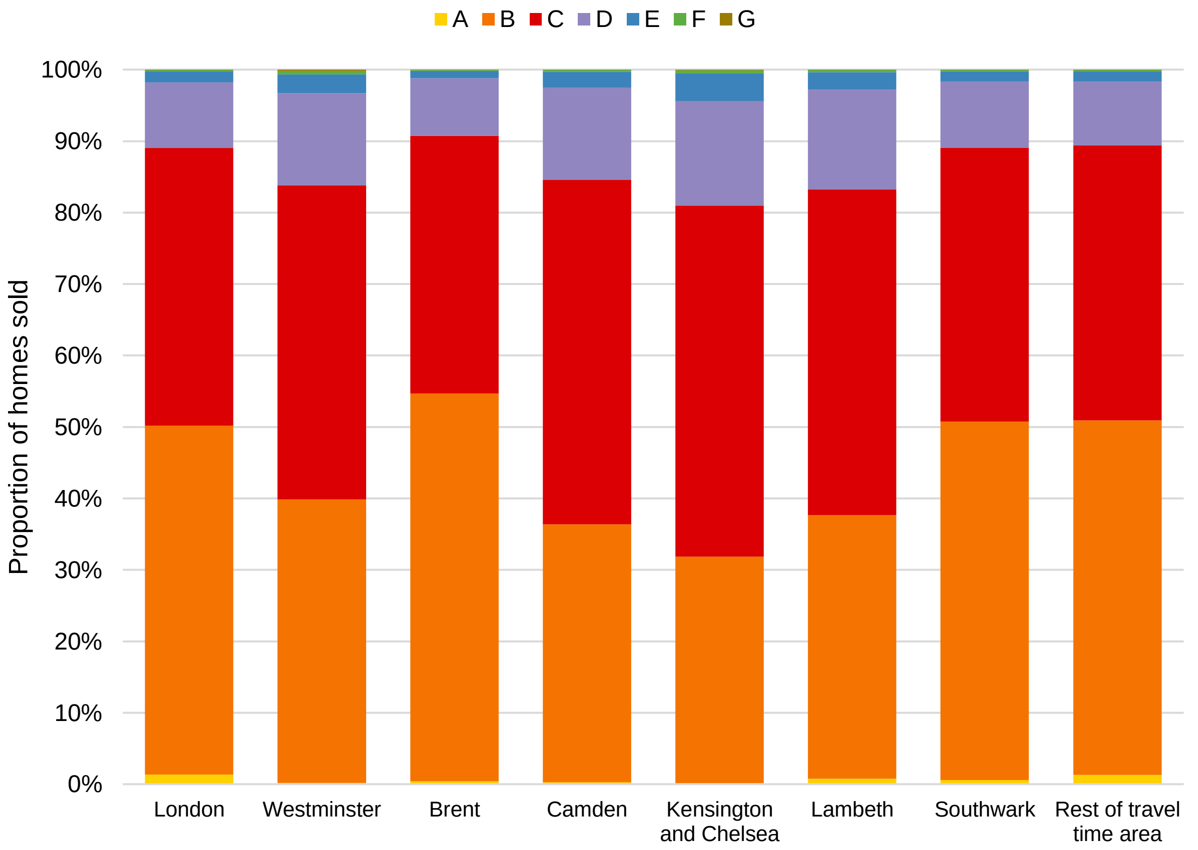
Across the target market, the vast majority (96%) of properties transacted are between EPC E and EPC B with EPC D the most common rating, at 37% of all transactions in the target market. WCC need all properties to be able to reach at least EPC C, and EPC B within Westminster. 43% of properties sold in the target market already met that standard between 2015 and 2019.

This still means that 57% do not meet the current EPC standards WCC require. But 88% of homes sold had the potential to reach WCC's standards, according to their potential EPC rating. In Westminster, just 40% of homes had a potential EPC rating of B or above, meaning this is quite a significant constraint on the number of properties WCC can access. But in other boroughs, where WCC are targeting a potential EPC rating of C or above, the majority of properties sold passed this threshold, up to 90% in Brent.

D is the most common current EPC rating across the target market



Most homes have the potential to reach at least EPC C, although reaching B will be harder



Source: EPCs

The typical service charge in London is estimated to be between £1,800 and £2,000 per annum

The level of service charge that will be payable for owning a flat will vary from building to building. The service charge is payable annual to cover the costs of maintaining and running communal areas, such as paying for concierge and lift maintenance.

Therefore, the level of amenity and communal area included in the building will directly influence the service charge amount. With blocks with no amenity and no lifts attracting lower service charges.

While there are variations across London, analysis from the Association of Residential Managing Agents estimates that the average service charge in London is between £1,800 and £2,000 per annum.

Name:
Property Address:
Account Number:
Your Block: **Units:** 88
Your Estate: **Units:** 528
Date: 10/09/14

Section 1 - Charges for your Block Description	Actual Cost	Original Estimate	Difference ('-' is credit)
Block Repairs	£0.00	£77.92	-£77.92
Caretaking Services	£229.83	£228.76	£1.07
Communal Electricity	£125.62	£92.32	£33.30
Communal TV Aerial	£1.59	£10.00	-£8.41
Concierge	£302.41	£286.13	£16.28
District Heating	£0.00	£0.00	£0.00
Door Entry System	£4.45	£6.99	-£2.54
Dry Riser	£4.03	£8.37	-£4.34
Lifts	£71.94	£154.26	-£82.32
Ventilation	£6.68	£23.88	-£17.20
Water Booster	£5.52	£4.36	£1.16
Total Block Charges:	**£752.07**	**£892.99**	**-£140.92**

Section 2 - Charges for your Estate Description	Actual Cost	Original Estimate	Difference
Estate Repairs	£168.59	£31.34	£137.25
Grounds Maintenance	£40.43	£49.79	-£9.36
Total Estate Charges:	**£209.02**	**£81.13**	**£127.89**

Section 3 - Charges for Administration and Management Description	Actual Cost	Original Estimate	Difference
Administration/Management Charge	£209.00	£210.03	-£1.03
District Heating Administration Charge	£0.00	£0.00	£0.00
VAT on District Heating Admin Charge	£0.00	£0.00	£0.00
Total Administration/Management:	**£209.00**	**£210.03**	**-£1.03**

Section 4 - Manual Adjustments Description	Actual Cost	Original Estimate	Difference
Manual Adjustments	£0.00	£0.00	£0.00

Total Actual Costs 2013/2014	**£1,170.09**		
Total Estimated Costs 2013/2014		**£1,184.15**	
Difference added (+) or credited (-) to your service charge account:			**-£14.06**

Landlord's Name and Address: The Mayor and Burgesses of the London Borough of Hounslow, c/o Borough Solicitor, Civic Centre, Lampton Road, Hounslow TW3 4DN, at which Notices (including Notices in proceedings) may be served for the purposes of Sections 47 and 48 of the Landlord and Tenant Act 1987.

