

# INSIGHTS

| Country House Market Review |

SUMMER 2010



**FOREWORD** English country houses stand as beacons of stability in an uncertain world. They are loved by new and old money alike and increasingly attract the interest of international buyers. Their unique combination of architectural style and setting, which allows owners to enjoy an elegant lifestyle in complete privacy, is the envy of the world. The shortage of good country houses to meet demand in recent years has only enhanced their value, and the forecast for the decade ahead is good steady growth.

CRISPIN HOLBOROW, HEAD OF SAVILLS COUNTRY DEPARTMENT

## THE POWER OF THE *NEW WEALTHY*

WEALTH EARNED IN THE BUSINESS SERVICES AND FINANCIAL SECTORS IS NOW MAKING ITS PRESENCE FELT IN THE COUNTRY HOUSE MARKET TOO

There has been a significant increase in the number of country house buyers who have earned their wealth in the business services and financial sectors. More than 43% of Savills buyers looking for houses at £2m and above in the last three years have made their money this way. They are the new money. They have long made their presence felt in the smartest areas of London but now, it seems, they want the English country house just as much.

“There has been a lack of supply and a concentration on buying only the best,” says Justin Marking, head of Savills Residential. “The lack of financial return offered by banks and other investments has persuaded buyers that investing in a house in the country is justifiable because it gives a better return, it is tangible, and it gives them a lifestyle.”

### WEALTH MIGRATION

Surrey is the county which exerts the strongest pull. Over the last few years it has attracted just under 1 in 4 of buyers with budgets over £2m. Kent and Oxfordshire have attracted 11% each, with Berkshire following at 9%, and Hampshire and Buckinghamshire at around 5% each. These key home counties absorb around two thirds of buyers in this multi-million-



... pound bracket. “Surrey has been a long established wealth migration corridor – easy for London, the countryside and the airports,” says Justin. Kent is increasingly seductive too. “Parents are getting out of the city to educate their children in the grammar or private school system, and Kent still offers good value for money,” says William Peppitt, head of Savills South Eastern region. “The new bullet train from Ashford to St Pancras takes 37 minutes, compared to the old service that took 80 minutes into Charing Cross. This puts Ashford on a par with Sevenoaks.” For City workers, however, Essex is often the first choice because of its fast trains into Liverpool Street.

The money has continued to flow into second homes as well. Around 13% of purchasers buying at £2m and above through Savills in the last three years have

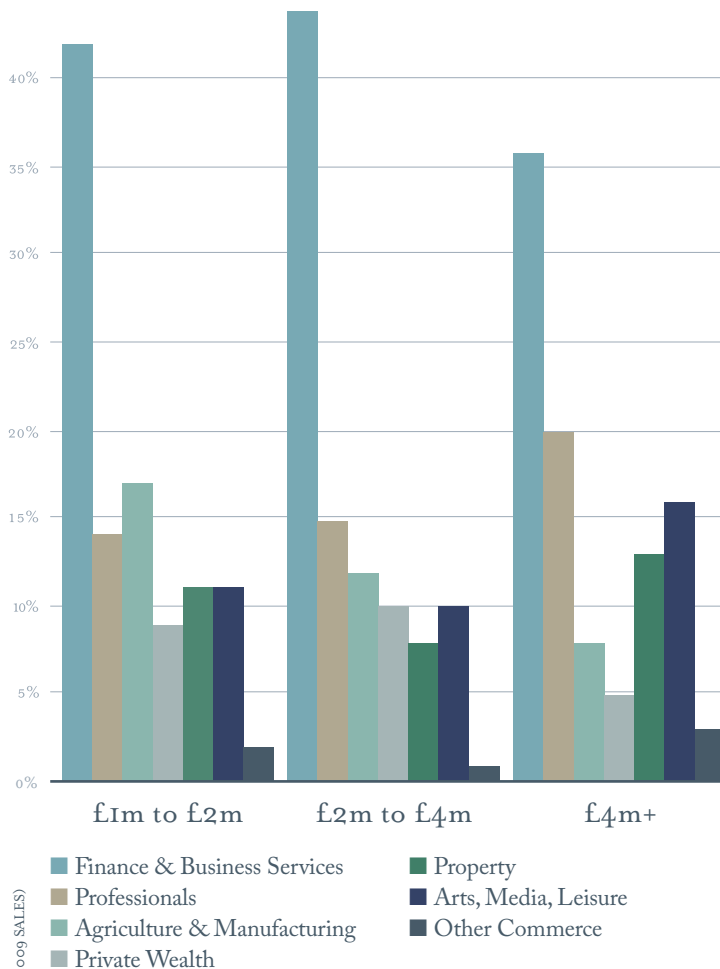
been second-home buyers. While there is always some ebb and flow in ownership, there are considerably more buyers than sellers in this market – 56% more at the £2m to £4m level and nearly double the number at £4m plus.

