

Prime Scottish property prices slip 2.7% in 2012

Prime Scottish property prices dipped again in the fourth quarter, but Edinburgh bucked the trend with prices remaining stable. Gráinne Gilmore examines the data:

Results for Q4 2012

Scottish prime house prices fall by 1% in Q4, taking the annual decline to 2.7%

Small country houses have seen the largest annual declines at 4.7%. Large country houses have been more resilient down just 1.7% year-on-year

Prime property prices in Edinburgh remain unchanged in Q4, and are up 0.6% year-on-year

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Average values of prime Scottish property fell 1% in the final three months of the year, a more pronounced decline than in the third quarter. The fall takes the annual drop in property values to 2.7%.

Prices in the Scottish Borders have been resilient, with no change reported between October and December, and a slight 0.4% rise seen over the last 12 months. However, this has been the exception rather than the norm, and prices in the Lothians and the South West have suffered larger falls of 5.2% and 3.7% respectively during 2012.

Ran Morgan, Head of Knight Frank's Scottish Residential Department, said: "The prime market is hugely varied in Scotland. Homes have to look good value if they are to sell and prices may have to adjust further for this to happen.

"The lack of mortgage finance continues to impact the Scottish country house market, with many choosing to stay in their current

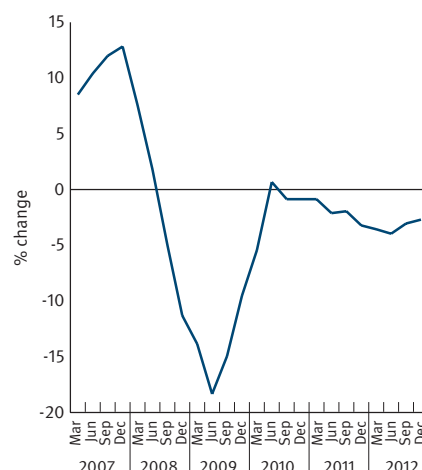
home rather than moving up the housing ladder. However 'exceptional' homes continue to attract attention, from both domestic and overseas buyers.

"There has been a decline in interest from buyers in the traditional commuter counties around Edinburgh with buyers who are looking to 'trade up' or 'trade down' preferring to do so within the city."

The increase in stamp duty for properties worth £2m and more from 5% to 7% in March this year has had a knock-on effect on homes at the top end of the market.

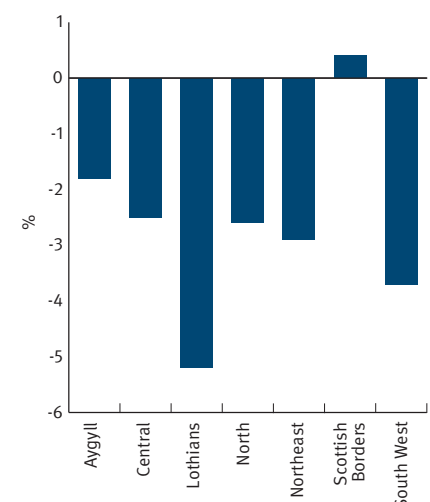
It is also interesting to note that plans have been unveiled to replace the current stamp duty regime and replace it with a new Land and Buildings Transaction Tax from April 2015. The new tax on land and property transactions will abolish the 'slab' structure and instead relate to the actual value of the property. Actual rates and thresholds will be not set until nearer April 2015.

Figure 1
Prime Scottish property prices
Annual growth late 2009-2012



Source: Knight Frank Residential Research

Figure 2
Regional changes
Price movements 2012



Source: Knight Frank Residential Research

"Prices in the Scottish Borders have been resilient. However, this has been the exception rather than the norm."



Gráinne Gilmore, Head of UK Residential Research

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In Edinburgh, as has been the case since June, prices remained static in the final quarter of the year, taking the annual increase in house prices to a modest 0.6%.

Matthew Munro, partner in Knight Frank's Scottish residential department, said: "Although values in Edinburgh's prime residential market remain static, we have seen a significant increase in turnover in the core middle market over the course of the year and the strongest sector in terms of activity has been properties up to and around the £1 million mark.

"This is reflected by a noticeable upturn in the number of applicants looking to downsize from their current homes. At the top end of the market buyers are more hesitant to commit to deals with some waiting for a further dip in prices. However, in line with seasonal trends, viewing figures are up for the quarter as a number of expats return home for the holidays.

"Good quality flats and smaller residential houses in Murrayfield and the New Town areas of the city have been in demand with the greatest activity on the south side of the city."

Knight Frank Prime Scottish Property Index

	Cottage	Farmhouse	Small country house	Large country house	Average
3-month change	0.0%	-0.9%	-1.1%	-1.1%	-1.0%
6-month change	0.0%	-1.8%	-1.6%	-1.4%	-1.5%
12-month change	1.9%	-2.4%	-4.7%	-1.7%	-2.7%

Knight Frank Edinburgh Index

	House	Flat	Average
3-month change	0.0%	0.0%	0.0%
6-month change	0.0%	0.0%	0.0%
12-month change	0.6%	0.7%	-0.5%
3-year change	-5.6%	-5.8%	-4.7%

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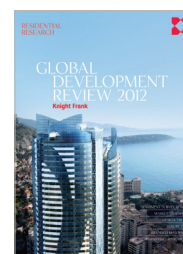
[Super-Prime Country House Market Knight Frank Report 2012](#)



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