Projected second hand sales market from 2023 to 2027

This sub-section draws upon the analysis of historical market activity across the target area to projection forward potential activity in the second-hand market over the next 5 years.

Our assumptions (1)

The slides in the previous sub-section have outlined what a 'normal' sales market is likely to look like in our target area in terms of the size, value and EPC ratings of the homes sold, based on sales between 2015 and 2019.

We assume that the market will behave in the same way over the next five years (2023-2027) – i.e. that the proportion of 1 bed flats being sold remains constant and that the distribution of EPC ratings being sold is the same.

We combine the market composition outlined on *Slide 32* with our national-level transactions forecast to determine the size of WCC's total addressable market.

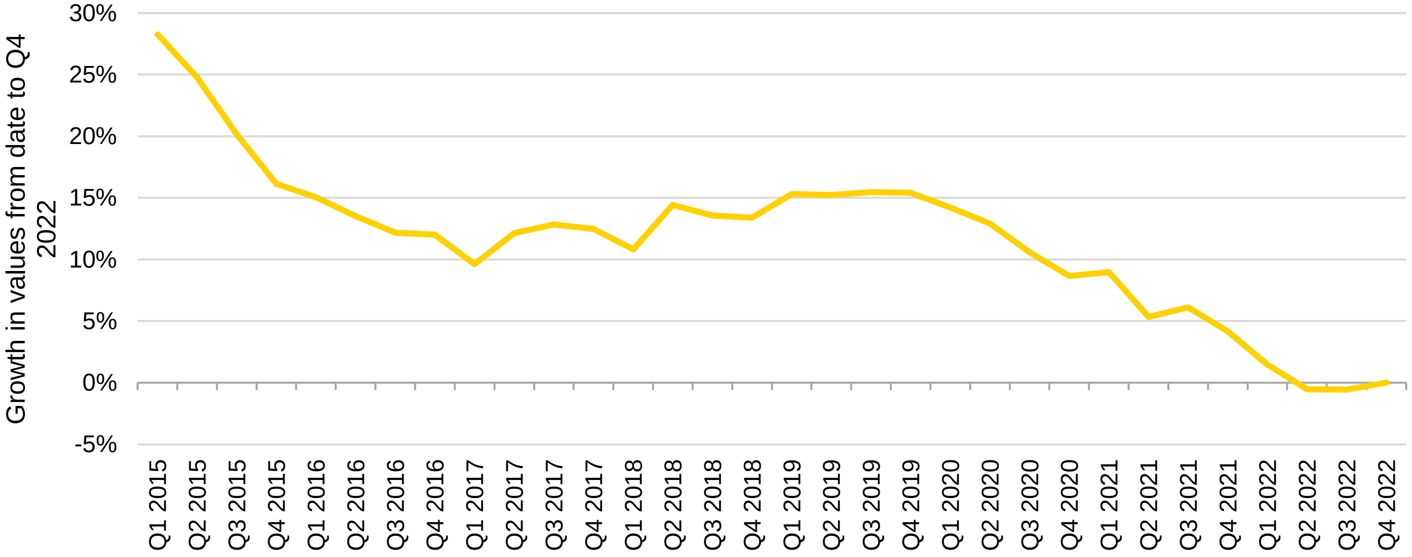
To do this, we have made a further set of assumptions on the costs involved in purchasing homes and the potential energy performance of those homes. These are listed below:

- Transaction values on properties sold between 2015 and 2019 have been indexed to Q4 2022 using the Nationwide regional house price index for London. This gives us a better indication as to the current value of homes in the market. The chart on the right shows the value growth for each quarter which has been applied to index the price to Q4 2022.
- The cost of Stamp Duty has been added to the indexed sale price. The Stamp Duty brackets applicable today have been used, again to reflect the cost of buying in this 'normal' market today. The 3% Stamp Duty surcharge for second properties has been added.
- An assumed transaction cost of £4,000 has been added, taking into account brokers' fees, valuation fees, legal fees and other extras. The average cost of these extras is taken from the Times Money Mentor.

	Additional cost
Mortgage broker fee	£500
Mortgage arrangement fee	£1,500
Homebuyer survey	£500
Valuation fee	£500
Solicitor's fees	£1,000
Total	***£4,000***

Value of home	Stamp Duty cost to WCC
Up to £250,000	3%
The next £675,000 (£250k to £925k)	8%
The next £575,000 (£925k to £1.5m)	13%
The remaining amount (exceeding £1.5m)	15%

Value growth from date to Q4 2022, Nationwide index for London



Our assumptions (2)

- All properties which WCC will consider must either be an EPC B in Westminster or a C outside, or must be able to be refurbished to reach that level. We have assumed that all properties can be refurbished to reach their potential EPC rating.
- The cost of increasing the EPC rating to the potential is determined by the size of the property, in line with estimates from Habito. They suggest that the cost of improving an EPC D rated home to a C rating is £3,653 for a one bed apartment of 55 sqm, £6,400 for a mid-terrace property of 100sqm and up to £12,540 for a large detached home of up to 200 sqm. These examples allow us to assume a linear relationship between property size and the cost of improving the EPC, capped at the lower end at £3,653 and the upper end at £12,540. We have assumed that these costs apply to all properties, regardless of type or age.

The indexed sale price and additional costs have been summed to generate a final cost to WCC of acquiring each property. This has then been compared to WCC's break-even price points for 1, 2 and 3 bed properties. We have assumed that all properties larger than 3 beds must also be priced below the 3 bed break-even points. The property size for this comparison has been estimated using standard assumptions around the floor area of each property from the nationally described space standards.

