



# SCOTLAND REVIEW

Property market focus Autumn 2010

**Knight Frank**

## KEY POINTS:

- Business confidence is returning to Scotland
- Favourable mortgage deals combined with future stamp duty and VAT hikes make now an opportune time for buyers
- Properties priced in line with market sentiment are selling quickly
- Now is a good time for Edinburgh homeowners to upsize as property values above £2m have fallen more than those in lower price bands



# OVERVIEW

**While there is no doubt that the market in Scotland has been difficult so far this year, there is cause for optimism, making now an opportune time for both buyers and sellers.**

Business confidence is returning to Scotland – Virgin Money recently confirmed plans to base its new operations centre in Edinburgh and Barclays' investment banking and wealth management divisions pledged to create up to 600 jobs in Glasgow. With this in mind, we expect activity in Scotland's housing market to pick up in the coming months.

Buyers are in a position to take advantage of favourable mortgage deals that may not be available for long. And the planned stamp duty and VAT hikes in January will make buying more expensive for some, so there is little reason for potential buyers or vendors to postpone in the hope that conditions will improve early next year.

Many homeowners wishing to move are reluctant to do so now because they compare today's values with those of the peak in 2007. But the rapid price increases in the two years leading up to then were not

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typical of the market and it is therefore more relevant to look at the longer-term trends.

Where our clients this year have taken this into account and adjusted their asking prices in line with market sentiment, properties have sold quickly. Furthermore, we have a good selection of buyers waiting for the right house to become available.

## COUNTRY HOUSES

**John Coleman, Head of Knight Frank Scotland**

**People choose to move to Scotland's beautiful countryside because it affords them a lifestyle that is hard to beat elsewhere – its magnificent properties, scenic views and fantastic schools make it a perennial favourite.**

To that end, we still receive significant numbers of enquiries from overseas buyers looking for the kind of "trophy" properties that only Scotland can deliver. And properties within commuting distance of Edinburgh – areas known as the Home Counties of Scotland – are always sought after. But where vendors have been reluctant to reduce asking prices in line with current market sentiment, properties are taking longer to sell.

Although the average price of country houses in Scotland fell by 1.7% between July and September (according to Knight Frank's Scottish Country House Index), values did rise slightly in the first half of the year and overall have fallen by just 0.9% in the past 12 months.

67% OF OUR COUNTRY HOUSE SALES THIS YEAR ACHIEVED MORE THAN THE ASKING PRICE.

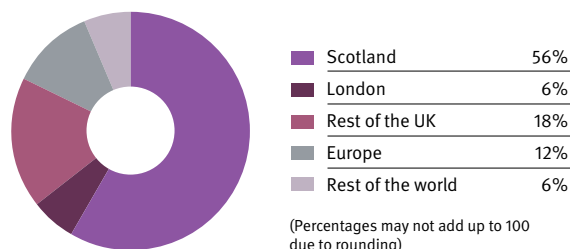


Buyers remain cautious and sensible pricing is the best way to encourage as many viewings and offers as possible. By tempting more potential buyers, asking prices are more likely to be met or even exceeded. Indeed, 67% of our country house sales so far this year achieved more than the asking price.

We expect that the recovery will be gradual and that it will be at least three years before prices start to return to the levels that we saw before the banking crisis hit Scotland.

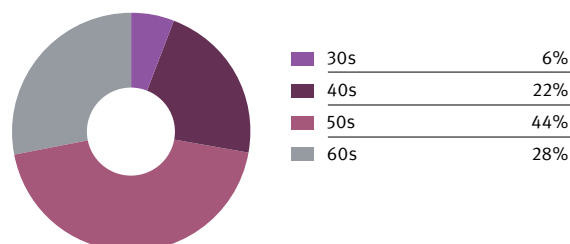
### Where do Scottish country buyers come from?

(Buyers in 2010)



### Age of our country buyers

(Buyers in 2010)



# EDINBURGH TOWNHOUSES

## Matthew Munro, Head of Edinburgh Residential Sales

The fact that values have fallen by 4.6% this quarter and by 4.7% over the past 12 months (according to Knight Frank's Prime Edinburgh Residential Index) supports the advice that we have been giving vendors for months – realistic pricing is essential to attract viewings. Buyers have become increasingly price-sensitive and they simply will not view properties they consider to be over-priced.

Where properties have been on the market for some time with little interest, vendors would be wise to consider reducing the asking price to trigger viewings. When clients have done this, the impact on enquiries has been significant. Offers made are then more likely to meet, and even exceed, the asking price. We secured clients more than the asking price on 50% of our prime Edinburgh house sales so far this year.

