



SCOTLAND REVIEW

Regional property market focus 2010

Knight Frank

- The price of prime Scottish country property has remained stable for the past nine months
- Prices could rise by up to 5% during 2010
- Demand for prime Edinburgh townhouses priced between £400,000 and £1m has started to increase substantially
- Houses in this price bracket have increased in value by almost 4% over the past 12 months
- A scarcity of supply means farmland, particularly arable, is increasing in value

PRIME COUNTRY HOUSES

John Coleman, Head of Knight Frank Scotland

The market for prime Scottish country houses looks set for a period of gradual recovery this year.

Prices have remained flat for the past nine months after falling sharply in the latter half of 2008 and the first six months of last year. Values are still 6.5% lower than they were 12 months ago, but I believe that an increase of up to 5% is not inconceivable over the rest of the year. Locations within commuting distance of Edinburgh are likely to pick up first.

The value of prime Scottish country houses has taken longer to recover from the impact of the credit crunch than some other markets. Many properties are bought as second or third homes and there has been very little activity in this sector of the market to push prices back up. It is only now that we are starting to see a return of buyers looking for this type of discretionary purchase.

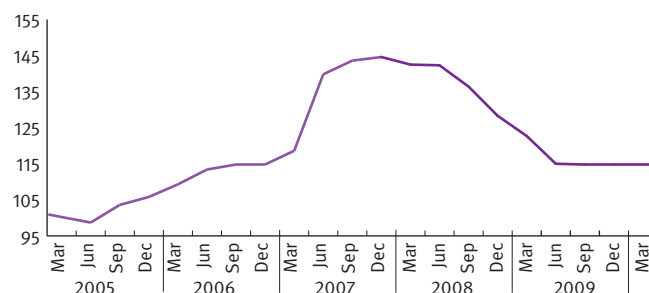
Another reason for the lack of price movement has been a shortage of good houses coming up for sale. There tend to be very few forced sales in this market and potential vendors have just battened down the hatches waiting for prices to pick up again.

What we are seeing now, however, is a desire from both buyers and sellers to get on with their lives. We are being asked to look at more houses by potential vendors and are fielding an increasing number of enquiries from prospective purchasers. Once the uncertainty of the General Election passes, the market is likely to gain momentum again.

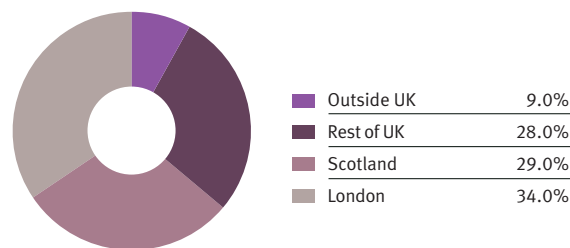
Over 70% of the country houses we sell are to people outside Scotland and their enthusiasm remains undimmed. Top quality schooling remains a key attraction, but it is the unparalleled range of property, from private islands to majestic castles, that will continue to draw them here.

Price change of Scottish Country Houses

Index (March 05 = 100)



Where do Scottish country buyers come from?



FARMS AND ESTATES

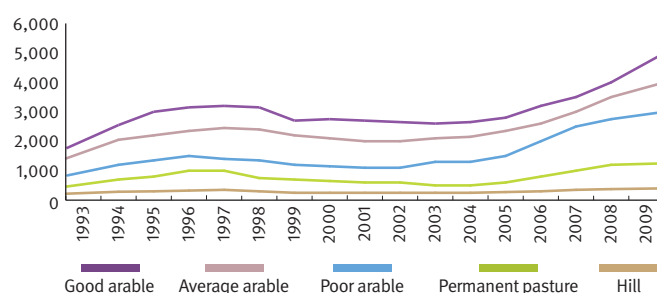
The average price of Scottish farmland continued to increase last year on the back of a severe shortage of supply. Good quality arable land is most sought after and now averages £5000/acre with a number of sales exceeding this by a significant margin. Banks remain happy to lend to the agricultural sector and farmers are competing with non-farmers for the few available properties.

With no sign of an increase of farms for sale this year, average prices should rise further. However, the market for grass farms in south-west Scotland has come under pressure following a drop in the buying power of Irish farmers who make up a large proportion of buyers.

