

Prime country house prices rise at fastest rate in over three years

Average prices in the prime country house market increased by 0.8% in the third quarter of the year, the strongest rate of growth since 2010. Oliver Knight examines the data.

Results for Q3 2013

Prime country house prices rise 0.8% in Q3 2013, the third consecutive quarter of growth...

...this is the strongest quarterly growth in prices since Q2 2010

The Virginia Water, Berkhamsted and Cobham markets reported the strongest price growth in Q3, up by 3.2%, 2.9% and 2.3% respectively.

In Q3 2013, **property viewings were 10.8% higher than the same period in 2012**

Annually prices have increased by 0.4%

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As the UK economy improves, confidence in the housing market is beginning to ripple out from central London, and into the immediate country house market. Prices for prime country houses increased by 0.8% in the third quarter of 2013 and have risen now for three consecutive quarters.

On an annual basis, prices are 0.4% higher than they were 12 months ago. Yet this average figure hides significant regional variations, with the strongest price rises concentrated in locations within easy commuting distance of London. The South East saw the strongest growth in Q3 with prices rising 1.5% on the back of increasing confidence in the regional economy.

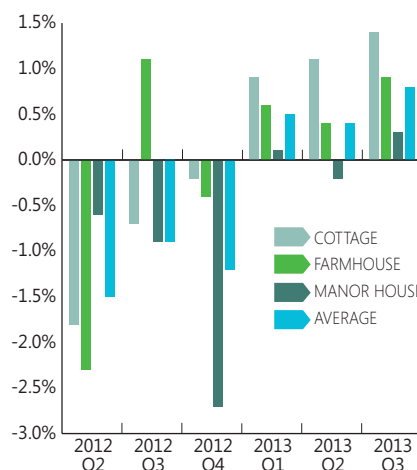
The prime Virginia Water, Berkhamsted and Cobham markets reported the strongest price growth over this time, up by 3.2%, 2.9% and 2.3% respectively.

In the South West and the Midlands regional markets prices increased by just 0.3% and 0.4% during the quarter, while in the North and Scotland prices were unchanged.

Despite the headline figures indicating improving conditions in the market, prime country house prices remain around 20% lower than at the peak of the market in autumn 2007. This is in sharp contrast to the prime central London market, where prices have risen by around 23% since their previous market peak (figure 2).

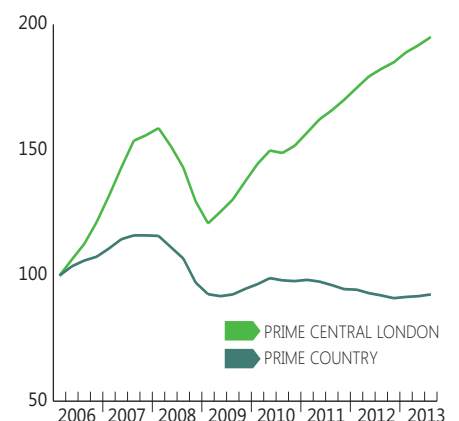
More detailed data shows that recent price growth has been driven by homes worth up to £2m. While average values of sub-£2m prime properties have increased on an annual basis by 1.3%, the value of houses worth between £2m and £5m have fallen by 1.1%. The price of super-prime £5m+ homes has fallen by 0.2% on an annual basis.

Figure 1
Quarterly price change
UK prime country house average residential price change



Source: Knight Frank Residential Research

Figure 2
A widening gap
Change in prime country and prime central London house prices, indexed to 100 in Q1 2006



Source: Knight Frank Residential Research

OLIVER KNIGHT
Residential Research

"The strongest price growth has been concentrated in locations within easy commuting distance of London"

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RESIDENTIAL RESEARCH PRIME COUNTRY HOUSE INDEX



The higher 7% stamp duty charge for £2m+ properties, introduced in the 2012 March Budget, remains a factor in the market and has certainly acted to constrain price growth for properties above this threshold.

Demand for prime country homes remains strong. The number of new applicants registering their interest in this market was 12.4% higher in Q3 2013 compared to the

same period a year earlier. Viewings have also increased and were higher by 10.8% over the same time.

Splitting our results by property type confirms the pattern for higher growth for lower priced market segments; with quarterly price change for cottages, farmhouses and manor houses at 1.4%, 0.9% and 0.3% respectively in the third quarter.

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average	
AVERAGE QUARTERLY CHANGE	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%
2013 Q3	1.4%	0.9%	0.3%	0.8%	
AVERAGE ANNUAL CHANGE	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%
2013 Q3	3.3%	1.5%	-2.5%	0.4%	
THE INDEX	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
2013 Q3	222.3	248.0	218.1	228.2	

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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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