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Associate

“The number of new homes being offered for sale in prime markets outside of London fell in 2017 compared with the previous year, despite indications that demand remains robust with a pick-up in both new prospective buyers and viewings.”

## Key facts

Prime property prices in England and Wales fell by 0.2% in the final quarter of 2017

On an annual basis, prices ended the year 0.4% higher

There were 6.8% fewer homes worth over £1 million launched onto the market so far this year compared with 2016

We are forecasting price growth in prime markets across England and Wales of 1.5% in 2018

## PRIME PRICES RISE 0.4% IN 2017

Price growth in prime markets was subdued in 2017, according to our latest index.

### Market update

Prime country prices remained broadly flat in 2017, with a 0.4% rise during the year, after a 0.2% fall in the final quarter.

However, demand has remained steady over this time, with Knight Frank figures showing a 1.2% increase in the number of new prospective buyers registering their interest in buying a home between January and November, and a 4% increase in the number of viewings conducted over the same period. This may only be a marginal rise, but it has come against a backdrop of uncertainty.

### Stock levels tighten

This modest rise in demand has also coincided with a lack of new stock being offered for sale – indeed, agents note that this has been one of the most challenging aspects of the market in 2017. Higher rates of stamp duty, a slowdown in economic growth and wider political uncertainty mean that vendors have been prepared to take a ‘wait and see’ approach.

An analysis of listings data shows there were 6.8% fewer homes worth over £1 million launched onto the market in England and Wales, excluding London, so far this year compared with 2016. Above £2 million, the fall was even more pronounced at 16.9%.

East Midlands, West Midlands and Yorkshire were the only regions to see an increase in the number of £1m+ homes put up for sale in 2017 compared with the previous year, in the Midlands this coincided with a pick-up in price growth, especially in urban areas. In the South East, which is usually home to the highest number of £1m+ sales outside of London, there was a 9% fall in new prime listings, as shown in figure 1.

### Outlook

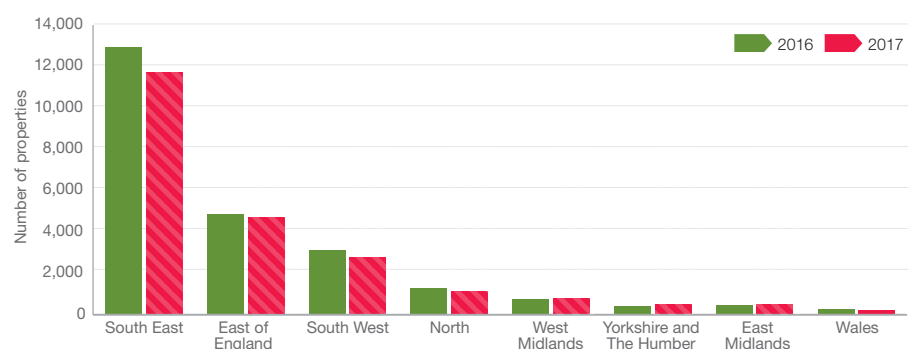
Knight Frank sales volumes outside of London rose by 4.9% year-on-year between January and November 2017, however any continued decline in stock levels at the top end of the market could weigh on transactions into 2018.

Overall, we are forecasting price growth in prime markets across England and Wales of 1.5% in 2018 and of 2.0% in 2019.

Town and city markets, which have been the strongest performers over the last few years both in terms of price growth and activity, are expected to post some outperformance in the next year or so, but the relative value now offered by more rural markets could mean we start to see a reversal of this trend as the forecast period progresses.

FIGURE 1

### New supply falling by region (£1m+)

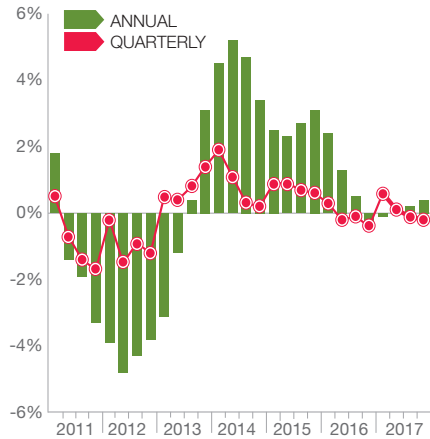


Source: Knight Frank Research / Rightmove

# PRIME COUNTRY HOUSE INDEX Q4 2017

FIGURE 2

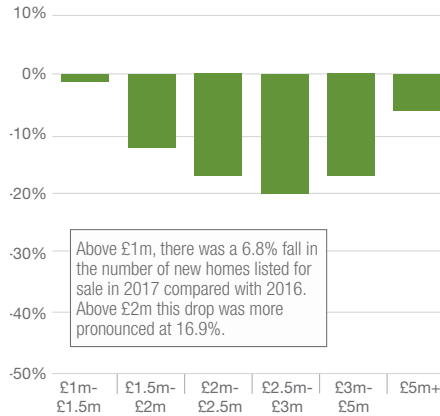
## Annual and quarterly change in prime country property values



Source: Knight Frank Research

FIGURE 3

## Prime stock levels decline 2017 v 2016, January to November (England & Wales excl.)



Source: Knight Frank Research / Rightmove

## Knight Frank Prime Country House Index

	Cottage	Farm House	Manor House	Town House	Unweighted Average
<b>QUARTERLY CHANGE</b>					
2015 Q4	1.1%	0.4%	0.4%	2.1%	0.6%
2016 Q1	1.9%	0.0%	-0.4%	1.3%	0.3%
2016 Q2	1.1%	0.2%	-1.0%	0.9%	-0.2%
2016 Q3	1.0%	-0.7%	-0.4%	0.8%	-0.1%
2016 Q4	0.1%	-0.4%	-0.7%	0.8%	-0.4%
2017 Q1	1.4%	0.2%	0.4%	1.5%	0.6%
2017 Q2	1.0%	0.3%	-0.6%	1.2%	0.1%
2017 Q3	0.4%	-0.6%	0.0%	0.3%	-0.1%
<b>2017 Q4</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>-0.2%</b>
<b>ANNUAL CHANGE</b>					
2015 Q4	5.0%	1.9%	2.9%	6.8%	3.1%
2016 Q1	6.0%	1.7%	1.0%	6.9%	2.4%
2016 Q2	5.5%	1.1%	-0.7%	6.0%	1.3%
2016 Q3	5.1%	-0.2%	-1.4%	5.3%	0.5%
2016 Q4	4.1%	-1.0%	-2.5%	4.0%	-0.4%
2017 Q1	3.6%	-0.8%	-1.7%	4.1%	-0.1%
2017 Q2	3.5%	-0.6%	-1.3%	4.4%	0.2%
2017 Q3	2.9%	-0.5%	-0.9%	3.8%	0.2%
<b>2017 Q4</b>	<b>2.6%</b>	<b>-0.5%</b>	<b>-0.2%</b>	<b>3.3%</b>	<b>0.4%</b>

Source: Knight Frank 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 four country house property categories; cottages, farmhouses, townhouses and manor houses.

### RESIDENTIAL RESEARCH

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### PRESS OFFICE

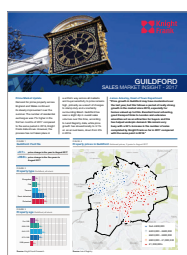
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