

SALES VOLUMES PICK UP AHEAD OF STAMP DUTY CHANGE

Prime country house prices have been rising for 13 consecutive quarters.

Key headlines from Q1 2016

Prime country house prices **rose by 0.3% in Q1 2016**

Annual growth has eased to 2.4%, **down from a high of 5.2% in 2014**

Sub-£1 million homes have outperformed, **rising by over 4% annually**

Sales volumes in the first three months of 2016 **were up by nearly a quarter year-on-year**

Knight Frank forecasts price growth of 3.0% across the prime country market in 2016

Prime country house prices rose by 0.3% on average in the first quarter of 2016, taking annual growth to 2.4% – down from a high of 5.2% in 2014.

The easing of price growth since 2014 reflects a greater sensitivity to pricing from buyers in the prime market following successive increases in stamp duty that culminated in the changes introduced in December 2014.

This was followed by an announcement in November 2015 that buy-to-let investors and those purchasing second homes would be subject to an extra three percentage points on the rate of stamp duty from April 2016.

While the impact of the initial reform in December has been to subdue prices as well as activity, in the prime market, the November announcement has acted as a catalyst for some buyers looking to forestall a higher tax bill.

This contributed to a notable rise in activity in the first three months of 2016, with Knight Frank figures showing a 24% rise in sales volumes across the

prime country market compared to the corresponding period of 2015.

During this time, activity has primarily been concentrated on the sub-£1 million market (figure 2), boosted further by a growing economy and continued low interest and mortgage rates.

Accordingly, sub-£1 million homes experienced the strongest price growth, rising by over 4% over the last 12 months, more in line with the wider housing market. In contrast, homes worth £5 million or more saw values fall by 2.7% over the same period, with the higher transactional costs increasingly factored into pricing.

Knight Frank forecasts price growth of 3.0% on average in 2016. Key town and city locations are likely to outperform, as the trend for urban living continues to grow and more Londoners make the move out of the capital.

In the short term, uncertainty surrounding the outcome of the EU referendum could have an impact on the market, causing some buyers to adopt a wait-and-see approach until after the vote.



OLIVER KNIGHT
Senior Analyst

“The stamp duty announcement in November 2015 has acted as a catalyst for some buyers looking to forestall a higher tax bill”.

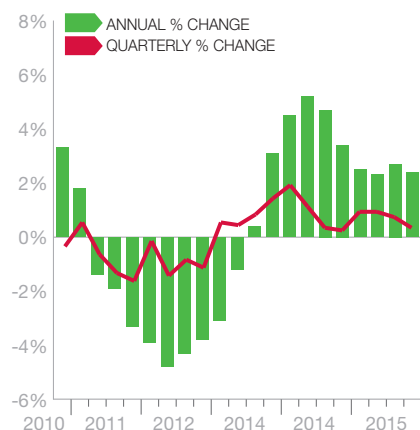
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FIGURE 1

Price change

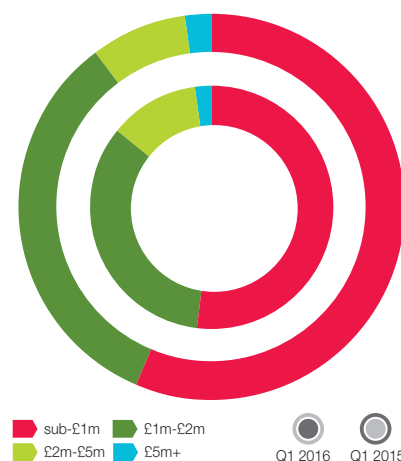
Annual and quarterly change in prime country property values



Source: Knight Frank Research

FIGURE 2

Prime country sales split by price band Q1 2016 v Q1 2015



Source: Knight Frank Research



Knight Frank Prime Country House Index

		Cottage	Farmhouse	Manor House	Unweighted average
AVERAGE QUARTERLY CHANGE	2014 Q2	1.6%	1.0%	0.8%	1.1%
	2014 Q3	0.8%	-0.1%	0.3%	0.3%
	2014 Q4	1.0%	0.0%	-0.3%	0.2%
	2015 Q1	1.0%	0.2%	1.5%	0.9%
	2015 Q2	1.5%	0.8%	0.7%	0.9%
	2015 Q3	1.4%	0.5%	0.3%	0.7%
	2015 Q4	1.1%	0.4%	0.4%	0.6%
	2016 Q1	1.9%	0.0%	-0.4%	0.3%
AVERAGE ANNUAL CHANGE	2014 Q2	8.2%	6.2%	2.5%	5.2%
	2014 Q3	7.6%	5.2%	2.5%	4.7%
	2014 Q4	6.8%	3.4%	1.4%	3.4%
	2015 Q1	4.4%	1.2%	2.3%	2.5%
	2015 Q2	4.4%	0.9%	2.2%	2.3%
	2015 Q3	4.9%	1.5%	2.2%	2.7%
	2015 Q4	5.0%	1.9%	2.9%	3.1%
	2016 Q1	6.0%	1.7%	1.0%	2.4%

Source: Knight Frank Research

RESIDENTIAL RESEARCH

Oliver Knight

Senior Analyst

+44 20 7861 5134

oliver.knight@knightfrank.com

Gráinne Gilmore

Head of UK Residential Research

+44 20 7861 5102

grainne.gilmore@knightfrank.com

PRESS OFFICE

Jamie Obertelli

+44 20 7861 1104

jamie.obertelli@knightfrank.com

DATA DIGEST

The Knight Frank Country House Index is a valuation based index, compiled quarterly from valuations prepared by professional staff in every Knight Frank Country House office in the UK. The index is based on the valuation of a comprehensive basket of properties throughout all UK regions based on actual sales evidence. Knight Frank tracks the performance of three country house property categories; cottages, farmhouses and manor houses. A typical manor house comprises a large property standing in extensive grounds. A typical farmhouse has six bedrooms, several acres of land including garden, paddock and barns. A typical cottage has about one acre of land, is detached, and has four bedrooms.



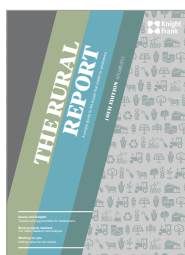
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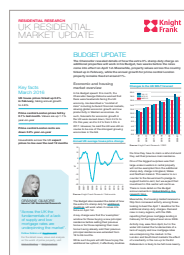
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