



MONMOUTHSHIRE OUTLOOK

Regional Property Market Focus 2011

Knight Frank

Insight into your
local market

Focus on the national
country house market

Impact of the prime
London market

Market forecast

LOCAL UPDATE

We cannot hide from it; a wave of caution has come to Monmouthshire. But despite this uncertainty in the market, good houses continue to sell, with some achieving pre-recession prices. How come?

Monmouthshire and the surrounding counties offer a lovely way of life. The Marches has some of the prettiest countryside in Britain; great rivers such as the Severn, Wye and Usk meander through and we are fortunate to have charming market towns and villages. The good schools in and around Newport, Monmouth and Chepstow

are a powerful draw, and the Severn Bridges make the area accessible for Bristol and the M4 corridor. It is not surprising then that buyers still want to move to this part of the world from an increasingly busy South East.

Average house prices have slipped and are down by around 10% from the peak (a long way from the

forecasted 30% falls). Conversely, land has risen in price due to agricultural commodity increases and scarcity. Good houses with a significant amount of land will sell almost immediately in the current market. Likewise traditional houses in the Monmouth-Chepstow-Abergavenny triangle still sell successfully, with prices being chased up for the rare gems which 'tick all the boxes'.

Knight Frank sold as many Monmouthshire houses in 2010 as in previous years and we therefore look to 2011 with confidence. For buyers the

advice is simple – do your research, but when the right place is found, take it, as you may not find another one like it for many years.



James Toogood Office Head
Anthony Clay Office Head

MONMOUTHSHIRE BY NUMBERS

Knight Frank has emerged from the credit crunch as leading prime property agent and expects to consolidate this position further during 2011.

- 79% of our sales in the last 12 months were priced under £1m.
- On average we have achieved 96.2% of the guide price on sales in the past 12 months.
- We have 926 potential buyers on our books looking to spend a collective total of £1bn.
- On average, nine offers are made on our properties every week.
- Knight Frank Monmouth's online property listings are viewed 2,083 times a day through our award-winning website.



Where do our buyers come from?

West Midlands	13%
South East	57%
London	11%
Rest of UK	16%
International	3%



Sales by price band

Under £750k	49%
£750k - £1.5m	42%
£1.5m - £2.5m	9%

OUR TEAM IN ACTION

Homelands

Our clients had spent the best part of two years rebuilding the idyllically positioned house to an extremely high standard and understandably expected to achieve a top price for it. We began marketing in June 2010 and, after two weeks, had the property under offer at the full asking price. This sale fell through but we managed

to have it back under offer shortly after. Once again, due to another unfortunate set of circumstances, this offer was also withdrawn. Not to be discouraged, we managed to have the house under offer again that afternoon at the full asking price to the very first viewers, proving the adage that putting a house under offer is only half the battle.



HOMELANDS



NATIONAL COUNTRY HOUSE MARKET

Activity boosted by the closing gap between overly ambitious sellers and cautious buyers.

The national country house market experienced quite an upheaval last year. Although price growth in the 12 months to June 2010 helped the market claw back some of the falls seen during the credit crunch, ongoing problems with mortgage availability and affordability caused this growth spurt to reverse. Prices by the end of the year did however, remain 3.3% higher than the year before.

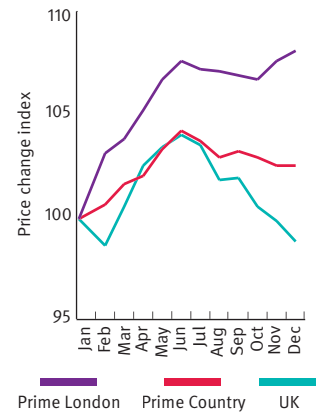
A positive outcome of this was the impact it had on the gap between overly ambitious sellers and cautious buyers. The necessary asking price reductions that began to take place in August and September narrowed this gap, leading to improved activity in the final quarter of the year.

We expect 2011 to mirror 2010 – the best properties are likely to sell well due to thin supply

and strong demand. Indeed, we moved into 2011 with 12% more purchasers registered to buy country house properties across the UK compared to the same position in 2010. The market for properties priced below £1m will however remain challenging for vendors due to the absence of a noticeable recovery in mortgage supply.

The most critical issue for vendors this year will be price. Only the most perfect properties can justify ambitious expectations in the current market. For most properties, this approach will lead to delays in attracting interest and lost marketing time in the critical spring months.