### UPSIZING REWARDS

There are also more people upsizing than downsizing in the best country houses. “We are not short of aspirational buyers moving up the property ladder,” says William. “Older buyers are moving to smaller properties but people don’t seem to be de-leveraging. We have seen a lot who have worked hard in the last 10 years for rewards that have been good and want a house at the end of it.”

## SOURCE OF INCOME

OVER THE LAST THREE YEARS THERE HAS BEEN A SHIFT AWAY FROM BUYERS WITH INHERITED WEALTH TOWARDS NEW MONEY BUYERS



SOURCE: SAVILLS DEALBOOK / SOURCE: SAVILLS (BASED ON 2006-2009 SALES)

## HIGH PERFORMERS

SURREY, KENT, OXFORDSHIRE, BERKSHIRE AND HAMPSHIRE MAKE UP TWO-THIRDS OF THE £2M+ MARKET FOR HOUSES OUTSIDE LONDON

	SALES 2006-09	% TOTAL
Surrey	133	24%
Kent	64	11%
Oxfordshire	63	11%
Berkshire	52	9%
Hampshire	31	7%
Bucks/Herts	28	7%
Dorset	18	3%
Devon	16	3%
Essex	15	3%
Gloucestershire	14	2%
Somerset	14	2%

“Financial sector buyers have long made their presence felt in London, but now they want the country house too”

## COUNTIES ON THE PROPERTY RADAR

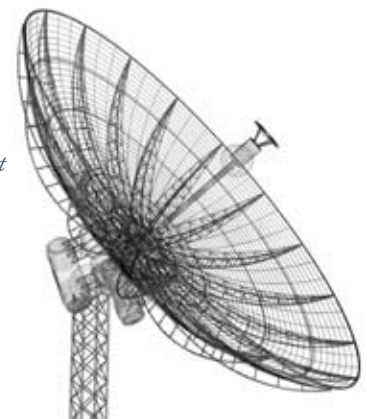
THE COUNTRY HOUSE HEARTLAND IS REACHING NEW FRONTIERS AS BUYERS CHOOSE TO MOVE FURTHER WEST

*The new areas of search on the radar of high-net-worth house hunters are Dorset, Devon and Somerset. Between them in the last three years they have lured 8% of Savills buyers with their slower pace of life,*

*spectacular coasts and lush hinterlands moulded by dairy farming. Schools such as Marlborough, Sherborne, Millfield, Bryanston, Canford and Taunton are a powerful draw. “In the last five years*

*people looking for a house within a two hour radius of London have started to go further west,” says James Mackenzie, Savills head of Western region. “The opportunity is there for them to be more flexible*

*with their working arrangements and that often happens at exactly the time the children need to start at a good school. The parents want to live close by and see their children as much as possible.”*



# THE INTERNATIONAL LOVE AFFAIR

THE CURRENT ADVANTAGEOUS EXCHANGE RATE IS ENTICING WEALTHY OVERSEAS BUYERS TO PURCHASE A SLICE OF ENGLISH COUNTRY LIFE

The English country house is an asset which wealthy buyers all over the world would like to own.

More than half of viewings of the best country houses in counties close to London are now coming from international buyers. Middle Easterners, Russians and Hong Kong and mainland Chinese are busy looking for houses to reflect their wealth and status.

“Last year 80% of deals immediately outside London at over £5m were with international purchasers,” says Paul Finnegan of Savills Country department. As the pound weakened against currencies around the world, overseas buyers saw this as the moment to buy a slice of English country life at an advantageous exchange rate.

