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Farmhouse Index

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Despite initial positive signs of increased sales activity boosted by improving economic conditions at the beginning of 2011, the farmhouse market has remained broadly static during the first quarter of the year.

Interestingly, the increase in Stamp Duty Land Tax from 4% to 5% for properties with a value of more than £1 million has appeared to have little impact on valuations. Its effect is anticipated to be more pronounced in markets with lower values, although the distinct lack of supply across the country is anticipated to largely minimise any significant price reduction.

The average price of a farmhouse across all 19 of our residential offices outside London rose by less than 1% from 2010 year end to the end of March 2011. However, this figure masks a significant variation in sentiment across the regions.

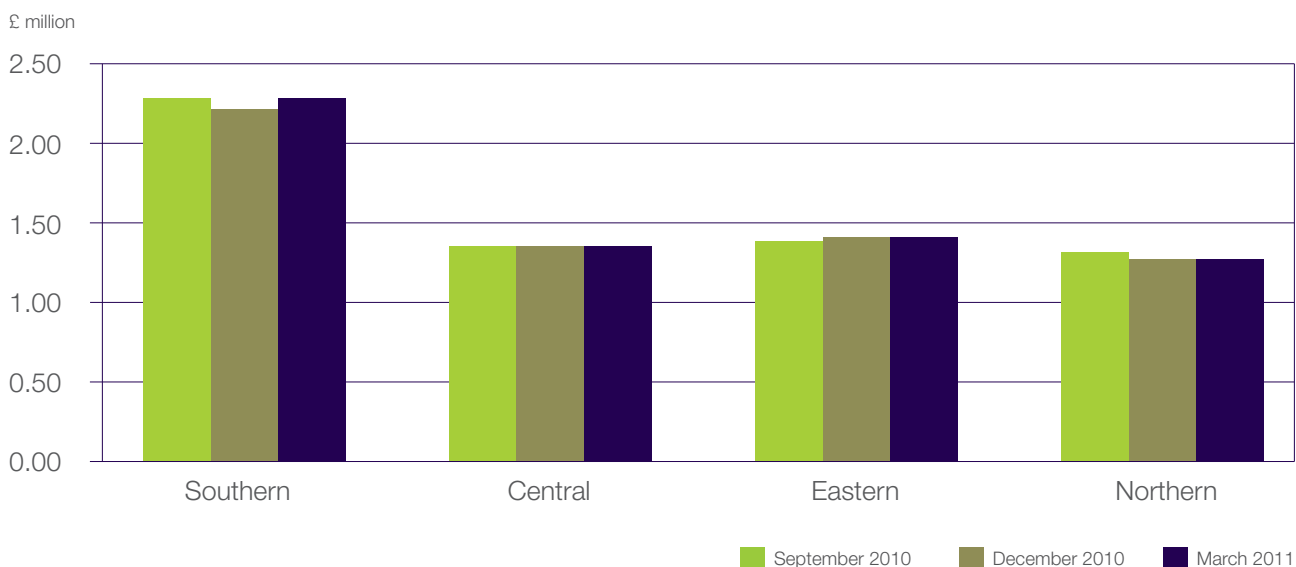
The Southern region was the only area to witness an increase, of 2.8%, in the average value of the theoretical farmhouse during the first quarter of 2011 to £2.275 million. This rise was entirely due to an 11% increase in values in Winchester to stand at £2.5 million, the highest level of all offices recorded throughout the country. This increase was driven by a dearth of supply and continued demand from professionals with young families moving out of London primarily for education and quality of life purposes.

In contrast to the improving sentiment evident in the south, the Northern region continued to witness a more sedate tone during the first quarter, although values stabilised across the region following a drop of 3% in the final quarter of 2010. This plateau disguised a variation in the valuations of individual offices within the region, with Harrogate and Huddersfield both registering increases of 5.8% and 2.8% respectively. In contrast, both York and Leeds witnessed a decline of -3.4% and -4.3%. This variation in sentiment reinforces the precariously balanced market. A similar theme was evident in the Eastern region, with values in Suffolk rising by 3.4% and falling slightly in Peterborough whilst holding firm in Cambridge.

Values in the Central and Western regions continued to remain stable during the first quarter, despite a slower than anticipated start to the year being recorded. Stock levels of prime product continue to remain restrained and consequently values are expected to hold firm throughout the year.

Despite glimmers of hope in the Southern region, the farmhouse market remains sporadic with only prime properties achieving good prices and selling relatively quickly. Purchasers remain extremely price sensitive and realistic in terms of price ceilings and this sentiment is forecast to continue for the remainder of the year as economic conditions remain tentatively balanced.

Farmhouse Index – Regional Average Capital Values



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