

## ACTIVITY AND PRICES BOOSTED BY POLITICAL CLARITY

An increase in demand for prime property between September and December ensured a strong end to 2014, both in terms of prices and transactions. Oliver Knight examines the figures.

### Key facts for Q4 2014

Prices rose by 1% during the fourth quarter of 2014

Prices rose 2.1% in 2014 compared to 1.6% in 2013

Under the proposed new stamp duty rates the tax payable on a purchase of a £900,000 property will increase by 92%

Prime Scottish country house values rose by 1% in the final quarter of 2014 following two quarters of no change. Prices ended the year up 2.1%, after a 1.6% increase in 2013.

The rise in prices seen in Q4 came amid a notable step up in buyer demand, as shown in figure 1 below. This can be attributed to two key factors. Firstly, the market responded to the certainty provided by the result of the Referendum. After months of doubt about the outcome, buyers now feel more secure about making a decision to move house or purchase a property.

Secondly, the announcement of the proposed Land and Building Transaction Tax (LBTT) rates in October clarified how purchase taxes would change in April next year. The higher upfront cost of moving when LBTT comes into force, especially in the prime market, has prompted some homebuyers and vendors to make quick decisions.

Under the rates proposed in the incoming LBTT system, any sales above £254,000 will incur a higher rate of tax compared with the current stamp duty structure, introduced earlier this month at the Autumn Statement by George Osborne (figure 4). For properties in the prime market, the cost will be significantly higher.

The number of potential buyers registering their interest in purchasing a property with Knight Frank was 18% higher in Q4 than the same period a year ago, with a similar rise in viewings. Sales were over 50% higher during the same period.

We expect this trend will continue into the New Year, driven by a desire among vendors and homebuyers to move before the introduction of the new LBTT levy in four months' time.

Under the current system, a house costing £900,000 will incur a stamp duty

continued overleaf...



OLIVER KNIGHT  
Residential Research

"The increase in activity can be attributed to increased certainty in the market since the result of the Referendum and the announcement of the proposed LBTT rates in October."

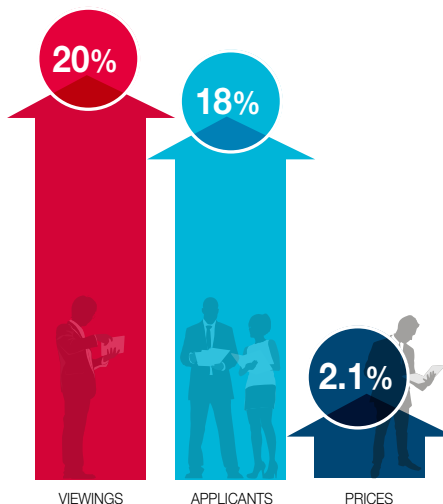
Follow Oliver at [@oliverknightkf](https://twitter.com/oliverknightkf)

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](http://Global Briefing) or [@kfglobalbrief](https://twitter.com/kfglobalbrief)

FIGURE 1

### Rising demand

Annual change, Scottish Prime Country House market (Q4 2014 on Q4 2013)

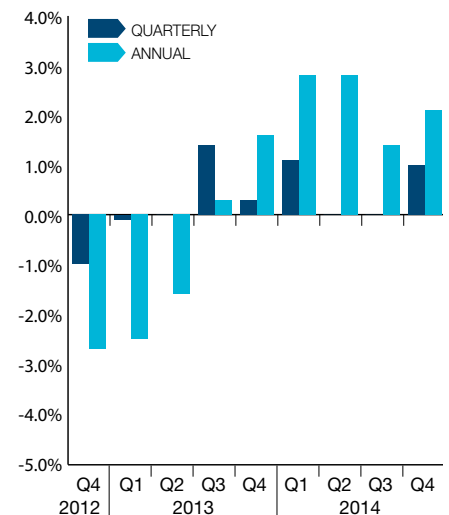


Source: Knight Frank Residential Research

FIGURE 2

### Annual and quarterly price growth

Scottish Prime Country House Prices



Source: Knight Frank Residential Research

# PRIME SCOTTISH PROPERTY INDEX Q4 2014

payment of £35,000, whereas the upfront costs under the new LBTT system for the same property will be 92% higher at £67,300.

As a result of the stamp duty reforms announced during the Autumn Statement, by the time LBTT is introduced, homebuyers in Scotland will have had to adjust to three different tax systems within six months.

Ran Morgan, Head of Scotland Residential, said: "The announcement of the proposed Land and Buildings

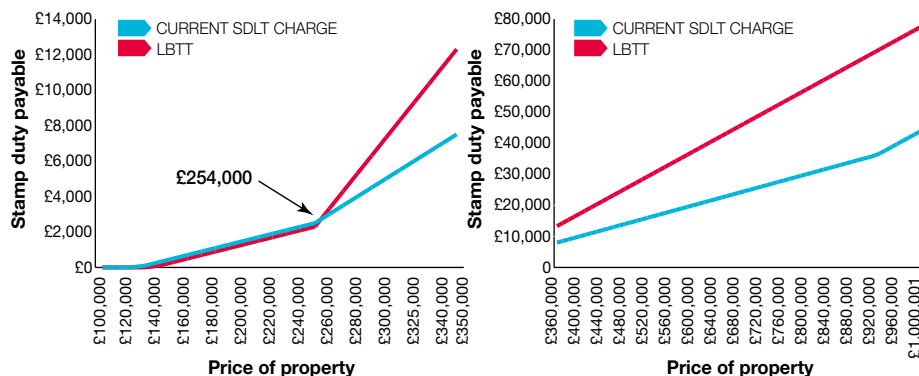
Transaction Tax rates in October has already encouraged vendors and homebuyers in the prime market to make quick decisions to avoid the increased tax burden.

"We expect this will continue and as a result are anticipating a busy start to 2015.

"In the country estates market, details of Land Reform proposals and CAP reform continue to emerge. Until these are finalised we expect the activity to remain subdued."

"By the time LBTT is introduced in April homebuyers will have had to adjust to three different tax systems within six months."

FIGURE 4  
Tax on buying property: Current regime vs new LBTT



Source: Knight Frank Residential Research

## Knight Frank Prime Scottish Property Index Q4 2014

	Cottage	Farmhouse	Small country house	Large country house	Average
<b>3 month</b>	0.0%	1.2%	0.9%	1.1%	1.0%
<b>6 month</b>	0.0%	1.2%	0.9%	1.1%	1.0%
<b>1 year</b>	2.9%	1.8%	2.2%	2.3%	2.1%

Source: Knight Frank Residential Research

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report 2014



Prime Country Review Winter 2014



The London Review Winter 2015



UK Prime Country House Index Q3 2014

Knight Frank Research Reports are available at [KnightFrank.com/Research](http://KnightFrank.com/Research)



### GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit [KnightFrankblog.com/global-briefing](http://KnightFrankblog.com/global-briefing)

### RESIDENTIAL RESEARCH

**Liam Bailey**  
Global Head of Research  
+44 20 7861 5133  
[liam.bailey@knightfrank.com](mailto:liam.bailey@knightfrank.com)

**Oliver Knight**  
Residential Research  
+44 20 7861 5134  
[oliver.knight@knightfrank.com](mailto:oliver.knight@knightfrank.com)

### PRESS OFFICE

**Lizzie Copestake**  
+44 20 7861 1033  
[lizzie.copestake@knightfrank.com](mailto:lizzie.copestake@knightfrank.com)



© Knight Frank LLP 2014 - 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.