

ENCOURAGING SIGNS FOR PRIME COUNTRY HOUSE MARKET

Demand for prime property has been robust over the past year, although higher purchase costs continue to act as a constraint on further growth.

Key headlines from Q1 2017

Prime country house values **increased by 0.6% in Q1**, ending three consecutive quarters of price falls

On an annual basis, **prices fell 0.1%**

Property price continues to be the biggest driver of performance, with stamp duty costs weighing on growth for properties above £1.5 million

The volume of new buyer enquiries **rose by 3% annually over the year to March 2017** and viewings were **11% higher**



OLIVER KNIGHT
Associate

“The slight pick-up in prices in the first three months of 2017 is an indication that prime markets are starting to stabilise following three consecutive quarters of price falls.”

Follow Oliver at [@oliverknightkf](#)

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](#) or [@kfglobalbrief](#)

Prime country house prices increased by 0.6% between January and March, according to Knight Frank data. On an annual basis, values were essentially unchanged at -0.1%.

The slight pick-up in prices in the first three months of 2017 is an indication that prime markets are starting to stabilise following three consecutive quarters of price falls.

That said, a closer look at the figures shows that the market is still highly price sensitive, particularly at the top end, which continues to adjust to higher purchase costs following recent changes to stamp duty.

Homes valued over £1.5 million for example have fallen in price by -1.4% annually, the data shows. By way of comparison, the sub-£1.5 million market recorded growth of 2.3% over the same period.

In terms of property types, manor houses recorded the largest price declines at -1.7% on average over the year.

This process of price adjustment at the top end has taken place alongside a general pick-up in demand, with agents noting that values are beginning to align with buyer expectations.

Knight Frank figures, which track leading indicators of demand, show the number of new prospective buyer registrations has risen by 3% annually over the year to March 2017. The number of viewings rose by 11% year-on-year over the same period.

Against this backdrop, overall sales volumes have also seen a robust start to 2017.

Although fewer deals have been completed in 2017 than at the same point last year – when transactions spiked ahead of the introduction of additional stamp duty – the volume of sales was 5% higher than the comparable period of 2015, and 8% higher than in 2014.

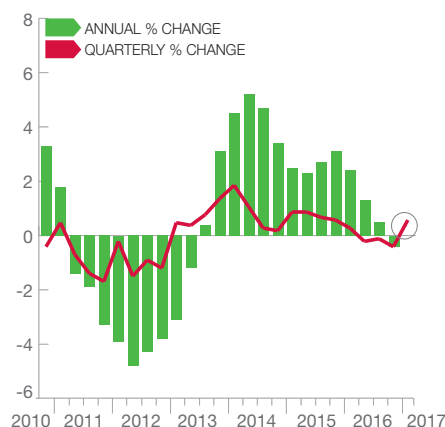
Properties that are located close to good schools and transport links remain popular, particularly in town and city markets, where the property is accurately priced.

However, as we have noted in previous updates, a shortage of good prime housing stock continues to act as a barrier to further growth in sales volumes and could impact the market over the remainder of the year.

FIGURE 1

Price change

Annual and quarterly change in prime country property values

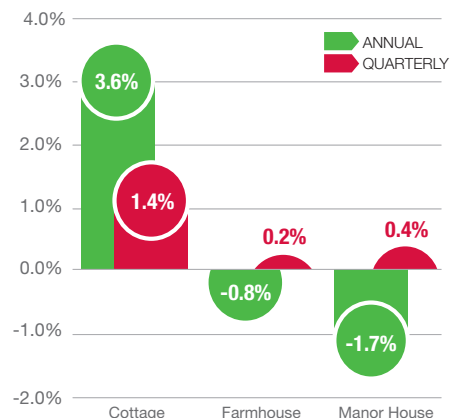


Source: Knight Frank Research

FIGURE 2

Price growth by property type

annual and quarterly % change



Source: Knight Frank Research

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average
AVERAGE QUARTERLY CHANGE				
2012 Q1	-0.2%	-0.1%	-0.3%	-0.2%
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%
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%
2015 Q2	1.5%	0.8%	0.7%	0.9%
2015 Q3	1.4%	0.5%	0.3%	0.7%
2015 Q4	1.1%	0.4%	0.4%	0.6%
2016 Q1	1.9%	0.0%	-0.4%	0.3%
2016 Q2	1.1%	0.2%	-1.0%	-0.2%
2016 Q3	1.0%	-0.7%	-0.4%	-0.1%
2016 Q4	0.1%	-0.4%	-0.7%	-0.4%
2017 Q1	1.4%	0.2%	0.4%	0.6%
AVERAGE ANNUAL CHANGE				
2012 Q1	-2.5%	-4.4%	-4.7%	-3.9%
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%	-4.0%	-3.1%
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%
2015 Q2	4.4%	0.9%	2.2%	2.3%
2015 Q3	4.9%	1.5%	2.2%	2.7%
2015 Q4	5.0%	1.9%	2.9%	3.1%
2016 Q1	6.0%	1.7%	1.0%	2.4%
2016 Q2	5.5%	1.1%	-0.7%	1.3%
2016 Q3	5.1%	-0.2%	-1.4%	0.5%
2016 Q4	4.1%	-1.0%	-2.5%	-0.4%
2017 Q1	3.6%	-0.8%	-1.7%	-0.1%

Source: Knight Frank Research

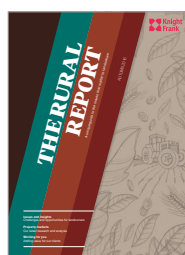
RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report 2017



UK Prime Country Review - Winter 2016



The Rural Report - Winter 2016



UK Residential Market Update - March 2017

Knight Frank Research Reports are available at KnightFrank.com/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.

RESIDENTIAL RESEARCH

Oliver Knight
Associate
+44 20 7861 5134
oliver.knight@knightfrank.com

PRESS OFFICE

Celia Welham
+44 20 7861 1033
celia.welham@knightfrank.com



Important Notice

© Knight Frank LLP 2017 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.