

PRIME COUNTRY HOUSE PRICE GROWTH SLOWS

Despite the certainty provided by a majority government, activity and prices in the prime country house market remained subdued during the second quarter. Oliver Knight examines the latest figures.

Key headlines from Q2 2015

Average values rose by 0.9% between April and June

Annual price growth slowed to 2.3%

Higher stamp duty rates for prime properties has moderated activity

Prime urban property values are on average 2% above their 2007 peak

Average values rose by 0.9% between April and June, an indication that any expectations of a post-election price jump in the prime market were unfounded.

Annual price growth slowed to 2.3%, its lowest level in two years (figure 1).

One of the key reasons price growth remains subdued, despite the election of a majority government and the removal of the threat of a 'mansion tax', is the fact that the prime market is still absorbing the recent changes to stamp duty.

The change, which came into effect in December, has resulted in higher purchase costs for properties worth more than £1.1 million. There is anecdotal evidence to suggest that some buyers are factoring the increased cost into offers, resulting in some price adjustments.

Additionally, while there was a release of pent-up demand in the weeks

immediately following the vote as buyers who had adopted a wait and see approach prior to the election returned to the market, rising stock levels – which peaked to their highest level all year in May – helped to mitigate any significant jump in property values.

The greater political certainty afforded by the election result means there is a more positive outlook for the residential property market as a whole. Interest rates remain at record low levels, economic growth is steady and mortgage rates are competitive.

During the quarter, prime city markets continued to outperform more rural locations, with notable price growth in Bath, Bristol and Winchester among others.

Prime urban property markets are now, on average, 2% above their 2007 peak, while neighbouring village and rural locations remain 13.2% below peak levels (figure 2).



OLIVER KNIGHT
Residential Research

“The prime country house market is still absorbing recent changes to stamp duty.”

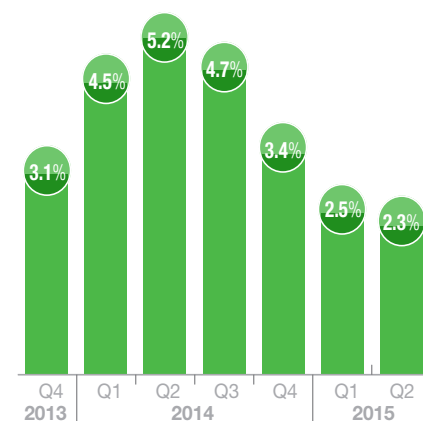
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FIGURE 1

Price growth slows

Annual change in prime country property values

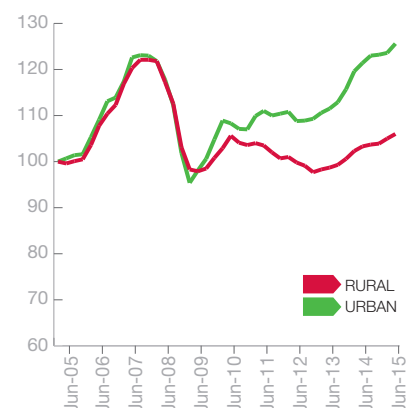


Source: Knight Frank Residential Research

FIGURE 2

Town and city markets outperform

Price growth in urban and rural locations (100 = March 2005)



Source: Knight Frank Residential Research

Knight Frank Prime Country House Index

		Cottage	Farmhouse	Manor House	Unweighted average
AVERAGE QUARTERLY CHANGE	2013 Q3	1.4%	0.9%	0.3%	0.8%
	2013 Q4	1.7%	1.8%	0.9%	1.4%
	2014 Q1	3.3%	2.4%	0.5%	1.9%
	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%
AVERAGE ANNUAL CHANGE	2013 Q3	3.3%	1.5%	-2.5%	0.4%
	2013 Q4	5.3%	3.7%	1.0%	3.1%
	2014 Q1	7.7%	5.5%	1.4%	4.5%
	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%
THE INDEX	2013 Q3	222.3	248.0	218.1	228.2
	2013 Q4	221.8	250.9	226.3	232.2
	2014 Q1	229.0	256.8	227.5	236.5
	2014 Q2	232.7	259.4	229.2	239.0
	2014 Q3	232.1	259.2	230.0	238.9
	2014 Q4	234.3	259.3	229.4	239.3
	2015 Q1	236.6	259.8	232.7	241.4
	2015 Q2	240.2	261.8	234.3	243.7

Source: Knight Frank 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.



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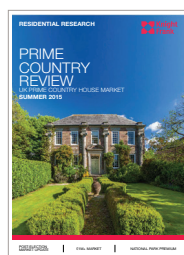
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