



EXETER OUTLOOK

Regional Property Market Focus 2011
Knight Frank

Insight into your
local market

Focus on the national
country house market

Impact of the prime
London market

Market forecast

LOCAL UPDATE

A series of peaks and troughs of activity made 2010 an exciting year for property in the South West. A busy spring was followed by a quiet summer but sales picked up dramatically from early September as owners gradually came to realise that dropping guide prices to a sensible level put them in a much stronger position.

We believe that 2011 will again present a series of peaks and troughs determined mainly by the number of properties available for sale and the first half of the year will be the best market. Although prices are unlikely to rise and could fall

by the end of the year, there are positives on the horizon.

Buyers will continue to be very choosy but good quality houses presented well will prove resilient. Sensible pricing will remain key, especially when presenting

the property to the open market. But the option of selling privately must not be underestimated.

This publication is intended to give you a flavour of the market and demonstrate our expertise, both locally and nationally. Whether you are looking to act now or later in the year, our friendly and experienced team is here to help. But do bear in mind that those who act earlier in the year rather than later will reap the benefits of lower stamp duty and good mortgage deals while they remain competitive, as this could

change with future interest rate hikes.

We hope you enjoy our Outlook and look forward to hearing from you.



William Morrison
Partner

EXETER BY NUMBERS

Knight Frank's Exeter office has emerged from the credit crunch as the area's leading prime property agent and expects to consolidate this position further during 2011.

- The average London buyer spends £1.9m with the average regional buyer spending £1.2m.
- On average we have achieved 95.7% of the guide price on sales in the past 12 months.
- We have 667 potential buyers on our books looking to spend a collective total of £1.2bn.
- On average, 3 offers are made on our properties every week.
- We receive, on average, 8 new sales instructions every month.



OUR TEAM IN ACTION

Bellevue in Port Isaac was valued by two local agents at £600,000. When our office was asked to value it, we saw potential for significant national interest and suggested the higher guide price of £750,000. Having arranged 18 viewings and received 7 offers under competitive bidding, a sale was agreed at £840,000 to a buyer from the South East. It became apparent when we first

visited that the local agents had underestimated the national demand for properties in North Cornwall and particularly in the Port Isaac area where values have steadily increased over the previous years. We knew that our national buyers were willing to pay a little bit more to secure their dream holiday home and we also knew that at £750,000 the national buyers were willing to get into competition.



BELLEVUE, PORT ISAAC



NATIONAL COUNTRY HOUSE MARKET

Activity boosted by the closing gap between overly ambitious sellers and cautious buyers.

The national country house market experienced quite an upheaval last year. Although price growth in the 12 months to June 2010 helped the market claw back some of the falls seen during the credit crunch, ongoing problems with mortgage availability and affordability caused this growth spurt to reverse. Prices by the end of the year did however, remain 3.3% higher than the year before.

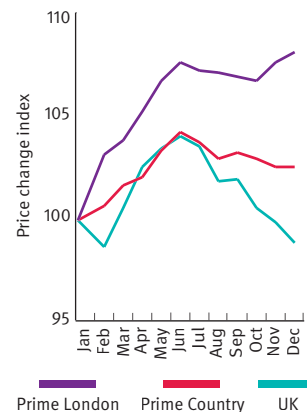
A positive outcome of this was the impact it had on the gap between overly ambitious sellers and cautious buyers. The necessary asking price reductions that began to take place in August and September narrowed this gap, leading to improved activity in the final quarter of the year.

We expect 2011 to mirror 2010 – the best properties are likely to sell well due to thin supply

and strong demand. Indeed, we moved into 2011 with 12% more purchasers registered to buy country house properties across the UK compared to the same position in 2010. The market for properties priced below £1m will however remain challenging for vendors due to the absence of a noticeable recovery in mortgage supply.

The most critical issue for vendors this year will be price. Only the most perfect properties can justify ambitious expectations in the current market. For most properties, this approach will lead to delays in attracting interest and lost marketing time in the critical spring months.