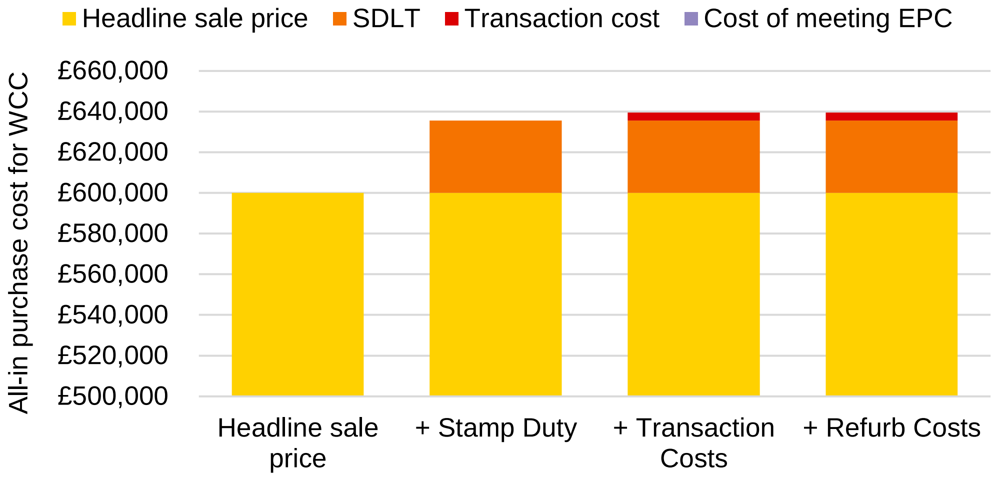
We were asked by WCC to look at the possibility to provide further segmentations of the sales including: service charge costs, whether they are street properties or in blocks, whether they will be tenanted properties, whether they are owned by large or small landlords and whether they are former Right to Buy. Unfortunately the data that is required to undertake this analysis doesn't exist so it was not possible to provide further breakdown of potential sales for these eventualities.

Finally, the maximum proportion of properties that WCC could acquire before distorting the market is between 40% and 50%. This is the upper limit of what could be achieved before WCC's actions become the dominant aspect of the market and drive distortions in price because WCC is dominating the market and is based upon previous analysis that we have undertaken to look at the impact of buyers activity on the sales market. However, in reality, we would expect that WCC are more likely to be well below this level of buying activity due to competition from other buyers. These include cash purchasers and other investors who are likely to be able to complete transactions quicker and therefore secure properties before WCC.

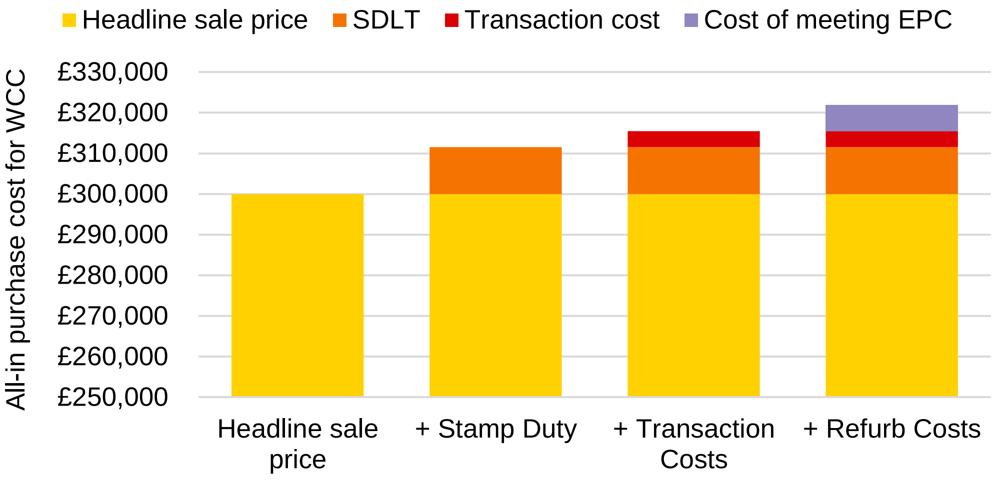
	Cost of improving from EPC D to C
1 bed apartment (55 sqm)	£3,653
Mid-terrace property (100 sqm)	£6,400
Large detached house (up to 200 sqm)	£12,540

	Break-even price points	
	In Westminster	Other boroughs
1 Bed	£426,303	£300,480
2 Bed	£629,652	£391,988
3 Bed	£638,548	£517,810

Cost to WCC of purchasing a £600,000 100 sqm property at EPC B



Cost to WCC of purchasing a £300,000 100 sqm property at current EPC D, potential EPC C (outside Westminster)



4% of homes sold in the travel time area met WCC's EPC threshold and would have cost below the break-even price point in Q4 2022

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Using the sample of transactions from between 2015 and 2019, we can estimate the proportion of sales which meet WCC's requirements for value and EPC rating in a normal market. Just over half (51%) of sales in the travel time area currently meet the EPC requirements, which is higher than Westminster (21%). However, 83% of properties in the travel time area have the potential to meet them with refurbishment. But the break-even price points act as a significant barrier, with just 4% of homes sold in the target market being valued at below this threshold in Q4 2022 and meeting the EPC threshold.

We assume that the market over the next five years will act the same as it did over this five year period in terms of the distribution of homes by value and by type, size and EPC. To reach a total addressable market for WCC, we will also factor in expected price changes in London.

	Total number of sales 2015-2019	Proportion of homes sold which meet EPC threshold now	Proportion of homes sold which could meet EPC threshold	Proportion of sales below £750k in WCC or £700k outside (inclusive of costs)	Proportion of sales under the break-even price point	Proportion of sales under £750k in WCC or £700k outside which could meet EPC threshold	Proportion of sales under break-even price (Q4 2022) which could meet EPC threshold
London	637,191	41%	88%	76%	24%	68%	21%
Westminster	*13,644*	*21%*	*40%*	*27%*	*6%*	*7%*	*2%*
15-minute bus journey (ex WCC)	*41,980*	*57%*	*87%*	*30%*	*3%*	*27%*	*2%*
30-minute bus journey (ex 15 min)	*117,862*	*53%*	*87%*	*50%*	*6%*	*45%*	*5%*
Total travel time area	**173,610**	**51%**	**83%**	**43%**	**5%**	**37%**	**4%**

Source: Land Registry, EPCs, Habito

There will be c.148,000 transactions in the travel time area over the next five years

Using the Savills published transaction forecasts over the next five years, we have generated a forecast for London and for all of the locations within the travel time area.

