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“A recent tightening in new supply follows a period during which activity in prime markets has been fairly robust, especially where vendors are willing to take a pragmatic approach to pricing”.

## Key facts

Prime values rose 0.4% between January and March 2018, reversing a 0.2% fall the previous quarter

On an annual basis values prices increased by 0.2%

Some 21% fewer £1m+ properties were listed for sale outside London during the first three months of 2018 compared with in 2017

Prices for homes located in more rural settings rose 0.5% between January and March, and by 0.4% annually

## PRICING FLAT BUT RURAL MARKET OUTPERFORM

**Price growth has been modest as both stamp duty and Brexit uncertainty continue to weigh on prime markets, but there are positive signs.**

Prices in the prime regional and country house markets rose 0.4% between January and March 2018, reversing a 0.2% fall the previous quarter.

On an annual basis values were virtually unchanged at 0.2%.

An imbalance between supply and demand remains the main factor underpinning prices across the country, with Rightmove data showing a 21% drop in £1m+ properties outside of London listed for sale during the first three months of 2018 compared with 2017.

Stamp duty is still affecting supply issues, compounded by the ongoing uncertainty over Brexit. This has resulted in some prospective vendors adopting a cautious attitude, particularly at the top end of the market.

Perhaps counterintuitively, this recent tightening of new supply follows a period during which activity in prime markets has been fairly robust. Data from the Land Registry, which covers transactions that took place in the 12 months to November 2017, showed the number of £1m-plus sales completed outside of London was 10% higher year-on-year, indicating that the underlying demand for homes remains fairly strong.

Yorkshire and the Humber, the North West, Wales and the West Midlands all saw £1m-plus sales volumes increase by more than 20% as buyers cast the net wider.

Meanwhile, Knight Frank data suggests a reasonably active start to 2018 with increases in the number of viewings conducted and offers made. Agents note that where vendors are willing to take a more pragmatic approach to pricing, deals continue to be agreed.

### Early signs of a rural revival?

Over the past 10 years urban areas have outperformed their rural counterparts in terms of price growth as people are drawn to town and city amenities, transport links and good schools. On average, prime urban values stand about 5% above their pre-crash peak, while rural values remain around 10% below.

However, our index points to a softening in prices in town and city markets over the last 12 months. The opposite has been true for more rural markets which look relatively good value for buyers in comparison.

### Prime Regional House Price Change to Q1 2018

	Quarterly	Six months	Annual
Central	0.6%	0.8%	1.3%
North	0.8%	1.5%	3.1%
North Surrey	-0.4%	-2.1%	-3.8%
North Thames & Chilterns	0.0%	-0.4%	0.7%
South West	0.3%	0.1%	-0.9%
Southern Home Counties	0.5%	0.5%	1.4%

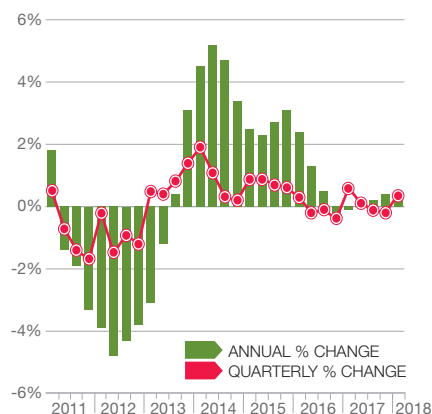
Source: Knight Frank Research

## PRIME COUNTRY HOUSE INDEX Q1 2018

Accordingly, prices for rural homes ticked up by 0.5% between January and March, and by 0.4% annually. Urban values have fallen by -0.1% over the last 12 months. As demand picks up we expect to see house price growth in rural locations continuing to converge with urban markets, especially for homes located in and around villages which maintain good transport links and amenities.

FIGURE 2

### Annual and quarterly change in prime country property values



Source: Knight Frank Research

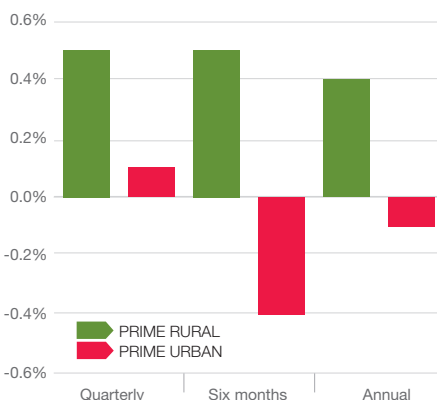
## Regional variations

There remain regional variations between prime markets, with growth ranging from 3.1% in the North to -3.8% in North Surrey. Weaker performance in London's commuter zone mirrors the performance of prime markets in the capital, where prices have fallen 7.5% since March 2016.

FIGURE 3

### Rural revival?

% price change



Source: Knight Frank Research



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**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 four country house property categories; cottages, farmhouses, townhouses and manor houses.

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