



SHERBORNE OUTLOOK

Regional Property Market Focus 2011

Knight Frank

Insight into your
local market

Focus on the national
country house market

Impact of the prime
London market

Market forecast

LOCAL UPDATE

The property market in Sherborne was noticeably slow in 2010, due mainly to poor economic forecasts, negative media coverage and restricted lending. Buyers who need to move are still actively searching, but they are inclined to bid their opening figure well below the guide price in anticipation of price falls in 2011.

Our advice to homeowners thinking of selling is to contact us early in the year to make the most of buyers already registered with us, including those likely to receive a bonus. The strongest period in the residential market

traditionally falls between March and mid-July. But it helps to move fast and have as long a selling period as possible. Those who act earlier in the year rather than later will also reap the benefits of lower stamp duty and good mortgage

deals while they remain competitive, as this could change with future interest rate hikes.

Although country house prices are unlikely to rise significantly this year, the availability of good stock will have a bearing on this. Good houses tend to attract competition, thereby holding value much better. Needless to say, correct pricing will remain key.

This publication is intended to give you a flavour of the market and demonstrate our expertise, both locally

and nationally. Whether you are looking to act now or later in the year, our friendly and experienced team is here to help.

We hope you enjoy this Outlook and look forward to hearing from you.

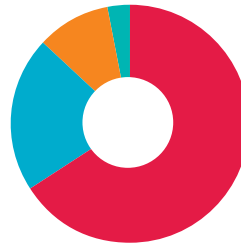


Michael de Pelet, FRICS
Office Head

SHERBORNE BY NUMBERS

Knight Frank's Sherborne office has emerged from the credit crunch as the area's leading prime property agent and expects to consolidate this position further during 2011.

- The average London buyer spends £2.2m.
- 67% of our sales in the last 12 months were priced under £1.5m.
- On average we have achieved 95.5% of the guide price on sales in the past 12 months.
- Knight Frank Sherborne's online property listings are viewed 620 times a day through our award-winning website.
- In the last three months alone, potential buyers from 115 different countries have viewed properties for sale online through Knight Frank Sherborne.



Where do our buyers come from?

South West	66%
London	21%
Rest of UK	10%
International	3%



Sales by price band

Under £750k	25%
£750k - £1.5m	42%
£1.5m - £2.5m	21%
£2.5m - £3.5m	12%

OUR TEAM IN ACTION

Cerne River Cottage is a pretty, detached, thatched property in the popular village of Cerne Abbas. We originally inspected it in 2007 but were unsuccessful and the property was marketed by another agent at £850,000 – a higher asking price than we recommended. They failed to sell and the property was given to another local agent who reduced the price. They too failed to sell it and the house was withdrawn. We were invited back in April 2010 and the property was re-launched with Knight Frank in May with a guide price of

£765,000. We immediately arranged a number of viewings and received an offer in line with the guide price from the first viewers. This was followed by a higher offer and a competitive bidding situation arose. We went to 'best offers' after ten days on the market. This resulted in an excellent response and the price achieved was considerably higher than the guide price. Considering the unstable nature of the market at the time, this was a fantastic result and the clients were delighted with our achievement.



CERNE RIVER COTTAGE



NATIONAL COUNTRY HOUSE MARKET

Activity boosted by the closing gap between overly ambitious sellers and cautious buyers.

The national country house market experienced quite an upheaval last year. Although price growth in the 12 months to June 2010 helped the market claw back some of the falls seen during the credit crunch, ongoing problems with mortgage availability and affordability caused this growth spurt to reverse. Prices by the end of the year did however, remain 3.3% higher than the year before.

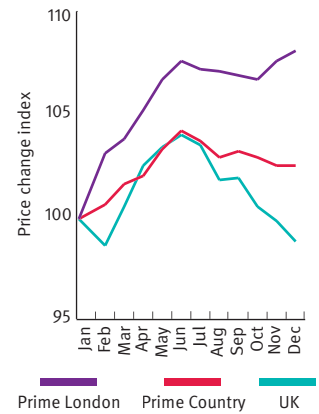
A positive outcome of this was the impact it had on the gap between overly ambitious sellers and cautious buyers. The necessary asking price reductions that began to take place in August and September narrowed this gap, leading to improved activity in the final quarter of the year.

