

BATH MARKET INSIGHT Q2 2016

Confidence among buyers and vendors in Bath's property market remains high in spite of recent political and economic headwinds.

Prime property prices in Bath have increased by 3.1% over the year to June taking annual growth to 4.8%

This compares to annual growth of 1.3% over the same time for the wider prime market in the UK, where political and economic uncertainty ahead of the EU Referendum and the introduction of higher rates of stamp duty for second home buyers and investors kept a lid on growth in the first half of 2016.

Outperformance in Bath suggests that the city market has proven to be resilient in the face of such concerns. However, while prices have risen, it has not been immune to these economic and political headwinds.

Indeed, the recent stamp duty increase - which added 3% onto purchase costs for individuals buying additional properties - contributed to a rise in activity in March as buyers looked to complete deals before the 1 April deadline. Meanwhile, ahead of the EU vote there was a slight softening of demand as potential buyers chose to 'wait and see' rather than enter the fray of the market. This was mirrored by vendors adopting a similar approach, which had an impact on new supply.

The longer-term impact of these economic and political events has been to make buyers more price sensitive and there has been evidence of renegotiation around pricing in some instances.

Markets in detail

Our analysis of Land Registry sales data shows where the highest concentrations of prime sales were completed in Bath over the last year, as shown on the map. Over the last 12 months, prices in excess of £500 per square foot have been achieved in a number of these markets, concentrated on city centre locations.

Price growth, meanwhile, has remained fairly consistent across the city, ranging from 4.3%

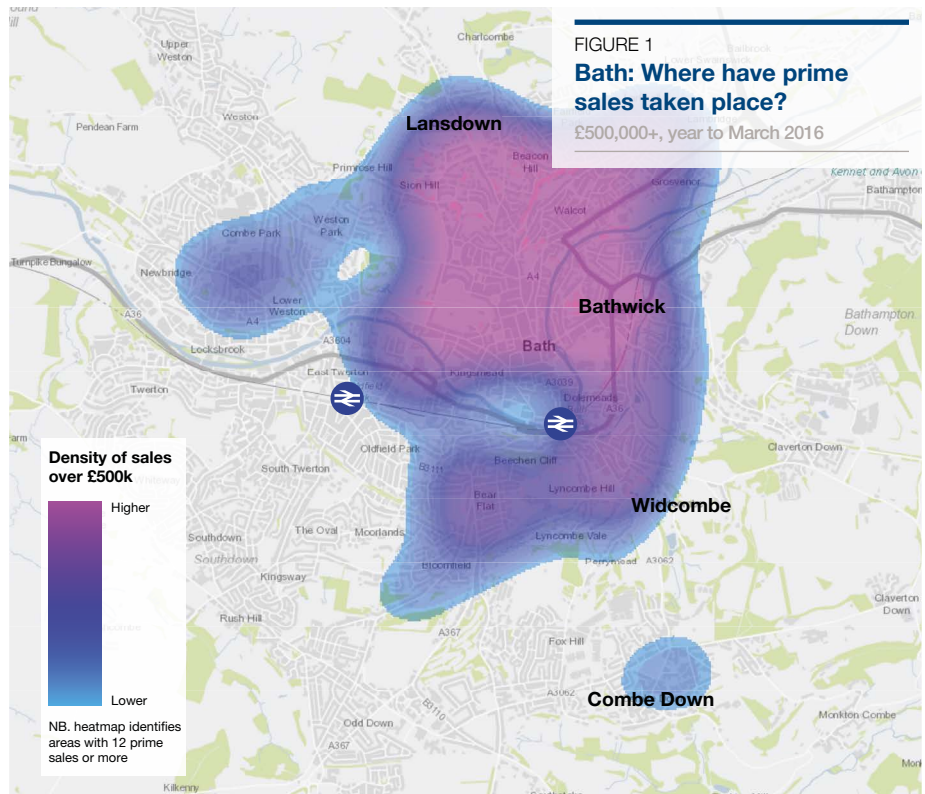
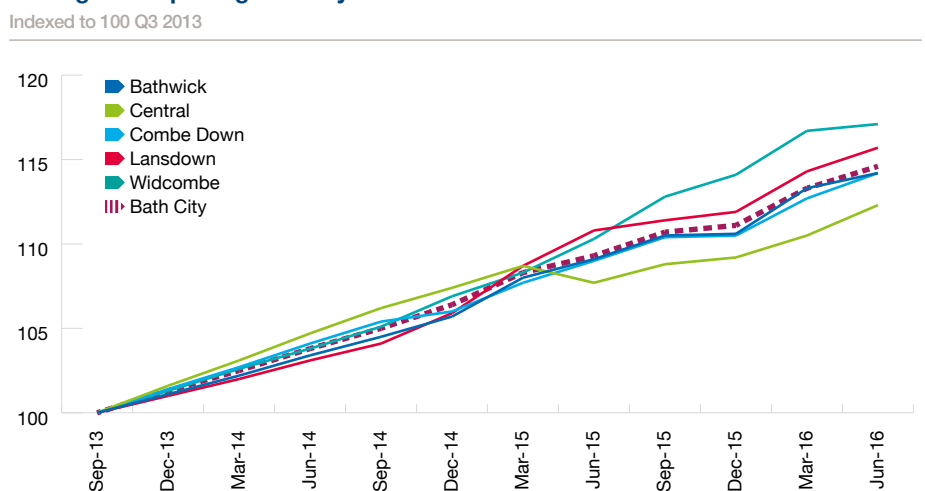


FIGURE 2
Average Bath price growth by area



Source: Knight Frank Research

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in the city centre to 6.2% in Widcombe over the year to June 2016, as shown in figure 2.

