Winston Churchill once famously said:
"we shape our buildings, and afterwards our buildings shape us."

Numerous studies before and during Covid are now adding weight to Churchill's statement that where we live impacts our happiness and well-being.

But there remains a great source of debate - town versus country, which provides a better quality of life?

Covid triggered a boost in demand for rural living causing strong house price growth in small towns and villages across the UK. However, the pandemic has also created an opportunity to bring the best of both worlds together with demand now bouncing back for cities, particularly in areas which offer a village-feel.

Shifting living priorities have re-emphasised the desire for vibrant, social, and attractive communities in which to live. Having elements of a rural life in urban villages with a combination of green spaces, outdoor markets, shops, cafes and restaurants has been proven to enhance community cohesion and improve the well-being of those living there.

Urban growth

JLL is now forecasting strong house price growth in major cities across the UK over the next five years. This will be driven by mortgaged households who have seen high wage growth, housing equity growth over the past decade and can now also access historically low mortgage rates. Around 10 million of the UK's 28 million homes fit this profile. Even if a relatively small percentage of these households opt to move, it will fuel a high proportion of short-term demand for a market that is predicted to see around 1.2 million transactions per annum in the coming years.

But there are growing issues on the first and last rungs of the housing ladder. It is becoming ever more difficult for first time buyers to purchase a home. And with Help to Buy ceasing to exist from April 2023, that issue will become ever more acute.

Meanwhile, more than 20% of the UK population is over the age of 65 – and this age group is predicted to see the highest rate of population growth over the next two decades. These people typically under-occupy family homes which restricts supply in the middle rungs of the housing ladder. The Government has to turn its attention to encouraging the development of attractive specialist later living housing models to provide appropriate aspirational living options for the ageing UK population.

Green premium

Meanwhile, the climate crisis remains the biggest issue on the agenda. JLL expects that over the next five years there will be an increase in demand for more energy efficient, lower carbon sustainable homes. The major UK banks have started turning their attention to this anticipated growth in demand. In 2021 five new lenders entered the green mortgage market. There are now 14 green mortgage lenders in the UK with a total of 26 product offerings, compared with just three available prior to the COVID pandemic.

It remains to be seen whether this growing interest will create a green premium for energy efficient homes or a brown discount for poor performers.

Analysis of the Government's 20 million homes on the Energy Performance Certificate (EPC) Register shows newer homes built since 2007 emit nearly three times less carbon per year per sq metre compared with homes built before 1930. Our data also shows that urban homes emit lower carbon emissions than rural homes.

As the threat of COVID subsides cities now look in good shape to satisfy our demand for pleasant places to live.

England and Wales housing stock carbon emissions

Construction period	Urban residential co_2 emissions per sq m (kg per annum)	Rural residential co_2 emissions per sq m (kg per annum)
Before 1900	63.5	78.0
1900-1929	59.0	73.2
1930-1949	53.9	67.3
1950-1966	50.4	65.0
1967-1975	49.8	63.1
1976-1982	45.6	57.8
1983-1990	46.5	53.6
1991-1995	46.2	51.8
1996-2002	38.5	43.5
2003-2006	30.5	34.4
2007 Onwards	27.0	28.2

Source: JLL, Energy Performance Certificate Register

Urban new builds are by far the most sustainable on the market.

Forecast assumptions

- Global COVID-19 infection rates will fall as vaccination rates rise and general immunity levels improve.
- UK COVID regulations will continue to relax - lockdowns are likely over, if they do occur they will be limited in scope and schools will remain open.
- There will be some inflationary pressure, albeit on a temporary level. Brexit and COVID-related disruption will dissipate over time.
- The global economy is expected to continue its recovery in 2022 and UK GDP will recover to pre-COVID levels by Q2 2022.
- Cheap debt will remain available as the bank rate is predicted to stay low throughout the forecast period. Credit scoring criteria have loosened significantly from the middle of the pandemic and a wide range of mortgage LTV levels are now available and will continue to be so.
- Demand to decline from the high motivated by the SDLT-holiday leading to lower transaction levels in the short term.

The economy

- UK GDP growth rebounded in 2021 following the sharp coronavirus-induced contraction in 2020. The recovery is forecast to continue with 2022 returning another year of rapid expansion which should complete the return to pre-crisis activity levels. As this activity gap is closed and stimulus policies are withdrawn, economic growth will revert toward its trend rate of around 1.5%.

- The Bank of England base rate is expected to remain low by historic standards for some time yet. Movement will be gradual, with the base rate reaching just 1.2% by end-2026, the end of the forecast horizon.

- Mortgage interest rates are likely to compress across LTVs as the premium for those with lower deposits falls on the back of strong house price growth, falling uncertainty, and improving labour market conditions.

- The recent end of the furlough scheme presents risks to the unemployment outlook. At the same time, vacancy levels are at record highs and skills shortages are front page news.

