

STOCK LEVELS RISE AHEAD OF TAX RATE CHANGE

Property prices in Edinburgh increased again in the final three months of the year, the twelfth consecutive quarter that prices held steady or rose. Oliver Knight examines the latest figures.

Results for Q4 2014

Prices rose by 0.5% between October and December

The annual change in property values in 2014 was 4.2%, up from a 3.4% rise in 2013

At the end of November, the number of properties for sale was 29% higher than in September

Edinburgh accounted for 62% of all £1m+ sales in Scotland over the first nine months of 2014

Over the last year the property market in Edinburgh has proven to be remarkably resilient. A 0.5% increase in values between October and December meant that prices ended the year up 4.2%. This has been achieved in spite of the uncertainty surrounding the outcome of the independence vote and the reform of stamp duty during the course of the year.

The number of transactions since the vote was 81% higher than the two months before, underlining the offers and exchanges that were happening in the market all through the run-up to the Referendum.

The announcement of the proposed Land and Buildings Transaction Tax (LBTT) rates in October is also encouraging both buyers and sellers to take action, especially in light of the stamp duty reforms announced by George Osborne in the Autumn Statement. Under the LBTT rates proposed by the Scottish government, from April 2015 anyone buying a property valued at more than £254,000 will see their tax bill increase.

This is evident from the sharp rise in the number of properties for sale in the city market in Q4. At the end of November the number of properties for sale through Knight Frank was 29% higher than at the end of September, and 48% higher than the end of the first quarter in March.

We expect stock levels will continue to rise prior to the introduction of LBTT as vendors look to move before the new levy comes into force.

The number of sellers is set to keep rising, as the number of valuations carried out in Edinburgh over the two months subsequent to the rates being announced, a good forward indicator of future stock levels, was 79% higher than the same period last year.

Any notable increase in the number of properties for sale is likely to have a knock-on impact on price growth.

Edward Douglas-Home, Head of Edinburgh City Sales, said: "We expect that the certainty provided by the result of the Referendum, as well as the forthcoming LBTT in four months' time will

continued overleaf...



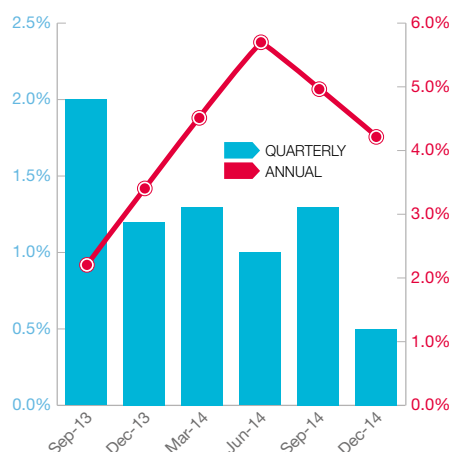
OLIVER KNIGHT
Residential Research

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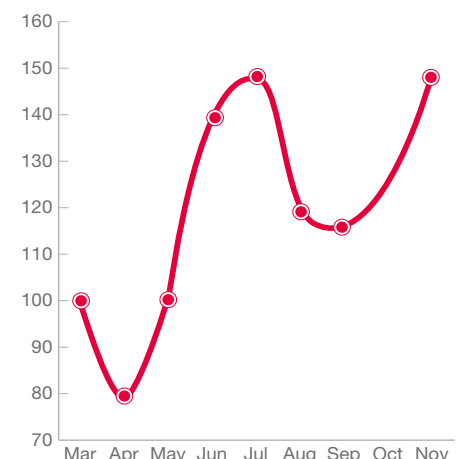
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FIGURE 1
Price growth
 Edinburgh quarterly and annual price change



Source: Knight Frank Residential Research

FIGURE 2
Stock levels rise pre-LBTT
 Number of available properties at end of November compared to earlier this year



Source: Knight Frank Residential Research

mean that the winter market will be much busier than it has been in previous years.

“An increase in the number of homes available for sale is good news for potential buyers, who have a greater degree of choice when it comes to finding a new home. Demand for well-located properties in the city’s established residential areas, such as in New Town and the West End and the South Side, has been strong throughout 2014 and we are anticipating this will continue.”

Property markets in the south of the city, including Grange and Morningside, enjoyed the greatest price growth in 2014 at 4.7%, followed by the New Town and West End areas of the city, with homes

here increasing in value by 4.3% on an annual basis.

Focus on £1m+ sales

Edinburgh accounted for 62% of all £1m+ sales in Scotland over the first nine months of 2014, according to data released by the Registers of Scotland.

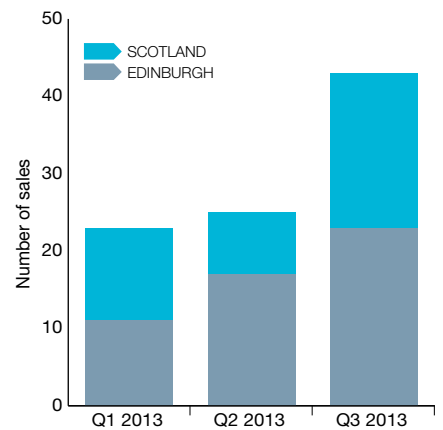
New Town saw the highest number of high value properties changing hands over this time, followed by the West End.

There was a notable spike in transactions in the third quarter, ahead of the Referendum, which suggests that any uncertainty caused by the vote was not enough to override an underlying recovery in sales.

FIGURE 3

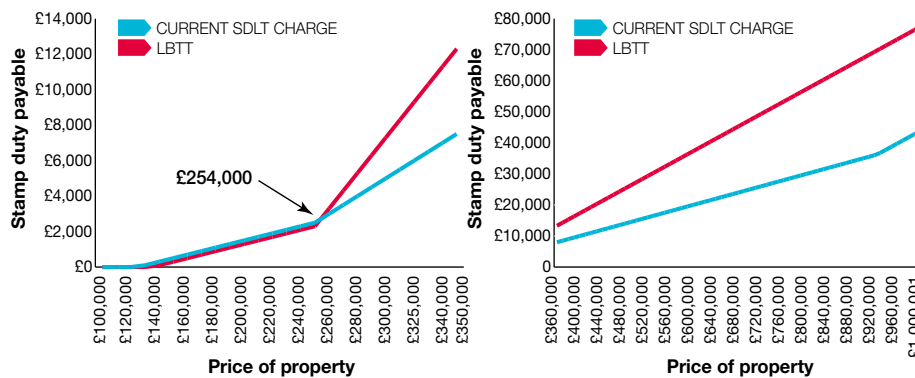
Activity in the £1m+ market in Scotland

£1m+ transactions in Edinburgh and Scotland 2014 (Jan-Sept)



Source: Registers of Scotland

FIGURE 4 Tax on buying property: Current regime vs new LBTT



Source: Knight Frank Residential Research

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Knight Frank Edinburgh City Index, Q4 2014

	Edinburgh	New Town/ West End	North	South	West
3 month	0.5%	0.2%	0.7%	0.7%	0.4%
6 month	1.8%	1.5%	1.6%	2.3%	1.6%
1 year	4.2%	4.3%	4.3%	4.5%	3.3%
3 years	8.5%	11.1%	5.3%	9.5%	5.0%

Source: Knight Frank Residential Research

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