How the prime London, prime country house and mainstream UK markets compared in 2010



Sources: Knight Frank Central London Sales Index, Knight Frank Prime Country House Index, Nationwide House Price Index

LONDON'S SUCCESS FEEDS DEMAND FOR COUNTRY PROPERTY

There is no doubt that the strongest performing property market in the UK during 2010 was the prime London market – with prices rising by nearly 11% over the year.

While prices in London are unlikely to see any significant growth, we expect 2011 to

see a rerun of last year's strong performance in terms of sales volumes and buyer demand.

For large parts of the country house market across England, and even into Scotland and Wales, this positive outlook for London matters. Over 22% of buyers of country houses priced

£1m+ across the UK are from London. The figure hits 31% for property costing £2m+.

Our experience in the London market confirms that much of its strong performance stems from the perception that the market is a 'safe haven', particularly for international buyers.

This is demonstrated by the volume of new applicants from Europe looking to buy in central London, which rose 23% year-on-year in the final quarter of 2010. London property provided a strong defensive

option as the difficulties in the Eurozone worsened, and while the pound was trading at a discount to the euro.

London also experiences ongoing demand from Asia-Pacific buyers who have benefited from 30% to 50% price growth in Hong Kong, Singapore and other key Asian centres over the past year. They are keen to take advantage of the weak pound, removing their money from what have arguably become very hot markets in Asia.

FINANCING WITH KNIGHT FRANK

As a highly respected team in the property financing industry, with 150 years of combined experience, Knight Frank Finance specialises in mortgages for main or second homes, investment property, buy-to-let mortgages and commercial property finance.

For loans below £1m, we have access to all of the most competitive mortgage interest

rates available on the high street. If you are considering borrowing above £1m, our close working relationships with the world's private banks, commercial lending sources and finance houses, enables us to achieve the very best terms for our clients, including those unable to find financing solutions elsewhere.

To find out more, please call us on: Hereford +44 (0)1432 273087 or Bristol +44 (0)117 317 1999.

MARKET FORECAST

We are unlikely to see strong capital growth in any residential sector in 2011. The opportunity for speculative gains was presented in early 2009 and by mid 2010 this had all but disappeared, at least for the short-term.

The vast majority of buyers in the market have recognised this fact and are looking at property as offering a stable home for their wealth in the long run. Demand from investors and holiday home buyers has remained strong, but again is driven by a view of long-term potential growth.

While we expect country house prices to rise only marginally in 2011, the fundamentals underpinning the market are as strong as ever. This year will be the third consecutive year when new-build development volumes will struggle to reach even 50% of the 2007 peak level.

For those with access to equity this year, there will be considerable opportunities in the market. For the investor or holiday home purchaser these opportunities will be centred on strong yielding properties. For others it will be in securing properties with scope for refurbishments or improvements.

A SELECTION OF PROPERTIES SOLD IN 2010



Wyedene

Another Whitebrook Valley gem



The Old Rectory

The classic house with coach house and grounds that everybody wants – if only they had built more



Scatterford

A splendid example of a West Gloucestershire period country house



Cwmcarnan Court

One of Monmouthshire's finest houses sold early last year



Plas Yew Tree

Charming cottage with stunning views out over the Monnow Valley



Meadowbrook

An extremely comfortable house with grounds in sought after village

YOUR LOCAL TEAM

Monmouthshire and the surrounding countryside is covered by two of our offices, Hereford and Bristol with additional back up from Cheltenham and Cardiff with additional support from the Country House Department in London.



Anthony Clay MNAEA , Office Head, Hereford

Anthony Clay runs the Hereford office, specifically covering South Herefordshire, Monmouthshire, West Gloucestershire and what is still best described as South Breconshire.

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James Toogood FNAEA, Office Head, Bristol

James has run the Bristol office for 5 years and has very much been drawn into Monmouthshire by the demand from potential purchasers working in Bristol but wanting to live in unspoilt rural Monmouthshire.

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Bruce Tolmie-Thomson, Partner, London

Bruce runs the Central Team in the Country Department based in the London Head office which involves the sale of country houses, farms and estates throughout the UK.

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Peter Edwards, Associate Partner, London

Based in our Country House Department in London, Peter's main responsibility is to ensure that all Herefordshire and Worcestershire properties are marketed to prime London and International buyers.

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