

SLIGHT DIP IN PRIME VALUES IN 2016

Key facts for Q4 2016

Prices **fell by 0.4%** between October and December

On an annual basis, **prime prices are 1.1% lower**

LBTT continues to be the biggest barrier for buyers, while **'Brexit' has added to a climate of uncertainty**

Despite this, Knight Frank sales volumes in the year to November were equal to the same period last year and **12% higher than in 2014**

It has been a year of adjustment for Scotland's prime market with further changes to property taxation and wider economic uncertainty factored into pricing although activity levels remain robust

Prime Scottish country house prices fell by 1.1% in 2016, following a 0.4% decline in the final three months of the year.

The slight annual fall comes as prices continue to adjust to higher purchase costs following changes to property taxation in both April 2015 and 2016.

The recent vote to leave the European Union, meanwhile, has added to a wider climate of uncertainty, although its impact on the market has been limited so far.

Indeed, the number of transactions completed by Knight Frank in the first eleven months of the year was equal to that of 2015 and 12% higher compared with 2014.

There was also an 8% increase in the volume of new buyer enquiries over the same period and a 19% increase in viewings, suggesting that confidence is starting to pick up.

"The recent weakness of the pound has made the estates market more compelling for international investors. Concerns over

political uncertainty also appear to be abating," Ran Morgan, Head of Scotland Residential, said.

Prices remain more than 20% below the previous peak of the market in 2007, according to our index. Combined with currency fluctuations and higher capital values elsewhere in the UK this can make prime Scottish property look relatively good value.

"In spite of the wider political and economic uncertainty, and the potential for further changes to the way rural property is owned and managed from the Scottish Government, we expect to see a similar level of activity in 2017," Ran added.

Larger income generating estates with land are expected to attract the highest level of interest, as are smaller country homes within commuting distance of large cities. However, sensible pricing remains key, especially for properties valued between £600,000 and £1 million which are especially sensitive to the higher rates of Land and Buildings Transaction Tax (LBTT).



OLIVER KNIGHT
Associate

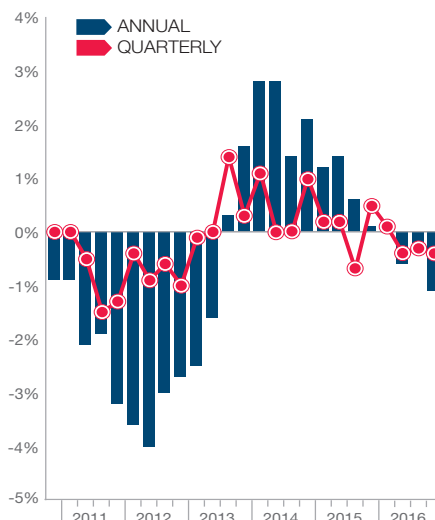
"Tax continues to be the primary driver of the prime market in Scotland, but the UK's vote to leave the EU has added another layer of complexity to the market."

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FIGURE 1
Prime Scotland price change

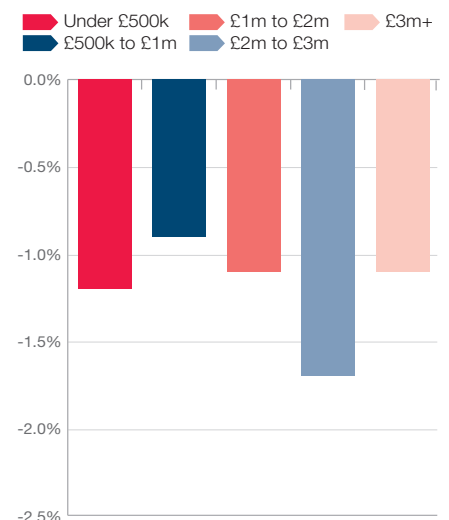
Annual and quarterly price growth



Source: Knight Frank Research

FIGURE 2
Prices continue to adjust

Annual price change, by value



Source: Knight Frank Research

Knight Frank Prime Scottish Property Index Q4 2016

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	-0.1%	-0.5%	-0.7%	-0.4%
6 month	0.0%	-0.4%	-0.8%	-1.1%	-0.8%
1 year	0.0%	-0.8%	-1.1%	-1.6%	-1.1%

Source: Knight Frank Research

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