

SUMMER 2010 SHERBORNE SALES INSIGHT

Knight Frank



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"VERY EARLY EVIDENCE SUGGESTS THAT THE SECOND-HOME MARKET, WHICH WAS VERY STRONG UP UNTIL THE CGT RISE WAS FIRST MOOTED IN MAY, WILL KICK BACK INTO LIFE VERY RAPIDLY"

Michael de Pelet, Head of Knight Frank's Sherborne office, brings you Knight Frank's response to the recent emergency budget and what it means to you.

CGT was always going to be the main story from this budget. In reality the rise to 28% for higher-rate tax payers is a non-issue for the housing market.

The rise came into play overnight, meaning that there will be no sudden sell-off of second homes or investment properties. The new rate effectively takes us back to a level last seen under the pre-2008 rules, when taper relief enabled a 40% headline rate to be reduced to 24%.

With higher-rate CGT at 28% the argument for property investment still looks strong, and capital gains still compare very favourably with income tax at 40%.

Very early evidence suggests that the second-home market, which was very strong up until the CGT rise was first mooted in May and which then promptly stalled, will kick back into life very rapidly. We experienced a noticeable upsurge in calls to our second-home teams in the hours after the Chancellor sat down.

It was noticeable that the Budget contained strong GDP growth forecasts for 2011 and 2012. The inference from this is that the Bank of England will be encouraged to maintain a very loose monetary policy well into 2011, if not longer.

This requirement to offset fiscal tightening through monetary policy, suggests that interest rates at their current levels could well be maintained for longer than was previously thought likely. This will underpin house prices and also contribute to ongoing low supply in the market as potentially distressed owners are protected by low mortgage payments.

With the imposition of the new 20% VAT rate being delayed until January 2011, the risk that this change might add to inflationary pressures is reduced considerably.

The housing market was thought to be at significant risk from measures in this budget. In reality the changes announced seemed to be carefully considered, and the certainty created by the announcement will serve to underpin the market.

Sherborne at a glance

Table 1
Market activity
Last 3 months, year-on-year change

| | | |
|-----------------------------------|--|------|
| Sales | | 200% |
| Total property for sale | | 12% |
| Property valued for upcoming sale | | 50% |

Figure 1
What do our buyers want to spend?
New applicants, last 12 months

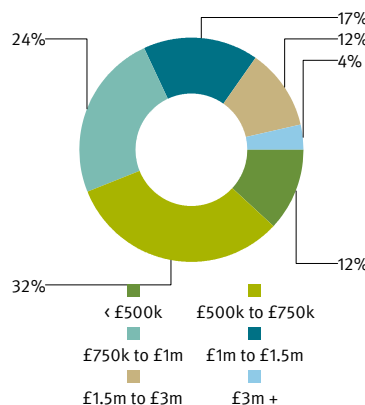
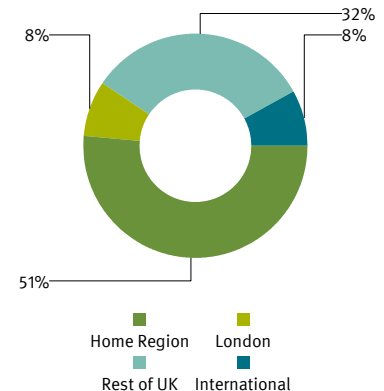


Figure 2
And where do they come from?
Buyer locations, last 12 months



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Charting the market

Figure 3
Price change by price band
Prime country property, last 3 months (%)



Figure 4
Days to sale from instruction
Prime country property, last 12 months

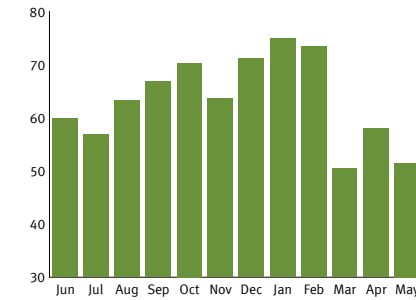
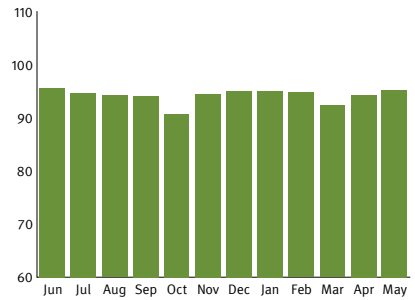


Figure 5
Average % of guide price achieved
Prime country property, last 12 months (%)



Your properties, our people

Wonderful rural position

SOLD
5 bedrooms
Guide price: £1,200,000

Near Dorchester



Views of Glastonsbury Tor

SOLD
5 bedrooms
Guide price: £1,250,000

West Pennard



Former rectory

SOLD
6 bedrooms
Guide price: £1,850,000

Child Okeford



A piece of history

SOLD
6 bedrooms
Guide price: £1,250,000

Stourton-with-Gaspar



Compton Durville

SOLD
8 bedrooms
Guide price: £1,250,000

English charm



Norton-sub-Hamdon

SOLD
5 bedrooms
Guide price: £795,000

Hamstone house



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