

PRICE MODERATION CONTINUES IN PRIME COUNTRY MARKET

Prices slipped in Q2, the first quarterly decline since late 2012

Key headlines from Q2 2016

Prime country house prices **fell by 0.2% in Q2 2016**

On an annual basis price growth was 1.3%, **down from a recent high of 5.2% in 2014**

Uncertainty surrounding the outcome of the **EU referendum and higher stamp duty charges** contributed to the slowdown

Prices for larger country properties above £2m fell by -1.1% between April and June

Prime country house prices dipped by 0.2% between April and June as uncertainty surrounding the outcome of the EU Referendum filtered through to the market.

On an annual basis, price growth over the year to the end of June 2016 eased to 1.3%, down from a recent high of 5.2% in 2014 (figure 1).

There was a softening in demand in the immediate run up to the vote, with potential purchasers awaiting the outcome of the Referendum. The number of viewings conducted in June was 10% lower than the same month last year, and there was also a dip in new buyer enquiries. However, the EU referendum has not been the only factor at play in the market.

Higher purchase costs as a result of two stamp duty increases in the space of 18 months have also had an impact, weighing on price growth in some sectors of the market, most notably for homes valued in excess of £2m.

Average prices for prime country properties above £2m fell by 1.1%

between April and June, taking the annual rate of growth to 0.7%. In contrast, properties priced at under £2m recorded an average rate of growth of 0.4% over the quarter, taking the average rate of growth to 3.3%.

The strongest markets continue to be in prime urban locations, where price growth has outperformed that in more rural locations.

All eyes will now turn to the impact of the UK's vote to leave the EU on the market. There is likely to be a further period of uncertainty as the terms of the UK's exit are worked out and this has the potential to affect some parts of the market as discretionary buyers weigh up the implications.

However, the primary drivers of this market remain unchanged, with schools and key transport links remaining a draw for town and city markets. Prime prices are still 14% below their previous market peaks on average and, as such, there may be scope for outperformance in the short-to-medium term.



OLIVER KNIGHT
Associate

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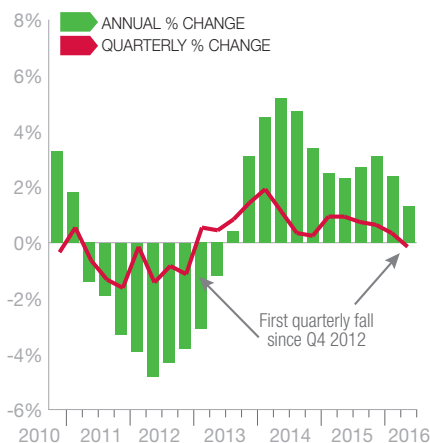
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FIGURE 1

Price change

Annual and quarterly change in prime country property values

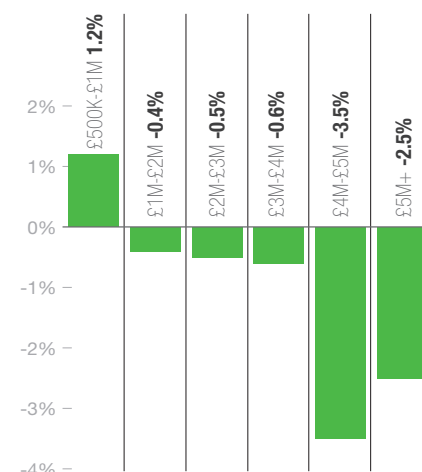


Source: Knight Frank Research

FIGURE 2

Multi-speed market

Quarterly price change by price bracket



Source: Knight Frank Research



Knight Frank Prime Country House Index

		Cottage	Farmhouse	Manor House	Unweighted average
AVERAGE QUARTERLY CHANGE	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%
	2016 Q2	1.1%	0.2%	-1.0%	-0.2%
AVERAGE ANNUAL CHANGE	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%
	2016 Q2	5.5%	1.1%	-0.7%	1.3%

Source: Knight Frank Research

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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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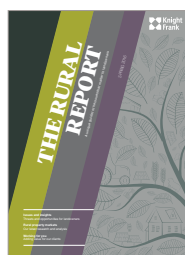
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