

Prime country house prices broadly stable in Q2 2013

The price of prime country homes in England and Wales rose modestly for the second consecutive quarter in Q2, but as Gráinne Gilmore explains, there are still challenges for the market to overcome.

Results for Q2 2013

Prime country house prices rise 0.4% in Q2 2013, the second consecutive quarter of growth

The annual decline in prices stands at 1.2%

Prices of sub-£2m and £5m+ properties rose in Q2, while values continued to fall for houses worth £2m-£5m

In 2013 to date, property viewings are 7.9% higher than the same period in 2012

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Prime country house prices in England rose by 0.4% between April and June, the second consecutive quarter of growth. However, prime property values are still down by 1.2% on an annual basis and are 21% below the market peak in Q3 2007.

Despite the recent increases in house prices, the prevailing feeling in the market is still one of uncertainty, with transactions taking longer as buyers consider their options. While viewings increased by 7.9% over the first six months of 2013 compared to the previous year, the number of new applicants rose by just 0.1% over this time.

The late spring also meant activity between the traditionally busy months of April and June was more subdued than usual.

The increase in stamp duty announced by the Chancellor in the March 2012 Budget for homes valued at over £2m continues to have a noticeable impact on the market. While average prices for sub-£2m homes increased by 0.8% in the second quarter of the year, homes in the £2m to £5m price bracket saw prices decline by 0.4%.

While still impacted by the new levy, prices for homes above the £5m threshold have risen in Q2 2013 (figure 2). Here, continued demand

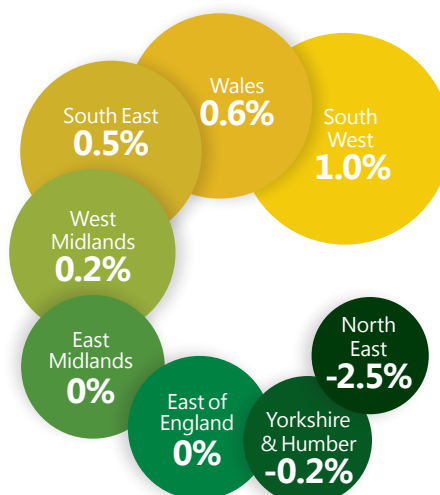
from international buyers, who are able to take advantage of the weak pound, has boosted the market.

On a regional level, the average price for a prime country property in the South West increased by 1% during the quarter. Prices for prime homes in Wales and the South East saw the next largest increase over this time, up by 0.6% and 0.5% respectively (figure 1).

Agents report that some local markets have been benefitting from the emergence of new sellers who have set more realistic asking prices for their homes, combined with a release of pent-up demand from buyers. This localised outperformance is most noticeable in key commuter towns. Prices in and around Ascot are up 2% on the year, while prices around Esher have risen by 3%.

In Oxford, demand from individuals relocating from London, as well as local buyers, has helped to push price growth to 4.8% over the past year, the largest increase in values of all the markets covered by our index. Buyers continue to be attracted by the area's good schools and limited new stock coming to market over the past year has resulted in cases of competitive bidding which has pushed prices higher. Prices in Winchester have risen by 2.9% so far this year.

Figure 1
Regional prime country house price change Q2 2013



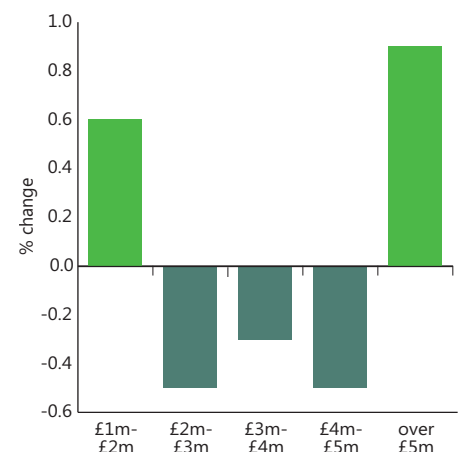
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"Localised outperformance is most noticeable in key commuter towns including Ascot and Esher."



Gráinne Gilmore, Head of UK Residential Research

Figure 2
Prime country house price changes by price band (quarterly change Q2 2013)



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.

Knight Frank Prime Country House Index					
		Cottage	Farmhouse	Manor House	Unweighted average
Average quarterly change	2011 Q3	-0.6%	-1.6%	-1.8%	-1.4%
	2011 Q4	-1.1%	-2.3%	-1.7%	-1.7%
	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%	
Average annual change	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%
2013 Q2	1.2%	-0.5%	-3.6%	-1.2%	
The Index	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	224.3	226.4
2013 Q2	215.1	244.4	223.7	227.2	

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