

PRIME COUNTRY HOUSE PRICES CLIMB 3.4% IN 2014

Prime country house prices rose for an eighth consecutive quarter between October and December, the longest run of uninterrupted price growth since 2007. Oliver Knight examines the latest figures.

Results for Q4 2014

Prime country house prices increased by 0.2% in the final quarter of the year, after a 0.3% rise in Q3

Annual growth for 2014 was 3.4%, in line with our forecast for a 3.5% increase in prices over the course of the year

The number of prime country house sales in 2014 was 3% higher than in 2013

Prime country house prices are forecast to increase by 2% in 2015

Price growth in the prime country house market lost some of its momentum in the latter half of 2014, with property values increasing by just 0.5% during the second half of the year. This compares to growth of nearly 3% over the first six months of 2014.

The annual change in prime property prices in 2014 was 3.4%, in line with our forecast for the year. The countdown to the 2015 general election, tighter mortgage lending and the prospect of an interest rate rise, all contributed to slower price growth in the second half.

More restrained price growth in recent months reflects what has happened in the mainstream market, with the Nationwide House Price Index having eased for the fourth consecutive month in December. Any slowdown in the wider market is likely to have an impact on buyer sentiment in the prime markets.

In spite of more moderate price rises, market activity has remained robust. The number of prime country house sales completed by Knight Frank in 2014 was 3% higher than the previous year and 24% higher than in 2012, indicating that demand remains strong.

Reforms to stamp duty, announced by Chancellor George Osborne during the Autumn Statement, sparked a flurry of

activity in early December as prime property buyers looked to move ahead of the rate change. Under the new rules, buyers of homes valued at more than £937,500 face higher stamp duty charges.

As a result, December 3rd, the day prior to the new rules coming into force, was the busiest day of 2014 for the prime country market in terms of transactions levels.

It is possible that the prime sector of the market may take some time to absorb the changes as a result of the higher upfront cost of moving, with harder negotiations between buyers and vendors likely.

Prime country house prices are still trading at a large 'relative' discount to prices in the capital having experienced several years of static or modest growth since the end of the financial crisis and prime prices remain 16% below the previous market peak.

As figure 2 shows, price performance is increasingly dependent on property type. While the average cottage increased in value by 6.8% in 2014, manor houses rose by just 1.4%.

We are forecasting average price growth of 2% across the prime country market in 2015, but do not rule out some areas of outperformance, especially in key commuter towns.



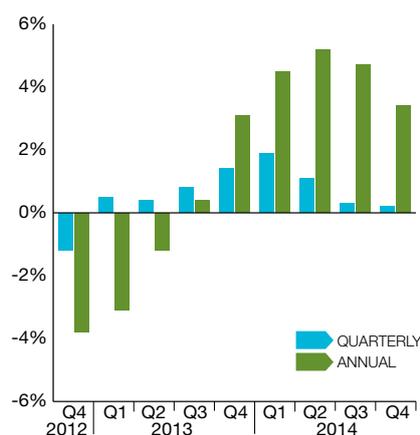
OLIVER KNIGHT
Residential Research

"The 0.2% price increase took the annual change in prime property prices in 2014 to 3.4%, in line with our forecast for the year."

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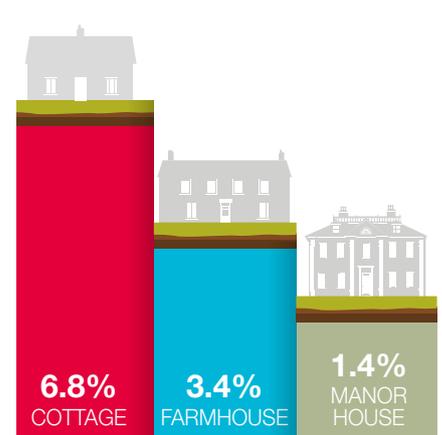
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FIGURE 1
Quarterly and annual prime country price growth



Source: Knight Frank Residential Research

FIGURE 2
Prime country: Annual price change by property type



Source: Knight Frank Residential Research

PRIME COUNTRY HOUSE INDEX

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average	
AVERAGE QUARTERLY CHANGE	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%
AVERAGE ANNUAL CHANGE	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%
THE INDEX	2013 Q1	212.7	243.4	224.3	226.4
	2013 Q2	215.1	244.4	223.7	227.2
	2013 Q3	222.3	248.0	218.1	228.2
	2013 Q4	221.8	250.9	226.3	232.2
	2014 Q1	229.0	256.8	227.5	236.5
	2014 Q2	232.7	259.4	229.2	239.0
	2014 Q3	232.1	259.2	230.0	238.9
	2014 Q4	234.3	259.3	229.4	239.3

Source: Knight Frank Residential Research

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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