

MARGINAL FALL IN PRIME PRICES BUT DEMAND REMAINS ROBUST

Demand for prime Scottish property remained robust in the third quarter of 2016, the latest figures show, in spite of a number of headwinds.

Key facts for Q3 2016

Prime Scottish country house prices fell by **0.3%** in Q3 2015

The annual **change in prime values is -0.2%**

Web visits from **overseas increased by 34%** in the two months following the EU referendum compared with the pre-referendum period

There were **142 £1 million-plus sales** completed across Scotland over the 12 months to June

Prime Scottish country house prices fell by 0.3% between July and September taking the annual change in property values to -0.2%.

This was the second consecutive quarter during which values declined – albeit marginally – and only the third time the index has fallen on a quarterly basis since 2013.

Higher purchase costs as a result of the introduction of Land and Buildings Transaction Tax (LBTT) in 2015, and the subsequent 3% LBTT surcharge for additional homes introduced in April this year have resulted in a greater sensitivity around pricing on the part of buyers which has been most apparent in rural markets.

This trend has been compounded by the UK's vote to leave the European Union in June which has added to a backdrop of political and economic uncertainty, although it remains too early to discern any long-term impact.

As yet the vote appears to have had little effect on demand with key activity indicators remaining strong.

The number of new applicants registering their interest in purchasing a property with Knight Frank was slightly lower over the three months to September, compared with the same period last year. The number of property viewings was up by more than 23% over the same time.

Ran Morgan, Head of Scotland Residential, said: "In our experience LBTT is still acting as the biggest brake on the market and this is motivating buyers to negotiate harder – something which is reflected in the slight drop in average values. However, if the property is of the right quality and is accurately priced then there is competition for it.

"Following the EU referendum we have noticed a pick-up in interest in Scottish property from overseas as potential buyers look to take advantage of sterling's recent devaluation."

Web visits from outside the UK jumped 34% in the two months following the vote on 23 June compared with the pre-referendum period and were 13% higher than the same two-months in 2015.



OLIVER KNIGHT
Associate

"This was the second consecutive quarter during which values declined – albeit marginally – and only the third time the index has fallen on a quarterly basis since 2013."

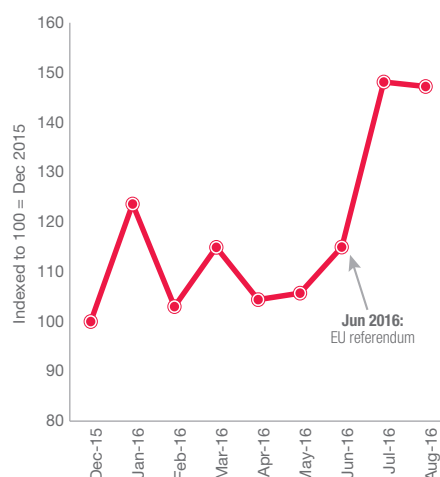
Follow Oliver at [@oliverknightkf](https://twitter.com/oliverknightkf)

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](#) or [@kfglobalbrief](#)

FIGURE 1

Scotland international web visits

Page views for Scottish property on knightfrank.com

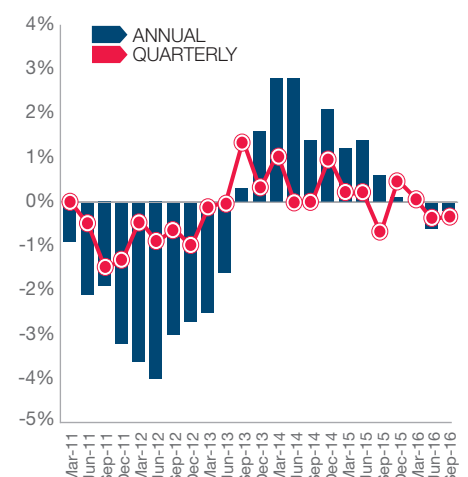


Source: Knight Frank Research

FIGURE 2

Prime Scotland prices

Annual and quarterly price change



Source: Knight Frank Research

£1 million-plus market

There were 142 residential property sales completed across Scotland with a value above £1 million during the 12 months to the end of June, according to the latest data provided by the Registers of Scotland.

This was notably lower than the 209 sales completed the prior year, although that

figure was boosted by the forestalling of a large number of sales in Q1 2015 ahead of the introduction of LBTT.

Edinburgh remains the hub for such sales, accounting for 56% of all £1 million-plus transactions over the 12 months to June.

Knight Frank Prime Scottish Property Index Q3 2016

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	-0.4%	-0.3%	-0.4%	-0.3%
6 month	0.0%	-0.8%	-0.8%	-0.9%	-0.8%
1 year	0.0%	0.6%	-0.1%	-0.9%	-0.2%

Source: Knight Frank Research

LBTT AND THE ADDITIONAL DWELLINGS SUPPLEMENT

Since its introduction in April 2015, Revenue Scotland has collected £326.2 million in purchase taxes for residential property, according to official statistics.

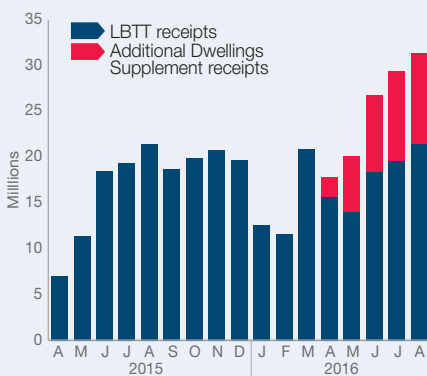
In August - the latest available data - Land and Buildings Transaction Tax (LBTT) receipts totalled £31.4 million, the highest on record, as shown in figure 3.

Some £10 million collected during the month, or 32% of the total, was attributable to the Additional Dwellings Supplement (ADS), under which a 3% surcharge is applied to purchasers buying an additional property.

Since its introduction in April 2016, £36.3 million has been raised by the ADS on 7,350 transactions. This equates to 29% of the total residential LBTT receipts

over this time, helping to significantly boost monthly revenues.

FIGURE 3
LBTT receipts, revenue Scotland



Source: Knight Frank Research

Key market metrics

Prime Scotland market activity, 3 months to September 2016 compared to same period last year

Demand	New Applicants	-10%
	Viewings	23%
Supply	New instructions to sell	42%
	Stock volume	16%
Activity	Exchanges	8%

RESIDENTIAL RESEARCH

Oliver Knight
Associate
+44 20 7861 5134
oliver.knight@knightfrank.com

SCOTLAND SALES

Ran Morgan
+44 13 1222 9600
ran.morgan@knightfrank.com

PRESS OFFICE

Jamie Obertelli
+44 20 7861 1104
jamie.obertelli@knightfrank.com



Important Notice

© Knight Frank LLP 2016 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report 2016



UK Prime Country Review - Spring 2016



The Rural Report - Spring 2016



UK Residential Market Update - August 2016