



BIRMINGHAM OUTLOOK

Regional Property Market Focus 2011

Knight Frank

Insight into your
local market

Focus on the national
country house market

Impact of the prime
London market

Market forecast

LOCAL UPDATE

The Birmingham and Midlands market was hard to call in 2010. On the one hand, some lovely and competitively priced houses struggled to sell for no apparent reason. On the other hand, houses we anticipated might be difficult to sell, sold relatively easily.

There has been little evidence of any bargains. The majority of sales have been fair and, in many cases, more than satisfactory for the vendor.

There are great contrasts across the markets that we operate in, from the country houses we sell in Staffordshire and Shropshire to Birmingham city's prime

residential areas, but realistic pricing in all areas remains critical. While the rural market can be a little slower in comparison, setting a realistic guide price can produce exciting results. This was demonstrated by the sale of The Dower House at Pattingham, which attracted 36 viewings, competitive

bidding and a sale price well over the guide price.

It takes a brave vendor to introduce their house to the market at a seemingly generous price. But the market tends to be generous in return by way of the interest generated. Indeed, many of the buyers who stood back from making a decision last year were left disappointed when they were pipped to the post.

This publication is intended to give you a flavour of the market and demonstrate our expertise, both locally and nationally. Whether you are

looking to act now or later in the year, our friendly and experienced team is here to help.

We hope you enjoy the outlook and look forward to hearing from you.

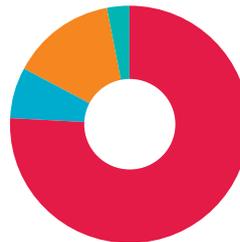


Jonathan Bengough
Partner

BIRMINGHAM BY NUMBERS

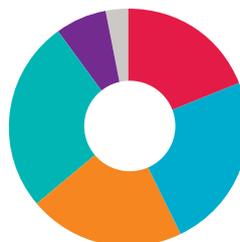
Knight Frank's Birmingham office has emerged from the credit crunch as the area's leading prime property agent and expects to consolidate this position further during 2011.

- 64% of our sales in the last 12 months were priced under £1m.
- We have 491 potential buyers on our books looking to spend a collective total of £796m.
- Knight Frank Birmingham's online property listings are viewed 1,014 times a day through our award-winning website.
- In the last three months alone, potential buyers from 120 different countries have viewed properties for sale online through Knight Frank Birmingham.
- We receive, on average, six new sales instructions every month.



Where do our buyers come from?

West Midlands	76%
London	7%
Rest of UK	14%
International	3%



Sales by price band

Under £500k	19%
£500k - £750k	24%
£750k - £1m	21%
£1m - £1.5m	26%
£1.5m - £3m	7%
Over £3m	3%

OUR TEAM IN ACTION

8 & 9 Bishton Cottages, Albrighton, Shropshire

This was a rare opportunity to acquire two semi-detached cottages in a pretty, rural location, with great potential to refurbish and form one large, impressive family house.

We were instructed to sell the property at the beginning of 2010 and we did so in seven weeks. More than 30 people viewed the property and it received 21,678 hits on our website, illustrating that there is significant demand for properties with potential.



8 & 9 BISHTON COTTAGES



NATIONAL COUNTRY HOUSE MARKET

Activity boosted by the closing gap between overly ambitious sellers and cautious buyers.

The national country house market experienced quite an upheaval last year. Although price growth in the 12 months to June 2010 helped the market claw back some of the falls seen during the credit crunch, ongoing problems with mortgage availability and affordability caused this growth spurt to reverse. Prices by the end of the year did however, remain 3.3% higher than the year before.

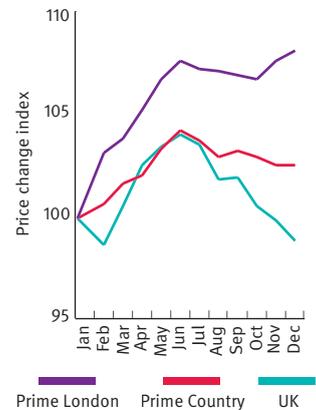
A positive outcome of this was the impact it had on the gap between overly ambitious sellers and cautious buyers. The necessary asking price reductions that began to take place in August and September narrowed this gap, leading to improved activity in the final quarter of the year.