“They probably bought at an effective 40% discount, but prices have now recovered to within 10% of peak values and in some cases they now exceed 2007 values,” says Paul.

## OVERSEAS DEMAND

In a troubled world, Great Britain is seen as a safe haven. With its stock exchange able to trade with Asian and American markets inside a single day, London is a favourite of the super-rich. Around 41% of overseas buyers have made their money in financial and business services, but there are manufacturing moguls and industrialists too, bringing wealth in from the burgeoning economies of countries such as India and China.

“Perversely, price falls and the low value of sterling worked to re-ignite international interest,” says Crispin Holborow, head of Savills Country department. Around 15% of Savills house sales between £2m and £4m in the last



three years went to international buyers. For properties over £4m, the rate more than doubled.

Favoured hunting grounds for overseas buyers are Surrey, Berkshire and Buckinghamshire, followed by Kent and Oxfordshire. Together they accommodate two-thirds of all overseas top end purchases.

“More recently we have seen them look along the M4 and M40 corridors west and north west from London,” says Paul. “Asian buyers, who have chosen Gerrards Cross and the surrounding areas of Buckinghamshire before, may now look further out towards Oxford.”

## PRIME LOCATION

Middle Easterners have sought privacy in prime locations for several decades. Some of the most well known names of the horse racing world have put their money into racing stables and land for

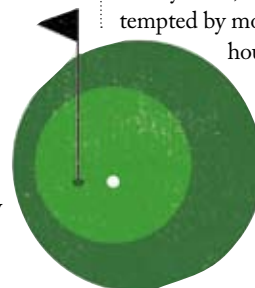
“Overseas buyers are looking for country houses to reflect their wealth and status”

training. They too are looking away from the secure enclaves of Surrey towards the west, with journey times of two to three hours from London.

Russian buyers are keen on the lavish neo-classical style of houses that are close to good schools and golf courses. They have traditionally settled in St George’s Hill, Wentworth, Weybridge and the Surrey Hills, but they are now being tempted by more traditional country

houses in counties such as Sussex and Oxfordshire.

Meanwhile, the Chinese are showing increasing interest in older, more historic houses which need more nurturing.



# THE RISE OF THE INTERNATIONAL BILLIONAIRE

DOLLAR BILLIONAIRES AROUND THE WORLD HAVE RISEN BY OVER 125% IN RECENT YEARS

Over the last decade, the world has seen the most extraordinary explosion of individual wealth. In the five years to 2008, the number of global dollar billionaires rose by over 125% according to Forbes Rich List. The recession has seen some

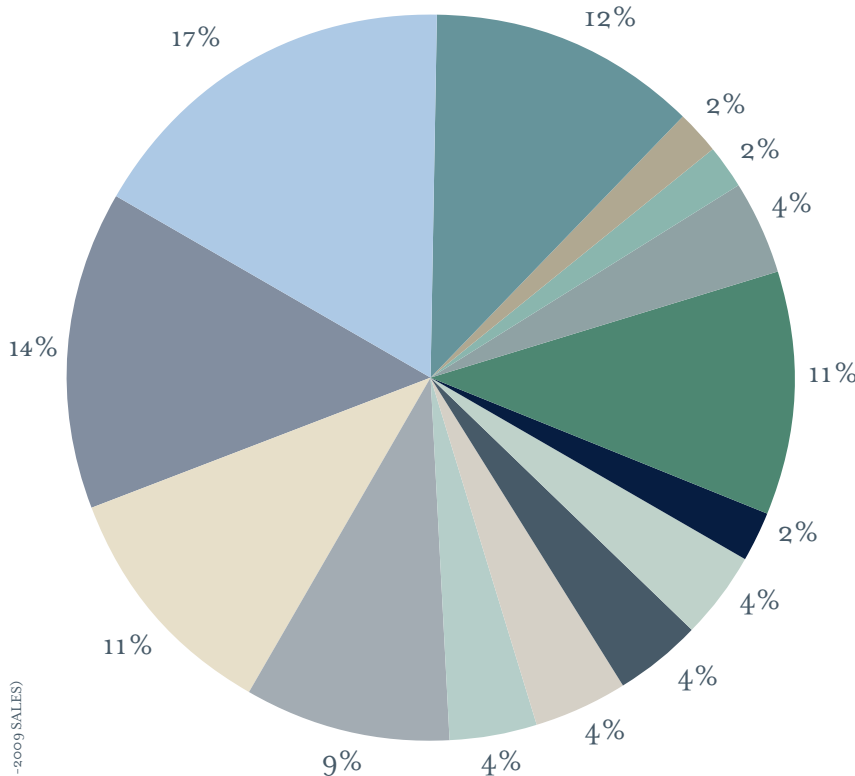
of them make large losses since, but in the last year the number returned to within 10% of its peak figure.

