

PRICES FLAT BUT ACTIVITY RISES IN Q2

There was little movement in terms of price growth for prime country homes during the second quarter, but activity levels were robust compared with the same period in 2016.

Key headlines from Q2 2017

Prime country prices **rose by 0.1% between April and June**

On an annual basis, property **values were 0.2% higher**

Prime properties in town and city markets continued to outperform, rising by 1% in Q2 and by 1.5% annually

Knight Frank forecasts are for a **1.5% increase** in prime prices in 2017

Prime country prices were largely unchanged between April and June 2017, rising by just 0.1%.

On an annual basis, property values were 0.2% higher on average, slightly improved from the 0.1% fall reported in the year to March.

But while values have been largely static over this time, an analysis of Knight Frank housing market data points to a more active market, albeit one that remains price sensitive following changes to property taxation in 2014 and 2016.

Agents report that against this backdrop it is vendors who are realistic about pricing, or willing to negotiate, that are achieving sales.

Knight Frank figures show prime sales volumes rose by more than half between April and May, compared to the same period in 2016. The comparison flatters this year's performance, as the 2016 data was adversely impacted by the introduction of the additional rate of stamp duty, but even against the level of market activity in 2015, sales volumes were still higher by 29%.

A pick-up in sales volumes in the past few months also suggests that prime markets outside of London are weathering much of the political and economic uncertainty as a result of the General Election, as well as the ongoing discussions surrounding Brexit.

The figures do, however, also reveal some wider trends. Properties that are located close to good schools and transport links remained the most in demand over the course of the quarter, particularly in town and city markets which outperformed their more rural counterparts.

This was supported by a 1% increase in values for prime town houses between April and June. In comparison, homes located in more rural locations fell in value by 0.2% over this period. On an annual basis, prices were 1.5% and 0.4% higher respectively.

As we have noted in previous updates, a shortage of good prime housing stock continues to act as a barrier to further growth in the market. If sustained, this could put upwards pressure on the market over the remainder of the year. Knight Frank forecasts are for a 1.5% increase in prime prices in 2017.



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Associate

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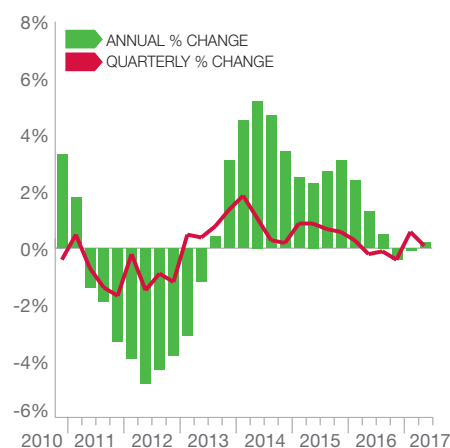
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FIGURE 1

Price change

Annual and quarterly change in prime country property values

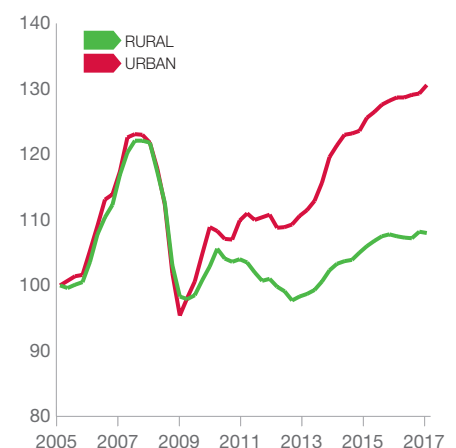


Source: Knight Frank Research

FIGURE 2

Prime urban v rural price performance

Indexed 100 = March 2005



Source: Knight Frank Research

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average
AVERAGE QUARTERLY CHANGE				
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%
2014 Q1	3.3%	2.4%	0.5%	1.9%
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%
2016 Q1	1.9%	0.0%	-0.4%	0.3%
2016 Q2	1.1%	0.2%	-1.0%	-0.2%
2016 Q3	1.0%	-0.7%	-0.4%	-0.1%
2016 Q4	0.1%	-0.4%	-0.7%	-0.4%
2017 Q1	1.4%	0.2%	0.4%	0.6%
2017 Q2	1.0%	0.3%	-0.6%	0.1%
AVERAGE ANNUAL CHANGE				
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%	-4.0%	-3.1%
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%
2014 Q1	7.7%	5.5%	1.4%	4.5%
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%
2016 Q1	6.0%	1.7%	1.0%	2.4%
2016 Q2	5.5%	1.1%	-0.7%	1.3%
2016 Q3	5.1%	-0.2%	-1.4%	0.5%
2016 Q4	4.1%	-1.0%	-2.5%	-0.4%
2017 Q1	3.6%	-0.8%	-1.7%	-0.1%
2017 Q2	3.5%	-0.6%	-1.3%	0.2%

Source: Knight Frank Research

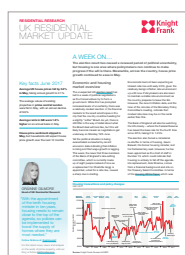
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DATA DIGEST

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.

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