

RESIDENTIAL RESEARCH

PRIME COUNTRY HOUSE INDEX



Prime urban homes outperforming

Prime property prices in the country increased in the first three months of 2014, but performance across the country varies widely. Oliver Knight analyses the latest figures.

Results for Q1 2014

Prime country house prices increased by 1.9% between December and March

Prices for prime country homes are 4.5% higher on an annual basis

Prime property in towns and cities has outperformed the wider index

Property viewings were 16% higher in Q1 2014 compared to the same time the previous year

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Prime country house prices increased by 1.9% in the first three months of 2014, the fifth straight quarter that prices have risen and the strongest quarterly growth in four years. In the year to the end of March 2014, prime country house prices rose by 4.5%.

The prime country market has begun to reap the rewards of the wider property market recovery in the UK, where prices have risen by 9.5% annually, according to Nationwide.

However, our analysis of prime market data shows that price growth is far from even across the market.

Increasingly, buyers have been attracted to homes located in urban rather than rural settings, with local town and city markets outperforming their rural counterparts.

Across the 'prime urban' market, property prices increased by 3.4% between December and March and have risen by an average of 8.2% over the year to March 2014. Recent price growth in Sevenoaks, Winchester, Bristol, Bath and Oxford has been reflective of this.

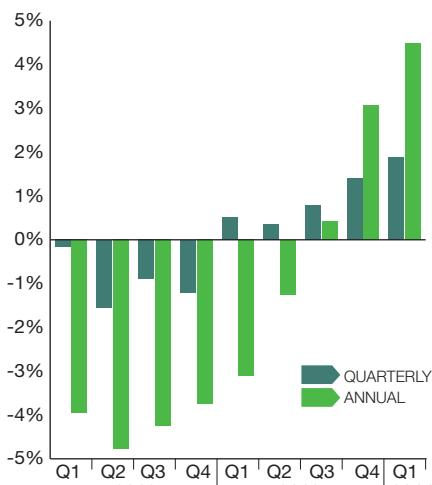
In contrast, price growth for rural properties has been lower. In the first quarter of 2014, prices increased by 1.7% and have risen by 4.1% on an annual basis.

The outperformance of prime urban markets is even more evident on a longer-term basis (figure 2). Such properties are on average 2.8% below their previous 2007 peak. For rural properties the gap is wider, with prices around 16% below peak levels.

Excellent schools on the doorstep, the convenience of having local amenities nearby, as well as good transport links back to the capital are all big drivers of the prime urban markets, especially for buyers relocating from London who are also able to take advantage of the not insignificant price gap that currently exists.

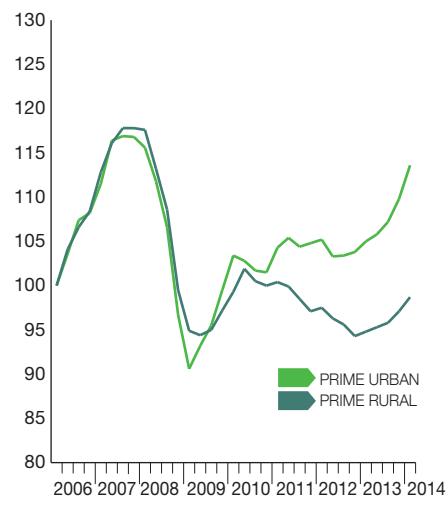
Across the market, demand for prime country homes remains strong. The number of new applicants who registered their interest in buying a prime country house in the first three months of 2014 was up by 10% compared to the same period last year.

FIGURE 1
Quarterly and annual price change
UK prime country house average residential price change (Q1 2012 - Q1 2014)



Source: Knight Frank Residential Research

FIGURE 2
Prime urban v prime rural
Performances of town and city markets versus rural (Q1 2006 - Q1 2014)



Source: Knight Frank Residential Research



OLIVER KNIGHT
Residential Research

"Buyers have been increasingly attracted to homes located in urban rather than rural settings, with local town and city markets outperforming."

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In spite of the inclement weather in February, which threatened to make some rural properties inaccessible, viewings were up by 16% in Q1 2014.

This increased demand led to a rise in the number of prime country house sales across the market in the three months to March, which were 21% higher compared to the same time last year.

However, as we have noted previously, price performance remains dependent on property value. While average values of sub-£2m prime properties climbed by 2.4% between December and March, price growth for homes worth £2m+ was lower, at 1.1%.

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average
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%	0.1%	0.5%
2013 Q2	1.1%	0.4%	-0.2%	0.4%
2013 Q3	1.4%	0.9%	0.3%	0.8%
2013 Q4	1.7%	1.8%	0.9%	1.4%
2014 Q1	3.3%	2.4%	0.5%	1.9%
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%
2013 Q2	1.2%	-0.5%	-3.6%	-1.2%
2013 Q3	3.3%	1.5%	-2.5%	0.4%
2013 Q4	5.3%	3.7%	1.0%	3.1%
2014 Q1	7.7%	5.5%	1.4%	4.5%
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	224.3	226.4
2013 Q2	215.1	244.4	223.7	227.2
2013 Q3	222.3	248.0	218.1	228.2
2013 Q4	221.8	250.9	226.3	232.2
2014 Q1	229.0	256.8	227.5	236.5

Source: Knight Frank Residential Research

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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.



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