

Prime Country House Index



Q1 2023

Knight Frank's quarterly valuation-based index tracking the price performance and health of the UK prime regional market

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PCHI	287.3	Annual change	-0.8%	Quarterly change	-0.5%
Annual change by price bracket					
£1m to £2m	-1.7%	£2m to £3m	1.1%	£3m to £4m	-0.4%
£4m to £5m	1%	£5m+	-0.9%		

Country market still feeling mini-Budget transaction hangover

With the escape to the country trend that fuelled a record performance for the prime regional market during the pandemic fading we've talked a lot about a return to a 'normal' spring market.

However, the decline in UK property transactions since last year's poorly received mini-Budget illustrates that the tax-cutting fiscal event has cast a long shadow.

In prime regional markets this, combined with poor weather and a series of bank holidays, has contributed to a late start to the spring season. However, both demand and supply has continued to recover during this calendar year.

An analysis of the prime regional market in the first four months of 2023 also lays bare the consequence of deals that weren't done at the back end of



14%

Increase in new prospective buyers outside London. 4 months to April 2023 vs 4 months to April 2019

Source: Knight Frank Research

last year because of the economic and political uncertainty unleashed by the mini-Budget.

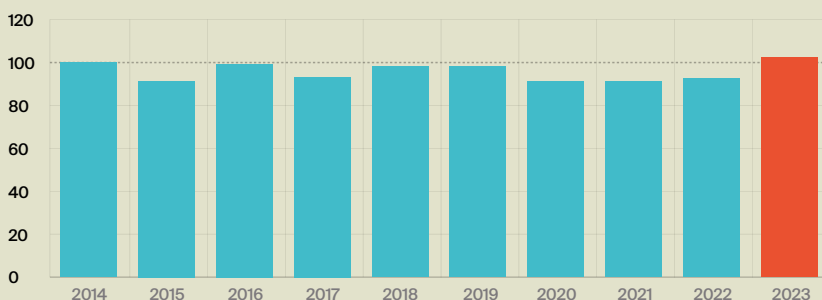
The number of exchanges outside of London in the first four months of 2023 are down 31% on the same period last year, and 14% down compared with 2019.

However, despite the rising cost of borrowing and the impact of high inflation on the cost of living, demand remains stronger than before the onset of the pandemic.

The number of new prospective buyers registering with Knight Frank in the first four months of 2023 outside of London remained the third highest in a decade (behind 2022 and 2021

Fig 1: Country instructions at 10-year high

Rebased to 100 = 2014
4 months to April by year



Source: Knight Frank Research

“After a bumpy end to 2022 regional property markets have shown their strength in the opening months of this year. Given resilient demand and the significant increase in supply, transaction levels will climb.”

Chris Druce, senior research analyst, Knight Frank

respectively) and 14% higher than the same period in 2019.

Supply levels have also recovered from pandemic lows. Instructions in the first four months of 2023 were at a decade high, 11% ahead of the same period in 2022 and 4% up on 2019 [Fig. 1].

Market valuation appraisals are up 2% on last year and 9% on 2019 at an eight year high, which will support

activity outside of London.

“The spring market will be the litmus test for demand and pricing. However, after a bumpy end to 2022 regional property markets have shown their strength in the opening months of this year. Given resilient demand and the significant increase in supply transaction levels will climb,” said Chris Druce, senior research analyst at

Knight Frank.

After a period of very strong price growth during the pandemic, which saw prime regional prices narrow the gap to prime Central London prices by 20% [see Insight], the average price of a property in the Prime Country House Index was down 0.5% in the three months to March, taking the annual change to 0.8%.

Ultimately, despite resilient demand and a higher proportion of cash buyers compared to the mainstream market, we expect the reduction in spending power caused by the increase in the cost of borrowing, and an improvement in supply relative to recent years, to see prime regional prices decline by a few percentage points in 2023.

Insight: Pandemic Price Performance

The price gap between the UK country house and prime central London (PCL) markets has narrowed by a fifth since the pandemic, according to Knight Frank data.

The surge in demand for properties offering more space and greenery transformed the fortunes of markets outside the capital, while it has been a more subdued picture in London for reasons that include less international travel.

In December 2022, the Prime Country House Index was 18.4% higher than before the first national lockdown. Meanwhile, in PCL there was an equivalent fall of 0.8%,

meaning the gap between the two narrowed by almost 20% over the period.

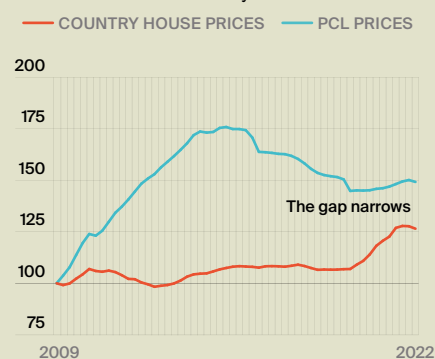
London recovered strongly after the global financial crisis (GFC), with average prices in PCL exceeding their pre-GFC level in just over three years as global investors sought safe havens.

Measuring from January 2009, the gap between PCL and prime regional markets reached its widest point (69%) in Q3 2014.

However, pent-up international demand and the relative value on offer in the capital will see PCL erode some of the country market’s gains over the next five years.

Price growth in prime regional markets has outpaced PCL since the pandemic

Rebased to 100 = January 2009



Source: Knight Frank Research

Got a question? Do get in touch, and you can sign up for more analysis at knightfrank.com/research.

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