We expect 2011 to mirror 2010 – the best properties are likely to sell well due to thin supply

and strong demand. Indeed, we moved into 2011 with 12% more purchasers registered to buy country house properties across the UK compared to the same position in 2010. The market for properties priced below £1m will however remain challenging for vendors due to the absence of a noticeable recovery in mortgage supply.

The most critical issue for vendors this year will be price. Only the most perfect properties can justify ambitious expectations in the current market. For most properties, this approach will lead to delays in attracting interest and lost marketing time in the critical spring months.

How the prime London, prime country house and mainstream UK markets compared in 2010



Sources: Knight Frank Central London Sales Index, Knight Frank Prime Country House Index, Nationwide House Price Index

LONDON'S SUCCESS FEEDS DEMAND FOR COUNTRY PROPERTY

There is no doubt that the strongest performing property market in the UK during 2010 was the prime London market – with prices rising by nearly 11% over the year.

While prices in London are unlikely to see any significant growth, we expect 2011 to

see a rerun of last year's strong performance in terms of sales volumes and buyer demand.

For large parts of the country house market across England, and even into Scotland and Wales, this positive outlook for London matters. Over 22% of buyers of country houses priced

£1m+ across the UK are from London. The figure hits 31% for property costing £2m+.

Our experience in the London market confirms that much of its strong performance stems from the perception that the market is a 'safe haven', particularly for international buyers.

This is demonstrated by the volume of new applicants from Europe looking to buy in central London, which rose 23% year-on-year in the final quarter of 2010. London property provided a strong defensive

option as the difficulties in the Eurozone worsened, and while the pound was trading at a discount to the euro.

London also experiences ongoing demand from Asia-Pacific buyers who have benefited from 30% to 50% price growth in Hong Kong, Singapore and other key Asian centres over the past year. They are keen to take advantage of the weak pound, removing their money from what have arguably become very hot markets in Asia.

FINANCING WITH KNIGHT FRANK

As a highly respected team in the property financing industry, with 150 years of combined experience, Knight Frank Finance specialises in mortgages for main or second homes, investment property, buy-to-let mortgages and commercial property finance.

For loans below £1m, we have access to all of the most competitive mortgage interest

rates available on the high street. If you are considering borrowing above £1m, our close working relationships with the world's private banks, commercial lending sources and finance houses, enables us to achieve the very best terms for our clients, including those unable to find financing solutions elsewhere.

To find out more, please call us on: +44 (0)121 200 2220.

MARKET FORECAST

We are unlikely to see strong capital growth in any residential sector in 2011. The opportunity for speculative gains was presented in early 2009 and by mid 2010 this had all but disappeared, at least for the short-term.

The vast majority of buyers in the market have recognised this fact and are looking at property as offering a stable home for their wealth in the long run. Demand from investors and holiday home buyers has remained strong, but again is driven by a view of long-term potential growth.

While we expect country house prices to rise only marginally in 2011, the fundamentals underpinning the market are as strong as ever. This year will be the third consecutive year when new-build development volumes will struggle to reach even 50% of the 2007 peak level.

For those with access to equity this year, there will be considerable opportunities in the market. For the investor or holiday home purchaser these opportunities will be centred on strong yielding properties. For others it will be in securing properties with scope for refurbishments or improvements.

A SELECTION OF PROPERTIES SOLD IN 2010



Wellington Road, Edgbaston

Sold to a London buyer



Whitgreave, Stafford

Refurbishment opportunity sold competitively in best offer circumstances



Rocester, Uttoxeter

Delightful house in village setting. Sold well



Burwarton, Bridgnorth

Sold to a London buyer



Pattingham, Wolverhampton

Sold well in excess of the guide price



Hagley, Stourbridge

A lovely house sold at the guide

YOUR LOCAL TEAM



James Bowkett

Has operated in the Birmingham and North Worcestershire property market for over 15 years and has in depth knowledge of this area and across all levels of the market.

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Sarah Briggs

Has lived in Birmingham for many years and has been involved in agency for nearly ten years. Her understanding of the Birmingham City market is extensive.

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Jonathan Bengough

Has been working in the Midlands market for over 20 years. He has lived on the Shropshire/ Herefordshire borders much of his life and travels extensively through Shropshire and Staffordshire advising clients across all sectors of the property market.

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