

EXETER MARKET INSIGHT Q2 2016

Price growth in Exeter's prime city market slowed in the second quarter of 2016, but demand for homes in the city centre remains strong.

Prime property prices in Exeter rose by 3.6% over the year to June 2016 down from 4.4% at the end of March, according to the latest index from Knight Frank.

The slight moderation in price growth came as buyers and vendors adjusted to new market conditions following the introduction of new purchase taxes in April under which an extra 3% stamp duty started to be levied on additional homes.

The EU referendum in June also weighed on sentiment during the quarter, especially in the immediate run up to the vote, although the impact was far less pronounced than in prime markets closer to the capital.

Whilst price growth may have slowed, underlying demand has remained strong. Our analysis of Knight Frank data shows there was a 2% increase in new buyer volumes and a 24% increase in the number of viewings conducted between April and June compared to 2015.

As well as potential buyers looking to move within the local area, demand has come from further afield. Our data shows that some 55% of new applicants who have registered in 2016 are looking to move to the South West from the rest of the UK, or internationally.

This highlights a continuing trend seen across the UK. Prime towns and cities like Exeter that are home to excellent transport links, have good-quality family housing and a choice of top-performing schools have become the focus of a widening pool of buyers.

As a result, competition has been strong for the best homes, especially in the sub-£1 million price bracket where the majority of deals have been completed so far this year. However, agents note that supply is limited.

For their part buyers, especially those with access to high levels of equity, have been able to take advantage of a sustained period of very

FIGURE 1

Exeter: Where have prime sales taken place?

£400,000+, year to March 2016

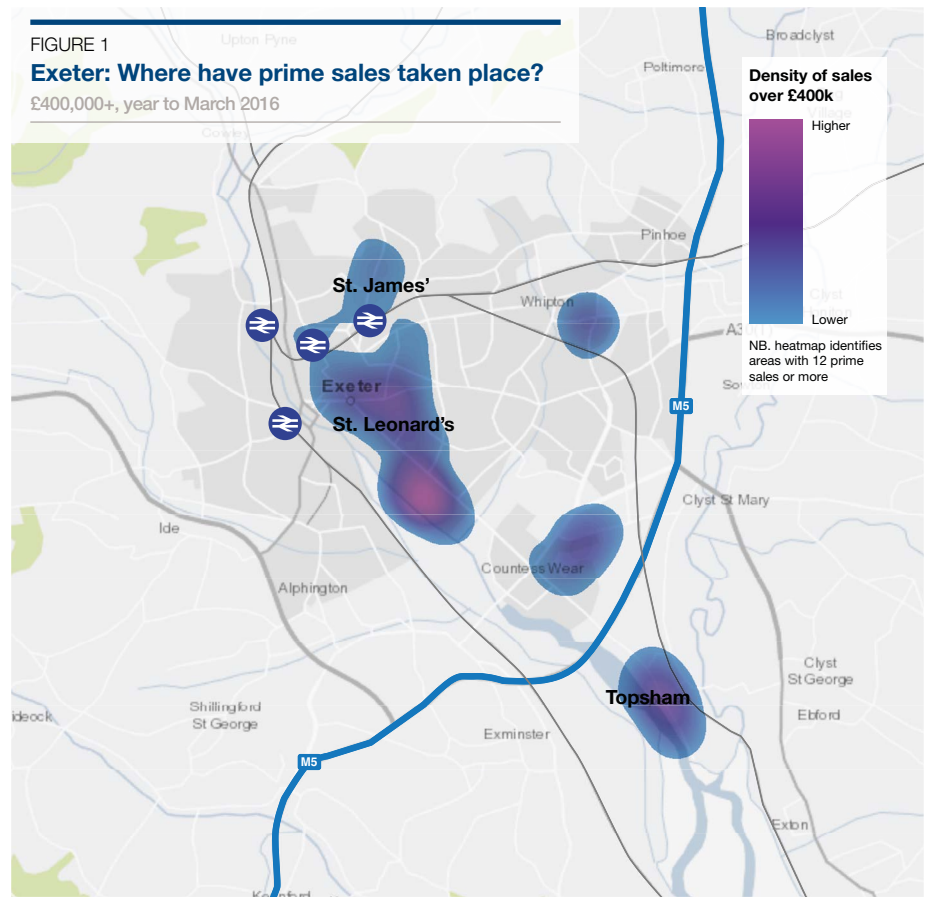
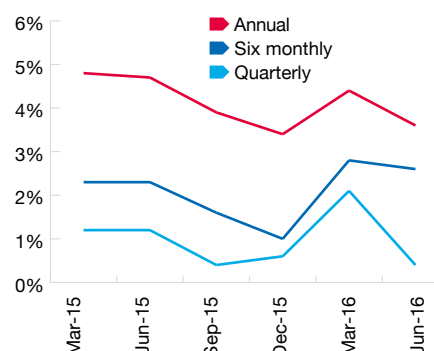


FIGURE 2

Prime Exeter price growth

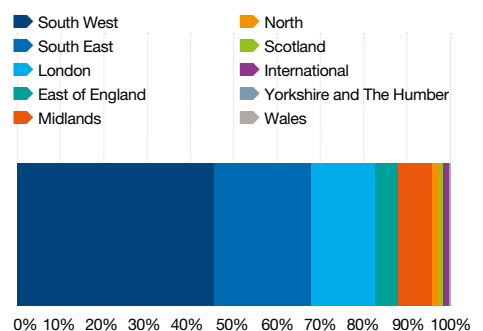


Source: Knight Frank Research

FIGURE 3

Applicants by region

Origin of applicants in Exeter (2016)



Source: Knight Frank Research

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low interest rates and competitive long-term mortgage deals.

