

What next for the stately home?

With prices falling and new taxes looming, sales of English country houses are in jeopardy, says Lucy Alexander

In a time of severe national retrenchment, new taxes for owners of large country estates are a popular notion. Yet have we really considered the consequences of forcing what one property expert predicts would be “a fire sale of landed estates faster even than in the late 1940s”?

The present anger at tax avoidance by the wealthy on the purchase of luxury houses sits oddly with the fact that nine million of us tuned in to ITV on Sunday night to watch Maggie Smith, the fictional Dowager Countess of Grantham, blocking the surrender of her ancestral home, Downton Abbey, to a worthy institutional cause.

ITV has form in televisual elegies to doomed country houses, of course. Yet Evelyn Waugh, the author of *Brideshead Revisited*, adapted by ITV in 1981, admitted in his introduction to the 1959 edition of his novel that he had overdone the doom. At the time of the original publication in 1945, it had seemed that “the ancestral seats which were our chief national artistic achievement were doomed to decay and spoliation. So I piled it on rather...” In reality, he said: “*Brideshead* today would be open to trippers.”

In 1945 everyone did assume the worst for the country house. The Labour Government introduced death duties so punishing that by the time the 10th Duke of Devonshire died in 1950, his son had to pay the Exchequer 80 per cent of the estate's value. He was able to hand over Hardwicke Hall in lieu to save Chatsworth, but some were not so fortunate. As many as one in six of all English country houses



were demolished during the 20th century. The present climate of anti-capitalist hysteria has once again made the nation's remaining great homes a tempting target for politicians. The Liberal Democrats are considering plans for a tax levied at 0.5 per cent on the capital value of land over a certain acreage. Details are hazy, and it is not yet clear if this would be in addition to their manifesto commitment to a “mansion tax” at the rate of 1 per cent on homes worth more than £2 million. Vince Cable, the Business Secretary, recently referred favourably to land tax as “the one thing you can't take off to Monaco”.

This is likely to add further gloom to the country-house market, in which average prices have fallen by 1.7 per cent in a year — a mere 5 per cent recovery since the market low of June 2009. In comparison, prices in

Central London have risen by 36 per cent since their 2009 low point, according to Knight Frank, the estate agent.

It's a situation that Francis Long, director of the high-end buying agency Hanslips, believes could be disastrous if combined with reductions in EU grants for farmers. Long quotes the National Farmers' Union as saying the European Single Farm Payment system is “in grave doubt from 2015”.

“A land tax, mansion tax and the withdrawal of subsidy could mean a notable increase in big estates being chopped up,” Long says. The result, he says, would be the opposite of what advocates of wealth redistribution hope to achieve. “A lot of estates support the local community,” he says, citing two examples in Berkshire, Englefield, owned by Richard Benyon, the MP for Newbury, and Yattendon, owned by Lord Illife, which subsidise housing and facilities such as pubs and post offices.

The likely result is, according to Long, a “wholesale foreign takeover” of our finest country houses. “If our landed estates go under the hammer, who will step in? Russians. Do you really think they are going to be pumping lots of money into the local community? Not a chance.”

But wouldn't oligarchs be put off by a punitive tax regime in the same way as the English landed gentry? “It's all relative,” Long says. “Would they rather have their money in a rather desperate bank in Damascus that might disappear overnight or in an English country estate? I was with a Lebanese buyer yesterday in Mayfair. He was a bit concerned about prices but he'd rather be here than in Beirut.”

Will this scenario give Dr Cable pause? Some would argue that we should support the stewards of our national heritage, both agricultural and architectural. The Dowager Countess would certainly have something to say about it.

The rural house price story

- Prime country houses (those worth more than £1 million) fell in value by 2.3 per cent in the past three months, which is attributed to a scarcity of buyers from London. This year the number of buyers relocating from the capital has fallen by 32 per cent on the same period last year.
- After price rises earlier in the year, the annual change in house prices now stands at -1.7 per cent. Large manor houses have fallen fastest, with prices dropping 5.9 per cent since April, compared with 1 per cent for cottages.
- The number of prime country houses for sale has grown by 24 per cent in a year; however, the number of properties going under offer is up by 32 per cent and new applicants are down by 4 per cent, so the stock surplus will not last.
- Since the market low point in March 2009, values in the prime regional

- markets have grown by 3 per cent, compared with 37 per cent in prime Central London over the same period.
- The gulf between London and the country is caused by international buyers in the capital, where they account for almost 50 per cent of prime property transactions, compared with only 12 per cent in the country.
- The latest house-price forecasts predict that properties in the prime regional markets across the country will drop in value in 2012. The expected falls range from 0.7 per cent in the South East to 4.7 per cent in the North East.
- Prime country houses in particular are expected to lose, on average, 2.8 per cent of their value next year, before returning to growth in 2013 at the earliest.

Source Knight Frank and Savills