

ANNUAL PRICE GROWTH SLOWS AHEAD OF UK ELECTION

Uncertainty surrounding the outcome of the election has resulted in the rate of annual price growth slowing says Oliver Knight

Key headlines from Q1 2015

Prime country house prices increased by 0.9% between January and March

Annual price growth in the prime country market over the year to March 2015 stood at 2.5%, down from 3.4% in December

Uncertainty surrounding the outcome of the General Election has resulted in some buyers delaying purchasing decisions

Price growth for sub-£1m properties was 3% over the year to Q1 2015

Prime country house prices rose at a faster rate than those in central London between January and March, as average values increased by 0.9%. However, while quarterly growth overtook prime central London for only the second time since 2009, on an annual basis growth in the value of country houses slowed to 2.5%, from 3.4% in December.

As figure 1 shows, the rate of annual price growth between prime central London and the prime country market has narrowed considerably in recent months.

Uncertainty surrounding the result of the forthcoming UK General Election and tighter mortgage lending criteria are the primary reasons behind the slowdown. Some buyers and sellers in both prime central London and the prime country market – particularly those at the top-end – are delaying decisions until greater clarity emerges.

The new rates of stamp duty introduced by the Chancellor in his Autumn Statement on December 3rd 2014 may also be having an impact, although it will take time for the full effect to become clear. The early indications are that it has resulted in an adjustment in values at the top-end of the market.

For all buyers below £937,500, stamp duty rates have fallen, while those purchasing

above this threshold face higher up-front costs when moving.

In the year to Q1 2015, price growth for sub-£1m properties reached 3%. This compares to 1.6% growth over the same period for homes valued between £2m and £5m. Above £5m, prices have declined by 3.6% year-on-year.

Agents note that where stock is priced competitively, the market continues to function with a healthy level of buyer interest.

Average prices remain 16% below their 2007 peak although there are areas of outperformance. This is most notable in prime urban markets where, in some cases, prices have now surpassed previous peaks.

Londoners continue to be active in the prime country market, especially in regions within commuting distance of the capital, with many looking to take advantage of the relative value gap which has opened up between the two markets (figure 3).

The number of Londoners registering their interest in buying a country home was 19% higher in 2014 compared to the previous year and 32% higher than in 2012, highlighting how demand from the capital has started to filter into the country market. A trend we expect to continue this year.



OLIVER KNIGHT
Residential Research

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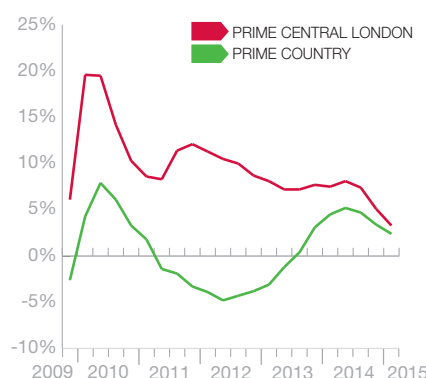
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FIGURE 1

Rate of price growth narrows

Annual change in prime central London and prime country property prices

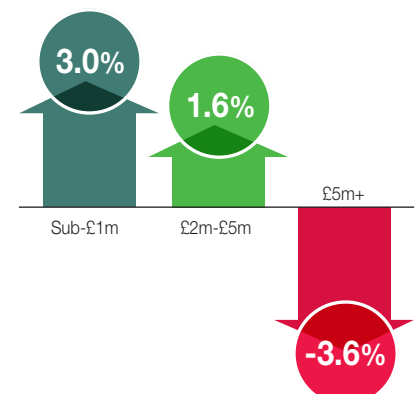


Source: Knight Frank Residential Research

FIGURE 2

Price change by price bracket

Annual change to Q1 2015

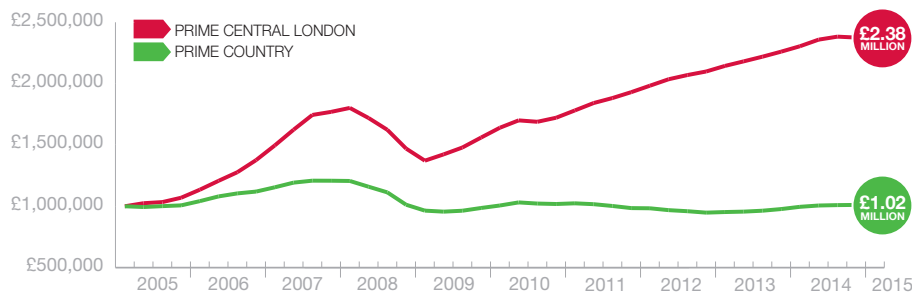


Source: Knight Frank Residential Research

PRIME COUNTRY HOUSE INDEX Q1 2015

FIGURE 3

London v Country Average change in value of a £1m property (Q1 2005 - Q1 2015)



Source: Knight Frank Residential Research

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average	
AVERAGE QUARTERLY CHANGE	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%
	2014 Q2	1.6%	1.0%	0.8%	1.1%
	2014 Q3	0.8%	-0.1%	0.3%	0.3%
	2014 Q4	1.0%	0.0%	-0.3%	0.2%
	2015 Q1	1.0%	0.2%	1.5%	0.9%
AVERAGE ANNUAL CHANGE	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%
	2014 Q2	8.2%	6.2%	2.5%	5.2%
	2014 Q3	7.6%	5.2%	2.5%	4.7%
	2014 Q4	6.8%	3.4%	1.4%	3.4%
	2015 Q1	4.4%	1.2%	2.3%	2.5%
THE INDEX	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
	2014 Q2	232.7	259.4	229.2	239.0
	2014 Q3	232.1	259.2	230.0	238.9
	2014 Q4	234.3	259.3	229.4	239.3
	2015 Q1	236.6	259.8	232.7	241.4

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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