- Numbers in employment are forecast to continue to rise, with shortages and higher inflation putting upward pressure on wages, at least over the next 24 months.

- CPI inflation has accelerated on supply chain bottlenecks, rising commodity prices, and rising energy prices. Inflation is forecast to peak in 2022 then revert toward its targeted rate of 2% as one-off factors fall out of the annual comparison and frictions ease.

GDP growth (%y/y)

2021	2022	2023	2024	2025	2026
7.6	3.5	1.9	1.7	1.7	1.5

CPI inflation (%y/y)

2021	2022	2023	2024	2025	2026
3.9	2.2	1.6	1.8	1.8	1.9

Bank rate (%)

2021	2022	2023	2024	2025	2026
0.1	0.2	0.4	0.7	0.9	1.2

Earnings growth (%y/y)

2021	2022	2023	2024	2025	2026
3.0	2.8	2.8	2.9	3.0	3.1

Unemployment rate (%)

2021	2022	2023	2024	2025	2026
5.2	4.5	4.2	4.0	3.8	3.7

Exchange rate (US$/£)

2021	2022	2023	2024	2025	2026
1.36	1.40	1.42	1.44	1.45	1.45

Source: JLL, Oxford Economics

Consensus position from HM Treasury's survey of 30 professional forecasts

	2022 Min	2022 Median	2022 Max
GDP growth	3.5%	5.4%	8.2%
CPI inflation	1.2%	2.0%	5.1%
Average Earnings	0.6%	3.1%	6.5%
Unemployment	4.2%	4.6%	6.0%

UK forecasts

- UK house price growth over the past 12 months has been the highest since before the Global Financial Crisis.
- There will continue to be strong price growth across all major markets, albeit at a slower rate of growth to reflect the removal of the stamp duty holiday, removal of furlough and some current uncertainty and disruption around fuel, deliveries, and inflation.
- Price growth will be driven by mortgaged mid-life stage households who have seen strong wage growth, have built up some equity over the past decade and can access 5-year fixed mortgages at record low rates.
- Cities will bounce back more strongly in terms of price growth and rental growth than rural areas as there continues to be a renewed desire to return to more 'normal life'. This bounce will particularly be felt in 2022 and 2023.
- Price and rental growth is expected to cool in 2024 after an extended period of strong growth. This cooling will also reflect uncertainty heading towards the UK General Election, which is currently scheduled for May 2024. However, the election could be held earlier, which in turn would signal a quicker cooling of price growth, if the UK Government's proposals to repeal the Fixed-term Parliaments Act come to fruition.
- Transaction volumes will cool from the current circa 1.45m pa to circa 1.2m. This will reflect the removal of the stamp duty holiday and growing struggles for first time buyers to get on the ladder. However, there will be an uptick to 1.3m in 2023 due to a final boost in Help to Buy activity.
- UK private housing starts are forecast to grow in volume over the next five years with the number of 'lost starts' not as high as previously assumed at the outset of the pandemic – JLL forecasts around circa 100,000 starts have been lost in the past 18 months.
- Housing construction will remain well below the Government's target for 300,000 homes pa by the mid-2020s. Efforts to boost supply need to focus on encouraging a greater variety of homes to suit a greater variety of end user needs such as purpose-built Build to Rent, attractive specialist later living housing and shared ownership.
- JLL forecasts that there will be a 500,000 home shortfall from the 1.5m homes that need to be built over the next five years to meet demand.

House price change (%pa)

2021	2022	2023	2024	2025	2026
5.0	**4.5**	**4.5**	**3.0**	**3.5**	**4.5**

Housing transactions

2021	2022	2023	2024	2025	2026
1.4m	**1.2m**	**1.3m**	**1.1m**	**1.2m**	**1.2m**

Rental value change (%pa)

2021	2022	2023	2024	2025	2026
2.5	**2.5**	**2.5**	**2.0**	**2.5**	**2.5**

Private housing starts ('000)

2021	2022	2023	2024	2025	2026
170	**180**	**185**	**180**	**190**	**205**

London & the South East

- The Greater London housing market has seen more moderate price growth over the past 12 months compared with the UK regions. However, price growth has been on an upward curve on the back of a severely constrained supply of homes for sale and a returning demand for urban living.
- New housing starts in the Capital are well below pre-pandemic levels and are expected to remain well short of the Greater London Authority target for 52,000 homes per annum. This will underpin strong rental value growth and house price growth across London.
- The South East will continue to see a heightened demand from people who want part-time access to London's jobs markets, but also an ability to escape the city.
- Prime Central London is forecast to see particularly strong activity over the next 24 months based on an anticipated return in travel from the world's high net worth individuals and a severe undersupply of homes for sale and rent.
- JLL continues to rank London among the global elite cities with the UK Capital scoring particularly highly for its transparency, talent growth and concentration of innovative businesses.

