



Country house prices dip 0.5% in Q1 2012

Average prices in the prime country house market fall by smallest margin in a year, while super-prime properties continue to rise in value. Gráinne Gilmore examines the data

Results for Q1 2012

Prime country house prices fell 0.5% in the first quarter, moderating from a 1.7% decline in Q4 2011

The annual decline in prices widened to 4.1%, up from 3.1% in Q4 2011

Prices of properties worth £5 million and more continues to rise, up 2.1% on the quarter, and 2.8% on the year

Sales volumes are up on the year, with a 13% rise in the number of exchanges

The pace of decline in country house prices eased in the first three months of the year, with the 0.5% quarterly fall marking the most modest drop in a year.

But because of a slight rise in prices in the first quarter of last year, the annual comparison is less flattering, showing a 4.1% fall in values.

Looking across the price spectrum, it can be seen that the emerging trend of outperformance among the most expensive properties has continued. The average value of luxury homes worth £5 million and more climbed by 2.1% in the first three months of the year, and is at the highest level seen since September 2008, when prime prices were just coming off their peak.

Interest in top-end properties is strong among overseas buyers, especially for homes worth £10 million or more.

Initial feedback from agents suggests that the changes to the stamp duty regime have been factored into purchaser's budgets.

Moving to the other end of the price scale, demand in the country market becomes more domestic. The economic turbulence buffeting the country has had an impact, and has taken a particular toll on the market for homes worth £1 million to £2 million, where values fell by 1.4% on the quarter.

The introduction of the 7% stamp duty for purchases of homes worth £2 million or more could re-invigorate this market, especially if homeowners from London decide to move out of the capital to the country where they can get more 'bang for their buck'.

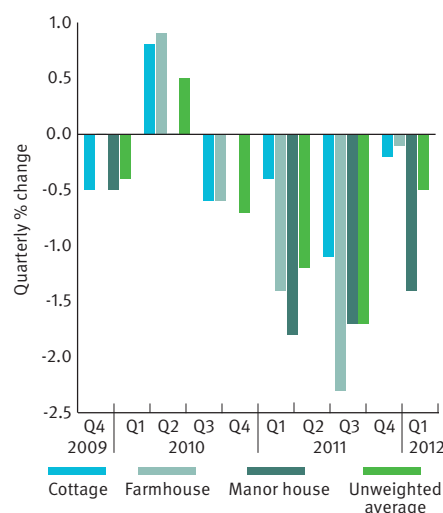
This may further bolster markets in country "hotspots", especially those relatively close to London, such as Oxford and Basingstoke where average property values continue to hold their own.

Prices in the north of England fell by 1.4% between January and March, while prices in central England fell by 1%. The best performing region between January and March was the South West, where average values edged up by 0.4% on the quarter.

Supply and demand also rose and new applications rose by nearly a third between January and March compared to the same period last year, and viewings climbed by 25%. New instructions for sales were up 25% and the number of exchanges grew by 13%.

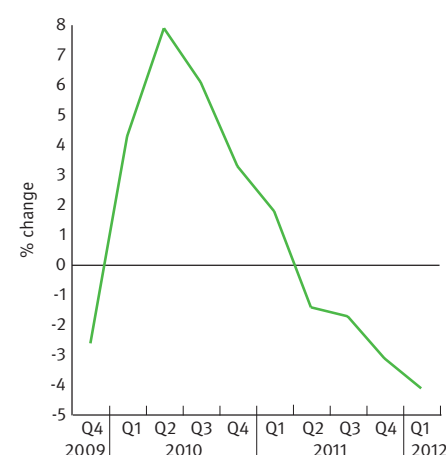
Agents report that some local markets have been re-ignited by a new influx of sellers who have set realistic asking prices. Activity is expected to continue to rise in the traditional selling months of April, May and June.

Figure 1
Quarterly price change
UK prime country house average residential price change



Source: Knight Frank Residential Research

Figure 2
12 month price change
UK prime country house average residential price change



Source: Knight Frank Residential Research

"The trend of outperformance among the most expensive properties has continued."



Gráinne Gilmore, Head of UK Residential Research

RESIDENTIAL RESEARCH PRIME COUNTRY HOUSE INDEX

Knight Frank



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.

Key market metrics

Prime country house market activity, 3 months to April 2012 compared to same period last year

Demand	New Applicants	32.5% ▲
	Viewings	24.7% ▲
Supply	New instructions to sell	25.1% ▲
	Stock volume	12.1% ▲
Activity	Sales (subject to contract)	37.3% ▲
	Exchanges	12.8% ▲
Demand and supply balance	Ratio of new applicants/new instructions 2010	14.4%
	Ratio of new applicants/new instructions 2011	8.6%

Knight Frank Prime Country House Index

		Cottage	Farmhouse	Manor House	Unweighted average
Average quarterly change	2010 Q2	2.4%	1.9%	3.2%	2.5%
	2010 Q3	-0.8%	-0.6%	-1.3%	-0.9%
	2010 Q4	-0.5%	0.0%	-0.5%	-0.4%
	2011 Q1	0.8%	0.9%	0.0%	0.5%
	2011 Q2	-0.6%	-0.6%	-0.9%	-0.7%
	2011 Q3	-0.4%	-1.4%	-1.8%	-1.2%
	2011 Q4	-1.1%	-2.3%	-1.7%	-1.7%
	2012 Q1	-0.2%	-0.1%	-1.4%	-0.5%
Average annual change	2010 Q2	7.7%	8.6%	7.2%	7.9%
	2010 Q3	6.2%	6.5%	5.5%	6.1%
	2010 Q4	3.1%	3.7%	3.0%	3.3%
	2011 Q1	1.9%	2.0%	1.3%	1.8%
	2011 Q2	-1.1%	-0.4%	-2.7%	-1.4%
	2011 Q3	-0.7%	-1.2%	-3.2%	-1.7%
	2011 Q4	-1.4%	-3.4%	-4.4%	-3.1%
	2012 Q1	-2.3%	-4.3%	-5.7%	-4.1%
The Index	2010 Q2	223.1	262.4	249.7	245.0
	2010 Q3	221.3	260.8	246.5	242.8
	2010 Q4	220.3	260.7	245.1	242.0
	2011 Q1	222.0	262.9	245.1	243.3
	2011 Q2	220.7	261.4	242.9	241.6
	2011 Q3	219.7	257.7	238.5	238.6
	2011 Q4	217.3	251.9	234.3	234.6
	2012 Q1	216.8	251.7	231.1	233.3

Residential Research

Gráinne Gilmore

Head of UK Residential Research
+44(0)20 7861 5102
grainne.gilmore@knightfrank.com

Press Office

Charlotte Palmer

+44 (0)20 7861 5037
charlotte.palmer@knightfrank.com

Recent market-leading research publications



Super-Prime Country House Market Report 2012



Knight Frank/Markit's HPSI March 2012



The London Review Autumn 2011



Prime Global Rental Index Q3 2011

Knight Frank Research Reports are available at www.KnightFrank.com/Research

© Knight Frank LLP 2012 - This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Residential Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Residential Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Registered office: 55 Baker Street, London, W1U 8A