Our analysis of Land Registry sales data - see map - shows the main hubs for prime sales in the city are located in the St Leonards and Pennsylvania areas.

Outlook

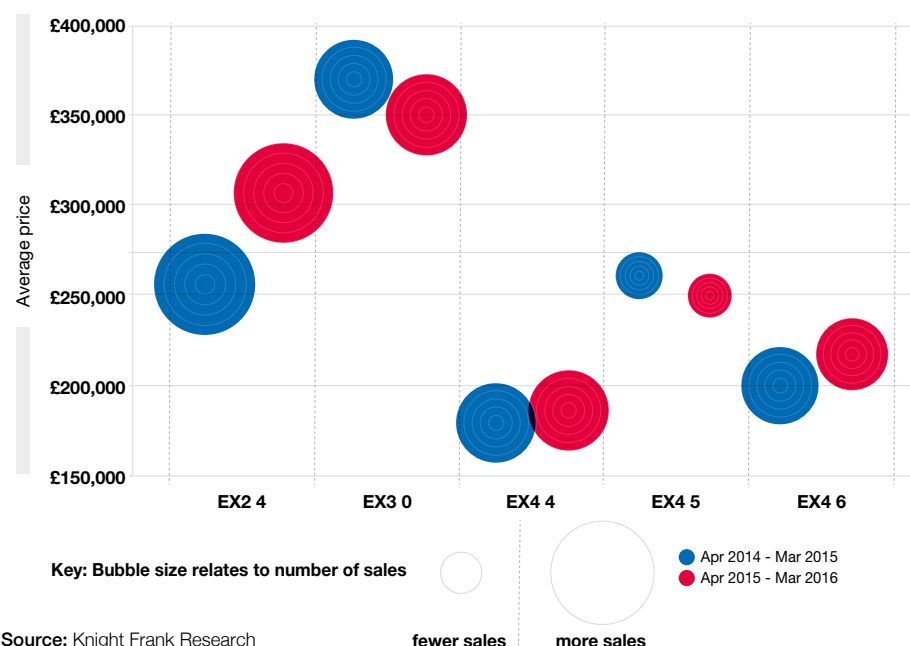
All eyes will now turn to the political and economic impact of the UK's vote to leave the EU as the plans on how to achieve this become clearer.

Meanwhile, the Bank of England's decision to cut interest rates to a new record low of 0.25% in August will be welcome news to borrowers.

A clearer picture on the economic landscape in the medium term has yet to emerge, but the fundamentals of the property market in Exeter are still evident and these are likely to underpin demand. The primary drivers of the market remain unaffected - with access to schools and improving transport links a key attraction for buyers.

FIGURE 4

Average price and sales volumes in Exeter by neighbourhood



Source: Knight Frank Research

Apartment market

The number of apartment sales in Exeter peaked in the first three months of 2016 as buyers looked to complete purchases ahead of the introduction of new stamp duty rules in April. Demand was strongest over this time in the city centre especially among downsizers.

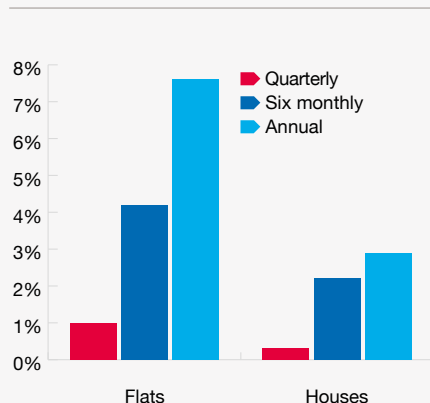
This was reflected by strong price growth for apartments which have risen in value by 4.2% in the first six months of 2016 and by 7.6% year-on-year.

In the short-term, there may be a slight moderation in price growth as the new tax is absorbed. Over the longer term transaction volumes are likely to rise once the additional stamp duty is fully priced into the market.

FIGURE 5

Flats versus houses

Annual change in prime Exeter prices

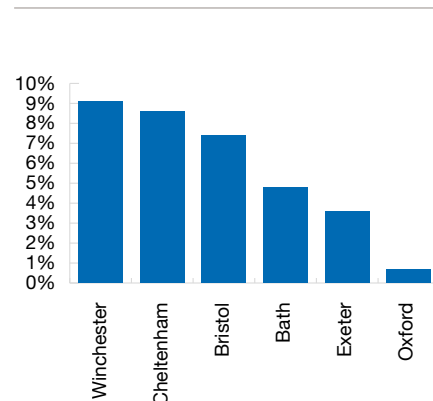


Source: Knight Frank Research

FIGURE 6

Prime market comparisons

Annual % price change



Source: Knight Frank Research

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