

Country House prices climb 3.1% in 2013

Prime country house prices rose again during the final quarter of 2013, although price growth is varied across price bands. Oliver Knight examines the trends, and shares the forecast for next year.

Results for Q4 2013

Prime country house prices are forecast to increase **by 3.5% in 2014**

Location and price will have the greatest bearing on growth with homes worth sub-£2m in the South East outperforming the wider market

The average price of a prime country house in the UK **increased by 1.4% in the final quarter of 2013**

Prices for prime country homes are **3.1% higher on an annual basis**

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The average price of a prime country house in England increased by 1.4% in the final quarter of 2013 – the biggest quarterly increase in prices in more than three years. On an annual basis, prices have risen by 3.1%.

A more detailed examination of the data shows that price performance is becoming increasingly dependent on the value of a property. For example, while homes worth under £2m increased by an average of 1.7% over the last three months, price growth for properties in the higher price brackets has been more muted.

As figure 2 shows, the average value of a home worth between £2m and £3m rose by 1% between October and December, while the price of properties worth between £3m and £4m climbed by 0.4% over the same time. Comparatively, the average price of a home worth between £4m and £5m fell by 0.3% over this time. Prices of ‘super-prime’ £5m+ homes proved more resilient due to low stock levels increasing by 2% in Q4.

The higher stamp duty charge for £2m+ properties, introduced at last year’s Budget,

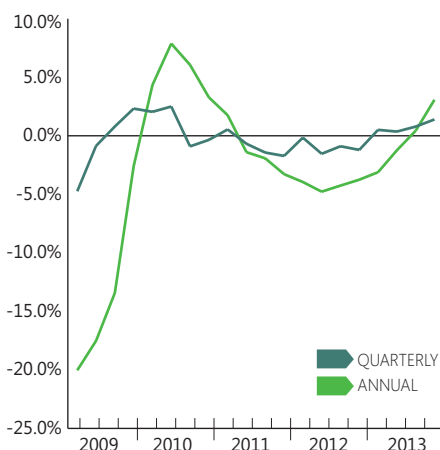
remains a key driver behind stronger growth from the lower price brackets, while talk earlier this year about the introduction of a mansion tax for £2m+ homes has also weighed on buyers’ minds at this end of the market.

Demand in the market remains strong – with the number of new applicants registering their interest in buying a prime country home over the three months to December 2013 up by 16.1% compared to the same period of 2012. Property viewings were up by 7.9% over the same period.

This has led to a rise in the number of prime country house transactions, which were 25% higher in the three months to December compared to the same period last year.

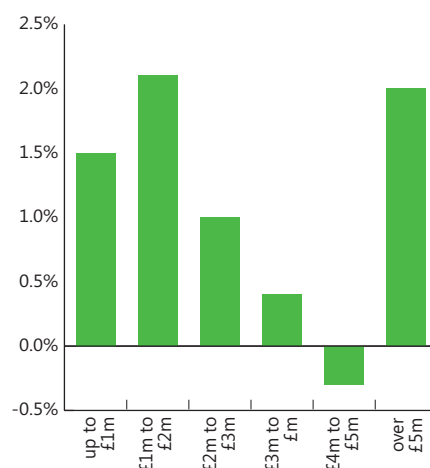
We expect further price growth in the prime country market in the coming year, as improved economic conditions, and the improved confidence engendered by Government stimuli feed in. To this end we are forecasting average growth of 3.5% across all the prime country house market in 2014.

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



Source: Knight Frank Residential Research

Figure 2
Price change by value
(Q4 2013)



Source: Knight Frank Residential Research



OLIVER KNIGHT
Residential Research

“The higher stamp duty charge for £2m+ properties, introduced at last year’s Budget, remains a key driver behind stronger growth from the lower price brackets”

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However, as has been the case through 2013, location and price will have the greatest bearing on growth and there are likely to be significant variations in prime house prices across the UK.

We expect properties in the sub-£1m price band to see the biggest uplift of around 5%. In the £1m to £2m price band growth of 4%

is forecast for 2014, while for homes worth £2m+ more modest growth of 2% is expected.

Property markets in South East England will also outperform as price growth is boosted by the "ripple effect" of London prices, and continuing price growth in the towns within easy commuting distance of the capital.

Knight Frank Prime Country House Index

		Cottage	Farmhouse	Manor House	Unweighted average
AVERAGE QUARTERLY CHANGE	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%
	2013 Q4	1.7%	1.8%	0.9%	1.4%
	AVERAGE ANNUAL CHANGE	2012 Q1	-2.3%	-4.3%	-5.7%
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%
2013 Q4		5.3%	3.7%	1.0%	3.1%
THE INDEX		2012 Q1	216.8	251.7	231.1
	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
	2013 Q4	221.8	250.9	226.3	232.2

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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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