

Rural Research

SCOTTISH RURAL PROPERTY UPDATE Q2 2019

COUNTRY HOUSE PERFORMANCE

0.0%

6-MONTH CHANGE

2.3%

12-MONTH CHANGE

2.6%

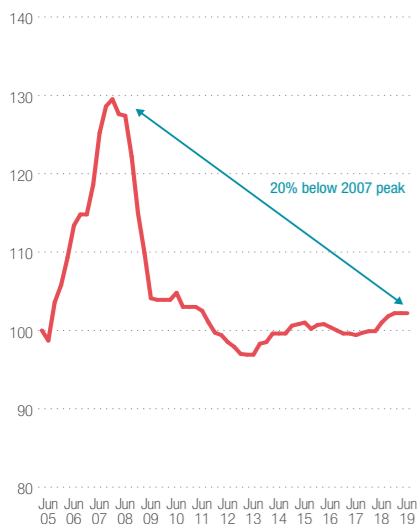
5-YEAR CHANGE

-1.8%

10-YEAR CHANGE

PRIME SCOTTISH PROPERTY PRICES ARE STILL BELOW PEAK LEVELS

Indexed, 100 = March 2005



Source: Knight Frank Research

COUNTRY HOUSES

Values have been underpinned by a fall in the number of homes for sale in the prime market.

Country house prices in Scotland fell by 0.1% in Q2, the first quarterly fall in values in this market in two years. Annual growth remains positive, at 1.1%.

A slight moderation in price growth reflects the slowdown and consolidation that is being felt across the market as a whole, as macro-political factors influence sentiment.

This has been most noticeable among prospective sellers, with an analysis of listings data showing a 10% drop in the number of prime listings with a value above £500,000 outside of Scottish cities in the second quarter compared with the same period last year.

This was more pronounced in higher price brackets, with a 4.1% drop in new listings valued between £500,000 and £750,000, an 18% fall between £750,000 and £1m and a 31% decline in new listings with a value of at least £1m.

Annual price growth, while modest, was led by increases across the central belt, in the north and in the Borders, according to our index. Agents note that demand in these locations has been underpinned by an increase in discretionary buyers, with a notable rise in those from outside of Scotland.

Average prices still remain around 20% off the pre-financial crisis peak in 2007. This, combined with favourable currency movements for a number of international buyers since 2016, has resulted in a number of prospective buyers seeing relative value within prime Scottish markets at the current time, especially when compared with the rest of the UK.

Against the political backdrop, it is likely that current market conditions will continue in the short-term with pricing expected to remain subdued.

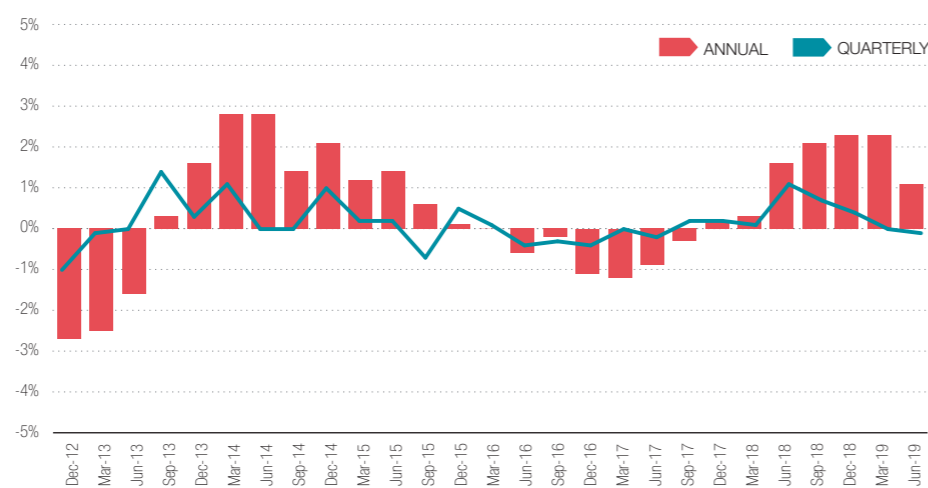
Our forecast for prime regional housing markets across the UK is for 0.5% growth in 2019 and cumulative growth of 8.2% between 2019 and 2023.

“DEMAND IN THESE LOCATIONS HAS BEEN UNDERPINNED BY AN INCREASE IN DISCRETIONARY BUYERS.”

Oliver Knight, Residential Research
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PRIME SCOTLAND PRICE CHANGE

Annual and quarterly % change



Source: Knight Frank Research

FARMLAND

Incentives to plant trees continue to support hill land values in Scotland

The uncertainty surrounding the UK's potential exit from the EU and whether that might act as a catalyst for a second independence referendum has taken some steam out of the Scottish farmland market.

In the first six months of 2019 the overall value of the Knight Frank Scottish Farmland Index slipped by almost 2% to £4,197/acre.

However, this dip hides a divergence in performance between land suitable for traditional farming enterprises – such as cereals and livestock production – and more marginal ground that can be used for tree planting. Average arable prices fell by 3% over the period to £9,012/acre, while the value of hill land rose by 3% to £773/acre.

Scotland's government is strongly supportive of tree planting and attractive grants are available, making forestry an attractive investment proposition. Given that increasing the number of trees is seen as an important part of the battle to mitigate climate change this situation looks unlikely to change, regardless of Brexit or other political changes.

It is interesting to note that over the past ten years top quality arable land, of which

little comes to the market in blocks of any size, and hill land, which historically saw limited demand, have been the strongest performing land types in our index with growth of 85% and 72%, respectively.

