

The index is valuation-based, compiled quarterly from valuations prepared by professional staff in every Knight Frank Country office in the UK and based on actual sales evidence.



Prime Country House index

knightfrank.com/research

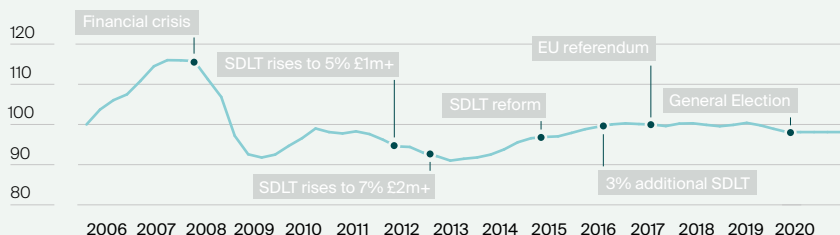
Q1 2020

COUNTRY HOUSE PRICES Q1 2020

ANNUAL CHANGE	COTTAGE	FARM HOUSE	MANOR HOUSE	TOWN HOUSE	PCHI
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
INDEX	COTTAGE	FARM HOUSE	MANOR HOUSE	TOWN HOUSE	PCHI
258.7	258.0	221.1	124.5	241.9	

1 Prime regional price change

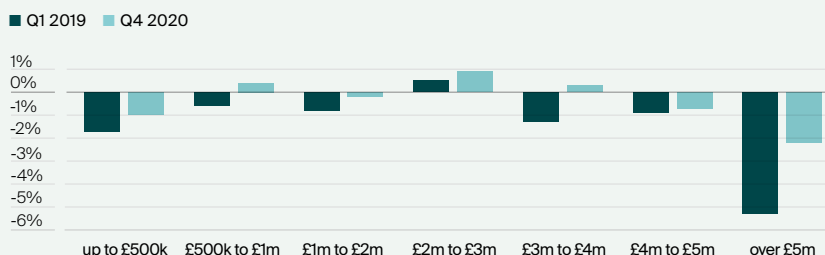
Indexed: 100 = March 2005



Source: Knight Frank Research

2 Price change by value bracket

Q1 performance vs Q4



Source: Knight Frank Research

Country house prices experienced their strongest rate of growth since the second quarter of 2018 in the opening months of this year, ahead of the UK entering lockdown.

In the first three months of 2020 growth was 0.2%, which was due to growing confidence after the decisive general election result in December.

On an annual basis the Prime Country House Index was flat in March, although this came against the backdrop of mostly declining prices for the past three years. This was due to a period of political uncertainty and tax changes that tempered activity (figure 1).

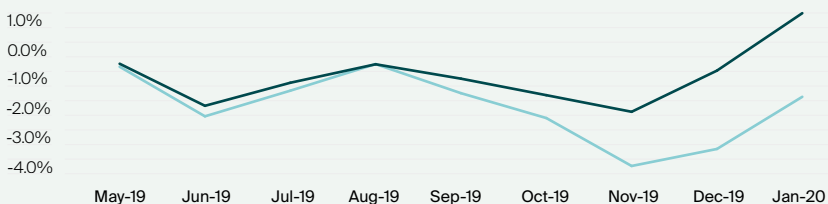
The number of viewings and prospective new buyers registering with Knight Frank showed an upward trajectory, in a further indicator of increasing momentum in the market. However, with the advent of Covid-19 restrictions this progress has paused.

Activity in the country house market was also underpinned by historically low interest rates and mortgage lending that reached a six-year high in February. Annual price growth for

3 New-buyer registrations and viewings were on an upward trend

Annualised % change

■ New potential buyers ■ Viewings



Source: Knight Frank Research

“The UK lockdown will result in a significant amount of lost sales this year in a market that was gaining momentum, with a 3% fall in prices predicted. However, sales and prices should rebound in 2021 with price growth of 5% forecast.”

CHRIS DRUCE
ASSOCIATE

UK RESIDENTIAL HOUSING MARKET OUTLOOK

	2019 (ACTUAL/EST)	2020 (FORECAST)	2021 (FORECAST)
UK	1.5%	-3%	5%
LONDON	1.8%	-2%	6%
PRIME CENTRAL LONDON	-2.6%	0%	8%

properties valued between £2 million and £3 million was the highest of any price bracket, rising by 0.9%. This level of the market comprises many London-based, family buyers, and the combination of a recovery in prices in the capital, low interest rates and the general election result, encouraged them to act fuelling growth (figure 2). For properties valued at more than £5m, there was an annual decline of 2.2% in March, which was an improvement on a fall of 5.3% in December 2019. Buyers here had been waiting for certainty, which had seemingly been delivered, as purchases at this level are often discretionary.

Outlook

While the majority of country house sellers and buyers appear committed to conducting business once it is possible to do so, the key factor that will determine the performance of the residential market and UK economy as a whole for the remainder of 2020 is the speed with which the government relaxes the current movement restrictions.

Knight Frank’s latest outlook (see table) is based on the assumption that current restrictions will remain in place during May with a gradual lifting through June. The underlying economic forecast adopted points to a 4% contraction of UK GDP in 2020 and growth of 4.5% in 2021.

Our view at the beginning of 2020 was that the volume of UK residential transactions would end the year around 5% higher than the five-year average - around 1.26 million.

If we assume that the current movement restrictions are maintained through to the end of May this will have a dramatic impact on sales volumes with UK residential prices expected to decline 3%.

Our view is that residential sales across the UK will total around 734,000 for the full year, a 38% decline from the level seen in 2019. However, volumes next year are expected to be 18% above the level seen in 2019, and UK residential price growth is forecast at 5%.

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



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