Like farms, the market for good estates has seen very little activity so it is extremely difficult to talk about price levels. The recent launch of the 2463-acre Spott Estate at Dunbar, East Lothian, by Knight Frank will be an

Price change of Scottish Farmland

£/acre



extremely interesting test of the market. Spott is the first estate that combines excellent sporting opportunities, a classic main house and quality farmland to be available in this part of Scotland in the past few years.

The capital value of sporting estates remains flat with deer forests worth about £25,000-£40,000 per stag, grouse moors £3,000 per brace and salmon fishing on the Spey around £10,000 per fish.

PRIME EDINBURGH TOWNHOUSES

Matthew Munro, Head of Edinburgh residential sales

The start of the year has seen a significant surge in demand for houses priced between £400,000 and £1m as confidence returns to this sector of the market. The recovery that started in London in the first half of 2009 has now definitely rippled up north of the border. So far this year the number of houses we have agreed sales on is up by 50% compared with the same period in 2009.

This has had a knock-on effect on prices. According to the Knight Frank Prime Edinburgh Townhouse Index, the value of houses in this bracket rose by 1.1% in the first three months of 2010. This takes the increase over the past 12 months to almost 4%.

A detached house on Jeffrey Avenue in Blackhall recently sold to its first viewer for 10% over its Home Report valuation. A house on Maybury Road attracted 50 viewers and sold for a 20% premium. In fact, 80% of houses sold for under £1m have fetched more than they were valued at in their Home Reports.

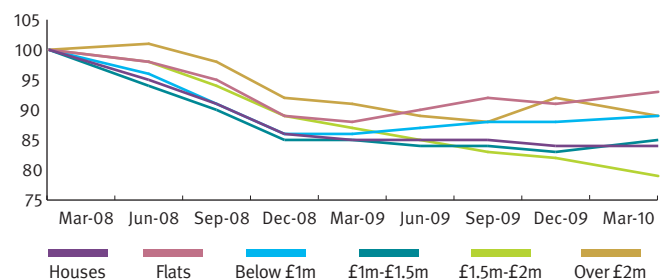
We now expect the demand for houses priced over £1m to follow suit, and there are already signs that this is starting to happen, albeit from a lower starting point where prices are still off by about 9% from their peak in 2007.

Potential buyers who felt pushed out of the market during the banking boom, when prices rose rapidly on the back of demand from executives relocating to Edinburgh, now feel more able to compete. The weakness of Sterling, coupled with the fall in prices, means quality Edinburgh property also looks extremely good value to overseas buyers.

Edinburgh's best houses have always attracted strong interest from outside Scotland. Using a dedicated property specialist is one of the best ways to ensure your property gets the maximum exposure to as wide a pool of potential UK and overseas buyers as possible.

Prices now look set for a period of stability and further significant falls are unlikely.

Price change of Prime Edinburgh townhouses
Index (March 08 = 100)



THE POWER OF TECHNOLOGY

Knight Frank's website exhibits your house to a truly global audience

Well over three-quarters of property buyers now start their search for a new house on the web. Knight Frank has created an award-winning global property search portal to ensure that our clients' properties receive maximum exposure online. Over 500,000 people from 90% of the world's countries use the site every month to search for the best properties around the world.

Knight Frank is constantly developing new technology to make it easier for potential purchasers to search for their ideal house wherever they are. Our unique Knight Frank app for iPhone is the latest example of this. Buyers can search for properties by location and lifestyle type on the move, view photographs, details and floor plans instantly, save their favourite properties and call the relevant Knight Frank office at the touch of a button. For more information visit knightfrank.com/iphone



A SELECTION OF PROPERTIES SOLD IN 2009/2010



Grassmainston Farm

Sold to a Scottish buyer March 2010



Sanda Island

Sold to a Swedish buyer in March 2010



Dunimarle Castle

Sold to a London buyer December 2009



Hyndhope

Sold to a neighbour 2009



Sorrowlessfield

60 viewings in 3 weeks 2009



Crailing House

Sold to a celebrity 2009

FOR SALE



Rock House

A substantial Victorian waterfront villa on the Gareloch



Larach Bhan

Loch side country house in beautiful surroundings



Blairmore House

Victorian coastal house with magnificent view



Barnton Avenue West, Edinburgh

Extensively refurbished family villa



Lanark Road, Edinburgh

Substantial and immaculate detached family home



Ann Street, Edinburgh

Classic Georgian townhouse

Your local team



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