

PRIME COUNTRY HOUSE INDEX Q3 2018

PRIME PRICES MODERATE IN Q3

A more cautious approach from both buyers and vendors kept a check on prime regional property values in the third quarter.

Prime regional property prices in England and Wales declined in the third quarter of 2018, falling by 0.6%, according to Knight Frank's prime country house index. This marks a reversal to the 0.9% growth seen in the first half of the year.

Over the 2 months to September 2018, values were virtually unmoved at 0.1%. The rate of annual growth in the prime country market has averaged less than 1% since mid-2016, compared to between 2% and 5% in the mainstream UK market, highlighting the price sensitive nature of prime markets outside of the capital.

With ongoing uncertainty surrounding Brexit, the performance also reflects a more cautious attitude among both buyers and vendors, some of whom appear to be waiting for more certainty in the near future. This can be seen in Knight Frank figures which show there were 6.7 property viewings conducted for every offer made in September, compared to 4.9 in June, and the highest this ratio has been in seven years.

Despite this background of uncertainty, agents report that properties continue to sell where they are priced to factor in the prevailing market conditions.

Another noticeable factor in the market has been the increased activity among needs-driven buyers, such as those moving for schooling or family reasons. This has translated into a pick-up in activity in some

prime markets, including Tunbridge Wells, Guildford and Sevenoaks. These markets are well known for the quality of schooling.

It is also worth noting that prime regional markets still look good value relative to many areas of London and, while the number of buyers from the capital has fallen year-on-year so far in 2018, purchasers moving from the city remain an important source of demand.

REGIONAL VARIATIONS

Drilling down into the data also reveals a more nuanced picture. At a regional level, localised pressures have contributed to variations in price performance. The traditionally higher value prime markets in North Surrey, for example, have seen prices fall by 3.2% over the last 12 months, and by 11.3% since their previous peak in 2014.

Performance is also dependant on value, as shown in Figure 2 overleaf.

OUTLOOK

The succession of rises for stamp duty on property valued above £1m in recent years, a slowdown in the prime London market and more uncertainty over the short-to mid-term prospects for the UK economy, as well as property taxation, have all kept a lid on growth since 2016. It's likely that these conditions will persist over the coming year.

-0.6%
QUARTERLY PRICE
CHANGE

0.1%
ANNUAL PRICE CHANGE

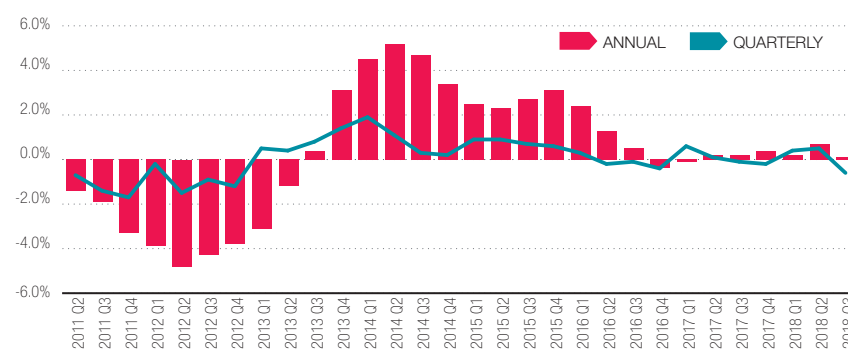
8.5%
5-YEAR PRICE CHANGE

"AGENTS NOTE THAT PROPERTIES CONTINUE TO SELL WHERE THEY ARE PRICED ACCORDING TO MARKET CONDITIONS. ONE KEY DRIVER OF ACTIVITY HAS BEEN FROM NEEDS-DRIVEN BUYERS."

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FIGURE 1
PRIME REGIONAL PROPERTY VALUES

Annual and quarterly % change



Source: Knight Frank Research

FIGURE 2
PRIME REGIONAL PRICE CHANGE BY VALUE

Annual % change, to Q3 2018



Source: Knight Frank Research

FIGURE 3
PRIME REGIONAL HOUSE PRICES

Quarterly change

	Cottage	Farmhouse	Manor house	Town house	Unweighted average
2017 Q3	0.4%	-0.6%	0.0%	0.3%	-0.1%
2017 Q4	-0.2%	-0.4%	0.0%	0.3%	-0.2%
2018 Q1	0.3%	0.0%	0.8%	0.7%	0.4%
2018 Q2	0.7%	0.9%	-0.1%	0.6%	0.5%
2018 Q3	-0.9%	-0.4%	-0.8%	-0.3%	-0.6%

Annual change

	Cottage	Farmhouse	Manor house	Town house	Unweighted average
2017 Q3	2.9%	-0.5%	-0.9%	3.8%	0.2%
2017 Q4	2.6%	-0.5%	-0.2%	3.3%	0.4%
2018 Q1	1.5%	-0.7%	0.2%	2.5%	0.2%
2018 Q2	1.2%	-0.1%	0.7%	1.9%	0.7%
2018 Q3	-0.1%	0.0%	-0.1%	1.2%	0.1%

Source: Knight Frank Research

Please contact us for further information

If you're thinking of buying or selling, or would just like some property advice, please do get in touch.

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