

PRIME PRICES RISE 3.1% IN 2015

Tentative signs are emerging that both buyers and sellers are adjusting to stamp duty changes announced in 2014.

Key headlines from Q4 2015

Prime country houses increased in value by an **average of 3.1% in 2015**

Between October and December 2015 **prices rose by 0.6%**

The number of £2 million-plus properties sold in the **three months to December was up 15%** compared to the previous quarter

Prime country house prices in England and Wales are forecast to rise by an **average of 3% in 2016**

Prime country houses increased in value by an average of 0.6% in the final quarter of 2015, leaving values 3.1% higher than a year ago. This builds on annual growth of 3.4% across the market in 2014.

Although price growth has eased slightly over the course of the year it has outpaced the capital where prime property prices rose by just 1% in 2015.

In recent months tentative signs have begun to emerge that both buyers and sellers at the top end of the market are adjusting to the stamp duty changes introduced by the Chancellor in the 2014 Autumn Statement.

Indeed, Knight Frank sales data for the prime country market shows that the number of £2 million-plus properties sold in the three months to December was 15% higher than the preceding quarter and more than double the number completed in the first three months of 2015.

This reflects the fact that the higher transactional costs at the top end of the

market are increasingly being factored into pricing.

In the sub-£1 million market, demand for properties has remained robust over the course of the year.

Accordingly, homes in this price bracket have experienced the strongest price growth in 2015, rising by 4.3%. By contrast, homes worth between £4m and £5m saw values increase by just 1.8% in 2015.

In 2016, prime country house prices are forecast to rise by an average of 3%. Key town and city locations are likely to outperform as the trend for urban living continues to grow and more Londoners look to take advantage of the relative price differential on offer.

Higher rates of stamp duty due to come into effect from April 2016 for buy-to-let investors and those purchasing additional homes may provide a boost to activity across the market in the short term (see back page).



OLIVER KNIGHT
Senior Analyst

"In the sub-£1 million market, demand for properties has remained robust over the course of the year."

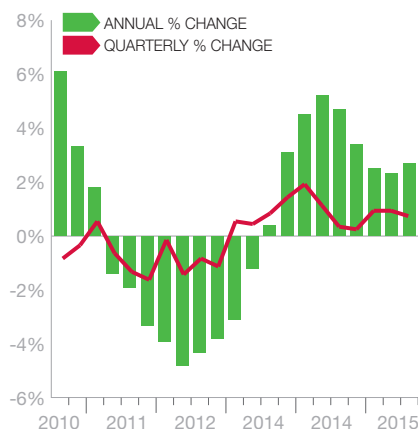
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FIGURE 1

Price change

Annual and quarterly change in prime country property values

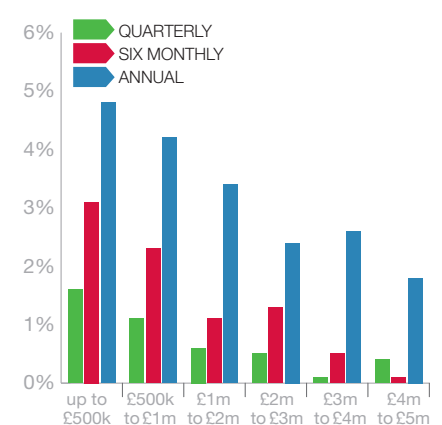


Source: Knight Frank Research

FIGURE 2

Different tiers of the market

Prime country price growth, by price band, 2015



Source: Knight Frank Research



PROPOSED STAMP DUTY FOR ADDITIONAL HOMES

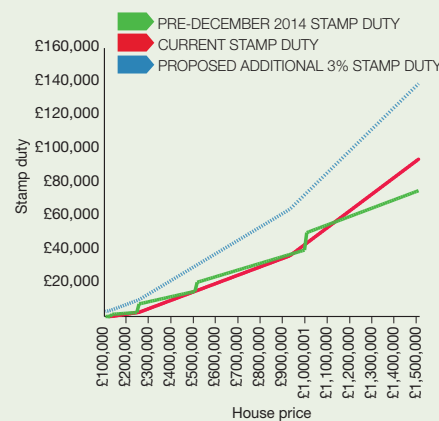
It was announced in November's Autumn Statement that a 3% additional rate of Stamp Duty Land Tax will be introduced on purchases of additional properties such as buy-to-let and second homes with effect from the 1 April 2016. The 3% would apply to the whole of the purchase price for relevant properties.

The announcement confirmed that a consultation would be launched in January during which full policy details would be fleshed out. The results of the consultation are likely to be made public in January, with the final policy detail announced at the 16 March 2016 Budget.

The intention is that anyone who already owns a home anywhere in the world will pay the higher stamp duty on an additional purchase in the UK from April 1 2016, unless they are replacing their primary residence in the UK.

It would seem fair to expect a boost in activity between now and the end of March next year, as those affected by the changes look to complete on purchases before the new rates are implemented.

Stamp duty



Source: Knight Frank Research

Knight Frank Prime Country House Index

| | Cottage | Farmhouse | Manor House | Unweighted average | |
|---------------------------------|----------------|-------------|-------------|--------------------|-------------|
| AVERAGE QUARTERLY CHANGE | 2014 Q2 | 1.6% | 1.0% | 0.8% | 1.1% |
| | 2014 Q3 | 0.8% | -0.1% | 0.3% | 0.3% |
| | 2014 Q4 | 1.0% | 0.0% | -0.3% | 0.2% |
| | 2015 Q1 | 1.0% | 0.2% | 1.5% | 0.9% |
| | 2015 Q2 | 1.5% | 0.8% | 0.7% | 0.9% |
| | 2015 Q3 | 1.4% | 0.5% | 0.3% | 0.7% |
| | 2015 Q4 | 1.1% | 0.4% | 0.4% | 0.6% |
| AVERAGE ANNUAL CHANGE | 2014 Q2 | 8.2% | 6.2% | 2.5% | 5.2% |
| | 2014 Q3 | 7.6% | 5.2% | 2.5% | 4.7% |
| | 2014 Q4 | 6.8% | 3.4% | 1.4% | 3.4% |
| | 2015 Q1 | 4.4% | 1.2% | 2.3% | 2.5% |
| | 2015 Q2 | 4.4% | 0.9% | 2.2% | 2.3% |
| | 2015 Q3 | 4.9% | 1.5% | 2.2% | 2.7% |
| | 2015 Q4 | 5.0% | 1.9% | 2.9% | 3.1% |

Source: Knight Frank Research

Important Note: Knight Frank does not provide taxation advice, this update is provided for information only and is based on information available as at December 2015.

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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