

Spotlight Cambridge Residential Development Sales

Autumn 2013



SUMMARY

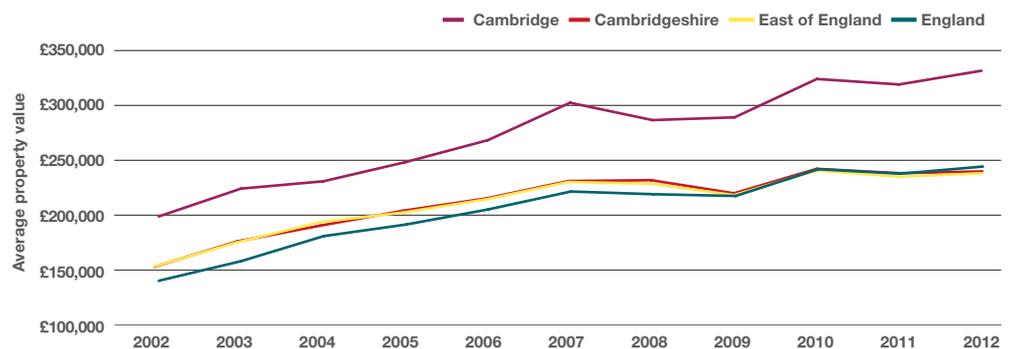
Demand is strong from owner occupiers and investors, drawn by buoyant local economy

■ Values in Cambridge continue to exceed the regional and national average, with properties in prime wards now achieving prices 13.1% above their 2007 peak.

■ An imbalance between supply and demand in the Cambridge market will sustain price growth in the short-term.

■ Levels of development are anticipated to increase in the next five years as Cambridge continues to prosper as a centre of high value employment and population growth increases.

GRAPH 1
Average house prices in Cambridge 2002-2012



Source: Land Registry

→ **House prices**

Cambridge has seen the most significant price growth of any prime regional location since the downturn. Savills prime regional index shows values increased by 6.2% in Cambridge between September 2012 and September 2013, with prices in prime wards now 13.1% above their 2007 peak.

Transaction levels have recovered to 63% of their 2007 level, above the average for both the East of England and England & Wales.

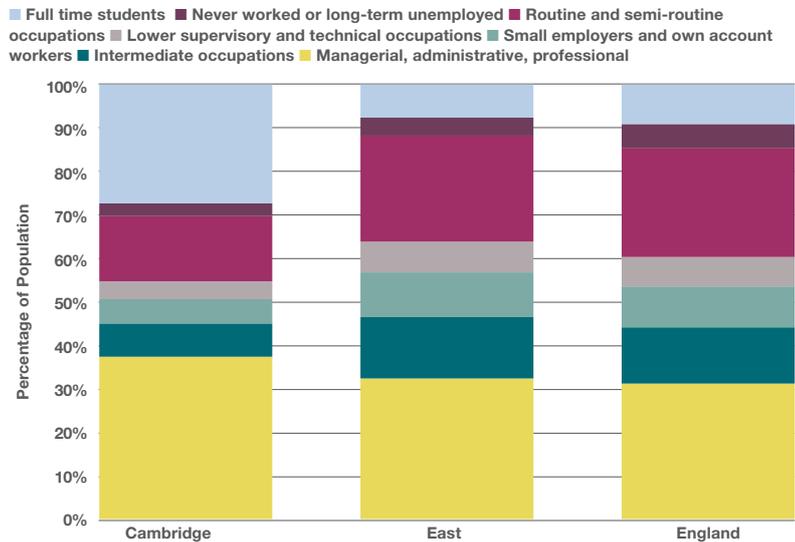
Supply and demand

Restricted development has aided price increases, especially in the most undersupplied markets. New build sales as a percentage of transactions peaked in 2008 at 29.2%. Housebuilders delayed development output after the downturn due to adverse economic conditions but in the last couple of years the volume of development has begun to increase.

