

## Country house prices dip in Q4, ending the year down 3.8%

**Average prices in the country house market slipped by 1.2% in the final quarter of the year. Gráinne Gilmore examines the data:**

### Results for Q4 2012

**Prime country house prices fell 1.2% in the fourth quarter**

**The annual decline in prices stands at 3.8%**, compared to 4.3% in Q3

**Esher and Oxford continue to outperform the wider market**, with annual price rises of 3.6% and 3.3%

**Stock volumes are up on the year**, with a 15% rise in the number of new properties coming to market

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The value of prime country property fell in the final three months of 2012 taking the annual decline to 3.8%. Prices remain higher than at the last market trough in 2009, but have now been declining for seven consecutive quarters.

The increase in stamp duty for properties worth £2m and more from 5% to 7% in March has been a major catalyst in a 5.6% annual price fall for homes worth between £2m and £3m, the biggest decline recorded by the index.

Interestingly, our data shows that prices in the £5m+ price bracket, which have been fairly resilient so far this year, fell 3.9% in the final quarter. This effectively reversed the gains seen in Q1, Q2 and Q3, with buyers at the top end of the market raising concerns about the implications of [recent tax changes](#) and ongoing economic uncertainty. Indeed, the [Office for Budget Responsibility](#) recently downgraded its forecasts for the UK economy.

But agents reported that activity levels actually rose as the [Autumn Statement](#) and publication of the draft Finance Bill provided

the sector with some clarity. This should continue to encourage buyers who have been waiting on the sidelines to commit.

Regionally, we can see some areas of localised outperformance. Prices in and around Esher are up 3.6% on the year, while prices around Oxford have risen by 3.3%. Homeowners in Guildford have seen the value of their prime property rise by 1.3% over the last 12 months.

Interest from prospective buyers remains steady, with a 5% increase in viewings in the three months to December. But supply has also risen compared to last year, with stock volumes up 15% in the final three months of the year.

However, the prevailing feeling in the market is still one of uncertainty with transactions taking longer than they usually would and constrained mortgage lending impacting on volumes. We are forecasting another small dip in prime country house prices next year, with some exceptions in 'hotspots' such as Oxford and Guildford, where we expect prices to rise modestly in the next 12 months.

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

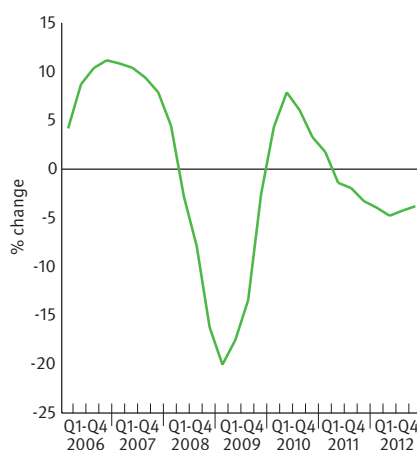
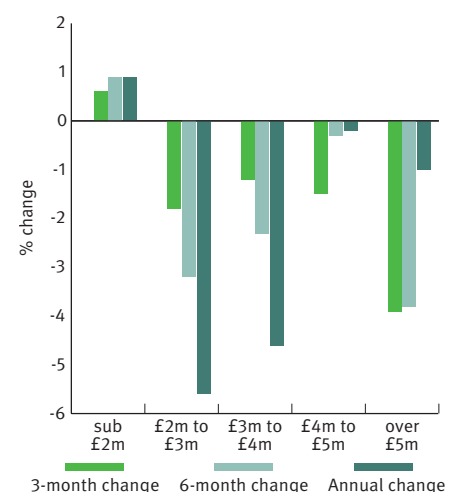


Figure 2  
**How the different price bands have performed**



“The draft Finance Bill has provided the sector with some clarity which should encourage buyers who have been waiting on the sidelines.”



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	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%
	2012 Q4	-0.2%	-0.4%	-2.7%	-1.2%
Average annual change	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%
	2012 Q4	-2.9%	-3.8%	-4.4%	-3.8%
The Index	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
	2012 Q4	210.7	242.0	224.0	225.2

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