

STEADY IMPROVEMENT IN DEMAND FOR PRIME HOMES

While our latest data suggests prime property prices in England and Wales were relatively unchanged in Q3, lead demand indicators continue to improve.

Key headlines from Q3 2017

Prime country house prices **fell by 0.1%** between July and September

Annual growth was **unchanged** compared with Q2 at **0.2%**

Knight Frank sales outside of London **were up by 6% year-on-year** between January and August

There were **8.2% fewer £1m+ homes** advertised for sale across England and Wales at the end of August year-on-year



OLIVER KNIGHT
Associate

“While there have been signs of an improvement in activity this year, falling stock levels at the top end of the market could weigh on sales volumes as the year progresses.”

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Prime country house prices were largely unchanged in the third quarter of 2017, dipping by 0.1% between July and September. Annual growth remained at 0.2%.

These headline figures should not be viewed in isolation, however. Demand for prime country property continued its steady improvement over the summer.

There was a 4.1% year-on-year increase in the volume of new prospective buyers registering their interest in buying a home between January and August 2017, Knight Frank figures show. The number of viewings conducted was 6.5% higher over the same period.

This has translated into an increase in deal volumes in the prime country market, particularly in recent months. Knight Frank sales were up by 6% year-on-year between January and the end of August, for example, with a 35% increase in sales above £2m in the four months to September alone.

This took place despite the uncertainty in the run up to and following June’s general election, as well as the ongoing Brexit negotiations. Agents note that demand has picked up as asking prices reflect higher

levels of stamp duty following changes to purchase taxes in 2014 and in 2016, especially at the top end.

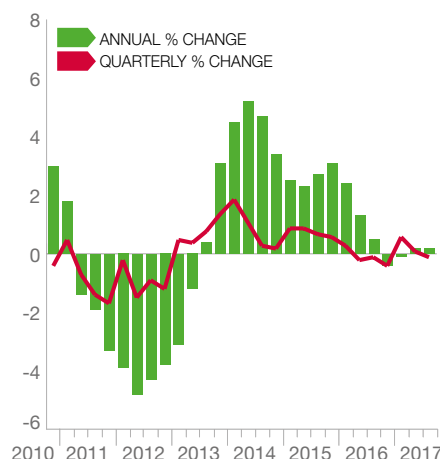
Properties valued between £4 million and £5 million, for example, have seen prices decline by 1.8% on average over the course of the quarter, and are down 5.3% year-on-year.

Larger manor houses recorded the largest price declines over the course of the year accordingly. Town houses outperformed the wider market, with average annual growth of 3.8%, driven by the continued demand for prime property in urban locations.

However, while there have been signs of an improvement in activity this year, falling stock levels at the top end of the market could weigh on sales volumes as the year progresses.

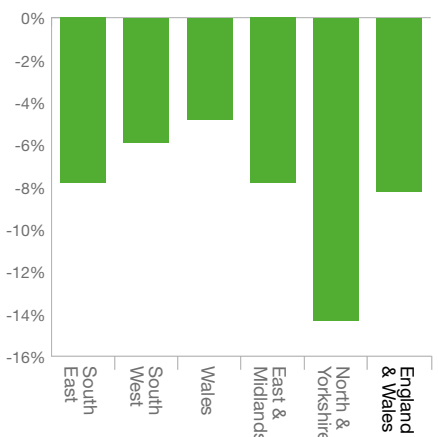
An analysis of listings data shows there were 8.2% fewer homes worth over £1 million advertised for sale across England and Wales at the end of August compared with the same period the in 2016. Above £2 million, the fall was slightly higher at 9.5%.

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



Source: Knight Frank Research

FIGURE 2
Prime stock in short supply
Change in properties listed for sale Aug 2017
v 2016, £1m+



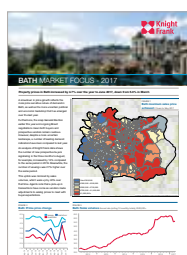
Source: Source: Knight Frank Research

Knight Frank Prime Country House Index

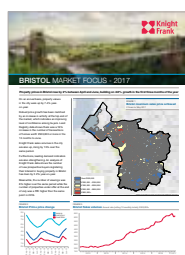
	Cottage	Farm House	Manor House	Town House	Unweighted Average	
AVERAGE QUARTERLY CHANGE	2012 Q3	-0.7%	-1.1%	-0.9%	-1.0%	-0.9%
	2012 Q4	-0.2%	-0.4%	-2.7%	0.1%	-1.2%
	2013 Q1	0.9%	0.6%	0.1%	1.4%	0.5%
	2013 Q2	1.1%	0.4%	-0.2%	1.8%	0.4%
	2013 Q3	1.4%	0.9%	0.3%	-0.2%	0.8%
	2013 Q4	1.7%	1.8%	0.9%	3.0%	1.4%
	2014 Q1	3.3%	2.4%	0.5%	4.1%	1.9%
	2014 Q2	1.6%	1.0%	0.8%	1.5%	1.1%
	2014 Q3	0.8%	-0.1%	0.3%	2.7%	0.3%
	2014 Q4	1.0%	0.0%	-0.3%	0.5%	0.2%
	2015 Q1	1.0%	0.2%	1.5%	1.3%	0.9%
	2015 Q2	1.5%	0.8%	0.7%	1.8%	0.9%
	2015 Q3	1.4%	0.5%	0.3%	1.5%	0.7%
	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%	
AVERAGE ANNUAL CHANGE	2012 Q3	-3.8%	-5.6%	-3.5%	-0.9%	-4.3%
	2012 Q4	-2.9%	-3.8%	-4.4%	-1.4%	-3.8%
	2013 Q1	-1.8%	-3.1%	-4.0%	-1.4%	-3.1%
	2013 Q2	1.2%	-0.5%	-3.6%	2.2%	-1.2%
	2013 Q3	3.3%	1.5%	-2.5%	3.0%	0.4%
	2013 Q4	5.3%	3.7%	1.0%	6.1%	3.1%
	2014 Q1	7.7%	5.5%	1.4%	8.9%	4.5%
	2014 Q2	8.2%	6.2%	2.5%	8.6%	5.2%
	2014 Q3	7.6%	5.2%	2.5%	11.8%	4.7%
	2014 Q4	6.8%	3.4%	1.4%	9.0%	3.4%
	2015 Q1	4.4%	1.2%	2.3%	6.1%	2.5%
	2015 Q2	4.4%	0.9%	2.2%	6.4%	2.3%
	2015 Q3	4.9%	1.5%	2.2%	5.2%	2.7%
	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%	

Source: Knight Frank Research

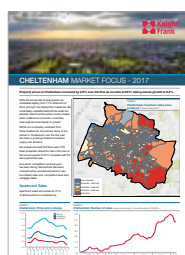
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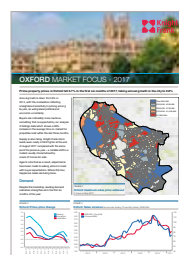
Prime Bath City Index – Q2 2017



Prime Bristol City Index – Q2 2017



Prime Cheltenham City Index – Q2 2017



Prime Oxford City Index – Q2 2017

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

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