



## Two-speed country market as London prices filter out

**Prime country property prices decline again but houses close to London attract heightened interest as London homeowners look to capitalise on record high prices. Gráinne Gilmore examines the data**

### Results for Q2 2012

**Prime country houses fall 1.5% in Q2** after a 0.2% decline in Q1

**Annual decline in prices widens to 4.8%** from 3.9% in Q1

**Price of property worth £5 million or more continues to rise**, up 0.8% on the quarter and 3.5% on the year

**Exchanges rise 15% in Q2**

The value of prime country property fell for the fifth consecutive quarter between April and June, taking the annual decline to 4.8%. Prices are just slightly higher than 2009 levels, in contrast to prices in prime central London, which have risen by 48% since the trough of the market in early 2009.

But this disparity in pricing has led to more interest from London buyers looking for more 'bang for their buck'.

For example, a family with a home valued at £2.4 million in prime central London in early 2009, but who have held off moving to the country until now, will have an extra £1.12 million to spend on a bigger country home or more land, as their London home is now worth around £3.52 million.

Alternatively, a couple who bought a home worth £1.5 million in prime central London in May 2010 can now look for a comparable property in the country worth £1.79 million thanks to the uplift in the value of their London home in the interim.

The increase in interest from London buyers is reflected in country 'hotspots', many of which are close or within commuting

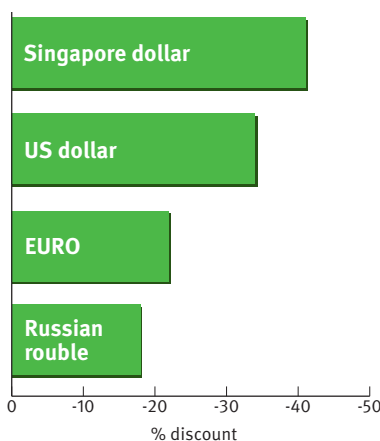
distance of the Capital. Prices of prime property in Oxford rose by 2.5% in the second quarter, while prices in Henley are up by 0.5% and prices in Guildford climbed by 0.2%.

In contrast, prices in Harrogate fell by 1.3% on the quarter, and values in Sherborne declined by 3.7%.

Bucking the trend however are the very top-end properties. Homes worth £5 million and more continued to rise in value over the quarter, climbing by 0.8% and taking the annual increase to 3.5%. The very best properties are attracting increasing attention from overseas buyers, with Russian buyers noticeably active in the market.

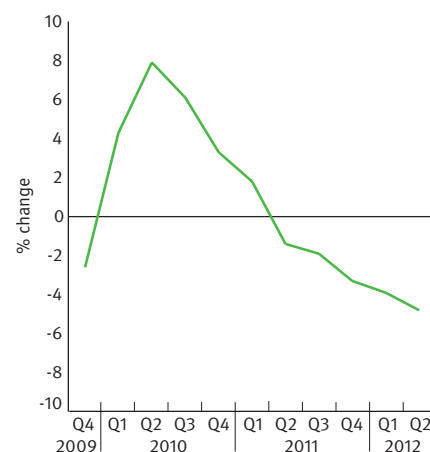
Currency movements are helping to make prime country property even more attractive for overseas buyers. Singapore buyers who purchase a home now can benefit from a 40% discount compared to prices back in March 2008, thanks to house price and currency movements. Those buying in US dollars will get a 34% discount, while European buyers will get a discount of more than 20%.

Figure 1  
**Country discounts**  
Effective discount now compared to March 2008 due to currency and price movements



Source: Knight Frank Residential Research

Figure 2  
**Annual price change**  
UK prime country house average residential price change



Source: Knight Frank Residential Research

"The disparity in pricing has led to more interest from London buyers looking for more 'bang for their buck'."



Gráinne Gilmore, Head of UK Residential Research



## 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.

## Key market metrics

Prime country house market activity, 3 months to June 2012 compared to same period last year

<b>Demand</b>	New Applicants	25.0% ▲
	Viewings	-9.0% ▼
<b>Supply</b>	New instructions to sell	24.0% ▲
	Stock volume	-7.0% ▼
<b>Activity</b>	Sales (subject to contract)	-26.0% ▼
	Exchanges	15.0% ▲
<b>Demand and supply balance</b>	Ratio of new applicants/new instructions 2012	7.3%
	Ratio of new applicants/new instructions 2011	7.2%

## Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average		
<b>Average quarterly change</b>	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%	
	2011 Q3	-0.4%	-1.4%	-1.8%	-1.2%	
	2011 Q4	-1.1%	-2.3%	-1.7%	-1.7%	
	2012 Q1	-0.2%	-0.1%	-1.4%	-0.5%	
	2012 Q2	-1.8%	-2.3%	-0.6%	-1.5%	
	<b>Average annual change</b>	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%	
2011 Q3		-0.7%	-1.2%	-3.2%	-1.7%	
2011 Q4		-1.4%	-3.4%	-4.4%	-3.1%	
2012 Q1		-2.3%	-4.3%	-5.7%	-4.1%	
2012 Q2		-3.7%	-6.1%	-4.4%	-4.8%	
<b>The Index</b>		2010 Q3	221.3	260.8	246.5	242.8
		2010 Q4	220.3	260.7	245.1	242.0
	2011 Q1	222.0	262.9	245.1	243.3	
	2011 Q2	220.7	261.4	242.9	241.6	
	2011 Q3	219.7	257.7	238.5	238.6	
	2011 Q4	217.3	251.9	234.3	234.6	
	2012 Q1	216.8	251.7	231.1	233.3	
	2012 Q2	212.5	245.5	232.2	230.1	

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[Knight Frank/Markit's HPSI June 2012](#)



[The London Residential Review Autumn 2011](#)



[Prime Global Rental Index Q1 2012](#)

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