

OXFORD MARKET INSIGHT Q2 2016

Demand for prime property in Oxford has picked up in 2016 both locally and from further afield, despite a slight easing of price growth

Prime property prices in Oxford increased by 0.3% between April and June taking annual growth across the city to 0.7%.

After several years of strong price increases, during which the city has comfortably outperformed the wider UK, the latest figures suggest that price growth at the top end of the market in Oxford has started to ease.

While the fundamentals underpinning the market - which we examine in more detail below - remain unchanged, the reasons for this are twofold. Firstly, there was a softening in demand for prime property in the immediate run up to the EU Referendum, with potential purchasers adopting a "wait and see" approach.

Secondly - and arguably more importantly - recent changes to stamp duty levied on the purchase price of the most valuable properties has made buyers increasingly price sensitive.

This is most noticeable when we consider price performance by property value. Prime homes in Oxford worth more than £2 million rose in value by just 0.1% in the year to June as buyers and vendors factored higher purchase costs into pricing and offers. In comparison, properties worth up to £750,000 - where the stamp duty burden is lower - rose by 1.7%. A notable outperformance compared the city's wider prime market.

There was also a notable pick-up in activity in March this year as buyers looked to complete deals before 1 April, the date that another stamp duty levy - which adds an extra 3% in purchase costs for those buying additional homes - came into effect.

The market has absorbed stamp duty changes in the past, but it is a process which usually takes place over a number of months.

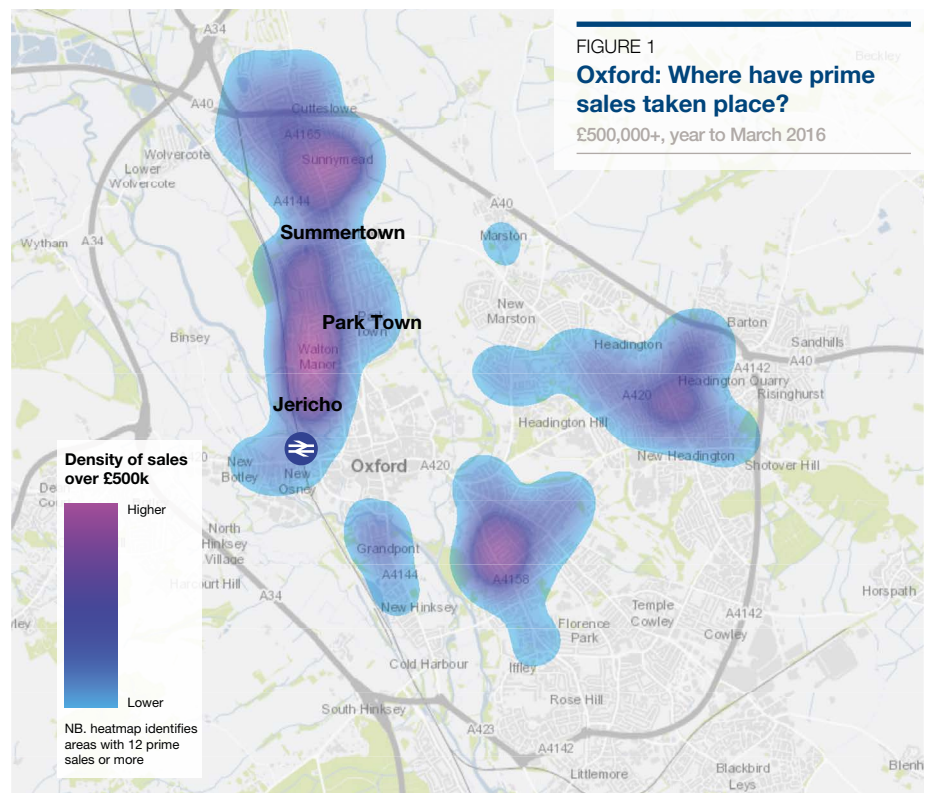
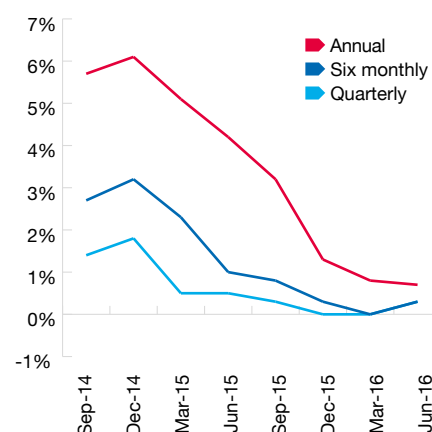


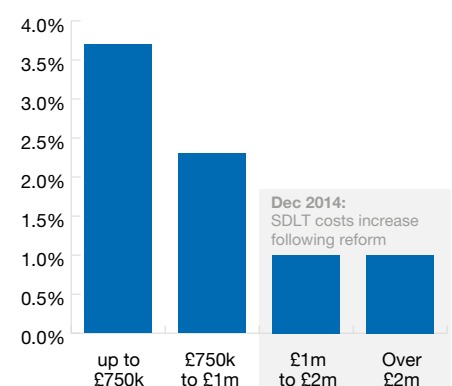
FIGURE 2
Prime Oxford price growth



Source: Knight Frank Research

FIGURE 3
Two speed market

Prime Oxford price growth by value since December 2014 SDLT reform



Source: Knight Frank Research

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Infrastructure boost

The new high-speed rail link at Oxford Parkway, which opened in October 2015, has helped stimulate demand in property markets to the north of the city.

