

## Prime country house prices rise for first time in two years

Prices climb by 0.4% in Q1 2013 but are still down 3.2% on an annual basis. Gráinne Gilmore examines the data

### Results for Q1 2013

Prime country house prices rose by 0.4% in Q1 2013

The annual decline in prices stands at 3.2%, compared to 3.8% in Q4 2012

Prices of sub-£2m and £5m+ properties rose in Q1, while values continued to fall for houses worth £2m-£5m

Stock volumes climbed, with 7% more properties coming to market than in Q1 2012

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The modest rise in country house prices over the last three months marks the first reversal of the steady declines seen since Q1 2011. Despite this increase, prices remain below the levels seen during the market trough in the wake of the financial crisis, and are roughly around the levels seen in 2004.

However, more detailed data shows that price performance is becoming more dependent on property value. While average values of sub-£2m prime properties climbed between January and March, the value of houses worth between £2m and £5m continued to fall, taking the combined annual decline in this price bracket to 4.2%.

The higher 7% stamp duty charge for £2m+ properties, introduced at last year's Budget, remains a key factor in this 'multi-speed' market, and agents report that faltering confidence on city jobs and bonuses is also having an impact.

Moving up to super-prime £5m+ homes however, the picture changes again. Prices for homes in this band rose in the first quarter, continuing the upward trend seen since mid-2011 amid increased competition for super-prime properties as more international buyers enter the market. The weakness of sterling coupled with the decline in values seen over the last few years have combined to make prime country property

an attractive investment for those buying in foreign currencies.

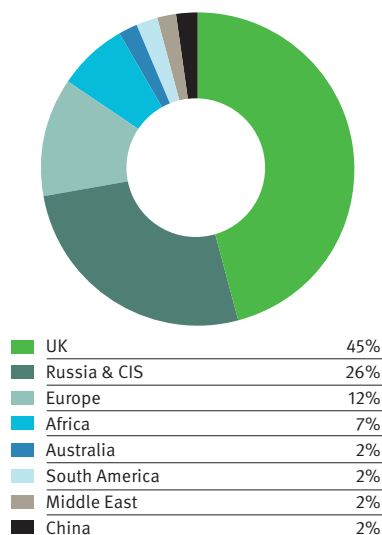
As figure 1 below shows, some 55% of £5m+ homes were sold to overseas buyers in 2012, up from around 40% in 2011 and 2010. One in four homes was bought by a buyer from Russia or CIS, while European buyers accounted for around one in ten purchases.

The home counties remained the hotspot for super-prime country house transactions last year, with 82% of all such sales happening in these counties. This is up from 76% in 2011.

Prices continue to outperform in key commuter towns. The average price of prime houses in Oxford have been rising for a year, and are now up nearly 5%, while prices in Esher have been rising moderately for three years, climbing by 20% over that period, although values are still around 10% lower than their 2008 peak.

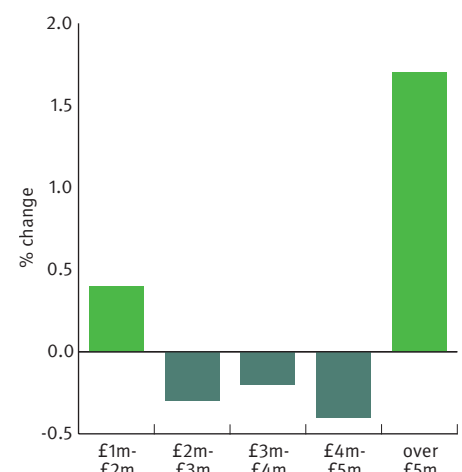
There is evidence that 'pent-up' demand is starting to come to the market, for example, in Hampshire there has been a noticeable rise in buyers looking in the market – determined to make their move despite no real change in the outlook for prices or the wider economy. The release of this 'pent-up' demand may well be seen in other areas over the rest of the year.

Figure 1  
Purchasers of £5m+ country homes, 2012



Total may not add up to 100 due to rounding  
Source: Knight Frank Residential Research

Figure 2  
Prime country house price changes by price band (quarterly change Q1 2013)



Source: Knight Frank Residential Research

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"Price performance is becoming more dependent on property value, with the higher 7% stamp duty charge for £2m+ properties a key factor in this 'multi-speed' market."



Gráinne Gilmore, Head of UK Residential Research

## 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.

Knight Frank Prime Country House Index					
		Cottage	Farmhouse	Manor House	Unweighted average
Average quarterly change	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%
	2012 Q1	-0.2%	-0.1%	-1.4%	-0.5%
	2012 Q2	-1.8%	-2.3%	-0.6%	-1.5%
	2012 Q3	-0.7%	-1.1%	-0.9%	-0.9%
	2012 Q4	-0.2%	-0.4%	-2.7%	-1.2%
	2013 Q1	0.9%	0.6%	0.0%	0.4%
	Average annual change	2011 Q2	-1.1%	-0.4%	-2.7%
2011 Q3		-0.7%	-1.2%	-3.2%	-1.7%
2011 Q4		-1.4%	-3.4%	-4.4%	-3.1%
2012 Q1		-2.3%	-4.3%	-5.7%	-4.1%
2012 Q2		-3.7%	-6.1%	-4.4%	-4.8%
2012 Q3		-3.8%	-5.6%	-3.5%	-4.3%
2012 Q4		-2.9%	-3.8%	-4.4%	-3.8%
2013 Q1		-1.8%	-3.1%	-4.1%	-3.2%
The Index		2011 Q2	220.7	261.4	242.9
	2011 Q3	219.7	257.7	238.5	238.6
	2011 Q1	217.3	251.9	234.3	234.6
	2012 Q1	216.8	251.7	231.1	233.3
	2012 Q2	212.5	245.5	232.2	230.1
	2012 Q3	211.1	242.9	230.2	228.0
	2012 Q4	210.7	242.0	224.0	225.2
	2013 Q1	212.7	243.4	223.9	226.2

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