How the prime London, prime country house and mainstream UK markets compared in 2010



Sources: Knight Frank Central London Sales Index, Knight Frank Prime Country House Index, Nationwide House Price Index

LONDON'S SUCCESS FEEDS DEMAND FOR COUNTRY PROPERTY

There is no doubt that the strongest performing property market in the UK during 2010 was the prime London market – with prices rising by nearly 11% over the year.

While prices in London are unlikely to see any significant growth, we expect 2011 to

see a rerun of last year's strong performance in terms of sales volumes and buyer demand.

For large parts of the country house market across England, and even into Scotland and Wales, this positive outlook for London matters. Over 22% of buyers of country houses priced

£1m+ across the UK are from London. The figure hits 31% for property costing £2m+.

Our experience in the London market confirms that much of its strong performance stems from the perception that the market is a 'safe haven', particularly for international buyers.

This is demonstrated by the volume of new applicants from Europe looking to buy in central London, which rose 23% year-on-year in the final quarter of 2010. London property provided a strong defensive

option as the difficulties in the Eurozone worsened, and while the pound was trading at a discount to the euro.

London also experiences ongoing demand from Asia-Pacific buyers who have benefited from 30% to 50% price growth in Hong Kong, Singapore and other key Asian centres over the past year. They are keen to take advantage of the weak pound, removing their money from what have arguably become very hot markets in Asia.

FINANCING WITH KNIGHT FRANK

As a highly respected team in the property financing industry, with 150 years of combined experience, Knight Frank Finance specialises in mortgages for main or second homes, investment property, buy-to-let mortgages and commercial property finance.

For loans below £1m, we have access to all of the most competitive mortgage interest

rates available on the high street. If you are considering borrowing above £1m, our close working relationships with the world's private banks, commercial lending sources and finance houses, enables us to achieve the very best terms for our clients, including those unable to find financing solutions elsewhere.

To find out more, please call us on: +44 (0)1392 423111.

MARKET FORECAST

We are unlikely to see strong capital growth in any residential sector in 2011. The opportunity for speculative gains was presented in early 2009 and by mid 2010 this had all but disappeared, at least for the short-term.

The vast majority of buyers in the market have recognised this fact and are looking at property as offering a stable home for their wealth in the long run. Demand from investors and holiday home buyers has remained strong, but again is driven by a view of long-term potential growth.

While we expect country house prices to rise only marginally in 2011, the fundamentals underpinning the market are as strong as ever. This year will be the third consecutive year when new-build development volumes will struggle to reach even 50% of the 2007 peak level.

For those with access to equity this year, there will be considerable opportunities in the market. For the investor or holiday home purchaser these opportunities will be centred on strong yielding properties. For others it will be in securing properties with scope for refurbishments or improvements.

A SELECTION OF PROPERTIES SOLD IN 2010



Exmoor

Sold considerably in excess of the guide price



Near Chagford, Devon

Sold privately



Salcombe Estuary, Devon

Sold under competitive bidding



Near Honiton, Devon

Sold to a London buyer



Near Honiton, Devon

Sold within 2 weeks



Near Totnes, Devon

Sold to a Hong Kong based buyer

YOUR LOCAL TEAM



William Morrison, Partner

William is the Partner with overall responsibility for Knight Frank's Exeter office. He is a qualified Land Agent and has over 20 years experience as an estate agent selling country houses, farms and estates. He joined the firm in 1997 and specialises in prime country sales.

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Sandy Davenport, Partner

Sandy has worked for Knight Frank for over 13 years and heads up the very successful Waterfront Department selling the best coastal and waterfront properties on the world famous South West coastline. An avid sailor, her knowledge of the best properties and locations is second to none.

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Richard Speedy, Associate

Richard began his estate agency career in London and relocated from the Knight Frank office in Wimbledon to Devon in 2007. He is responsible for the sale of country property on Dartmoor and the surrounding areas as well as the South Hams and also Exeter city centre.

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Chris Clifford, Negotiator

Chris has lived in Devon all his life and joined Knight Frank about 4 years ago. His knowledge of the county is excellent and after working in the Waterfront Department he is now responsible for the sale of country property on Exmoor as well as East Devon and the South Hams.

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