Limited new supply has been juxtaposed to strong employment and population growth in Cambridge. Cambridge has a very high proportion of highly skilled employees, relative to other UK cities. Specialised technology companies, predominantly

GRAPH 2

Proportion of high skilled workers and students in Cambridge



Source: Census 2011

based in the Cambridge Science Park, account for 19% of employment in the area. A further 18% of employment is accounted for by the University.

A strong local economy has largely insulated Cambridge from the effects of the recession. Employment growth in the city, including expansion of the Biomedical Campus, is expected to

outpace both regional and national growth figures, which will in turn underpin pricing. Oxford Economics estimates employment growth of 17.6% to 2030 from the peak of the market, compared to 14.8% in the East of England as a whole.

Migration to Cambridge as a result of job creation will contribute to the growing population, expected to increase by 30,000 by 2030 and place further pressure on the Cambridge housing market.

Cambridge is also within an easy commute of London, with services to Kings Cross and Liverpool Street providing direct access to both the City and West End. This complements Cambridge's own employment offering and further reinforces it as a desirable place to live.

The percentage of younger people within the population is predicted to rise in the next few years. Increasing student numbers will contribute substantially to population growth, following an increase in domestic and international student numbers of 20,000, or 17.6%, between 2007 and 2012 according to HESA.

Development pipeline

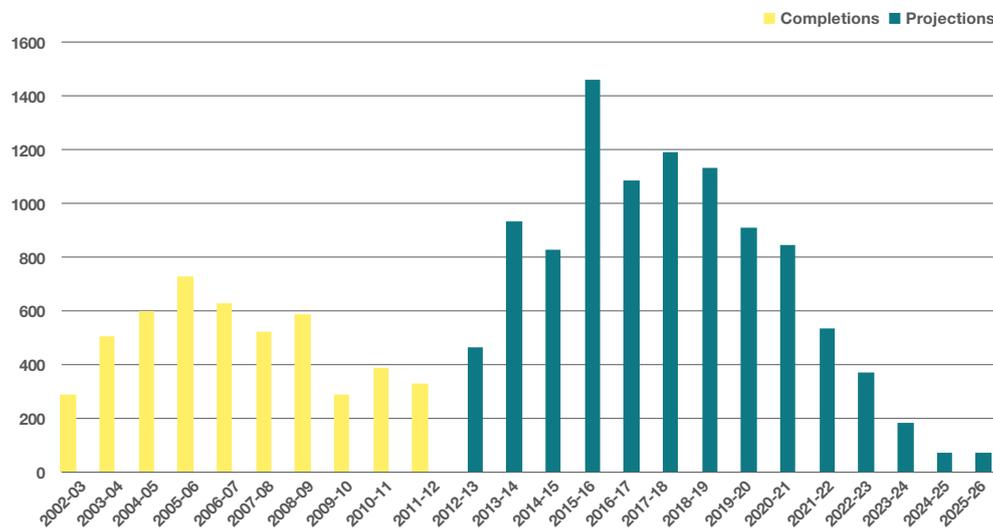
Cambridge is an attractive market both for owner occupiers and investors. The decline in development seen after the downturn is now beginning to reverse as both city centre and fringe schemes come forward. Cambridge City

‘Restricted development has aided price increases, especially in the most undersupplied markets’

