

CHELTENHAM MARKET INSIGHT Q4 2016

Cheltenham's prime property market has proven resilient over the last year with price growth and activity buoyant

Property prices in Cheltenham increased by 2% between October and December taking full year growth in the town in 2016 to 7.5%.

An on-going shortage of stock relative to demand has been the defining factor of the market over the last year and this continues to underpin prices.

Our analysis showed that across the market there were 11% fewer properties offered for sale in Cheltenham in 2016 compared with the previous year.

Against this backdrop, underlying demand has remained strong. Knight Frank figures showed that the volume of new buyer enquiries was up by 4% in 2016 compared with the previous year. The number of property viewings increased by 15% over the same time.

As a result, competition has been strong for the best homes and accordingly sales volumes have been in line with previous years. In some cases prices in excess of £500 per square foot have been achieved, compared with a prime average of £375 for the town.

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

The data highlights just how resilient the town market in Cheltenham has proven to be, in spite of the political and economic uncertainty which has weighed on the wider prime market across the country.

However, while the headline figures indicate that the market has been buoyant,

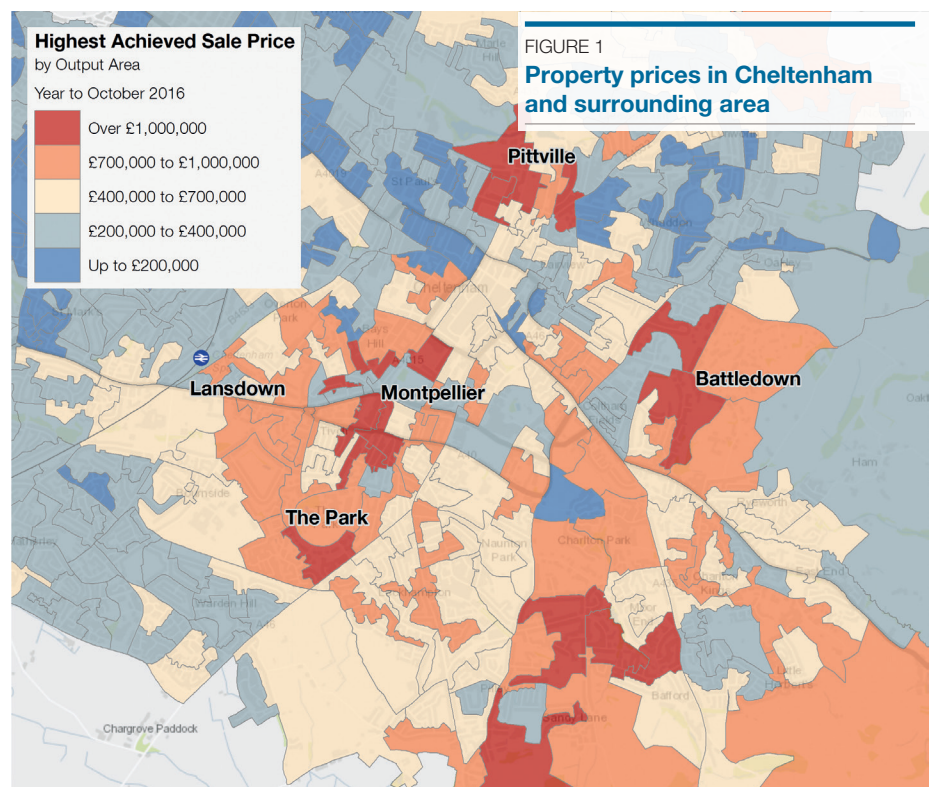
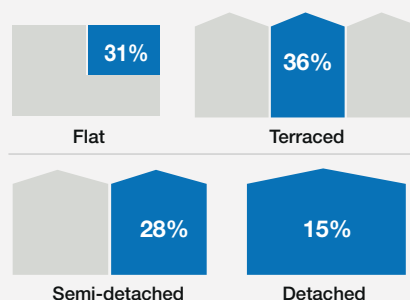


FIGURE 2 Cheltenham fact sheet

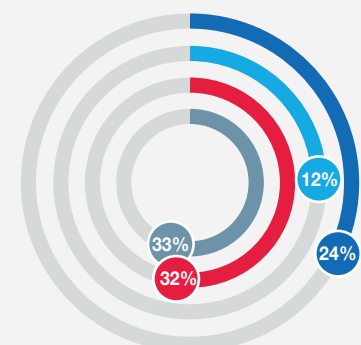
7.5% Average price growth in 2016
2.0% Average price growth in Q4 2016

PROPERTY TYPE



AGE OF HOUSING STOCK

Pre-1900 1900-1939
1945-1972 1973-present



Source: Knight Frank Research

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it has not been completely sheltered from these headwinds. Taxation especially continues to be a drag on the market, limiting further growth in both activity and pricing.

