

POSITIVE SIGNS DESPITE PRICE MODERATION

Prime values fell marginally between July and September, the second consecutive quarter prices have declined.

Key headlines from Q3 2016

Prime property prices have fallen by 0.1% in the three months following the UK's vote to leave the EU

On an annual basis prices are 0.5% higher

More moderate price growth is largely a result of recent stamp duty increases in December 2014 and April 2016

The number of Londoners buying property in the Home Counties was 43% higher so far in 2016 compared to 2015

Prime property prices were largely unchanged in the third quarter, falling by 0.1% over the three months to the end of September.

On an annual basis, growth remains positive at 0.5% – compared to the 1.8% dip seen in the prime London residential market – but notably slower than the peak of 5.2% in 2014. This moderation in price growth is largely a result of recent stamp duty increases being factored in to asking prices and offers.

While the headline figures suggest that the market has been relatively subdued, activity has remained resilient in the wake of the UK's vote to leave the EU, with some leading indicators of activity remaining strong.

A 13% increase in new instructions between July and August compared with the same period of 2015, for example, means that stock levels across the prime market have started to tick up, an early sign that vendors, many of whom had delayed putting their homes on the market as a result of the referendum, are returning to the fray.

There was also a 7% increase in the number of properties going “under offer” over the same time.

However, our sales agents note that sensible pricing remains key, especially for properties valued above £1.5 million where the highest rate of stamp duty applies.

The strongest markets continue to be affluent towns and cities which have outperformed their more rural counterparts, although the differential has narrowed in the last 6 to 12 months.

Average values for properties in urban locations have risen by nearly 2% annually and are around 5% above the previous market peak. In comparison, annual price growth for rural properties was 0.5% and remains 12% below peak levels.

Prime urban markets benefit from good schools and amenities as well as excellent transport links to London, which make them among the first port of call for buyers from the capital.

Our figures show a 43% increase in the number of sales to Londoners in the Home Counties in the first nine months of 2016 compared with the same period the previous year.

We will continue to keep a close watch on key market indicators in the coming months to assess any potential longer-term impacts of the referendum result.



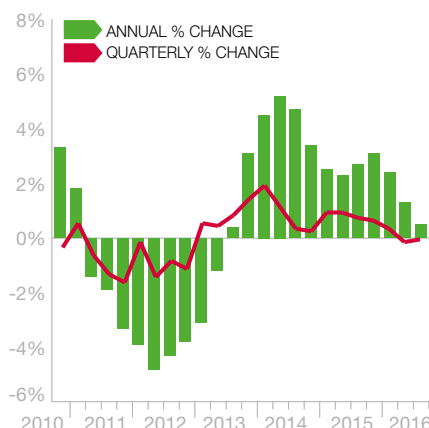
OLIVER KNIGHT
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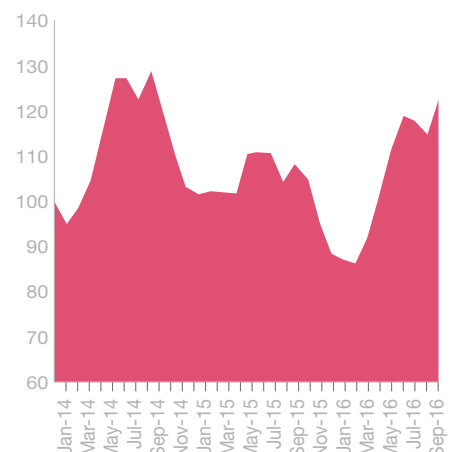
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FIGURE 1
Price change
Annual and quarterly change in prime country property values



Source: Knight Frank Research

FIGURE 2
Prime country stock levels picking up
Knight Frank properties for sale (index to 100 = Jan 2014)



Source: Knight Frank Research

Knight Frank Prime Country House Index

	Cottage	Farmhouse	Manor House	Unweighted average	
AVERAGE QUARTERLY CHANGE	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%
	AVERAGE ANNUAL CHANGE	2014 Q4	6.8%	3.4%	1.4%
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%

Source: Knight Frank Research

Key market metrics

Prime country market activity, July-August 2016 compared to same period last year

Demand	New Applicants	-7.1% ▼
	Viewings	-0.4% ▼
Supply	New instructions to sell	13.5% ▲
	Stock volume	13.2% ▲
Activity	Sales (subject to contract)	7.5% ▲
	Exchanges	-7.7% ▼

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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.

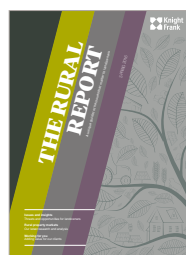
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