

PRIME COUNTRY HOUSE INDEX Q2 2018

PRIME MARKET UPDATE

It has been a mixed picture for prime housing markets in the first half of 2018, with notable regional variations

On average, values in prime residential markets were relatively subdued during the first six months of 2018, rising by a nominal 0.9% and by 0.7% in annual terms.

Ongoing political and economic uncertainty means there is still an element of caution among buyers. This has kept a check on prices, but well-presented and competitively priced homes continue to sell.

Interest rates are expected to rise later this year, though they will still remain at a near historic low level.

REGIONAL VARIATIONS

Drilling down into the data reveals a more nuanced picture. At a regional level, localised pressures have contributed to wide variations in price growth. Markets outside the traditional London commuter zone have generally enjoyed the strongest rises. The ongoing pressure on property prices in prime central London is being reflected in the markets immediately surrounding the capital.

The highest level of annual price growth was recorded in the prime markets of the Midlands and the North - though this was still a modest 3%.

A handful of urban markets have outperformed, with Harrogate, Bristol and Cheltenham all seeing price rises above the country average, primarily due to a shortage of homes for sale relative to demand in these areas. On average, prices for prime urban homes have risen by 16% over the past five years. By comparison, a few years

of more subdued price growth has left more rural markets – looking good value. As demand picks up we expect to see house price growth in rural locations converging with urban markets.

PRICING IS KEY

It is now over three years since the overhaul of stamp duty (December 2014) and the market above £1 million remains price sensitive. The data suggests the need to price realistically at the outset remains as important as ever. Homes that sell within 5% of their original asking price do so considerably faster than those where vendors have had to make bigger discounts to find a buyer, our analysis of prime market sales data over the last 12 months shows.

There is evidence the market is adapting to the higher tax environment. Listings data from Rightmove shows that of the £1 million-plus homes listed for sale at the end of May, 28% had been reduced from their original asking price, down from a peak of 32% in November 2017. Any fall, or levelling off, of this figure suggests that valuations are becoming more aligned with current buyer sentiment.

OUTLOOK

While it is important not to overstate its impact, Brexit continues to create an element of uncertainty among some buyers and vendors. Interest rates are also expected to rise this year, albeit gradually. This underpins our forecast for fairly modest price growth in prime regional markets in 2018 of 1.5% and for 2% growth in 2019.

0.5%
QUARTERLY PRICE
CHANGE

0.7%
ANNUAL PRICE CHANGE

10.0%
5-YEAR PRICE CHANGE

“MARKETS OUTSIDE THE TRADITIONAL LONDON COMMUTER ZONE HAVE GENERALLY ENJOYED THE STRONGEST RISES, WITH MORE MUTED PRICING IN THE CAPITAL BEING REFLECTED IN ITS IMMEDIATE SURROUNDS.”

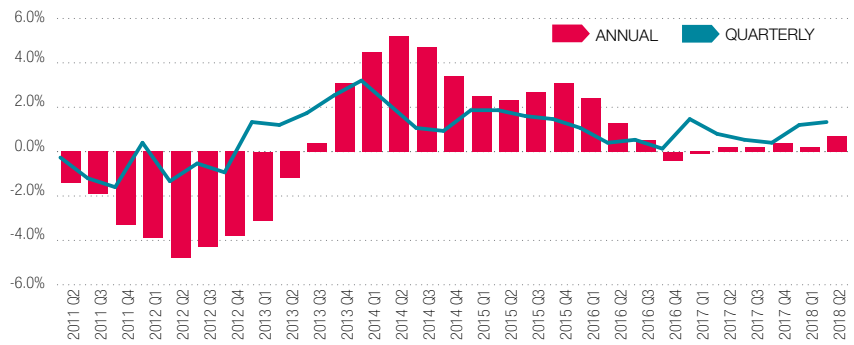
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If you would like further insight into prime residential markets please feel free to get in touch.

“AN ANALYSIS OF PRIME MARKET SALES DATA SHOWS THAT HOMES THAT SELL AT OR WITHIN 5% OF THEIR ORIGINAL ASKING PRICE DO SO CONSIDERABLY FASTER THAN THOSE SELLING WITH A LARGER DISCOUNT.”

FIGURE 1
PRIME REGIONAL PROPERTY VALUES

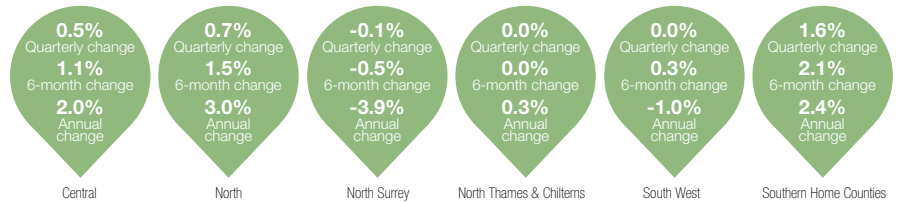
Annual and quarterly % change



Source: Knight Frank Research

FIGURE 2
PRIME REGIONAL HOUSE PRICE CHANGE

to Q2 2018



Source: Knight Frank Research

FIGURE 3
PRIME REGIONAL HOUSE PRICES

Quarterly change

	Cottage	Farmhouse	Manor house	Town house	Unweighted average
2017 Q3	0.4%	-0.6%	0.0%	0.3%	-0.1%
2017 Q4	-0.2%	-0.4%	0.0%	0.3%	-0.2%
2018 Q1	0.3%	0.0%	0.8%	0.7%	0.4%
2018 Q2	0.7%	0.9%	-0.1%	0.6%	0.5%

Annual change

	Cottage	Farmhouse	Manor house	Town house	Unweighted average
2017 Q3	2.9%	-0.5%	-0.9%	3.8%	0.2%
2017 Q4	2.6%	-0.5%	-0.2%	3.3%	0.4%
2018 Q1	1.5%	-0.7%	0.2%	2.5%	0.2%
2018 Q2	1.2%	-0.1%	0.7%	1.9%	0.7%

Source: Knight Frank Research

Please contact us for further information

If you're thinking of buying or selling, or would just like some property advice, please do get in touch.

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