However, looking at the market by price band, we see a more nuanced story. Prices for sub-£1 million properties rose on average by 5.7% on an annual basis, compared to 3.3% for properties valued at more than £2 million as buyers factored higher purchase costs into offers.

Outlook

All eyes will now turn to the political and economic impact of the UK's vote to leave the EU as the plans on how to achieve this become clearer.

We now at least have political certainty following the appointment of a new prime minister while the Bank of England's decision to leave interest rates unchanged in July could have been seen as an immediate vote of confidence in the economy.

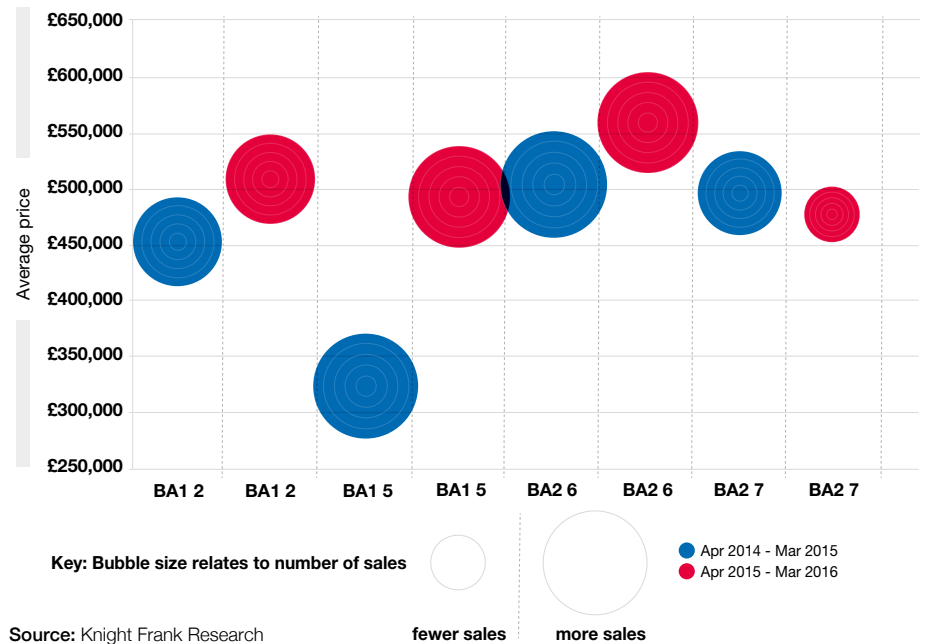
The fundamentals of the market in Bath show little sign of changing with record low mortgage rates and an imbalance between supply and demand. The primary drivers of the market are also largely unaffected - with access to schools and improving transport links remaining a key attraction.

A potential reduction in journey times between Bath and London as a result of the electrification of the Great Western Main line is likely to further augment the city's appeal both locally and among buyers from outside the region who still need to travel into the capital on a relatively regular basis.

Finally, the relative value of sterling is also a potential boon for buyers using dollars or other overseas currencies to purchase a home, providing an effective discount on the price of bricks and mortar.

FIGURE 4

Average price and sales volumes in Bath by neighbourhood



Source: Knight Frank Research

FIGURE 4

Bath price change

Annual, six monthly and quarterly price growth, to June 2016

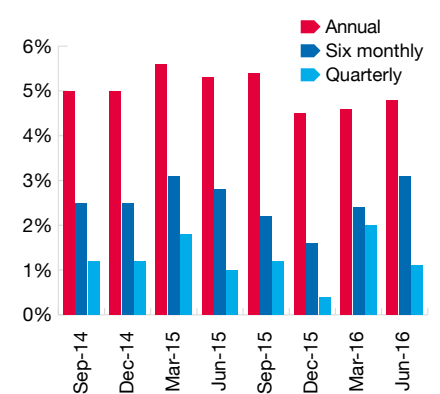
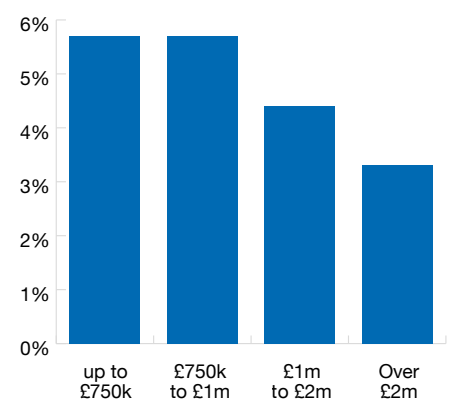


FIGURE 5

Bath price growth by value

Annual % change in prices (to June 2016)



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