

RESEARCH

Subtle shift in UK real estate market favors rural luxury homes: Knight Frank

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Brexit is still presenting an issue for luxury real estate in the U.K. Image credit: Knight Frank

By DANNY PARISI

Prices for prime country houses in the U.K. rose by almost half a percent in the first quarter of 2018, reversing a drop that occurred at the end of last year, according to a report from Knight Frank.

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The overall market for country houses in the U.K. is being affected by supply and demand issues, Knight Frank says. Much of this can be attributed to uncertainty over Brexit, which has made estimating the supply of luxury houses in the British country difficult.

"A recent tightening in new supply follows a period during which activity in prime markets has been fairly robust, especially where vendors are willing to take a pragmatic approach to pricing," said Oliver Knight, associate of residential research at Knight Frank, London. "Data from the Land Registry, which covers transactions that took place in the 12 months to November 2017, showed the number of 1 million pound-plus sales completed outside of London was 10 percent higher year-on-year, indicating that the underlying demand for homes remains fairly strong."

Subtle shifts

While the Brexit vote progressively seems like a distant memory, so much of the details around the U.K.'s departure from the European Union are still not known.

For this reason, Knight Frank has found that there is a tightening on the supply side of prime real estate in the U.K.

FIGURE 2
Annual and quarterly change in prime country property values



Source: Knight Frank Research

FIGURE 3
Rural revival?
% price change



Source: Knight Frank Research

Rural home prices are up. Image credit: Knight Frank

This is despite the fact that the luxury real estate market in 2017 was quite robust. Data from Knight Frank shows that in 2017, the sale of homes for more than 1 million pounds, or \$1.4 million at current exchange rates, was up 10 percent year-over-year from 2016.

Over the last 10 years, urban real estate has outpaced rural real estate in the U.K. with urban homes sitting at 5 percent above their pre-crash peak and rural homes at 10 percent below that high point.

But there are early signs that a revival might be underway, with a slow but noticeable softening of prices for urban homes and strengthening rural homes.

Brexit issues

Despite the rising strength of rural luxury homes, urban areas in the U.K. still remain bastions of luxury real estate.

A new report from Coldwell Banker shows London, New York, Tokyo, Sydney and Paris are the top cities of choice for affluent homebuyers.

According to the Global Luxury report by Coldwell Banker and Luxury Home Marketing, London's luxury segment is the most expensive in the world with prices reaching \$6,000 per square foot. New York is a close second, as home to 8,375 ultra wealthy individuals, but the city saw prices level off last year ([see story](#)).

However, Brexit is still an issue for the whole country's luxury business. Some in the world of European luxury have spoken up explicitly about Brexit.



Development in London, showing the city's popularity with the affluent. Image credit: Knight Frank.

As the E.U. summit gets closer, the European Automobile Manufacturers' Association is sharing the implications of a significantly damaged auto industry if sector-specific guidelines are not handled with care in regards to Brexit.

With 300 automotive production plants spread across Europe and many different countries involved in the assembly process of individual models, E.U. standards will have a big impact on the industry. The ACEA is focused on whether or not British-approved vehicles will be allowed to sell in the E.U. ([see story](#)).

In the meantime, there is a notable shift away from urban luxury real estate in the U.K. and towards a more rural aesthetic, despite issues presented by Brexit.

"It is interesting to note the shift away from urban town and city markets to more rural homes," Mr. Knight said. "As this demand continues to pick up across the year, we expect to see house price growth in rural locations continuing to converge with urban markets, especially for homes located in and around villages which maintain good transport links and amenities."

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