We expect 2011 to mirror 2010 – the best properties are likely to sell well due to thin supply

and strong demand. Indeed, we moved into 2011 with 12% more purchasers registered to buy country house properties across the UK compared to the same position in 2010. The market for properties priced below £1m will however remain challenging for vendors due to the absence of a noticeable recovery in mortgage supply.

The most critical issue for vendors this year will be price. Only the most perfect properties can justify ambitious expectations in the current market. For most properties, this approach will lead to delays in attracting interest and lost marketing time in the critical spring months.

How the prime London, prime country house and mainstream UK markets compared in 2010



Sources: Knight Frank Central London Sales Index, Knight Frank Prime Country House Index, Nationwide House Price Index

LONDON'S SUCCESS FEEDS DEMAND FOR COUNTRY PROPERTY

There is no doubt that the strongest performing property market in the UK during 2010 was the prime London market – with prices rising by nearly 11% over the year.

While prices in London are unlikely to see any significant growth, we expect 2011 to

see a rerun of last year's strong performance in terms of sales volumes and buyer demand.

For large parts of the country house market across England, and even into Scotland and Wales, this positive outlook for London matters. Over 22% of buyers of country houses priced

£1m+ across the UK are from London. The figure hits 31% for property costing £2m+.

Our experience in the London market confirms that much of its strong performance stems from the perception that the market is a 'safe haven', particularly for international buyers.

This is demonstrated by the volume of new applicants from Europe looking to buy in central London, which rose 23% year-on-year in the final quarter of 2010. London property provided a strong defensive

option as the difficulties in the Eurozone worsened, and while the pound was trading at a discount to the euro.

London also experiences ongoing demand from Asia-Pacific buyers who have benefited from 30% to 50% price growth in Hong Kong, Singapore and other key Asian centres over the past year. They are keen to take advantage of the weak pound, removing their money from what have arguably become very hot markets in Asia.

FINANCING WITH KNIGHT FRANK

As a highly respected team in the property financing industry, with 150 years of combined experience, Knight Frank Finance specialises in mortgages for main or second homes, investment property, buy-to-let mortgages and commercial property finance.

For loans below £1m, we have access to all of the most competitive mortgage interest

rates available on the high street. If you are considering borrowing above £1m, our close working relationships with the world's private banks, commercial lending sources and finance houses, enables us to achieve the very best terms for our clients, including those unable to find financing solutions elsewhere.

To find out more, please call us on: +44 (0)1935 812236.

MARKET FORECAST

We are unlikely to see strong capital growth in any residential sector in 2011. The opportunity for speculative gains was presented in early 2009 and by mid 2010 this had all but disappeared, at least for the short-term.

The vast majority of buyers in the market have recognised this fact and are looking at property as offering a stable home for their wealth in the long run. Demand from investors and holiday home buyers has remained strong, but again is driven by a view of long-term potential growth.

While we expect country house prices to rise only marginally in 2011, the fundamentals underpinning the market are as strong as ever. This year will be the third consecutive year when new-build development volumes will struggle to reach even 50% of the 2007 peak level.

For those with access to equity this year, there will be considerable opportunities in the market. For the investor or holiday home purchaser these opportunities will be centred on strong yielding properties. For others it will be in securing properties with scope for refurbishments or improvements.

A SELECTION OF PROPERTIES SOLD IN 2010



Grade II delight
Stalbridge, Dorset
Sold



Fine farmhouse
Wyke Champflower, Somerset
Sold



Elegant townhouse
Sherborne, Dorset
Sold



Sought after village house
Child Okeford, Dorset
Sold



Sold within 10 days
Charlton Horethorne, Dorset
Sold



Historic Manor House
Fivehead, Somerset
Sold

YOUR LOCAL TEAM



Michael de Pelet, FRICS
Office Head

34 years experience with Knight Frank both in London and Dorset selling the best country houses.

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Simon Barker, MRICS
Partner

16 years selling Dorset property with Knight Frank and concentrating on sales up to £1m.

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Philip German-Ribon,
BSc (Hons), Negotiator

Recently joined having had 5 years local experience and assisting in all aspects of sales.

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Ed Cunningham,
Partner

Based at our London headquarters, he heads the South West desk covering the Sherborne office area.

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