

SCOTTISH COUNTRY HOUSE PRICE GROWTH MODERATES IN Q1 2015

The run-up to the UK General Election and the planned switch to Land and Building Transaction Tax (LBTT) in April have been key factors influencing the market in the first quarter says Oliver Knight

Key facts for Q1 2015

Scottish prime country house prices rose by 0.2% between January and March

Annual growth stands at 1.2%

Average prices remain 22% below the market peak in 2007

The number of sales completed by Knight Frank between January and March was 11% higher year-on-year

Prime country house prices in Scotland rose by 0.2% between January and March, a slightly more modest increase than the 1.0% growth seen in the final quarter of 2014.

Annual growth also slowed to 1.2%, compared to average growth of 2.1% in 2014.

However, there are regional variations in price growth across the prime market, as shown in figure 1 below. Edinburgh leads from the front with a year-on-year price rise of 4.1%, followed by Central and Northern Scotland.

While price growth at the top end of the market has slowed as we approach the UK General Election, prime sales volumes in the first quarter of 2015 have increased. Both buyers and vendors have looked to complete deals ahead of the switch to Land and Building Transaction Tax (LBTT) in April.

LBTT has replaced stamp duty on home purchases in Scotland. Under the new rules, 50% of buyers will not be liable to pay any tax on the purchase of a home. However, for homes valued above £330,000 the up-front cost of moving will increase.

Knight Frank sales data shows the number of prime country homes changing hands between January and March, ahead of the implementation of the new levy, was 11% higher than during the first three months of 2014.

The introduction of LBTT is likely to have a knock-on impact on sales at the top end of the market in the second quarter of the year.

However, we expect that in the medium-term the market will adjust to the new system, underpinned by current favourable economic conditions.

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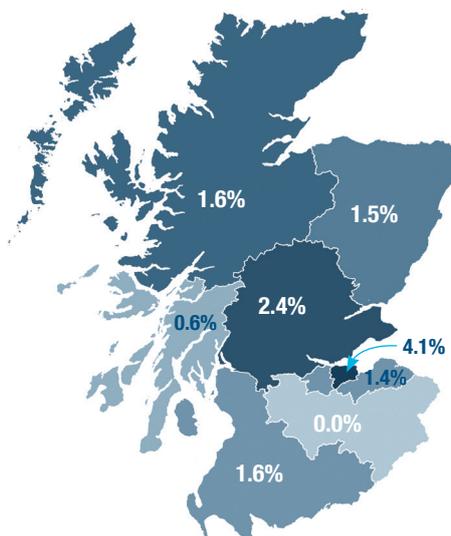
OLIVER KNIGHT
Residential Research

“The planned switch to Land and Building Transaction Tax, which took place on April 1, helped boost prime sales volumes in the first quarter.”

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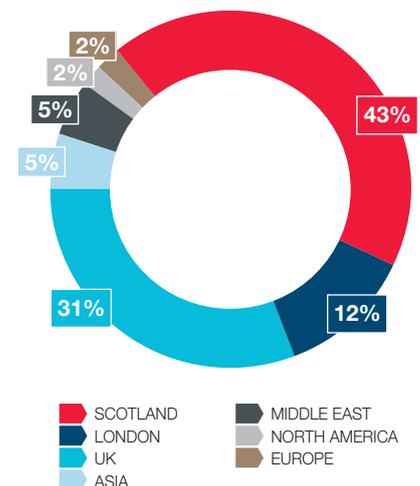
FIGURE 1
Annual change in prime prices by region (Q1 2014 - Q1 2015)



Source: Knight Frank Residential Research

FIGURE 2
Where do our buyers come from?

Domicile of Scottish property buyers in (Q1 2014 - Q1 2015)



Source: Knight Frank Residential Research

PRIME SCOTTISH PROPERTY INDEX Q1 2015

Ran Morgan, Head of Scottish Residential Sales, said: "In spite of higher levels of property tax, Scottish property continues to offer good value, especially when compared with London and southern England.

"Over the last year 57% of our buyers were from outside of Scotland, highlighting the global appeal of the

country. This trend has continued in 2015, with individuals from Hong Kong, the UAE and London all purchasing properties during the first three months of the year."

Average prime Scottish country house prices remain 22% below the market peak in Q4 2007. This means a property valued at £1m in 2007 would now be worth £780k in Scotland.

"In spite of higher levels of property tax, Scottish property continues to offer good value, especially when compared with London and southern England."

Residential property purchase costs in Scotland

From April 1 2015

House price	Land and Building Transaction Tax
£145,000	No tax payable
£250,000	£2,100
£350,000	£8,350
£450,000	£18,350
£550,000	£28,350
£650,000	£38,350
£750,000	£48,350
£850,000	£60,350
£1,000,000	£78,350
£1,100,000	£90,350
£1,200,000	£102,350
£1,300,000	£114,350
£1,400,000	£126,350
£1,500,000	£138,350
£1,600,000	£150,350
£1,700,000	£162,350
£1,800,000	£174,350
£1,900,000	£186,350
£2,000,000	£198,350



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Knight Frank Prime Scottish Property Index Q1 2015

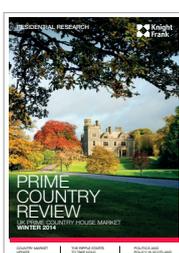
	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	0.0%	0.4%	0.3%	0.2%
6 month	0.0%	1.1%	1.3%	1.4%	1.2%
1 year	0.0%	1.1%	1.3%	1.4%	1.2%

Source: Knight Frank Residential Research

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