

# PRIME SCOTTISH PROPERTY MARKET PAUSES TO DIGEST NEW LBTT RATES

Tax policy continued to play a defining role in Scotland’s prime property market during the second quarter. Oliver Knight examines the latest figures.

## Key facts for Q2 2015

Prime country house prices in Scotland rose by 0.2% in the second quarter

LBTT had the greatest bearing on market performance

Under the new LBTT rates, purchase costs for a £1.5m property have risen by nearly 80%

Annual price growth was 1.4%

Prime country house prices in Scotland rose by 0.2% between April and June taking annual growth to 1.4%, down from the recent high of 2.8% in June last year.

The landslide SNP general election victory on May 7th has had a modest impact on the prime property market in the second quarter of 2015. Rather, it has been the recently introduced Land and Building Transaction Tax (LBTT) which had the greatest bearing on market performance.

The new levy which came into effect on 1 April 2015 means that while those buying homes worth less than £333,000 now pay less tax for homes, those purchasing property with a value above this threshold now pay more in purchase taxes.

As an example, a house in Scotland valued at £1m would have attracted a stamp duty liability of £43,750 under the old system. Based on the new LBTT

rates, that same property now attracts a bill of £78,350, a near 80% increase.

As a result, buyers and vendors brought forward prime transactions prior to the introduction of LBTT in order to benefit from the lower stamp duty charges. There was a spike in activity during the first three months of 2015 with the number of sales completed by Knight Frank nearly 50% higher year-on-year.

Since then, however, the prime market has been subdued, with the number of sales completed between April and June notably lower than the same period of 2014. There is likely to be an ongoing period of adjustment at the top-end of the market as individuals factor in the increased cost of moving.

There are still pockets of activity in Scotland’s prime market however, mostly in areas within commuting distance of large towns and cities.

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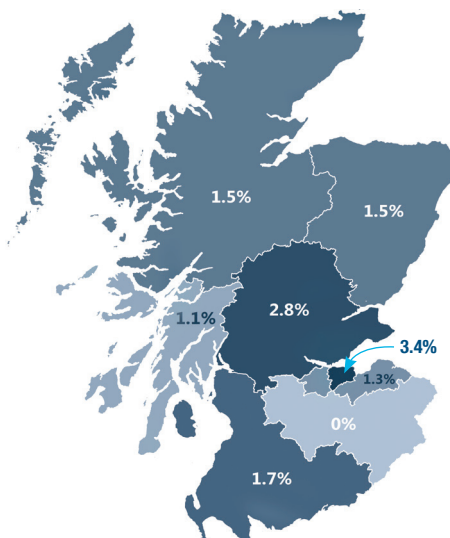
OLIVER KNIGHT  
Residential Research

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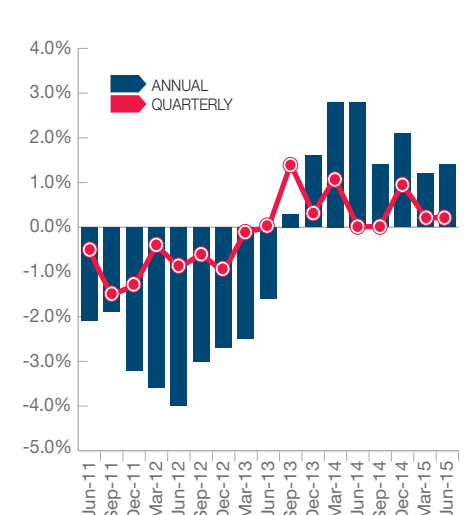
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FIGURE 1  
Annual change in prime prices by region (Q2 2014 - Q2 2015)



Source: Knight Frank Residential Research

FIGURE 2  
Prime Scotland: annual and quarterly price growth



Source: Knight Frank Residential Research

## PRIME SCOTTISH PROPERTY INDEX Q2 2015

Prices in the central Scottish region, within an easy commute of Edinburgh and Glasgow, for example, rose by 0.4% between April and June and have risen by 2.8% on an annual basis.

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tax, Scottish property prices remain some way below their previous market peak. The market continues to offer good value, especially when compared with London and southern England."

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### 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 Q2 2015

	Cottage	Farmhouse	Small country house	Large country house	Average
<b>3 month</b>	0.0%	0.2%	0.0%	0.3%	0.2%
<b>6 month</b>	0.0%	0.2%	0.4%	0.6%	0.4%
<b>1 year</b>	0.0%	1.4%	1.3%	1.7%	1.4%

Source: Knight Frank Residential Research

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