But what does the future hold? Richard Winter, head of Savills Surrey, believes the European



wealthy could choose Britain as a port in a storm. Paul Finnegan of Savills Country department agrees. "Global millionaires and billionaires are affected by general economic confidence and by how they are treated in terms

of tax," he says. "They are not affected by lending figures. The new force in the market are buyers from mainland China. The quintessentially English country and village house with its tranquil lifestyle will always be in demand."



SOURCE: SAVILLS (BASED ON 2006-2009 SALES)

## WHERE ARE THEY BUYING?

THE SOUTH EAST ACCOUNTS FOR 80% OF ALL OVERSEAS BUYERS OVER £2M OUTSIDE LONDON

- Surrey
- Oxfordshire
- West Sussex
- Midlands
- Berkshire
- East Sussex
- Hertfordshire
- Wales
- Buckinghamshire
- Essex
- South West
- Hampshire
- Kent
- East Anglia

## PRIME SUBURBAN NECTAR

THESE SUPER SUBURBS OFFER GATED, HIGHLY CLUBBABLE ENVIRONMENTS

It is in the wealthy suburbs around the capital that international buyers develop their first taste for English country life. In these areas over the last three years, nearly 30% of buyers in the £2m to £4m bracket were international, rising to 36% at £4m plus. "These gated environments create a sense of security and are highly clubbable," says Richard Winter, head of Savills Surrey.

The appeal of these super suburbs lies in their good rail connections in to the heart of London, their shops and theatres, family houses with big gardens, good international schools, golf courses and tennis courts, as well as easy access to the countryside and major airports. Top choices include St George's Hill, Wentworth, Esher and Oxshott in Surrey, and Radlett, Totteridge, Hadley Wood and Chandler's Cross in Hertfordshire.

“The appeal is security, schools and easy access to the City”

## RICH AND RARE

THE MORE EXPENSIVE COUNTRY PROPERTIES TEND NOT TO CHANGE HANDS OFTEN. THIS CREATES A RARITY VALUE THAT UNDERPINS PRICES

The very finest country houses tend to be the ones that have remained in the hands of their distinguished owners for decades, or even centuries. “Rather like great works of art, they have often been in the same family for 400 years,” says Crispin Holborow, head of Savills Country department. “Hence they have an added value. They have the patina of age and fine furniture, and may have witnessed great moments in history.”

It seems that the more expensive they are, the more likely their owners are to hang on to them. “This is because the higher the value, the rarer they are, and the longer it takes the owners to find the right one. Once they find it they are loath to let it go because they understand the value of what they have got,” says Crispin. Around 1 in 5 properties worth more than £4m sold by Savills in recent years had been owned for more than two decades.

Knowing the value of a country house is a complex business. Unlike the townhouses of Mayfair or flats in Knightsbridge where



“The finest houses may have witnessed great moments in history”

horizontal space is a luxury, size is not necessarily a yardstick. Analysis of Savills deal book shows that the more space a house has, the less it costs per square foot. “Country house value increases up to about 10,000 or 12,000 sq ft,” says Crispin. “After that it may be that people don’t want too many bedrooms. Some may want lots of barns – perhaps to keep a car collection.”

Other factors enhance or distort the value. The distance from a big city, the popularity of the county, the quality of the landscape, sporting rights, and the period of architecture, all play a part. Queen Anne, Georgian and Regency are the most popular historical styles.

Habits are changing and old ways are being swept aside. Those who have owned for generations are more likely now to sell than to pass on their properties to their children. “Some still want the title, the paintings, the house, to go to number one son,” says Crispin. “But most want to be fair to both sexes and to all children these days, so they are more likely to sell.”



