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Country house market still waiting for the London effect, as prices dip

Knight Frank Prime Country House Index, Q2 2011 Results

- Prices for prime country houses fell by 0.7% in Q2 2011
- This latest decline pushed the annual growth rate into negative territory (-1.4%) for the first time since Q4 2009
- The strongest market remains the £1m-£3m sector in south-east and south-west England, which has seen price growth of 10% since the post-Lehman low in mid 2009
- There are early indications that demand from London may begin to place upward pressure on country prices. With 20% year-on-year growth in buyer registrations in June, London prices are continuing to soar, with 34% growth in prices for the capital's best addresses over the last year
- Knight Frank confirms its full year prime country house price forecast for 2011. It expects 2% growth in prices for properties worth less than £1m and more than £5m. Prices for houses valued at between £1m and £5m are expected to remain flat

Liam Bailey, Knight Frank's Head of Residential Research, comments: "The latest results from our Prime Country House Index confirm that the market outside of London is still struggling to build momentum. Prices have now slipped by 1.4% over the past year, having previously bounced back in late 2009 and early 2010.

"The London effect, 34% price growth in a little over two years, has so far not had a huge impact on the country house market. Only the £1m-£3m price bracket in southern England has seen double digit growth (10%) from the market nadir in June 2009, with the wider country house market only rising by 6.4% over this period.

"Despite this performance, there are indications that the market is seeing some improved performance. More realistic pricing by vendors has seen the asking-to-achieved price ratio rise from 92% in January to 97% in June. Again, this more realistic stance from vendors has reduced the average time taken to sell a prime country house property by 23% over the past year.



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“Supply has risen, with stock volumes 33% higher in June compared with the same time a year earlier, and new instructions from vendors have risen by around 27% over the same period. Reassuringly, at the same time, demand has risen with a 20% year-on-year rise in new buyer registrations in June.

“Our view is that prices are likely to stabilise at current levels and that there is scope for some limited price growth across the sector in the second half of 2011. This means that prices would be 1% higher overall in 2011, with a 2% rise in values sub-£1m and above £5m, but with values unchanged in the £1m-£5m sector.”

Rupert Sweeting, Knight Frank’s Head of Country House Sales, comments: “Our experience is that the ripple effect from London is just beginning to reach the Home Counties where, after a slow start to the year, sales activity is rising. A notable change is the beginning of international interest in the £3m to £5m sector, especially from Eastern European buyers. We are also seeing buyers from China starting to look at investing in this region.

“Another area of strong activity is the waterfront market in the West Country, where there have been a number of sales to buyers looking to invest in holiday homes. This suggests that the ‘discretionary buyer’, who views a holiday home as not only an asset/investment, but as somewhere to enjoy, is back.

“Generally, the market is still particularly price sensitive: if the price is right, a house will sell within six weeks of coming to the market.”

Figure 1: Prime Country House price performance

	Cottage	Farmhouse	Manor House	Unweighted average
Average Quarterly Change				
2009 Q2	-0.4%	-0.3%	-1.9%	-0.9%
2009 Q3	0.7%	1.4%	0.3%	0.8%
2009 Q4	2.5%	2.6%	1.8%	2.3%
2010 Q1	1.9%	2.5%	1.7%	2.0%
2010 Q2	2.4%	1.9%	3.2%	2.5%
2010 Q3	-0.8%	-0.6%	-1.3%	-0.9%
2010 Q4	-0.5%	0.0%	-0.5%	-0.4%
2011 Q1	0.8%	0.9%	0.0%	0.5%
2011 Q2	-0.6%	-0.6%	-0.9%	-0.7%
Average Annual Change				
2009 Q1	-21.1%	-19.2%	-19.8%	-20.0%
2009 Q2	-16.7%	-16.1%	-19.8%	-17.5%
2009 Q3	-12.0%	-10.9%	-17.2%	-13.4%
2009 Q4	-1.7%	-0.3%	-5.7%	-2.6%



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2010 Q1	4.8%	6.4%	1.9%	4.3%
2010 Q2	7.7%	8.6%	7.2%	7.9%
2010 Q3	6.2%	6.5%	5.5%	6.1%
2010 Q4	3.1%	3.7%	3.0%	3.3%
2011 Q1	1.9%	2.0%	1.3%	1.8%
2011 Q2	-1.1%	-0.4%	-2.7%	-1.4%
Average Unit Values				
2009 Q1	440,000	1,082,100	2,559,000	1,330,400
2009 Q2	438,100	1,079,300	2,510,100	1,318,900
2009 Q3	441,100	1,094,300	2,517,600	1,329,400
2009 Q4	452,200	1,122,900	2,564,100	1,360,300
2010 Q1	461,000	1,151,200	2,607,200	1,388,100
2010 Q2	472,100	1,172,500	2,691,500	1,422,800
2010 Q3	468,400	1,165,100	2,656,300	1,409,900
2010 Q4	466,100	1,164,700	2,642,100	1,404,900
2011 Q1	469,800	1,174,700	2,641,400	1,412,500
2011 Q2	467,000	1,168,000	2,617,900	1,402,800

Source: Knight Frank Residential Research

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Notes to Editors

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