We assume that the transactions forecast applies proportionally to each local authority within the travel time area, and that the total number of transactions in each local authority follows the same pattern as it did between 2015 and 2019. For example, London accounted for 10.5% of transactions across the UK between 2015 and 2019, so we assume that it will continue to account for 10.5% of transactions in the next five years.

We can therefore estimate that London will see 547,000 transactions in the next five years, while Westminster will see c.11,700 transactions and a total of c.147,800 across the whole of the travel time area.

	2023	2024	2025	2026	2027	5-year
National transactions forecast	870,000	1,000,000	1,110,000	1,110,000	1,110,000	**5,200,000**
London	91,583	105,268	116,848	116,848	116,848	**547,395**
Westminster	*1,961*	*2,254*	*2,502*	*2,502*	*2,502*	***11,721***
15-minute bus journey (ex WCC)	*6,035*	*6,937*	*7,700*	*7,700*	*7,700*	***36,072***
30-minute bus journey (ex 15 min)	*16,746*	*19,249*	*21,366*	*21,366*	*21,366*	***100,093***
Total travel time area	**24,742**	**28,440**	**31,568**	**31,568**	**31,568**	**147,886**

Source: Savills Research, HMRC, EPCs

9,459 transactions meet WCC's requirements for EPCs and break-even value over the five year period across the travel time area

Using the number of sales we expect in each borough over the next five years, we have estimated the number of sales which meet WCC's requirements for value and EPC rating within the travel time area. Over the next five years, house prices across London are expected to decline by -1.7%. This will bring more homes below the value threshold and therefore allow WCC to access a greater pool of supply – up to 10% of all sales.

All the homes sold between 2015 and 2019 have had their values indexed to the end of the year for each of 2023 to 2027. This allows us to work out the likely proportion of homes sold in any year which would meet WCC's requirements. This proportion for each year has then been applied to the total number of sales expected in each year, shown on the previous slide. The totals in the final column of the table therefore aim to estimate the number of transactions which will happen between 2023 and 2027 which meet WCC's criteria, having regard to changes in property values over this period. This shows that by extending the area beyond the initial target boroughs to look at a wider travel time area it dramatically increasing the size of the potential market that WCC could access.

This represents the maximum potential market that WCC could act within. However, if WCC attempts to acquire to large a proportion of the market then it will have a negative impact and distort the market. While WCC could acquire up to 40-50% of properties before starting to distort the market. We expect that due to competition, WCC would struggle to acquire at a rate anywhere near this level and instead would be capturing a much lower proportion of possible sales.

	Expected sales across the whole market (2023-27)	Sales within WCC's addressable market in 2023	Sales within WCC's addressable market in 2024	Sales within WCC's addressable market in 2025	Sales within WCC's addressable market in 2026	Sales within WCC's addressable market in 2027	Total sales expected within WCC's addressable market, 2023-27	Annual sales expected within WCC's addressable market, factoring in price growth	Annual sales WCC could acquire from addressable market, without distorting
London	547,395	29,860	35,301	37,086	31,153	26,523	***159,923***	***31,985***	***12,794 - 15,993***
Westminster	11,721	55	65	68	56	47	***291***	***58***	***23 - 29***
15-minute bus journey (ex WCC)	36,073	217	260	265	219	182	**1,143**	**229**	***91 - 114***
30-minute bus journey (ex 15 min)	100,093	1,554	1,860	1,901	1,494	1,216	**8,025**	**1,605**	***642 – 802***
Total travel time area	147,887	**1,826**	**2,185**	**2,234**	**1,769**	**1,445**	**9,459**	**1,892**	***757 - 946***

Source: Savills Research, HMRC, EPCs

Most of the properties in the travel area that meet EPC and break even criteria are flats of three or fewer beds

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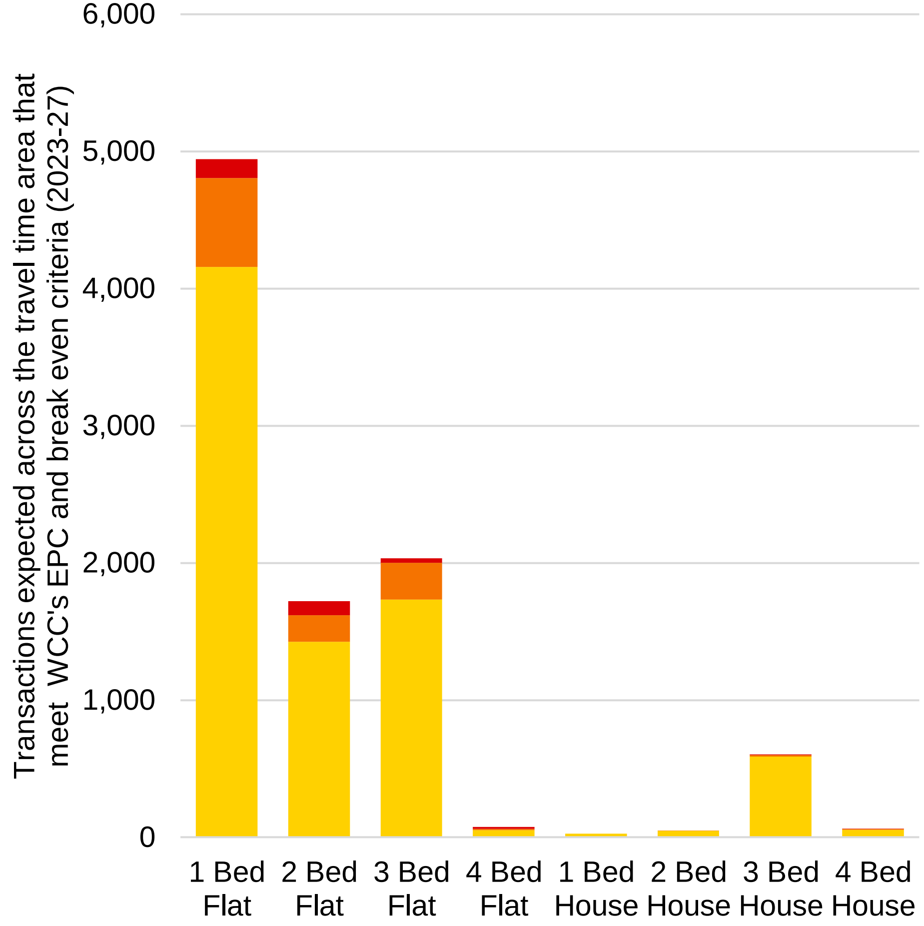
Across the travel time area 892% of properties in the addressable market over the course of the five year period will be flats of between one and three beds, with 70% being just one and two beds. If WCC is looking for houses as well, there will be opportunities to purchase 3 bed houses, particularly in areas within the 30-minute bus journey area.

