



CHELTENHAM MARKET INSIGHT Q2 2016

A growing imbalance between supply and demand is the biggest driver of price growth in the prime property market in Cheltenham.

Prime property prices in Cheltenham increased by 2% between April and June taking the annual change in property values across the town over the last 12 months to 8.6%, according to the latest Knight Frank Index.

Price growth has comfortably outperformed the wider prime country market where uncertainty surrounding the outcome of the EU referendum and higher rates of stamp duty weighed on growth during the second quarter of 2016. Average values across the country increased by just 1.3% annually over the year to June.

Whilst not completely sheltered from these headwinds, the primary driver of the market in Cheltenham over the last year has been a growing imbalance between supply and demand.

Knight Frank figures show a 16% increase in the volume of new buyer registrations in the second quarter of this year versus the same period in 2015. There was also a 14% rise in viewings over the same time. However, against this backdrop of strengthening demand, supply has been subdued. Our analysis shows there were 19% fewer prime properties available for sale across Cheltenham at the end of June year-on-year.

As a result, competition among buyers has been strong for the best homes.

Demand has been underpinned by a sustained period of very low interest rates, with buyers, especially those with access to high levels of equity, able to take advantage of very competitive fixed-term mortgage deals.

Urban outperformance

Strong growth in Cheltenham also highlights a continuing trend seen across the UK. Prime towns and cities that are home to excellent transport links, have high-quality family housing and a choice of top-performing schools have become the focus of a widening pool of buyers.

FIGURE 1
Cheltenham: Where have prime sales taken place?
£500,000+, year to March 2016

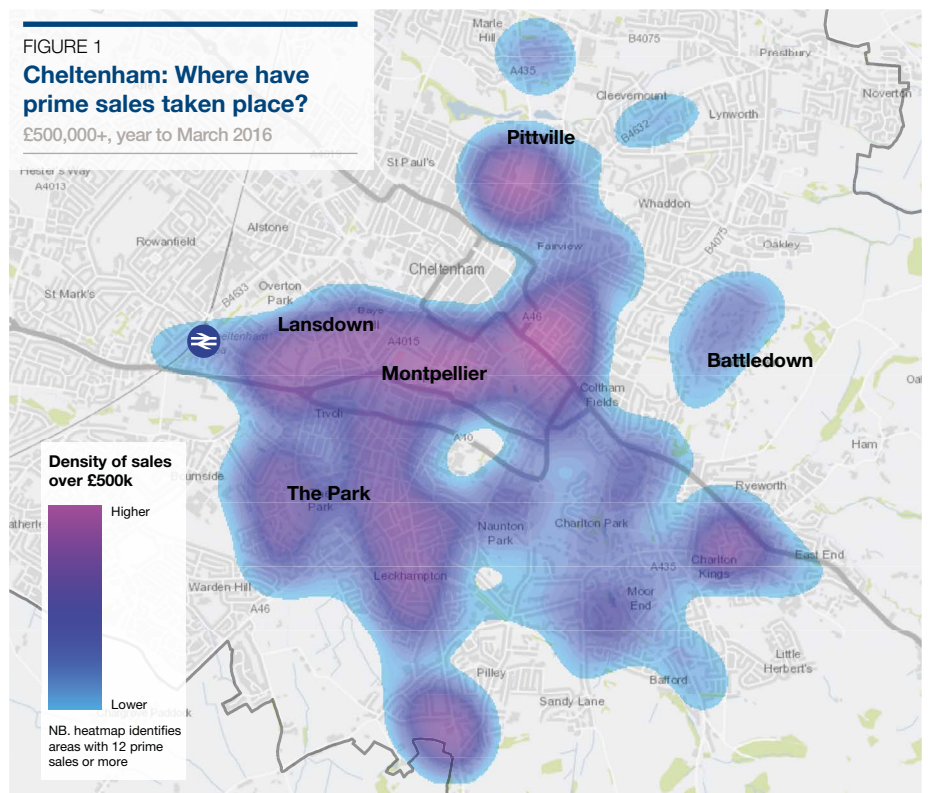
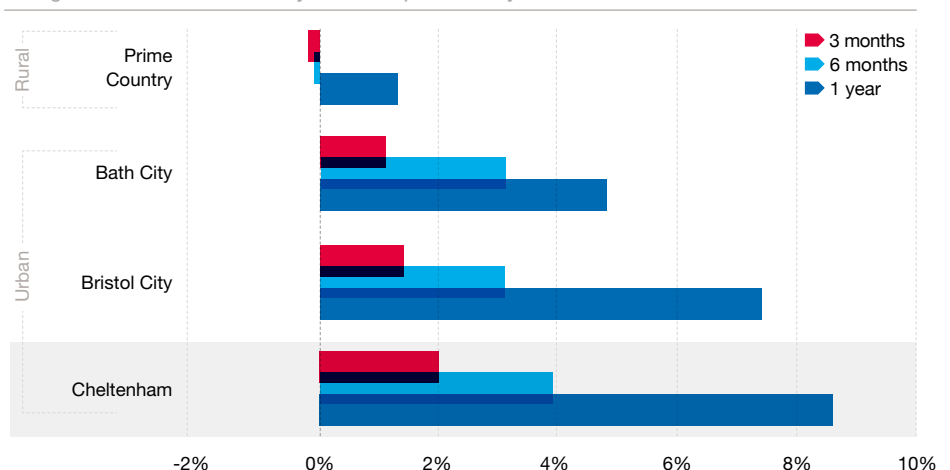


