

Higher purchase costs continue to weigh on buyers' minds, but there are signs that demand is picking up, as Jonathan Bramwell and Mark Lawson tell Oliver Knight

Both the UK economy and wider housing market have been more resilient than some had expected following the result of the EU Referendum.

However, trading conditions in prime markets remain tough. Buyers continue to be price sensitive following the introduction of higher rates of stamp duty in December 2014 and more recently in April 2016, while stock levels across the market are low and look set to remain so.

Despite this, there are tentative signs that demand is strengthening as values start to reflect an environment of higher purchase costs and wider economic uncertainty.

Indeed, whilst price growth in the prime country market was -0.4% in 2016, down from 5.2% in 2014, demand has picked up in some traditional prime hotspots.

Knight Frank figures show a 12% increase in the number of sales completed with a value above £2 million across the Cotswolds in 2016 compared with the previous year, for example. Some 62% of these deals were completed in the six months subsequent to the June EU Referendum.

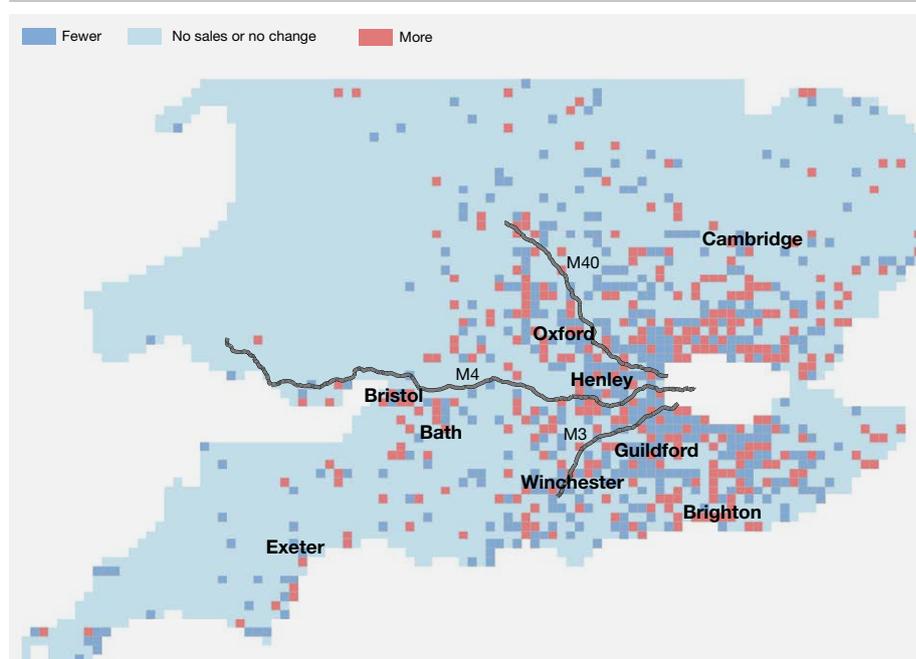
Interest has been particularly robust for properties which qualify for the mixed use rate of stamp duty, at a flat 5%, Mark Lawson, who oversees high value residential & rural estate purchasing at The Buying Solution, notes.

"Buyers are definitely more cautious before making an offer than they have been in the past," adds Jonathan Bramwell, Head of TBS in the Country. In 2016, TBS clients spent 41% longer on an average property search before making a purchase compared with the previous year.

FIGURE 3

Change in £1 million-plus sales

5 months to September 2015 vs 5 months to September 2016



"However, there is a feeling that as asking prices come down now is the time to act, particularly if the current undersupply of prime property continues into 2017," Jonathan says. "This is especially the case among needs-driven buyers who want to get on with their lives."

For some, the relative weakness of the pound has also effectively offset the recent increases in stamp duty, encouraging them to lock in to deals now. International applicants account for 31% of TBS's current client base, rising to 47% for those with a budget above £10 million.

But recent events mean that purchasers in the prime market are becoming more discerning.

"Best-in-class properties, both in terms of location and specification, set at realistic asking prices are attracting the most interest," says Mark. "International demand, particularly in the farms and estates market, has been bolstered by the weak pound, as well as the potential for such properties to qualify for the mixed use rate of stamp duty."

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