

PRE-REFERENDUM DIP FOR SCOTTISH COUNTRY HOUSE PRICES

Interest from prospective buyers for Scottish country houses remained robust in Q2 2016, despite uncertainty surrounding the EU Referendum.

Key facts for Q2 2016

Prices declined by 0.4% between April and June

On an annual basis prices are 0.6% lower than a year ago

The number of new applicants registering their interest in purchasing a property increased by more than 12% in Q2 2016 compared to last year

The number of viewings was up by more than 30% over the same period

Scottish country house prices declined by 0.4% between April and June, only the second time prices have fallen on a quarterly basis since 2013. Prices are 0.6% lower than a year ago.

This index reflects pricing before the result of the EU Referendum was announced.

The reasons for the slight dip in prime values are twofold. Firstly, the second quarter of 2016 saw a degree of uncertainty surrounding the outcome of the EU Referendum which dampened sales activity as buyers waited for clarity on the result.

The vote was the fourth major political event within the last two years in Scotland, following the Independence Referendum in 2014, the UK General Election in 2015 and the Scottish Parliamentary Elections in 2016 (figure 1).

The second factor is that buyers remain price sensitive as a result of higher purchase costs following the introduction of the Land and Buildings Transaction Tax in April 2015.

Ran Morgan, Head of Scotland Residential, said: "The EU referendum result has

introduced a general air of caution and it is evident in every discussion you have. The market however continues to perform with viewings and deals being done, especially in key cities. The top end of the market has been more challenging during the last 12 months, but nevertheless, two deals were done over £1.5m in the city the week after Brexit.

"In the rural market we have had requests from buyers based in England that are now looking to Scotland as a place to live as a result of Brexit. If the property is of the right quality and is accurately priced then there is competition for it. However, property that is deemed expensive or that hasn't attracted more than one bidder is vulnerable to buyers using Brexit as an excuse to negotiate the price down."

The number of new applicants registering their interest in purchasing a property with Knight Frank increased by more than 12% over the three months to June compared to the same period last year, while the number of property viewings was up by more than 30% over the same period.

There is likely to be continued uncertainty in the short-term as the country waits for



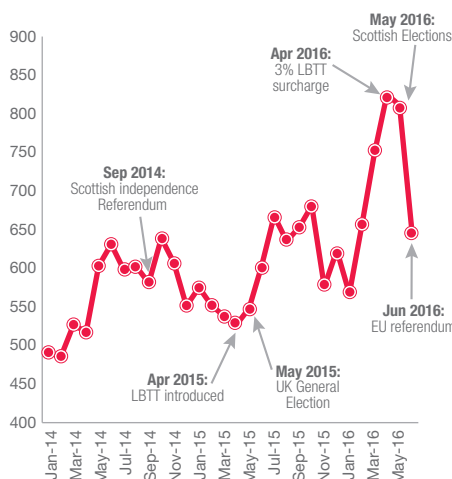
OLIVER KNIGHT
Associate

"Prime prices dipped slightly between April and June as uncertainty surrounding the outcome of the EU Referendum filtered through to the market."

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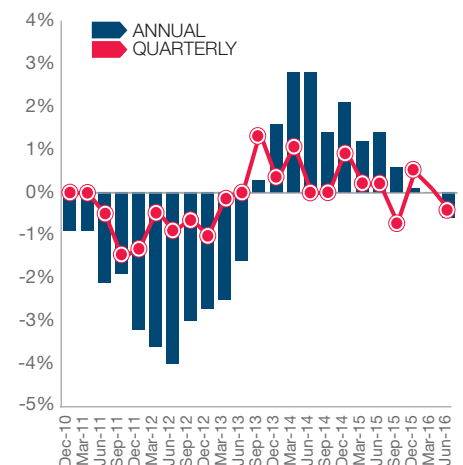
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FIGURE 1
Scotland: Prime stock snapshot
Properties listed for sale in Scotland above £500,000



Source: Knight Frank Research

FIGURE 2
Prime Scotland prices
Annual and quarterly price change



Source: Knight Frank Research

PRIME SCOTTISH PROPERTY INDEX Q2 2016

a firmer plan on how the UK, and Scotland, will proceed, both politically and economically, now that the country has voted to leave the EU.

£1 million-plus market

The market at £1 million and above in Scotland is also adjusting to higher rates of taxation, with 104 sales over the year to

the end of Q1 2016 down from 141 in 2015, according to data provided by the Registers of Scotland.

Unsurprisingly, the majority of million pound sales took place in Edinburgh, which accounted for 52% of such transactions over the previous 12 months. This was followed by Glasgow, which accounted for 17% of sales.

“Interest from prospective buyers in prime Scottish property has remained fairly robust.”

Knight Frank Prime Scottish Property Index Q2 2016

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	-0.5%	-0.4%	-0.5%	-0.4%
6 month	0.0%	-0.4%	-0.2%	-0.5%	-0.4%
1 year	0.0%	0.4%	-0.4%	-1.8%	-0.6%

Source: Knight Frank Research

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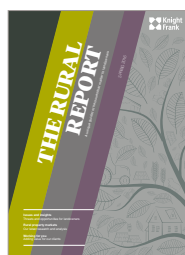
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