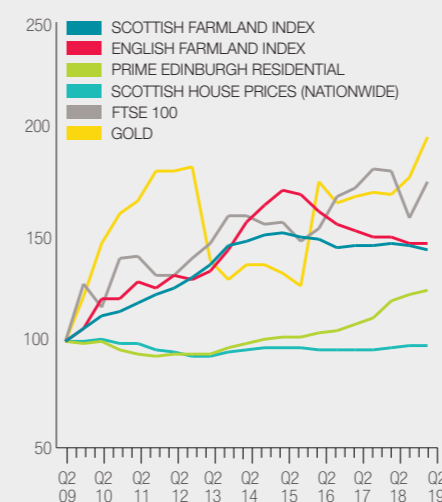
While the demand for trees may see hill land edge ahead of arable in the next few years, a lack of supply should help ensure the value of other land types doesn't fall significantly further, despite all the uncertainties facing farmers. There could be more clarity later in the year when we know if we are actually going to, at last, leave the EU and under what terms.

“SCOTLAND'S GOVERNMENT IS STRONGLY SUPPORTIVE OF TREE PLANTING AND ATTRACTIVE GRANTS ARE AVAILABLE.”

Andrew Shirley, Head of Rural Research
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CAPITAL VALUE GROWTH OF SCOTTISH FARMLAND V OTHER ASSETS

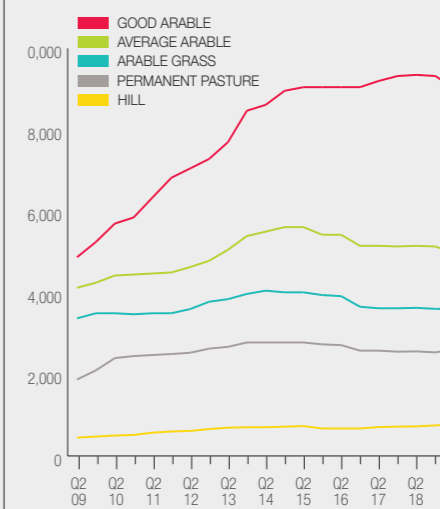
Index 100 = Q2 2009



Source: Knight Frank Research

SCOTTISH FARMLAND VALUES BY TYPE

£/acre



Source: Knight Frank Research

FARMLAND PERFORMANCE

-1.7%

6-MONTH CHANGE

-2%

12-MONTH CHANGE

-3%

5-YEAR CHANGE

43%

10-YEAR CHANGE

184%

20-YEAR CHANGE

KEY AGRICULTURAL INDICATORS*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	147	-9%
Oilseed rape (£/t)	306	7%
Beef (p/kg dw)	347	-9%
Lamb (p/kg dw)	452	-13%
Milk (p/litre)	27	-2%
Input prices		
Red diesel (p/litre)	65	2%
Oil (£/bbl)	50	-10%

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please visit our blog

www.knightfrank.co.uk/ruralreport

*Sources: www.fwi.co.uk www.dairyahdb.org.uk

The Knight Frank Scottish Country House Index tracks the change in values of prime property across Scotland. The index is compiled quarterly and is a valuation-based index based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales and local market knowledge.

The Knight Frank Scottish Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in Scotland. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment.



Banner image: The Finnich Malise Estate, Stirlingshire. In total 218 acres. Available for offers over £2.45m.

DATA DIGEST

PRIME SCOTLAND PRICE CHANGE Q2 2019

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	0.0%	0.2%	-0.4%	-0.1%
6 month	0.0%	-0.1%	0.3%	-0.3%	0.0%
1 year	0.0%	1.3%	1.2%	0.9%	1.1%

	up to £500k	£500k to £1m	£1m to £2m	£2m to £3m	£3m+
3 month	0.0%	-0.2%	0.1%	-0.1%	-0.1%
6 month	-0.3%	-0.2%	0.0%	0.3%	0.7%
1 year	1.1%	1.3%	-0.1%	2.5%	1.9%

Source: Knight Frank Research

KNIGHT FRANK SCOTTISH FARMLAND INDEX

Average value £/acre

Quarter	Good arable	Average arable	Arable/Grass	Permanent Pasture	Hill	Unweighted average
2009 Q2	4,875	4,125	3,375	1,875	450	2,940
2009 Q4	5,250	4,250	3,500	2,100	475	3,115
2010 Q2	5,700	4,425	3,500	2,400	500	3,305
2010 Q4	5,850	4,450	3,475	2,450	515	3,348
2011 Q2	6,340	4,475	3,500	2,475	571	3,472
2011 Q4	6,825	4,501	3,500	2,500	600	3,585
2012 Q2	7,053	4,633	3,603	2,531	614	3,687
2012 Q4	7,285	4,786	3,783	2,633	659	3,829
2013 Q2	7,698	5,057	3,846	2,676	692	3,994
2013 Q4	8,468	5,394	3,974	2,783	704	4,265
2014 Q2	8,612	5,502	4,054	2,783	704	4,331
2014 Q4	8,956	5,612	4,013	2,783	718	4,417
2015 Q2	9,046	5,612	4,013	2,783	732	4,437
2015 Q4	9,046	5,425	3,946	2,737	673	4,366
2016 Q2	9,046	5,425	3,920	2,719	673	4,357
2016 Q4	9,046	5,154	3,659	2,583	673	4,223
2017 Q2	9,200	5,154	3,622	2,583	707	4,253
2017 Q4	9,319	5,139	3,622	2,557	719	4,271
2018 Q2	9,347	5,154	3,633	2,565	725	4,285
2018 Q4	9,319	5,139	3,607	2,539	748	4,271
2019 Q2	9,012	4,969	3,607	2,624	773	4,197

Source: Knight Frank Research

Please contact us for further information

If you're thinking of buying or selling, or would like some property advice, please do get in touch.

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