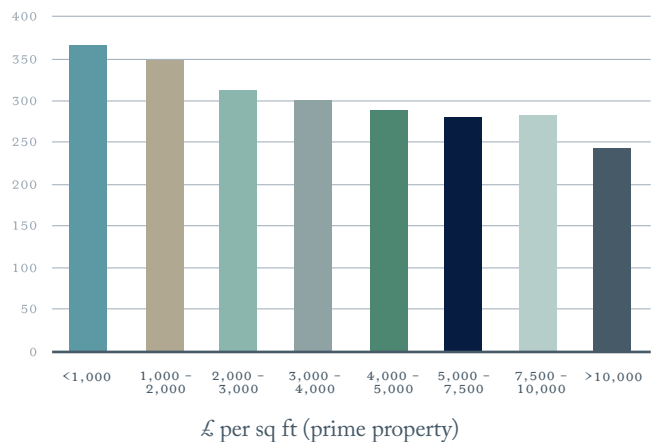
### WHAT YOUR MONEY BUYS AROUND THE COUNTRY?

*As an example, we took Great Hockham Hall in Norfolk, a Grade II listed Queen Anne house in extensive parkland for sale at £3.25m and asked our panel of Savills experts to look at what a similar type of house would cost in different counties.*

Norfolk	£3.25m
Wiltshire	£4.5m-£5m
Kent	£5m
Oxfordshire	£7m-£8m
Hampshire	£10m
Lincolnshire	£1.75m-£2.25m
Devon	£2.75m
Shropshire	£3.35m
Suffolk	£3m-£3.25m
Scotland	£3m and over

### SPACE SAVINGS

UNLIKE LONDON, THE MORE SPACE A COUNTRY HOUSE HAS TO OFFER, THE LESS IT COSTS PER SQUARE FOOT



SOURCE: SAVILLS RESEARCH

# FUTURE PERFECT

WHAT TRENDS WILL IMPACT ON THE COUNTRY HOUSE MARKET IN THE NEXT DECADE?

Prime country property has risen in value by 59% in the last decade.

This is not as much as in mainstream British property or the prime London markets, but the growth has been steady. Country houses have proved enduring in times of hardship and have survived the recession well. They are not as exposed to bonus-fuelled buyers or the volatility of the City as much as areas in the capital.

The value of prime country houses went up by 2% in the first three months of this year, following a rise of 4.6% in the second half of 2009.

Leading the way are East Anglia, where prices are now just 10.7% off peak, and the South East where they are just 8.6% off

“Country houses have proved enduring in times of recession”

peak. This is no surprise. The prime regions tend to follow London in their recovery, so the ripple effect works its way through the markets.

Looking ahead to the next decade, price growth will be driven by increased internationalisation in the country house market, particularly in the South East of England, where 80% of prime properties bought for over £2m by overseas buyers are to be found.

Aspirational and upsizing buyers will continue to replace downsizing sellers, and the close association between new wealth and central London will carry on extending deep into the commuter belt.

All these factors point to strong foundations for growth in the decade ahead. Slow but sure price increases should protect the market from the risks of a second dip in the recession.

LUCIAN COOK, DIRECTOR OF SAVILLS RESEARCH

## SAVILLS PRIME COUNTRY HOUSE FORECAST

THE PREDICTED RISE IN PRIME COUNTRY HOUSE VALUE FROM 2009-2014

2009	+1.3%
2010	-1.0%
2011	+5.4%
2012	+8.9%
2013	+7.2%
2014	+6.3%

## COUNTRY HOUSE VS FTSE\*

(CHANGES IN CAPITAL GROWTH, EXCLUDING INCOME YIELD)

AS AT MARCH 2010

### LAST 5 YRS

FTSE	16%
Country House	5%

### LAST 10 YRS

FTSE	-13%
Country House	55%

### LAST 15 YRS

FTSE	81%
Country House	166%

### LAST 20 YRS

FTSE	253%
Country House	239%

### LAST 25 YRS

FTSE	345%
Country House	394%



\*CHANGES IN CAPITAL GROWTH, NOT INCLUDING INCOME YIELD

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The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, with the 's' in red and the rest in black, set against a yellow rectangular background.

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