

PRIME SCOTTISH PROPERTY MARKET PAUSES TO DIGEST NEW LBTT RATES

Tax policy continued to play a defining role in Scotland’s prime property market during the second quarter. Oliver Knight examines the latest figures.

Key facts for Q2 2015

Prime country house prices in Scotland rose by 0.2% in the second quarter

LBTT had the greatest bearing on market performance

Under the new LBTT rates, purchase costs for a £1.5m property have risen by nearly 80%

Annual price growth was 1.4%

Prime country house prices in Scotland rose by 0.2% between April and June taking annual growth to 1.4%, down from the recent high of 2.8% in June last year.

The landslide SNP general election victory on May 7th has had a modest impact on the prime property market in the second quarter of 2015. Rather, it has been the recently introduced Land and Building Transaction Tax (LBTT) which had the greatest bearing on market performance.

The new levy which came into effect on 1 April 2015 means that while those buying homes worth less than £333,000 now pay less tax for homes, those purchasing property with a value above this threshold now pay more in purchase taxes.

As an example, a house in Scotland valued at £1m would have attracted a stamp duty liability of £43,750 under the old system. Based on the new LBTT

rates, that same property now attracts a bill of £78,350, a near 80% increase.

As a result, buyers and vendors brought forward prime transactions prior to the introduction of LBTT in order to benefit from the lower stamp duty charges. There was a spike in activity during the first three months of 2015 with the number of sales completed by Knight Frank nearly 50% higher year-on-year.

Since then, however, the prime market has been subdued, with the number of sales completed between April and June notably lower than the same period of 2014. There is likely to be an ongoing period of adjustment at the top-end of the market as individuals factor in the increased cost of moving.

There are still pockets of activity in Scotland’s prime market however, mostly in areas within commuting distance of large towns and cities.

continued overleaf...



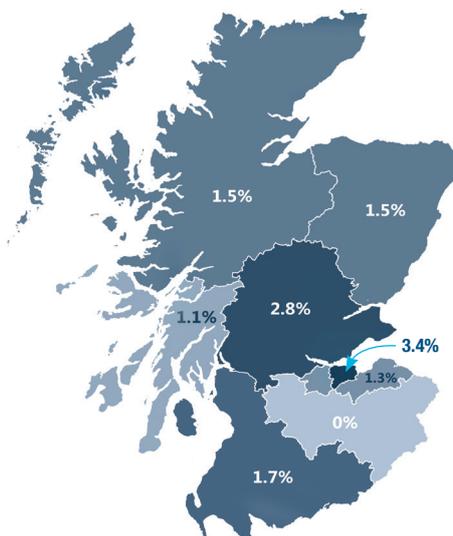
OLIVER KNIGHT
Residential Research

“There is likely to be an ongoing period of adjustment at the top-end of the market as individuals factor in the increased cost of moving”

Follow Oliver at [@oliverknightkf](#)

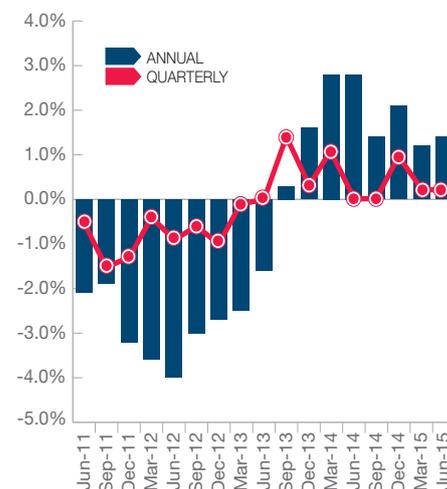
For the latest news, views and analysis on the world of prime property, visit [Global Briefing](#) or [@kfglobalbrief](#)

FIGURE 1
Annual change in prime prices by region (Q2 2014 - Q2 2015)



Source: Knight Frank Residential Research

FIGURE 2
Prime Scotland: annual and quarterly price growth



Source: Knight Frank Residential Research

PRIME SCOTTISH PROPERTY INDEX Q2 2015

Prices in the central Scottish region, within an easy commute of Edinburgh and Glasgow, for example, rose by 0.4% between April and June and have risen by 2.8% on an annual basis.

Ran Morgan, head of Scotland residential sales, said: "In spite of higher levels of

tax, Scottish property prices remain some way below their previous market peak. The market continues to offer good value, especially when compared with London and southern England."

"In spite of higher levels of tax, Scottish property prices remain some way below their previous market peak. The market continues to offer good value, especially when compared with London and southern England."

Ran Morgan, head of Scotland residential sales

Residential property purchase costs in Scotland

From April 1 2015

House price	Land and Building Transaction Tax
£145,000	No tax payable
£250,000	£2,100
£350,000	£8,350
£450,000	£18,350
£550,000	£28,350
£650,000	£38,350
£750,000	£48,350
£850,000	£60,350
£1,000,000	£78,350
£1,100,000	£90,350
£1,200,000	£102,350
£1,300,000	£114,350
£1,400,000	£126,350
£1,500,000	£138,350
£1,600,000	£150,350
£1,700,000	£162,350
£1,800,000	£174,350
£1,900,000	£186,350
£2,000,000	£198,350



GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit KnightFrankblog.com/global-briefing

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research

+44 20 7861 5133

liam.bailey@knightfrank.com

Oliver Knight

Residential Research

+44 20 7861 5134

oliver.knight@knightfrank.com

SCOTLAND SALES

Ran Morgan

Head of Scottish Residential Sales

+44 13 1222 9600

ran.morgan@knightfrank.com

PRESS OFFICE

Lizzie Copestake

+44 20 7861 1033

lizzie.copestake@knightfrank.com



© Knight Frank LLP 2015 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

Knight Frank Prime Scottish Property Index Q2 2015

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	0.2%	0.0%	0.3%	0.2%
6 month	0.0%	0.2%	0.4%	0.6%	0.4%
1 year	0.0%	1.4%	1.3%	1.7%	1.4%

Source: Knight Frank Residential Research

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report 2015



Prime Country Review Summer 2015



Edinburgh City Index Q1 2015



UK Prime Country House Index Q1 2015

Knight Frank Research Reports are available at KnightFrank.com/Research