Natalie Ingham, Savills Research

GRAPH 3

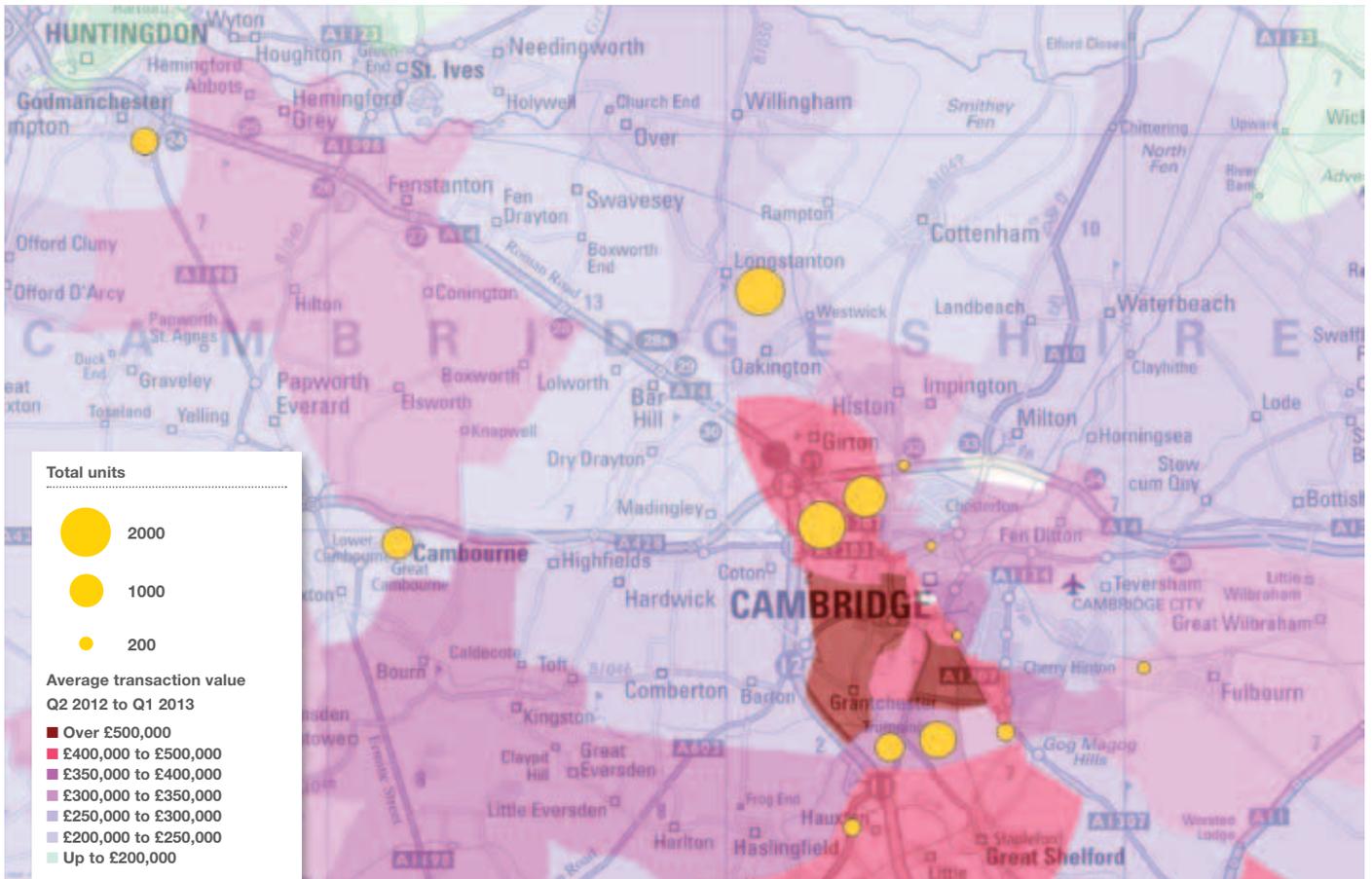
Cambridge housing completions and forecasts



Source: Savills Research, Cambridge Council AMR 2012 and Housing Trajectory 2013

MAP 1

Cambridge development pipeline



Source: Land Registry

Council project that average annual housing completions will triple by 2015 compared to the 2009-12 average.

City centre

Cambridge city centre offers a vibrant and attractive urban environment, making it a desirable place to live. Some 50% of buyers are investors, predominantly purchasing one and two bedroom apartments. 50% of these investors are international; some purchase homes for children studying at Cambridge University, others are attracted by good rental returns.

