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“The flipside to fairly modest price growth is that rural markets look increasingly good value, which helped underpin an increase in activity last year.”

Key facts

Scottish country house prices rose by 0.1% in Q1 2018

On an annual basis, prices were up 0.3%

In Scotland during 2017, the number of residential sales valued at more than £750,000 was 9% higher than the previous year

PRIME SALES VOLUMES PICK UP ACROSS SCOTLAND

Prime Scottish country house price growth continues to be modest, but that disguises a more active rural market as buyers and sellers adjust to higher levels of taxation.

Scottish country house prices were virtually unchanged between January and March, rising by 0.1%, Knight Frank data shows. On an annual basis, prices were up 0.3%.

Price growth continues to be constrained by Land and Building Transaction Tax (LBTT), Scotland’s replacement to Stamp Duty.

Indeed, in the three years since its introduction, agents note that the long-term impact of LBTT has been to make prime rural markets across Scotland more needs-based, with less activity among discretionary buyers.

However, vendors are increasingly taking a more pragmatic approach to asking prices, which contributed to a pick-up in sales over the last year.

Value drives rural markets

Indeed, a flipside to fairly modest price growth in country markets is that some rural properties look increasingly good value.

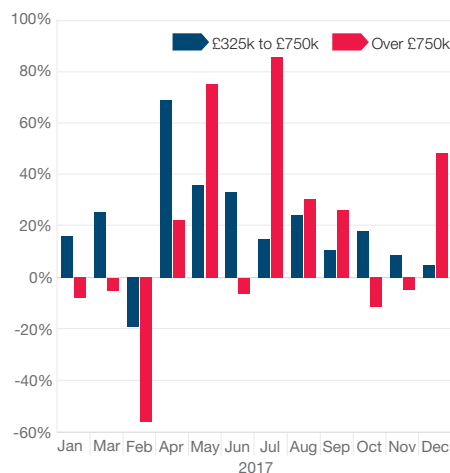
The number of residential sales in Scotland with a value above £750,000 ended 2017 up 9% compared with 2016, despite a slow start to the year, data from the Registers of Scotland shows. While the majority of sales took place in Edinburgh, there were notable increases in East Lothian, West and Midlothian, Stirling and Fife.

Initial signs suggest that demand will continue to increase in rural markets this year, especially those within commuting distance of employment hubs, or those with excellent schools, transport links and amenities.

While the Scottish prime market is primarily driven by domestic sales, an added factor at play is the relative value of sterling for buyers using dollars or other overseas currencies to purchase a home, providing an effective discount.

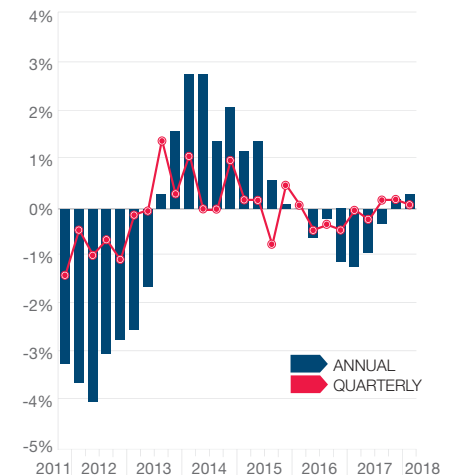
However, a lack of new homes offered for sale could weigh on transaction levels.

FIGURE 1
Scotland: Change in sales volumes
by price, 2017 v 2016



Source: Knight Frank Research / Registers of Scotland

FIGURE 2
Prime Scotland price change
Annual and quarterly % change



Source: Knight Frank Research

Knight Frank Prime Scottish Property Index Q1 2018

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	0.2%	0.0%	0.0%	0.1%
6 month	0.0%	0.5%	0.2%	0.1%	0.2%
1 year	0.0%	1.0%	-0.6%	0.5%	0.3%

Source: Knight Frank Research



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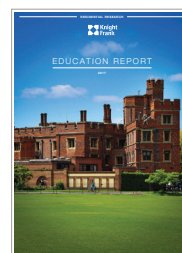
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