House price change (%pa)

Greater London

2022	2023	2024	2025	2026	Average pa
6.0	5.5	3.5	4.0	4.5	4.7

South East

2022	2023	2024	2025	2026	Average pa
5.0	5.0	3.5	4.0	4.5	4.4

Prime Central London

2022	2023	2024	2025	2026	Average pa
7.5	5.0	2.5	3.0	3.0	4.0

Rental value forecasts (%pa)

Greater London

2022	2023	2024	2025	2026	Average pa
4.0	3.0	2.5	2.5	3.0	2.9

South East

2022	2023	2024	2025	2026	Average pa
3.0	3.0	2.0	2.5	2.5	2.6

Prime Central London

2022	2023	2024	2025	2026	Average pa
6.0	3.5	2.0	2.0	2.5	3.0

Private housing starts ('000)

Greater London

2021	2022	2023	2024	2025	2026
15	16	17	16	17	18

East of England, Midlands, South West & Wales

- Birmingham remains the city which JLL expects to see the highest house price growth over the next 5 years.
- 2022 will see Birmingham on the world stage when the city hosts the Commonwealth Games.
- Birmingham will be one of the biggest beneficiaries from the HS2 rail link while an additional 6,300 relatively high earning jobs have been created in the city by HMRC and through organising the Commonwealth Games.
- A legacy of the Games will see 5,000 new homes in Perry Barr by 2040 with £750m of investment into the area.
- Bristol is benefitting from plans by HMRC to move a total of 1,650 civil servants into 3 Glass Wharf by end 2021 while BT Group is relocating 2,000 employees to the city centre.
- Bristol is expected to see the second highest increase in GVA of the major UK cities (15.6%) and highest increase in average weekly earnings (14.7%) over the next five years according to Oxford Economics.
- With digital connectivity having grown in importance post-COVID, 87% of homes in Bristol have access to ultra-fast broadband of more than 300Mbps.

House price change (%pa)

Birmingham

2022	2023	2024	2025	2026	Average pa
6.0	5.0	4.0	4.5	5.0	4.9

East of England

2022	2023	2024	2025	2026	Average pa
5.0	4.5	3.5	4.0	4.0	4.2

West Midlands

2022	2023	2024	2025	2026	Average pa
4.0	4.0	3.0	3.5	4.5	3.8

East Midlands

2022	2023	2024	2025	2026	Average pa
4.0	4.0	2.5	3.0	4.0	3.5

Bristol

2022	2023	2024	2025	2026	Average pa
5.5	5.0	3.5	4.0	5.0	4.6

Wales

2022	2023	2024	2025	2026	Average pa
3.5	3.5	2.0	2.5	2.5	2.8

South West

2022	2023	2024	2025	2026	Average pa
4.5	4.5	3.0	3.0	4.5	3.9

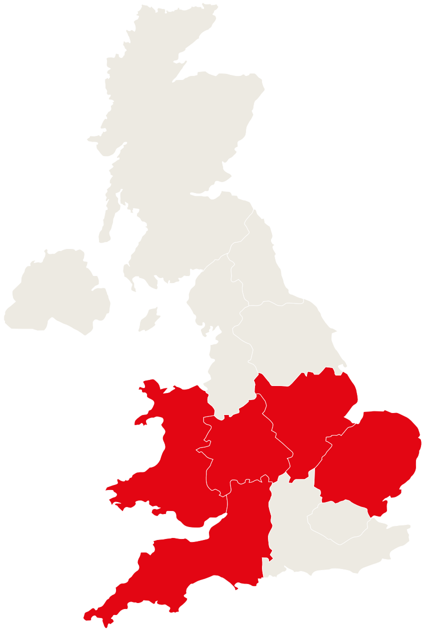
Rental value forecasts (%pa)

Birmingham

2022	2023	2024	2025	2026	Average pa
3.5	3.0	2.5	2.5	2.5	2.8

Bristol

2022	2023	2024	2025	2026	Average pa
3.5	3.5	2.5	2.5	3.0	3.0



Northern England

- Manchester is set to see the highest rate of economic growth of all the major UK cities over the next five years with GVA growth of 16.4% according to Oxford Economics.
- Recent fears of an oversupply of new housing in Manchester City Centre have actually prompted some developers to pause their activity and there is now a shortfall in the supply pipeline to meet anticipated demand.
- The rapidly growing technology sector has increased in relevance within Leeds in recent years and this is expected to drive house price and rental growth in the next five years. The South Bank area is viewed as an emerging digital hub, with Leeds Dock in particular tailoring offices towards the tech industry.
- £700m has been invested in upgrading 119 assets within Liverpool's UNESCO World Heritage City in the past few years. And a further £800m is to be invested in a further 40 heritage assets over the next five years including Bramley Moore Dock in Liverpool Waters on the city's North Shore. This investment will help support house price and rental growth in Liverpool.