Commuters using the line can now be in London Marylebone in under an hour.

As a result, there has been an increase in the number of Londoners looking to buy property in Oxford so far this year. Some 25% of all prospective buyers registering with Knight Frank's Oxford office in 2016 were based in the capital, up from 19% in 2015.

Outlook

Attention 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.

Markets and investors have reacted positively following the swift appointment of a new Prime Minister and cabinet, 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 Oxford show little sign of changing with low mortgage rates and a continued imbalance between supply and demand. The drivers of the market are also largely unaffected - with schools and key transport links acting as a draw - and these will continue to drive sales.

While the market in Oxford is primarily UK focussed, the relative value of sterling may also be viewed as a potential boon for a growing number of international buyers using dollars or other overseas currencies to purchase a home in the city, providing an effective discount on prices.

FIGURE 4

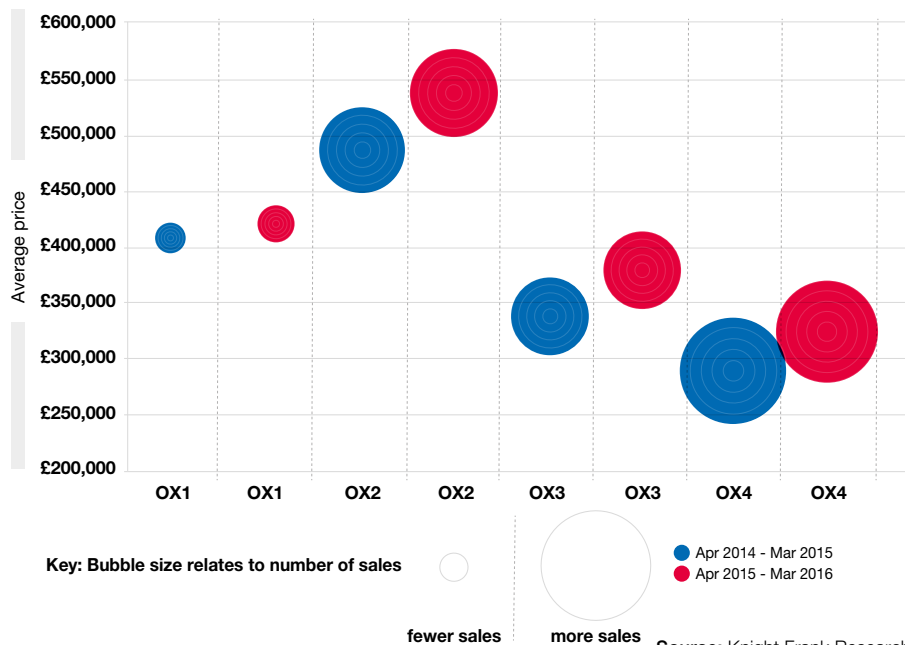
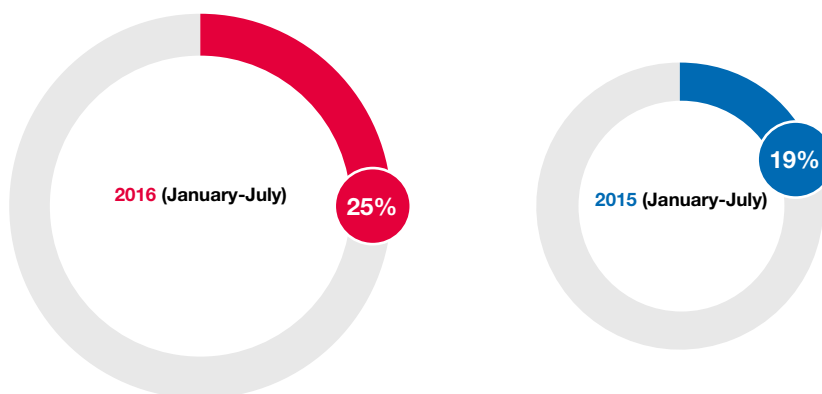
Average price and sales volumes in Oxford by postcode sector

FIGURE 5

London demand increases

Proportion of applicants in Oxford with a London address



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