Total sales over next 5 years	**Westminster**		**15-minute (ex WCC)**		**30-minute (ex 15-minute)**		**Total travel time area**	
	Total	**Annual**	**Total**	**Annual**	**Total**	**Annual**	**Total**	**Annual**
1 Bed Flat	139	*28*	651	130	4,172	834	**4,962**	**992**
2 Bed Flat	102	*20*	187	37	1,378	276	**1,667**	**333**
3 Bed Flat	34	*7*	267	53	1,724	345	**2,025**	**405**
4 Bed Flat	13	*3*	8	2	41	8	**62**	**12**
1 Bed House	0	*0*	0	0	27	5	**27**	**5**
2 Bed House	0	*0*	3	1	48	10	**51**	**10**
3 Bed House	3	*1*	12	2	589	118	**604**	**121**
4 Bed House	1	*0*	7	1	54	11	**61**	**12**

c.6,600 of the c.9,500 transactions will be for one and two bed flats



There are more sales in the higher price bands, and in some parts of the target market, the majority of sales fall outside of any band

savills

The table on the right shows the total number of sales expected over the next five years put into WCC's price bands across Westminster, the 15-minute and 30-minute bus journey times. As price falls take place over the next couple of years, there are a greater number of properties that are likely transact in the lower price bands.

WCC's break-even price points are much lower than the upper price bands – out of borough acquisitions must be below £392,000 for a 2 bed property, for example. This significantly restricts access to potential transactions compared to the number this chart suggests are available. Looking just at bands 1 to 3 (those below £400,000) offers a much smaller pool of transactions.

	Price Range
Band 1	Up to 200K
Band 2	£201-300K
Band 3	£301-£400K
Band 4	£401-£450K
Band 5	£451-£500k
Band 6	£501-£550k
Band 7	£551-£600K
Band 8	£601K-£650K
Band 9	£651-£700K
Band 10 (WCC only)	£701-£750K

Total Sales 2023-27 that meet WCC criteria	*London*	Westminster	15-minute (ex WCC)	30-minute (ex 15-minute)	Total travel time area
Band 1	*12,878*	9	318	1,855	**2,182**
Band 2	*45,043*	48	600	4,011	**4,659**
Band 3	*90,701*	77	1,798	10,433	**12,308**
Band 4	*49,180*	57	1,484	7,303	**8,844**
Band 5	*44,959*	62	1,796	7,847	**9,705**
Band 6	*38,223*	102	1,936	7,749	**9,787**
Band 7	*31,165*	114	1,953	7,110	**9,177**
Band 8	*26,704*	122	1,941	6,648	**8,711**
Band 9	*21,697*	130	1,794	5,459	**7,383**
Band 10 (only WCC)	*17,132*	108	-	-	**108**

Source: Savills Research, HMRC, EPCs | *this assumes between 40-50% of the market could be acquired at the maximum.

A small share of PRS households can afford properties in the higher price bands

savills

The table on the right estimates the income which a first-time buyer (FTB) household would need to purchase a house valued at the upper limit of each of WCC's price bands.

The average FTB household in London had a loan-to-value (LTV) ratio of 67.5%. We therefore assume that each household has the savings to fund a deposit of 32.5% of the purchase price of each home. Mortgage regulation limits the amount of lending which banks can do at above a loan-to-income (LTI) ratio of 4.5. But FTBs are likely to maximise the LTI ratio of their mortgage, to gain access to the most debt they can for their income. We therefore assume each household can access a mortgage at an LTI ratio of 4.5.

These two assumptions allow us to calculate an income which is required to purchase a home at each price.

We have then used data from Experian to calculate the number of private rented households in the target area which can afford that income for each band. This shows the pool of potential FTB demand which will be competing with WCC for the properties which they acquire.

While 93% of PRS households in the target market have the required c£30,000 income to afford a house worth £200,000, just 28% can afford a £500,000 home and 8% can afford an £800,000 home.

WCC are likely to source most of their transactions from bands 1 to 3. These are also the bands in which FTB demand is likely to be largest. In bands 5 and 6, WCC can still access more than 1,500 properties over the five years, but there is a much smaller pool of FTBs which they will be competing against for those homes.

	Price top of band	Estimated mortgage advance	Income required	Number of PRS households with this income in target market	% of PRS households with this income in target market	Number of transactions which meet WCC's EPC and break-even criteria
Band 1	£200,000	£135,044	£30,010	**149,900**	93%	1,146
Band 2	£300,000	£202,566	£45,015	**111,836**	70%	2,513
Band 3	£400,000	£270,088	£60,020	**70,944**	44%	2,210
Band 4	£450,000	£303,849	£67,522	**55,710**	35%	616
Band 5	£500,000	£337,610	£75,025	**45,310**	28%	1,014
Band 6	£550,000	£371,371	£82,527	**36,515**	23%	508
Band 7	£600,000	£405,132	£90,029	**29,146**	18%	38
Band 8	£650,000	£438,893	£97,532	**23,239**	14%	44
Band 9	£700,000	£472,654	£105,034	**18,513**	12%	0
Band 10	£750,000	£506,415	£112,537	**15,048**	9%	0

Source: UK Finance, Experian

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New build properties coming to market between 2023 and 2028 across the travel time area

