



Country house prices fall 3% in 2011 but regions diverge

Average prices in the country house market slipped by 1.7% in the final quarter of the year. Gráinne Gilmore examines the data:

Results for Q4 2011

Prime country house prices fell 1.7% in Q4 2011 after a 1.2% fall in Q3

The annual decline in prices has widened to 3.1% from 1.7% in Q3

Prices of properties worth more than £5 million are still rising, up 0.2% on the quarter and 1.2% on the year

Overall prices are 3% higher than post credit-crunch low in June 2009

The Home Counties market has been the most resilient, down 1% on the year, compared to a 10% decline in the North West

Sales volumes are flat on the year but applicant volumes are up 11%

Despite recent headline price falls, there are marked differences across the regions, with the Home Counties benefitting from money flowing from London and from overseas. Prices in the Home Counties have been the most resilient over the last year, slipping by just 1%. They are 10% higher than the market trough in 2009.

Overseas buyers, who are very active in the prime central London market, are also interested in larger properties just outside the Capital, especially those near the best schools, supporting prices in the area. Domestic buyers moving out of prime central London, where prices have reached record highs, are also key players in this market.

The £5 million-plus market for prime country properties also continues to strengthen. Average values for these properties are still rising, up 1.2% on the year and approaching levels last seen when the market peaked in 2008. Demand has remained strong, with viewings rising by 13% in the three months to the end of November compared to the same period last year, and the number of new buyers registering their interest remaining steady.

Move much beyond the M25 however, and the market is more heavily dependent on domestic buyers. The deterioration in economic confidence has taken a toll on buyers across all property sectors over the last year, and the prime market has been no exception.

Price falls in the North of England have been the most pronounced, with a 10% annual decline in prices. As the Eurozone crisis drags on, there is little sign that economic worries will be calmed in the months to come.

Despite this nervousness, overall demand in the market was steady in the final months of the year, with an 11% rise in new buyer applications and a 4% rise in viewings. Supply levels have also risen compared to last year, with a 12% rise in new instructions and higher stock volumes.

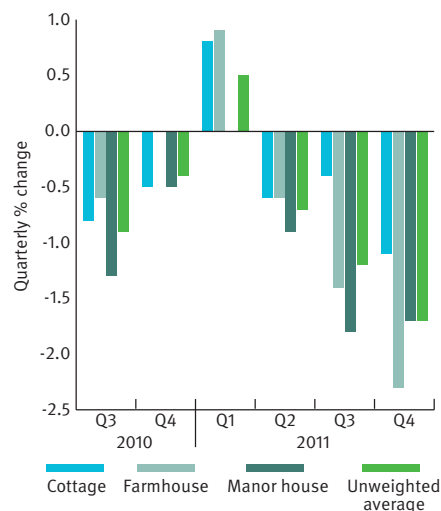
But the real sticking point has been in converting offers into sales. The rate of withdrawal for buyers who have agreed to purchase but who withdraw prior to exchange of contracts has risen sharply this year.

Agents report that securing mortgage finance and increasing nervousness about the economic outlook have been the main reasons that buyers have withdrawn from deals at the final stages.

Despite these difficulties, it is worth noting that activity in the prime market has been much more resilient than in the mainstream UK market.

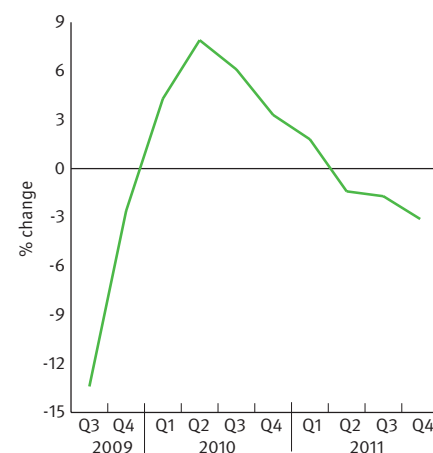
While prime country sales are 16% lower this year than the market peak in 2007 (comparing January to September 2011 to the same period in 2007), sales in the mainstream UK market have halved over the same period.

Figure 1
Quarterly price change
UK prime country house average residential price change



Source: Knight Frank Residential Research

Figure 2
12 month price change
UK prime country house average residential price change



Source: Knight Frank Residential Research



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RESIDENTIAL RESEARCH PRIME COUNTRY HOUSE INDEX

Knight Frank



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 December 2011 compared to same period last year

Demand	New Applicants	11% ▲
	Viewings	4% ▲
Supply	New instructions to sell	12% ▲
	Stock volume	13% ▲
Activity	Sales (subject to contract)	20% ▲
	Exchanges	0% ►
Demand and supply balance	Ratio of new applicants/new instructions 2010	7.4
	Ratio of new applicants/new instructions 2011	7.3

Knight Frank Prime Country House Index

		Cottage	Farmhouse	Manor House	Unweighted average
Average quarterly change	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%
	2011 Q3	-0.4%	-1.4%	-1.8%	-1.2%
	2011 Q4	-1.1%	-2.3%	-1.7%	-1.7%
Average annual change	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%
	2011 Q3	-0.7%	-1.2%	-3.2%	-1.7%
	2011 Q4	-1.4%	-3.4%	-4.4%	-3.1%
The Index	2010 Q1	217.8	257.7	241.9	239.1
	2010 Q2	223.1	262.4	249.7	245.0
	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

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