



## Prices for £4m+ country homes continue to rise

**Average prices for prime country homes fell in Q3, but homes in the top price brackets bucked the trend, climbing by around 1% on the quarter. Prices in some ‘hotspots’ also continue to outperform. Gráinne Gilmore examines the data**

### Results for Q3 2012

**Prime country house prices fall by 0.9%** in Q3 after 1.5% decline in Q2

**Annual decline in prices narrows to 4.3%** from 4.8% in Q2

**Price growth sustained** for properties worth £4 million and more

**Average values rise** in and around Oxford and Guildford

Prime country house prices declined again in the third quarter, meaning average values have been on a downward trajectory for much of the last two years.

However, breaking values down into price bands, the performance has been quite varied. On average, homes worth up to £2 million have seen a 4.3% fall in value over the last year. Perhaps unsurprisingly, given the increase in the stamp duty charge levied on properties worth £2 million and more from 5% to 7% in March, homes worth between £2 million and £3 million have seen the biggest falls in price since this time last year, dropping by more than 7%.

In contrast, house prices for properties worth £4 million and more have bucked the trend, and continue to rise. Homes worth between £4 million and £5 million have climbed in value by 1% over the last year, while properties valued at £5 million and above have risen in value by 3.2%, showing demand is still strong for the very best and unique country homes.

There are also some localised areas of outperformance. Prices in and around Oxford are up 2.3% on the year, while prices around Guildford have risen by 2%. Homeowners in Esher have seen the value of their prime

property rise by 4% over the last 12 months.

The rises in these areas partly reflect the increase in buyers from London who are looking to take advantage of record high prices by selling and moving to the country. International buyers are also a more significant feature in these markets. Indeed web searches for prime country property on Knight Frank’s global property search engine from the US, Germany, Canada and Spain have risen notably over the last three months, especially for properties worth £5 million or more.

Activity in the market is steady, with viewings up 1.3% in Q3 compared to the same period last year. While the number of exchanges fell by 8%, the data on sales subject to contract, which captures transactions data earlier in the sale process, shows a 14% increase.

The market is characterised by uncertainty at the moment however, with transactions taking longer than they usually would and more deals de-railed before completion. Constrained mortgage lending continues to cast a pall over the market, especially in the lower price brackets, while the clarity on the new tax rules for offshore buyers expected in early December can only help bolster confidence in the market.

Figure 1  
**Annual growth in country house prices**

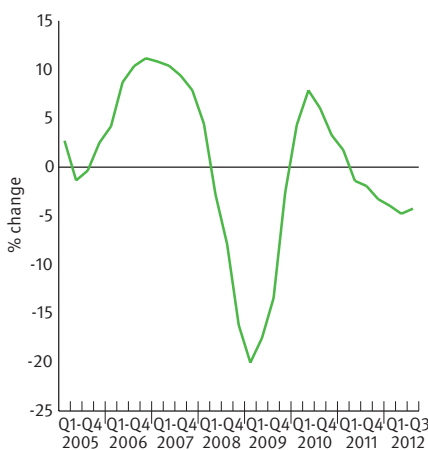
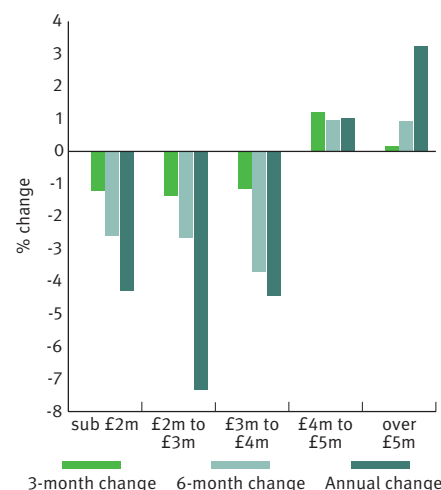


Figure 2  
**How the different price bands have performed**



“The market is characterised by uncertainty at the moment, with transactions taking longer than usual.”



Gráinne Gilmore, Head of UK Residential Research

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	2010 Q4	-0.5%	0.0%	-0.5%	-0.4%
	2011 Q1	0.8%	0.9%	0.0%	0.5%
	2011 Q2	-0.6%	-0.6%	-0.9%	-0.7%
	2011 Q3	-0.4%	-1.4%	-1.8%	-1.2%
	2011 Q4	-1.1%	-2.3%	-1.7%	-1.7%
	2012 Q1	-0.2%	-0.1%	-1.4%	-0.5%
	2012 Q2	-1.8%	-2.3%	-0.6%	-1.5%
	2012 Q3	-0.7%	-1.1%	-0.9%	-0.9%
Average annual change	2010 Q4	3.1%	3.7%	3.0%	3.3%
	2011 Q1	1.9%	2.0%	1.3%	1.8%
	2011 Q2	-1.1%	-0.4%	-2.7%	-1.4%
	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%
The Index	2010 Q4	220.3	260.7	245.1	242.0
	2011 Q1	222.0	262.9	245.1	243.3
	2011 Q2	220.7	261.4	242.9	241.6
	2011 Q3	219.7	257.7	238.5	238.6
	2011 Q4	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

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