

COUNTRY HOUSE PRICES DIP BUT DEMAND RISES

Higher levels of taxation continue to be the primary driver of prime property market performance but there are signs that demand is picking up

Key headlines from Q4 2016

Prime property prices **fell by 0.4%** between October and December

Prices have fallen by 0.4% over the last 12 months, the first annual fall since mid-2013

Knight Frank data shows a **9% increase in £2 million-plus sales** in 2016 compared with 2015

Sub-£2 million sales accounted for 52% of all Knight Frank deals in 2016



OLIVER KNIGHT
Associate

“The number of £2 million-plus sales completed by Knight Frank in 2016 was 9% higher annually, with nearly 60% of such deals taking place in the second half of the year.”

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Prime country property values fell by 0.4% between October and December, the third consecutive quarter in which prices have fallen.

Taxation continues to be the biggest drag on the top end of the market with higher purchase costs contributing to the slowdown in pricing in recent months.

As a result values ended 2016 marginally lower, falling by around 0.4% on average compared with the 12 months to December 2015.

The EU Referendum in June added to a climate of uncertainty over the course of the year, although the direct impact on activity levels has been limited at this stage.

This is underlined by the fact that the number of £2 million-plus sales completed by Knight Frank in 2016 was 9% higher compared with 2015, with nearly 60% of such deals taking place in the second half of the year.

November was the busiest month in terms of £2 million-plus transactions since December 2014, our data shows.

Anecdotally, the pick-up in prime activity comes on the back of asking price reductions which have helped

align the expectations of both vendors and purchasers.

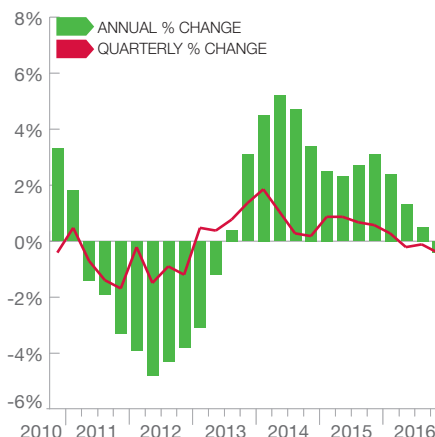
The sub-£1 million market, meanwhile, continues to attract the lion’s share of demand, accounting for over 50% of transactions in 2016. Properties in this price bracket have been less affected by recent tax changes and accordingly have seen price growth of 3.5% on average over the last 12 months, further reinforcing the two-speed nature of the prime regional housing market.

As we have noted in previous updates, demand remains robust across the market, with a 9.6% year-on-year increase in the number of new prospective buyer registrations in the three months to the end of December, and a 4% increase over 2016 as a whole.

The number of viewings rose by 14% year-on-year in the three months to the end of December.

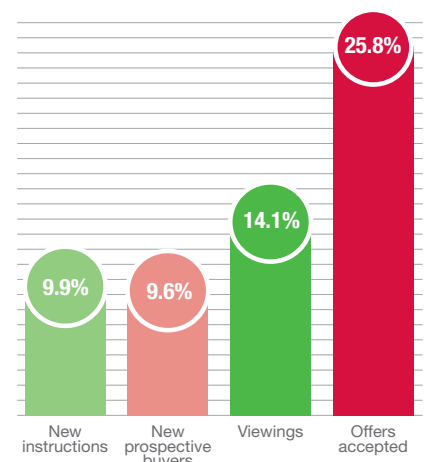
However, while good prime housing stock continues to attract buyer interest, particularly that which is best in class, and appropriately priced, supply remains tight across the market.

FIGURE 1
Price change
Annual and quarterly change in prime country property values



Source: Knight Frank Research

FIGURE 2
Supply and demand drivers
Q4 2016 v Q4 2015 (% change)



Source: Knight Frank Research

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average	
AVERAGE QUARTERLY CHANGE	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%	
AVERAGE ANNUAL CHANGE	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%	

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 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.

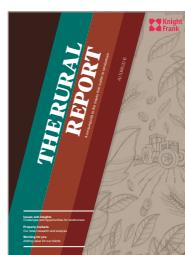
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