

LONDON RIPPLE BOOSTS COUNTRY HOUSE VALUES

Prime country house prices rose for the sixth consecutive quarter between April and June. Oliver Knight examines the latest figures.

Results for Q2 2014

Prime country house prices rose by 1.1% in the second quarter of 2014

The annual increase in prices in the year to June 2014 was 5.2%

The volume of sales completed in the second quarter of the year increased 11% y-o-y

The number of prospective buyers registering their interest in buying a prime country home in Q2 fell by 2% y-o-y

Prime country house prices in England rose by 1.1% in the second quarter of 2014, taking the annual increase in prices to 5.2% over the year to June.

Although still playing 'catch-up' with the prime market in London, where prices increased by 7.8% over the year to May, this is the strongest rate of annual growth in the prime country market in four years.

Looking at market activity, the volume of prime country sales completed in the second quarter was 11% higher than the corresponding period last year. This was driven primarily by the sub-£2m market which accounted for 80% of Knight Frank sales over the three months to June.

The higher volume of sub-£2m sales has contributed to stronger price rises for homes valued below this threshold. While average values of sub-£2m prime properties rose by 1.3% between April and June, growth in value for houses worth over £2m was 0.6%. Super-prime homes, worth over £5m, actually fell in

value by 2.3% over the course of the quarter, although they remain 1.2% higher on an annual basis.

Figure 1 shows the annual change for prime country property by price bracket.

While there are indications that buyers have started to factor the higher 7% stamp duty charge for £2m+ properties into decisions, fresh uncertainty surrounding the possible introduction and form of a "Mansion Tax" has contributed to lower price growth for homes worth £2m+.

On a regional basis, the Home Counties and South West markets have continued to benefit most from the "London ripple" effect, with house price growth spreading outwards from central London. Additionally, these markets are being boosted by the return of London buyers.

This is reflected in country 'hotspots', many of which are close or within commuting distance of the Capital.

continued overleaf...



OLIVER KNIGHT
Residential Research

"The volume of prime country sales completed in the second quarter was 11% higher year-on-year."

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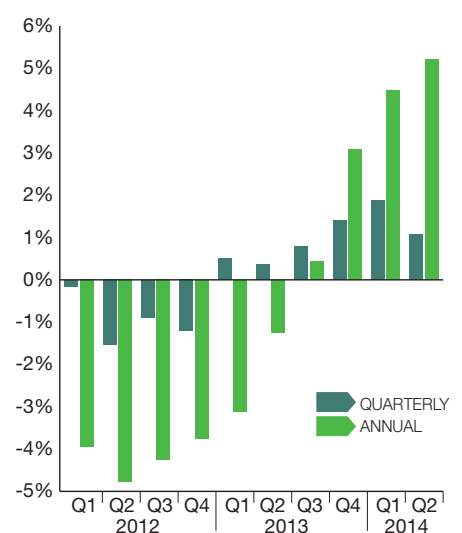
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FIGURE 1
Annual price change by price bracket
(Q2 2013 - Q2 2014)



Source: Knight Frank Residential Research

FIGURE 2
Quarterly and annual price change
(Q1 2012 - Q2 2014)



Source: Knight Frank Residential Research

PRIME COUNTRY HOUSE INDEX

Prices of prime property in Winchester and Cobham rose by 2.6% in the second quarter, while prices in Virginia Water were 2.5% higher and in Oxford values climbed by 1.8%.

Looking to the future, there are signs momentum may be slowing slightly.

While the number of property viewings was fairly steady during the three months to June compared to the same period last year, the number of prospective buyers registering their interest in buying a prime country home fell by 2%.

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average	
AVERAGE QUARTERLY CHANGE	2012 Q3	-0.7%	-1.1%	-0.9%	-1.5%
	2012 Q4	-0.2%	-0.4%	-2.7%	-0.9%
	2013 Q1	0.9%	0.6%	0.1%	-1.2%
	2013 Q2	1.1%	0.4%	-0.2%	0.5%
	2013 Q3	1.4%	0.9%	0.3%	0.4%
	2013 Q4	1.7%	1.8%	0.9%	0.8%
	2014 Q1	3.3%	2.4%	0.5%	1.4%
	2014 Q2	1.6%	1.0%	0.8%	1.9%
AVERAGE ANNUAL CHANGE	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%
THE INDEX	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
	2014 Q2	232.7	259.4	229.2	239.0

Source: Knight Frank 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.



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RESIDENTIAL RESEARCH

Liam Bailey
Global Head of Research
+44 20 7861 5133
liam.bailey@knightfrank.com

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

PRESS OFFICE

Lizzie Copestake
+44 20 7861 1033
lizzie.copestake@knightfrank.com

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