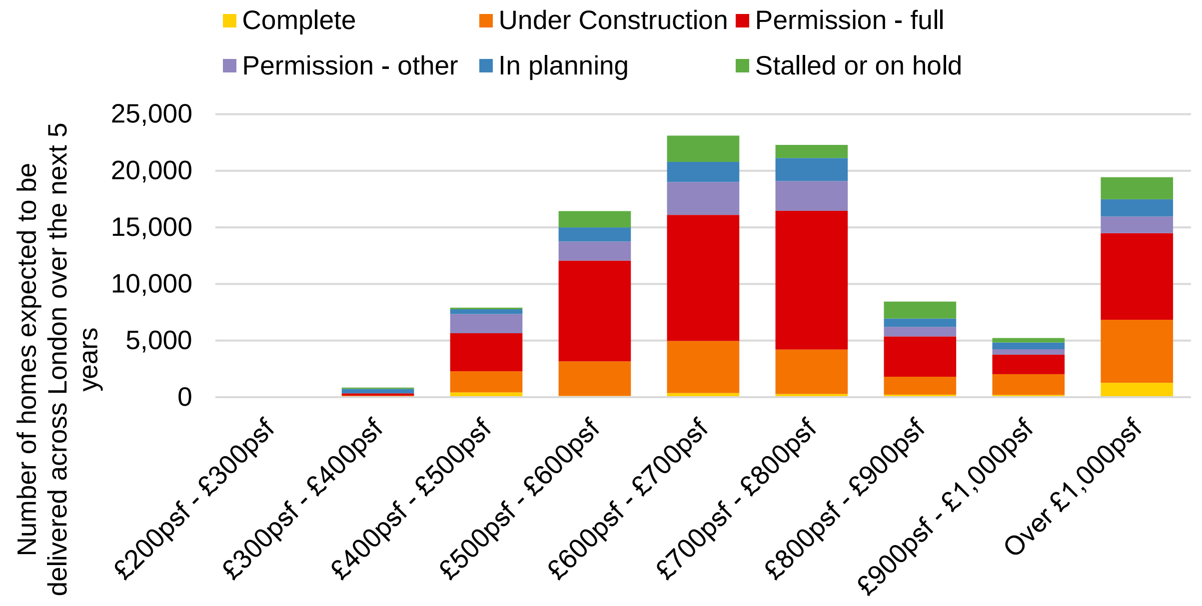
We estimate that nearly 104,000 new build homes will come to the market between 2022 and 2026, most of which are above £600psf

savills

There are more than 100,000 units across London which we expect to be offered to the market in the next five years. They are located across the capital, but there are particular hotspots in Tower Hamlets, Southwark and Nine Elms, among others. 22,500 units are under construction, while 48,700 units have full permission. These 71,200 units form the secure pipeline, while we expect almost 30,000 further completions from sites which have outline permission, are still in the planning system or are stalled/on hold.

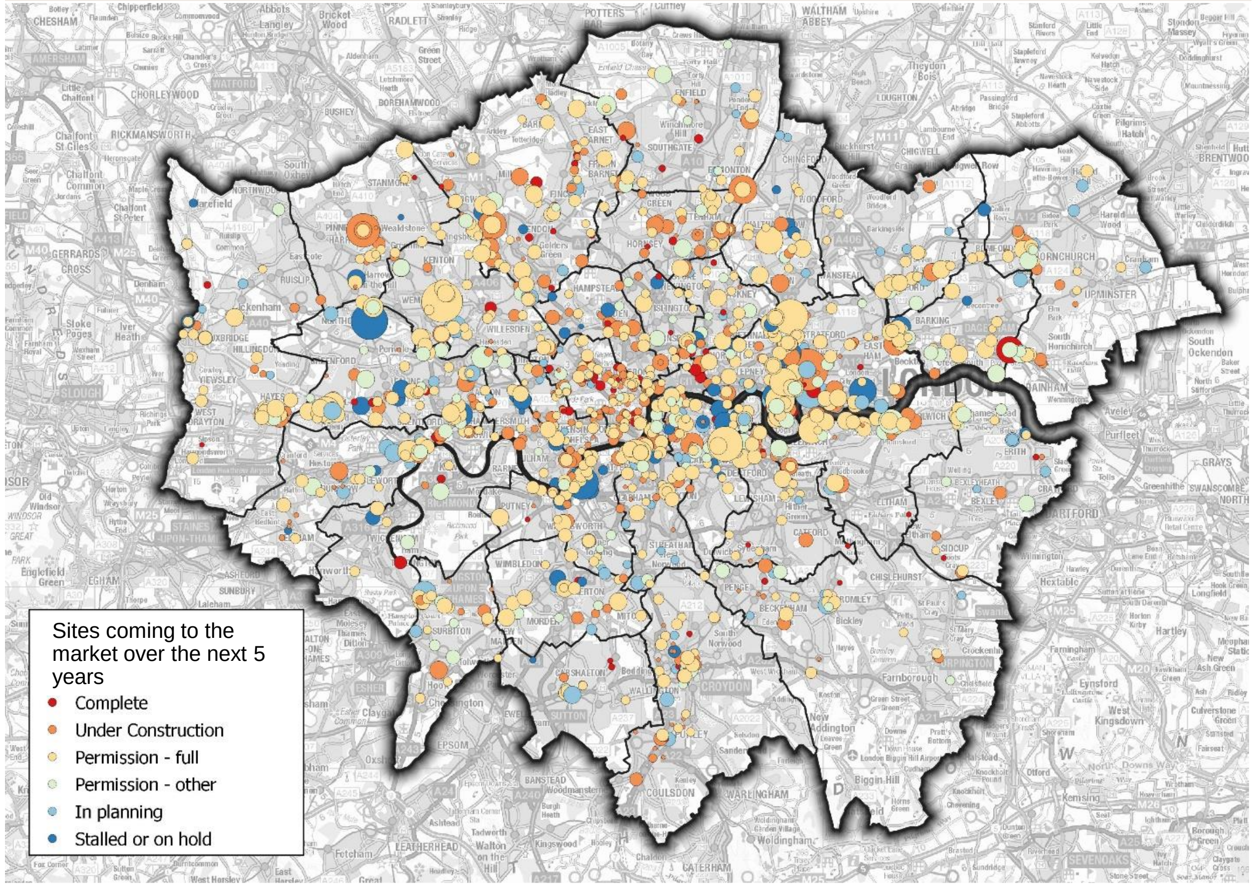
Across London, less than a quarter of delivery will be at below £600 psf. 44% of units will be delivered between £600 and £800 psf and 19% of units will be at over £1,000 psf.