House price change (%pa)

Manchester

2022	2023	2024	2025	2026	Average pa
6.0	4.5	4.0	4.0	5.0	4.7

Leeds

2022	2023	2024	2025	2026	Average pa
5.0	4.5	3.0	4.0	4.5	4.2

North West

2022	2023	2024	2025	2026	Average pa
4.5	4.0	2.5	2.5	3.0	3.3

Yorkshire & Humber

2022	2023	2024	2025	2026	Average pa
3.5	3.5	2.5	2.5	3.0	3.0

North East

2022	2023	2024	2025	2026	Average pa
3.0	3.0	2.0	2.5	3.0	2.7

Liverpool

2022	2023	2024	2025	2026	Average pa
5.0	4.0	3.0	3.5	4.0	3.9

Rental value forecasts (%pa)

Manchester

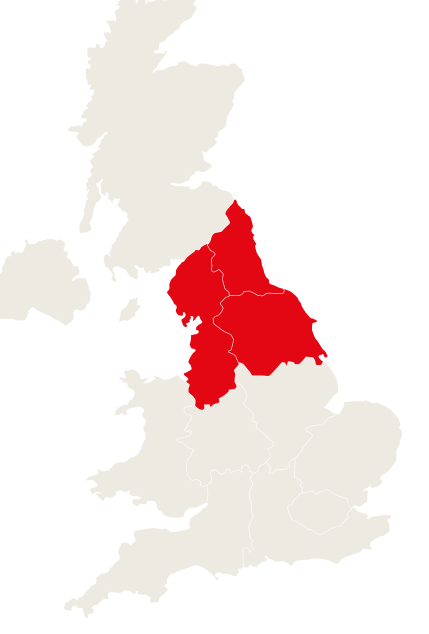
2022	2023	2024	2025	2026	Average pa
4.0	3.0	2.5	2.5	3.0	2.9

Leeds

2022	2023	2024	2025	2026	Average pa
3.0	3.0	2.0	2.5	2.5	2.6

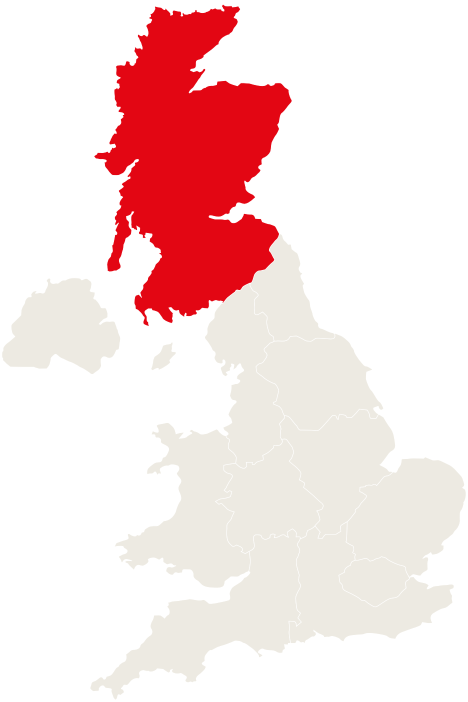
Liverpool

2022	2023	2024	2025	2026	Average pa
3.0	2.5	2.0	2.5	3.0	2.6



Scotland

- Edinburgh is expected to see among the highest house price growth of the UK's major cities with the new local plan likely to restrict new housing supply in the Scottish Capital.
- Demand will continue to outstrip supply driving cumulative house price growth of 26% over the next five years.
- Edinburgh is set to see its first major luxury Build to Rent scheme open setting a new rental tone at the top end of the market.
- Glasgow is forecast to see a significant fall in its unemployment rate over the next five years as the city continues to reopen post-COVID. Pre-pandemic unemployment in Glasgow stood at 4.0%, but according to Oxford Economics this will fall to 3.5% by 2026.
- Alongside this fall in unemployment Glasgow is expected to see a 14.6% growth in average earnings over the next five years. This will underpin strong house price and rental growth.
- Glasgow's Build to Rent market continues to see a strong growth in new supply.



House price change (%pa)

Edinburgh

2022	2023	2024	2025	2026	Average pa
6.0	5.5	3.5	4.5	4.5	4.8

Glasgow

2022	2023	2024	2025	2026	Average pa
5.5	4.0	3.0	4.0	4.5	4.2

Scotland

2022	2023	2024	2025	2026	Average pa
4.5	4.0	2.0	3.0	3.5	3.4

Rental value forecasts (%pa)

Edinburgh

2022	2023	2024	2025	2026	Average pa
3.5	3.0	2.5	2.5	3.5	3.0

Glasgow

2022	2023	2024	2025	2026	Average pa
3.0	3.0	2.0	2.5	2.5	2.6

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