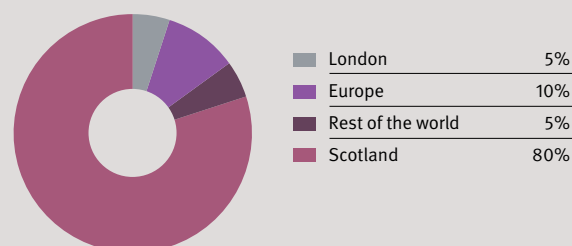


7 Ann Street, Edinburgh. Elegant 'A' listed Georgian townhouse with six bedrooms on a tree-lined street. Offers over £1,175,000 (under offer).

We take an average of six weeks to sell property in Edinburgh (from the day it goes on the market to the day an exchange is agreed), and have sold three properties within four weeks recently. The houses – one on Church Hill, one on Dick Place and the other on Magdala Crescent – sold quickly because they were priced sensibly from the outset.

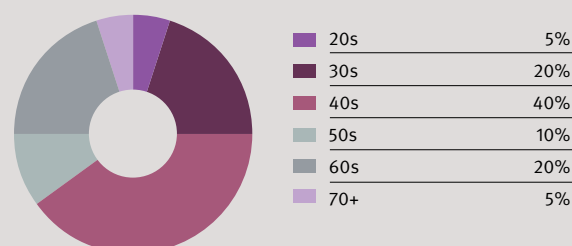
### Where do Edinburgh buyers come from?

(Buyers in 2010)



### Age of our city buyers

(Buyers in 2010)



For owners of Edinburgh properties priced below £2m, now is a great time to upsize, as their properties have held their value better than more expensive homes, meaning buyers require less money to upgrade.

# FARMS AND ESTATES

## James Denne, Country House Sales, Lauder

The majority of the farms put up for sale so far this year in Scotland have attracted good levels of interest. Bids have often come from neighbouring farmers, and "lifestyle" buyers have been active in the market for large sporting estates or smaller agricultural units, where income can be generated using a local farmer to contract the land.

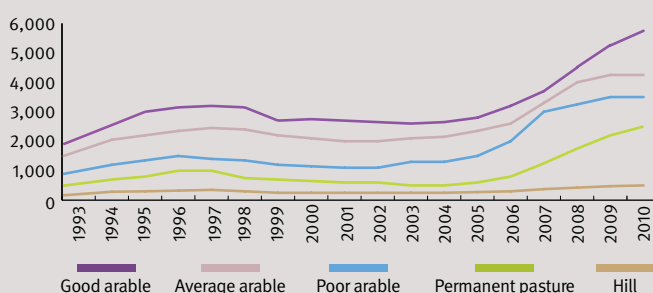
We have just completed on the sale of the 415-acre Crossrigg Farm in Berwickshire to a Scottish farmer, while the 178-acre Millmount, an arable unit on the banks of the Tweed, near Melrose, has just been launched. The farm, which calls for offers over £1.3m, could appeal to either a farmer looking for more land or a "lifestyle" buyer looking for a lovely location to live. The 1,600-acre Blackhouse Estate in the Yarrow Valley, near Selkirk, was sold to a "lifestyle" buyer.

Despite this continued demand, farmland values have started to flatten out since the middle of the year. Concerns over the economy and the impact of the comprehensive spending review mean purchasers are being slightly more cautious in how much they want to spend and

I expect this trend to continue into 2011. Having said that, I do not expect prices to weaken significantly as supply remains relatively tight, while the recent sharp increase in grain prices should prevent arable farmers from feeling too pessimistic.

### Price change of Scottish Farmland

£/acre



# ISLANDS

As well as townhouses, country houses, farms and estates, Knight Frank sells islands.

In March we sold Sanda Island – a magnificent 350-acre private island on the Mull of Kintyre in Argyll. It came complete with a five-bedroom farmhouse, three homestead cottages, three lighthouse cottages, the Byron Darnton Tavern, a boathouse and pier, and two further islands.



Sanda Island (sold)

The Out Skerries Estate, which is currently on the market, is made up of three main islands plus the smaller islands of Benilip and Filia and various rock outcrops. Situated approximately nine miles off the east coast of Shetland's mainland, it features 600 acres, two former coastguard lookout buildings, an airstrip and harbour, and a thriving fishing and crofting community.



Out Skerries Estate (for sale)

## A SELECTION OF PROPERTIES SOLD IN 2010



Garynahine Estate (sold)

A stunning sporting estate with lodge and outbuildings. Marketed at £1,550,000.



Hartwood House (sold)

Delightful country house within commuting distance of Edinburgh and Glasgow. Marketed at £775,000.



Hutton, Berwickshire (sold)

Arable farm with 415 acres. Sold at closing date. Offers over £3.3m.



Near Kelso, Roxburghshire (sold)

Former manse with eight acres. Offers over £750,000 (private sale).



Dick Place, Edinburgh (sold)

Delightful double-fronted, south-facing, detached Victorian villa. Marketed at £695,000.



Church Hill, Edinburgh (sold)

Handsome Victorian south-facing, semi-detached period family home. Marketed at £825,000.

## Your Scottish team



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Country houses and estates



**Matthew Munro**  
Edinburgh sales



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