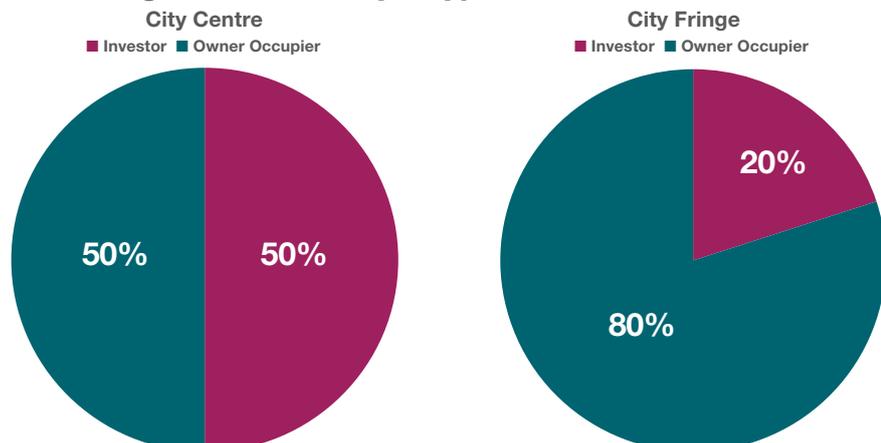
Indeed, properties here offer the potential for capital gains, given current price growth forecasts, as well as income returns underpinned by solid occupier demand from both students and professionals.

Many areas in the centre of Cambridge such as Castle and West Chesterton record over 30% of households living in the private rented sector. In common

with prices, rents in Cambridge are higher than the regional and national averages. According to Rightmove data, the median monthly rent in Cambridge is £740 compared to an average of £538 across England & Wales.

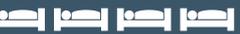
New development in the city centre tends to be restricted to smaller schemes, due to restricted land available for development. Nonetheless, some larger redevelopment schemes have come to the market in recent years.

GRAPH 4 Cambridge new build buyer type



Source: Savills Research

TABLE 1
Average prices of new build homes

Number of bedrooms	Average £sq/ft	Average price
1 	£502	£258,000
2 	£467	£365,000
3 	£482	£433,000
4 	£343	£450,000

Source: Savills Research

→ These include Cambridge Riverside, a 195 unit scheme by Berkeley, and The Marque, a development by local developer Almaren.

City fringe

A number of multiple outlet urban extensions are in the pipeline on the city's fringe. The majority of this development is the result of Greenfield strategic land releases.

The master plan for the Northstowe development, located north west of Cambridge is for 10,000 units, although so far an outline planning application has only been submitted for phase 1 (1,500 units). Clay Farm and Trumpington Meadows to the south of Cambridge are both already under construction consisting of 2,300 and 1,200 units respectively.

Approximately 80% of those who have bought properties at developments on

the southern fringe of Cambridge are owner occupiers. Very few international buyers have been seen. Demand here is for large family housing.

For example, Skanska's Seven Acres has been particularly successful. Seven Acres has recorded a price premium compared to Novo, a neighbour site for larger units, in terms of both unit price (36%) and £psft (13%). This premium has been driven by a range of factors including contemporary design suited to the target market, high specification, generous unit sizes and eco benefits.

In the most desirable suburban areas, such as Newnham, Queen Edith's and Trumpington, properties are achieving an average £480 psft. For the best properties, values of up to £700 psft have been achieved, above the average in Islington and Hammersmith & Fulham according to data from Hometrack.

OUTLOOK

The market in 2013

■ House price growth in the East of England is expected to exceed the UK average over the next five years with values rising by as much as 22.2%. As the economy improves, we expect affluent high value markets in Cambridge and Cambridgeshire to continue to outperform the regional average.

■ Strong demand from investors and owner occupiers, combined with undersupply in the current market should support the high levels of development predicted to come forward over the next five years.

■ Developers should be mindful of the desire from affluent buyers for large, high quality homes. 3 and 4 bedroom properties have been particularly popular on the southern fringe and bespoke high end products can command a premium over the local market.

Sales of over £500,000 accounted for as much as 14.3% of all transactions in the market in the past year and the number of sales between Q2 2012 and Q1 2013 above £500,000 was marginally higher than in 2007.

Cambridge remains an attractive place to live with a buoyant local economy, within ready commuting distance of London. As a result, it continues to attract both owner occupiers and investors ■

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