The 3% surcharge for additional homes which was introduced in April last year, for example, has weighed on buyer sentiment in the investment and second home market in Cheltenham due to the increased tax burden, whilst the EU Referendum in June has added to a climate of uncertainty.

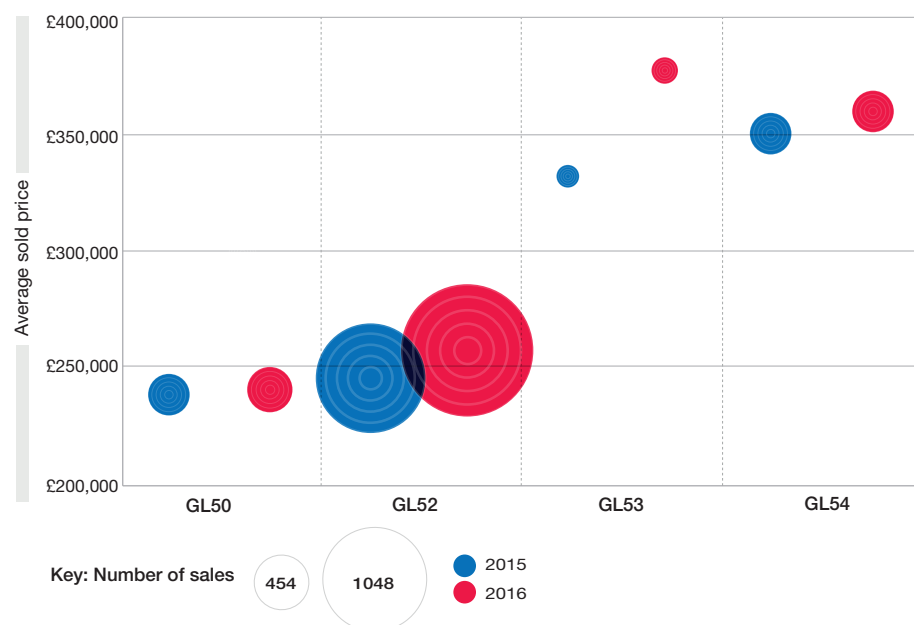
As a result, the market does remain price sensitive, a trend which is expected to continue in 2017.

Cheltenham's strong track record of house price growth and the appeal and convenience of town and city centre living make it well positioned to benefit again this year. The primary drivers of the market are also unchanged – with schools and good transport links remaining a draw – and these should continue to underpin sales.

FIGURE 3

Average sold prices and sales volumes by neighbourhood

Note: Variations in average sold prices between different time periods do not necessarily indicate price growth



Source: Knight Frank Research

Apartment Market

Apartment sales accounted for 25% of all transactions completed by Knight Frank in Cheltenham in 2016, a similar figure to the previous year.

Demand has been highest for flats in the town centre and comes from a range of buyers including downsizers and investors.

This has been reflected by strong price growth for apartments which have risen in value by 9% over the last 12 months, versus 7% for just houses.

International buyers including expats, who were able to capitalise on more

favourable exchange rates following the referendum, were also active over the course of the year.

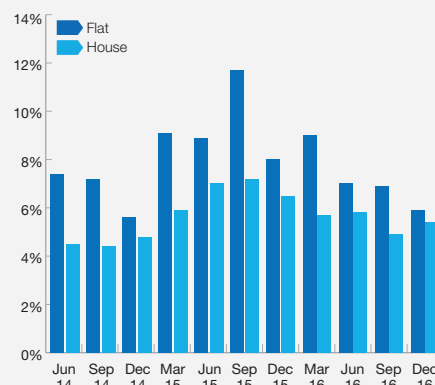
Some 23% of apartments sold by Knight Frank in 2016 were to such purchasers, up from 7% in 2015, although this remains a small section of the market overall.

Changes to the taxation of landlords, in the form of a gradual reduction in mortgage interest relief, could impact the investment market this year as existing and new landlords factor the new rules into their calculations.

FIGURE 4

Flats versus houses

Annual change in prime Cheltenham property prices



Source: Knight Frank Research

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