Most new homes coming to the market over the next 5 years are at the upper mainstream or prime price points



Savills New Build Price Bands	Lower Mainstream	Mid Mainstream	Upper Mainstream	Prime
Price per sq ft range	Less than £450	£450 - £750	£750 - £1,000	£1,000+

Development is taking place across London, but a few hotspots stand out

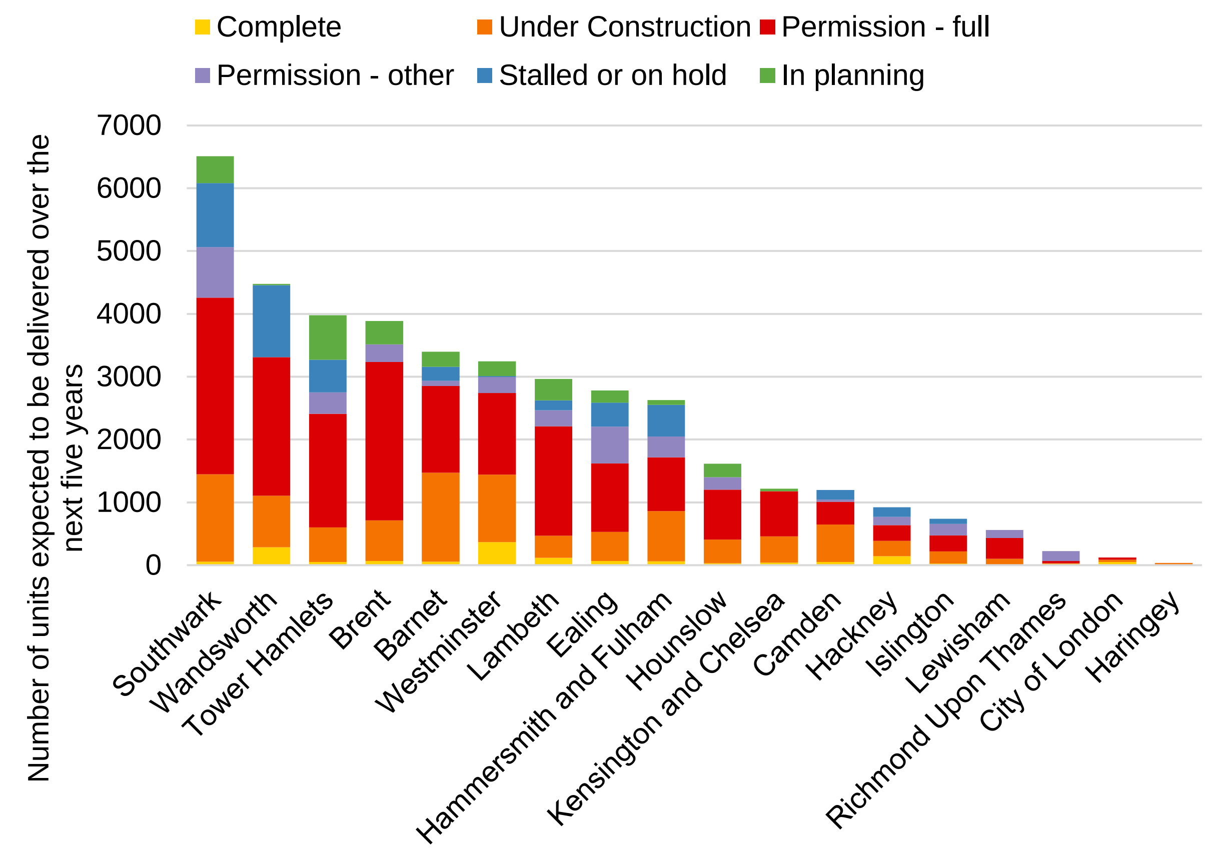


40,000 new build homes are expected to come to the market across the travel time area, 27% of which will be in Southwark or Wandsworth

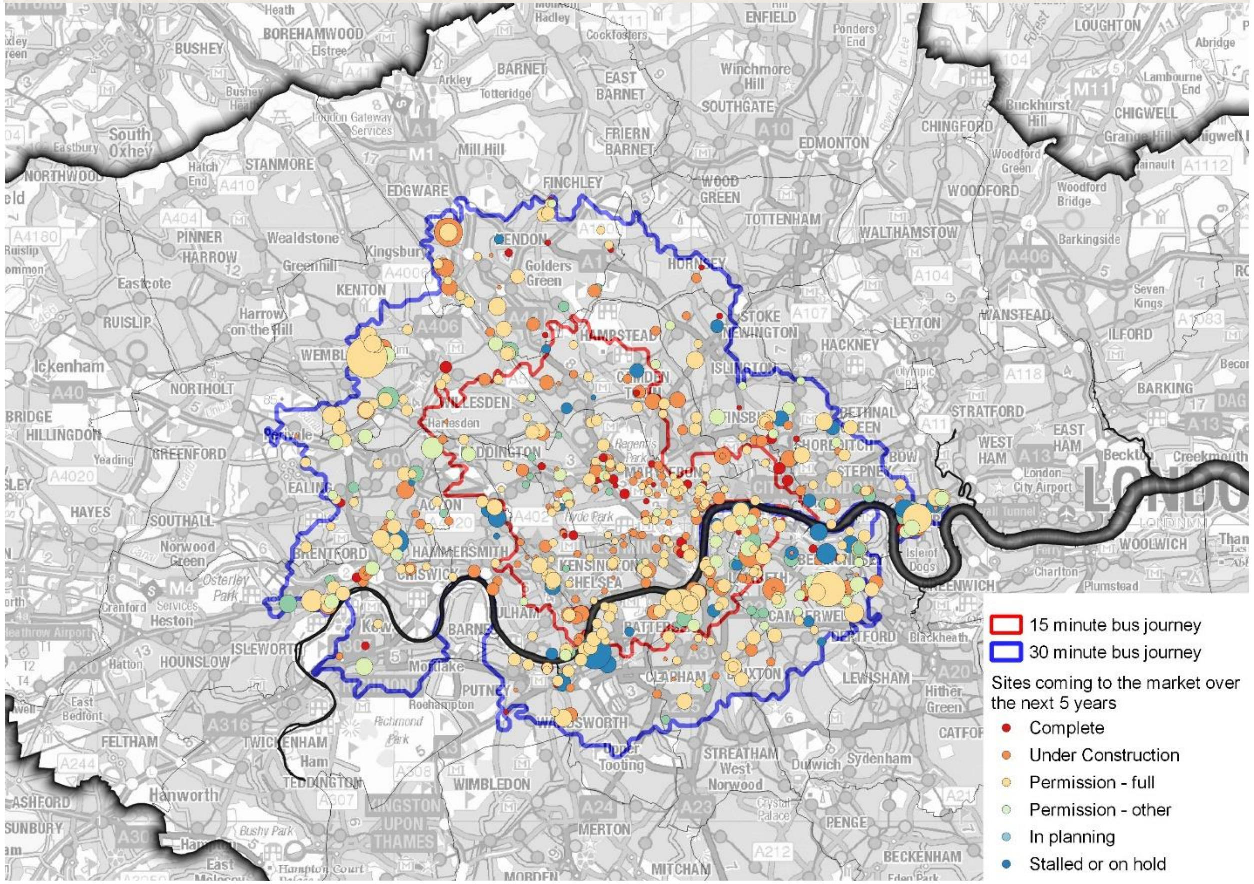
Across the total travel area, we expect 40,000 new build homes to be offered to the market over the next five years, almost a two thirds of the total across London. Southwark, Wandsworth and Tower Hamlets, are expected to deliver the most, with 6,500, 4,500 and 4,000 units respectively.