FIGURE 2
Prime urban markets outperform

Price growth for selected town or city markets vs prime country to Q2 2016



Source: Knight Frank Research

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Our analysis of Land Registry sales data (see map) shows the main hubs for prime sales in the town can be found in Montpellier, Lansdown and Battledown where prices in excess of £400 per square foot have been achieved.

Outlook

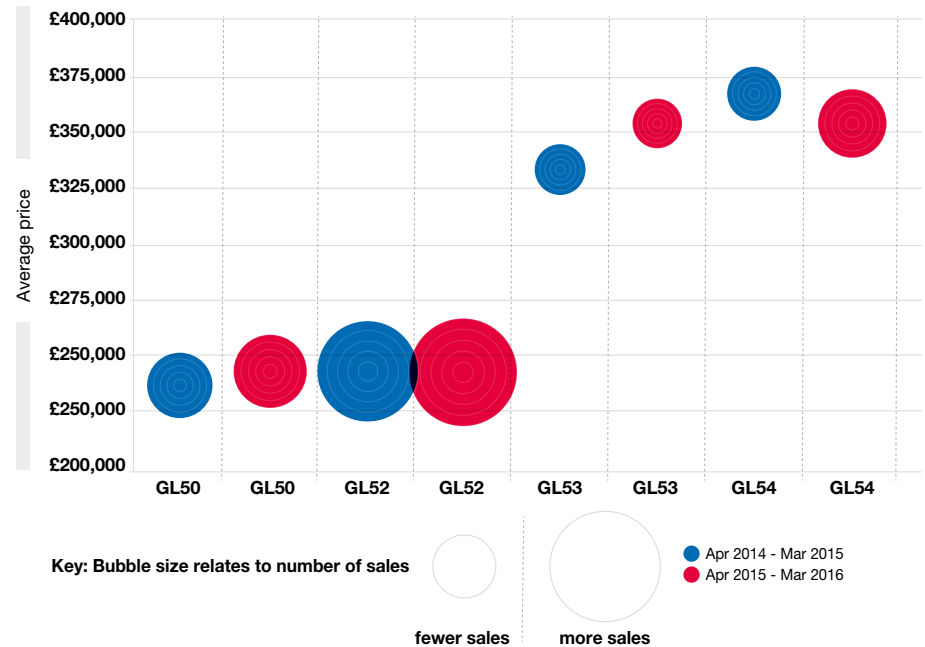
All eyes will now turn to the political and economic impact of the UK's vote to leave the EU as the plans on how to achieve this become clearer.

There has been positivity around the swift appointment of a new Prime Minister and Cabinet, whilst 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 Cheltenham show little sign of changing with low mortgage rates and an imbalance between supply and demand. The primary drivers of the market are also largely unaffected - with schools and good transport links remaining a draw - and these will continue to underpin sales.

FIGURE 3

Average price and sales volumes in Cheltenham by neighbourhood



Source: Knight Frank Research

Apartment market

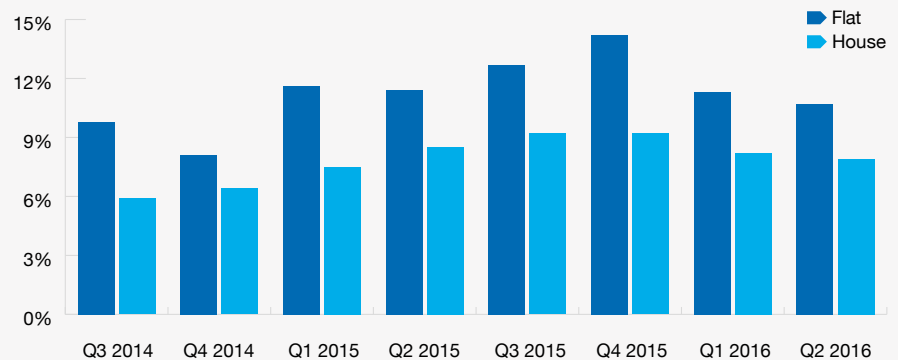
The number of apartment sales in Cheltenham peaked in the first three months of 2016 as buyers looked to complete purchases ahead of the introduction of new stamp duty rules in April, which added an additional 3% onto purchase taxes for individuals buying additional properties.

Demand has been strongest in the town centre where both downsizers and investors have been active. This has been reflected by strong price growth for apartments which have risen in value by 4.6% in the first six months of 2016 and by 10.7% year-on-year.

FIGURE 4

Flats versus houses

Annual change in prime Cheltenham property prices



Source: Knight Frank Research

CHELTENHAM SALES

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