

## ENCOURAGING SIGNS FOR PRIME COUNTRY HOUSE MARKET

**Demand for prime property has been robust over the past year, although higher purchase costs continue to act as a constraint on further growth.**

### Key headlines from Q1 2017

Prime country house values **increased by 0.6% in Q1**, ending three consecutive quarters of price falls

On an annual basis, **prices fell 0.1%**

**Property price continues to be the biggest driver of performance**, with stamp duty costs weighing on growth for properties above £1.5 million

The volume of new buyer enquiries **rose by 3% annually over the year to March 2017** and viewings were **11% higher**



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“The slight pick-up in prices in the first three months of 2017 is an indication that prime markets are starting to stabilise following three consecutive quarters of price falls.”

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Prime country house prices increased by 0.6% between January and March, according to Knight Frank data. On an annual basis, values were essentially unchanged at -0.1%.

The slight pick-up in prices in the first three months of 2017 is an indication that prime markets are starting to stabilise following three consecutive quarters of price falls.

That said, a closer look at the figures shows that the market is still highly price sensitive, particularly at the top end, which continues to adjust to higher purchase costs following recent changes to stamp duty.

Homes valued over £1.5 million for example have fallen in price by -1.4% annually, the data shows. By way of comparison, the sub-£1.5 million market recorded growth of 2.3% over the same period.

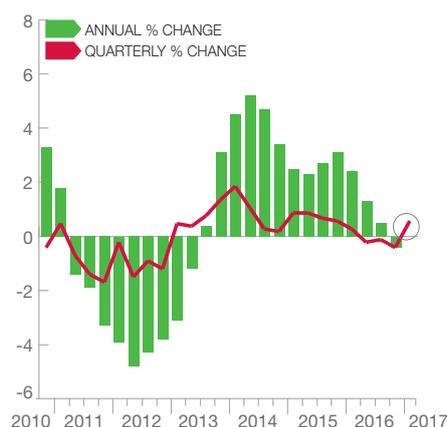
In terms of property types, manor houses recorded the largest price declines at -1.7% on average over the year.

This process of price adjustment at the top end has taken place alongside a general pick-up in demand, with agents noting that values are beginning to align with buyer expectations.

FIGURE 1

### Price change

Annual and quarterly change in prime country property values



Source: Knight Frank Research

Knight Frank figures, which track leading indicators of demand, show the number of new prospective buyer registrations has risen by 3% annually over the year to March 2017. The number of viewings rose by 11% year-on-year over the same period.

Against this backdrop, overall sales volumes have also seen a robust start to 2017.

Although fewer deals have been completed in 2017 than at the same point last year – when transactions spiked ahead of the introduction of additional stamp duty – the volume of sales was 5% higher than the comparable period of 2015, and 8% higher than in 2014.

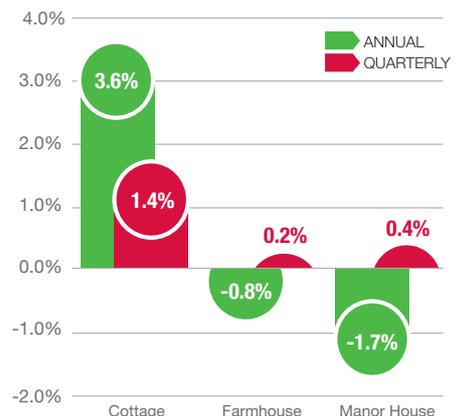
Properties that are located close to good schools and transport links remain popular, particularly in town and city markets, where the property is accurately priced.

However, as we have noted in previous updates, a shortage of good prime housing stock continues to act as a barrier to further growth in sales volumes and could impact the market over the remainder of the year.

FIGURE 2

### Price growth by property type

annual and quarterly % change



Source: Knight Frank Research

**Knight Frank Prime Country House Index**

	Cottage	Farmhouse	Manor House	Unweighted average
<b>AVERAGE QUARTERLY CHANGE</b>				
2012 Q1	-0.2%	-0.1%	-0.3%	-0.2%
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%
<b>2017 Q1</b>	<b>1.4%</b>	<b>0.2%</b>	<b>0.4%</b>	<b>0.6%</b>
<b>AVERAGE ANNUAL CHANGE</b>				
2012 Q1	-2.5%	-4.4%	-4.7%	-3.9%
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%
<b>2017 Q1</b>	<b>3.6%</b>	<b>-0.8%</b>	<b>-1.7%</b>	<b>-0.1%</b>

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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