Looking at the map, we can see several large sites expecting to deliver in the area. This includes significant delivery around Canary Wharf in the east, Nine Elms and Elephant and Castle in the south and Wembley in the west.

The majority of units expected to be delivered will come forward in Tower Hamlets and Ealing



The largest sites are in Brent, Tower Hamlets, Southwark and Lewisham



Source: Savills using Molior

The potential supply of suitably priced new build homes across the travel time area is limited

Out of borough acquisitions at £600psf and above are unaffordable to WCC

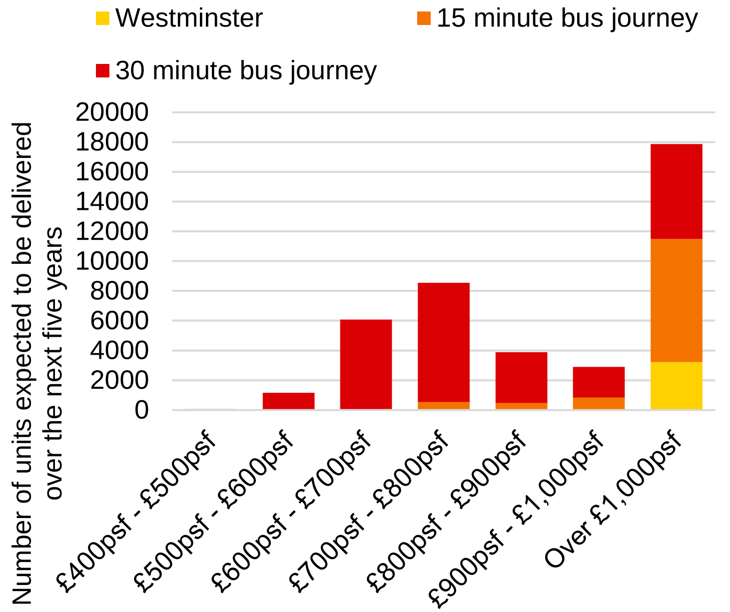
	Assumed size (sq ft)	Property price at given value per square foot					In-borough break-even price point	Out of borough break even price point
		£400psf	£600psf	£700psf	£800psf	£1,000psf		
1 Bed	500	£200,000	£300,000	£350,000	£400,000	£500,000	£426,303	£300,480
2 Bed	700	£280,000	£420,000	£490,000	£560,000	£700,000	£629,652	£391,988
3 Bed	950	£380,000	£570,000	£665,000	£760,000	£950,000	£638,548	£517,810

The supply that is likely to come forward will be at the upper end of the market. More than 17,800 of the c.40,000 units coming to the market in the target market will be in the Prime price category, above £1,000 psf.

For new build acquisitions to come under WCC's break-even price points for out of borough acquisitions, the homes must cost below £600psf, assuming the homes are at the mid-point of their size band. Across the travel time area c.1,200 units will be delivered below this price point. For 3 beds to meet the threshold, they must be under £545psf, meaning even fewer properties are likely to be affordable to WCC.

In Westminster, homes can cost more as the break-even prices are higher. But no new build units will be delivered in the borough at less than £900psf, again putting them outside of WCCs price range.

c.1,200 units will come to the market below £600psf in the next five years across the travel time area



	Complete	Under Construction	Permission - full	Permission - other	In planning	Stalled or on hold	Total	Below £400psf	Below £600psf	Below £700 psf	Below £800psf
London	2,935	22,544	48,744	11,713	8,748	9,011	**103,695**	879	25,211	48,300	70,582
Westminster	367	1,073	1,302	255	233	15	**3,245**	0	0	0	0
15-minute bus journey (ex WCC)	447	2,983	4,814	577	481	845	**10,147**	0	0	70	609
30-minute bus journey (ex 15-min)	674	5,469	12,390	2,937	2,142	3,492	**27,104**	0	1,220	7,225	15,236
Total travel time area	**1,488**	**9,525**	**18,506**	**3,769**	**2,856**	**4,352**	**40,496**	**0**	**1,220**	**7,295**	**15,845**

Source: Savills using Molior

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Appendix

Sales in the travel time area that meet WCC's EPC and break-even criteria by year and property type

	2023	2024	2025	2026	2027
1 Bed Flat	943	1,123	1,155	947	799
2 Bed Flat	317	380	393	303	256
3 Bed Flat	393	474	481	377	290
4 Bed Flat	12	13	14	12	10
1 Bed House	6	7	7	4	4
2 Bed House	11	14	13	8	6
3 Bed House	132	159	157	104	67
4 Bed House	12	14	14	14	12

Source: Savills Research, HMRC, EPCs

Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.