

Prime Country House Index



Q3 2024

Knight Frank's quarterly valuation-based index, tracking prices and activity in property markets above £750,000 outside of London

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PCHI **270.4**

Annual change **-1.2%**

Quarterly change **-0.3%**

Annual change by price bracket

£1m to £2m **-2.0%**

£2m to £3m **-1.3%**

£3m to £4m **1.0%**

£4m to £5m **0.7%**

£5m+ **-1.7%**

Budget Uncertainty Keeps Lid on Demand in Country Despite Rate Falls

The best word to describe the current mood in the UK property market is 'apprehensive'.

The Labour Party conference did little to calm nerves ahead of an October Budget the government has warned will be "painful".

Chancellor Rachel Reeves said in her speech that there would be no return to austerity but warned of "tough decisions". Meanwhile, a feeling of wariness has spread through the wider economy, as the chart on page 2 shows.

In the three months to August, the number of offers made in the Country was 10% down on last year, Knight Frank data shows. Compared to the five-year average, which was a period marked by high levels of activity during the so-called 'race for space', the decline was a quarter.

"Parts of the market are in somewhat of a holding pattern again," said James Cleland, head of the Country business at Knight Frank. "Some discretionary buyers are waiting but those driven by



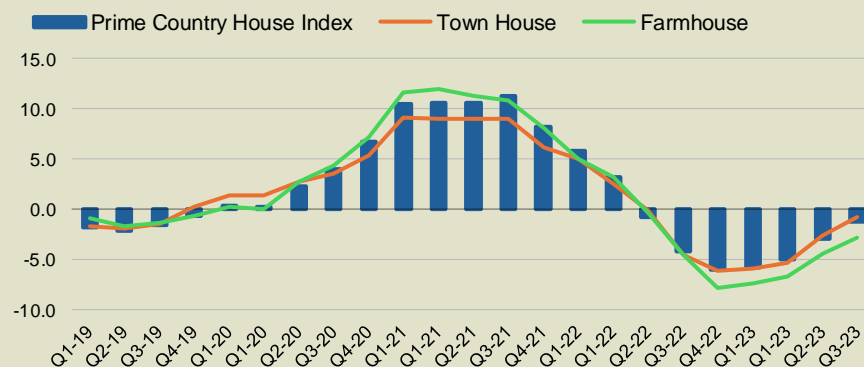
-11%

Decline in the number of new prospective buyers in August versus the same month last year

Source: Knight Frank Research

Needs-Driven Markets Outperform as Rates Drop

Annual % Price Change by Market



Source: Knight Frank Research

needs such as schooling and jobs are still active."

The higher the price bracket, the greater the discretion, which was also a key finding of the London super-prime report in September.

The number of exchanges in the Country above £2 million in the three months to August was 20% down on the same period last year.

Meanwhile, the drop was only 9% below the £2 million threshold.

The dominance of needs-based buyers also means demand has been stronger in urban rather than rural locations. Average prices for town houses declined 0.8% in the year to Q3 2024, as the chart (left) shows.

“I suspect we may see a bounce in activity after the Budget if it’s better than feared or largely as expected. Which means now feels like a good time for a buyer to act.”

James Cleland, head of Country business, Knight Frank

Meanwhile, the average price of farmhouses fell 2.9%, in a reversal of the trend seen during the pandemic.

The general mood of uncertainty rather than the threat of any specific tax rise was the issue for some buyers, said James.

“I suspect we may see a bounce in activity after the Budget if it’s better than feared or largely as expected,” he said. “Which means now feels like a good time for a buyer to act.”

If they do, they can take advantage of prices that are down by an average of 7.4% from their last peak in Q2 2022.

Despite the decline, the downwards trajectory is slowing. Average prices in the Country were down by 1.2% in the year to Q3 2024, which was the smallest annual drop since Q1 2023 (see chart on page 1).

The primary reason is the improved outlook for rates, despite what has been happening at Westminster.

The number of sub-4% mortgages is growing as financial markets bet on multiple rate cuts over the next year as inflation is tamed,

As a result, the Nationwide said UK house price growth in August (2.4%) was the strongest since December 2022. Meanwhile, UK mortgage approvals in July reached their highest level since September 2022.

Despite the government rhetoric, there are other positive economic signs to support housing demand in the longer-term such as a strong labour market and banking sector.

Our latest forecast is that prices in the Country will fall by 2% this year, which may be surpassed if the current trajectory continues.

That will depend on what happens on 30 October, when the economic tone for the next five years is set.

Insight: “Jangling Nerves”

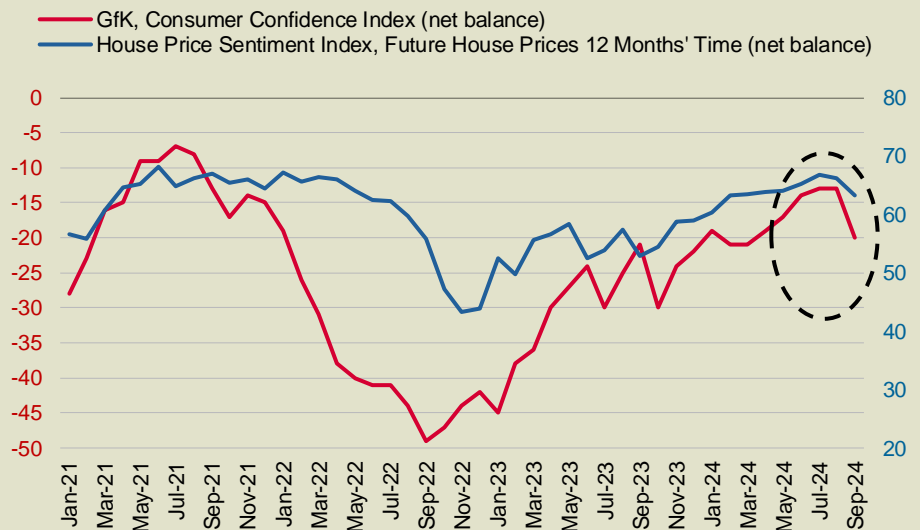
Pre-Budget nerves are being felt across the whole of the UK economy, as this chart shows.

Consumer confidence fell sharply in September, according to the latest GfK survey.

The month-on-month fall was the largest since October last year when the average five-year fixed-rate mortgage was just over 5%.

Meanwhile, future house price expectations have reduced, according to the latest HPSI index.

Finally, the purchasing managers’ index in September showed decisions were being put on ice due to what it called “jangling nerves” ahead of the Budget.



Source: Knight Frank Research

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Tom Bill
Head of UK Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com



James Cleland
Head of Country Business
+44 20 7861 1552
james.cleland@knightfrank.com



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