

BUYERS LOOK TO COMPLETE DEALS AHEAD OF TAX CHANGE

Tax policy remains one of the main drivers of the prime property market in Edinburgh. Oliver Knight examines the latest figures.

Results for Q1 2015

Property prices in Edinburgh rose by 1.2% between January and March 2015

Annual growth now stands at 4.1%

The number of Londoners looking to buy property in Edinburgh rose by 97% year-on-year

From April 1st, under the new LBTT regime, a buyer of a £1m property will pay an extra £35,000 in purchase taxes

Prime property prices in Edinburgh rose by 1.2% over the first three months of 2015, after a 0.5% increase in the preceding quarter, as buyers looked to complete deals ahead of the switch to the new Land and Building Transaction Tax (LBTT) in April.

On an annual basis prices have risen by 4.1%.

As was the case for much of last year, tax policy continued to play a defining role in the city's prime property market during the first quarter. The prospect of higher taxation, through the introduction of LBTT from 1 April 2015, led to a rise in buyer interest, which in turn has boosted prices being achieved.

When LBTT replaces stamp duty, those buying homes worth less than £333,000 will pay less tax, however for homes above this threshold the up-front cost of moving will increase.

The number of sales completed by Knight Frank between January and March was 47% higher than Q1 2014 and 66% higher than Q1 2013.

We expect that following the introduction of LBTT in April there may be a period of adjustment at the top-end of the market as individuals factor in the increased cost of moving.

Forecasts from the Office of Budget Responsibility (OBR) appear to confirm this, with the fiscal watchdog recently revising its forecasts for future stamp duty and LBTT tax revenues. The OBR said that the bringing forward of some higher-priced transactions in Scotland before April will increase UK stamp duty receipts by £11 million in 2014-15. The OBR subsequently reduced its forecast for LBTT receipts in 2015-16 by £20 million.

Edward Douglas-Home, Head of Edinburgh City Sales at Knight Frank, said: "Buyers have been taking advantage of the short window when purchase costs are lower.

"From April this year, when the new LBTT rules come into force, a buyer of a property valued at £1m will pay nearly £35,000 more in purchase taxes. However, even with the new higher

continued overleaf...



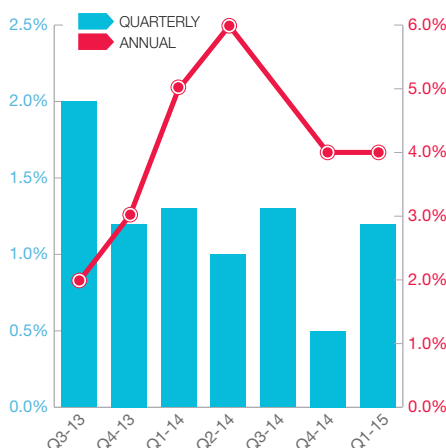
OLIVER KNIGHT
Residential Research

"The prospect of higher taxation resulted in an increase in buyer activity in the early part of 2015, as buyers and vendors looked to complete deals ahead of the introduction of LBTT from 1 April 2015."

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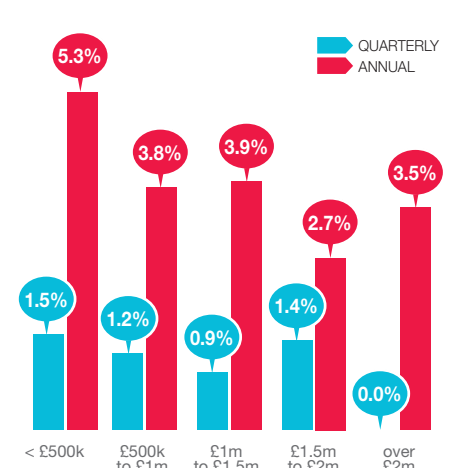
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FIGURE 1
Price growth
 Edinburgh quarterly and annual price change



Source: Knight Frank Residential Research

FIGURE 2
Edinburgh: Annual and quarterly price change by price bracket
 Q1 2015



Source: Knight Frank Residential Research

purchase taxes, the relative cost of property in Scotland compared to London and the South of England means there is still a large effective discount for buyers making the move north.”

The number of Londoners looking to buy property in Edinburgh in 2014 nearly doubled compared to the previous year, highlighting the city’s ongoing appeal.

Despite the challenges facing homes at the top end of the market, there is a more positive outlook for the residential property market as a whole, with favourable market conditions. Interest rates remain at record low levels, economic growth is steady and mortgage rates are competitive.

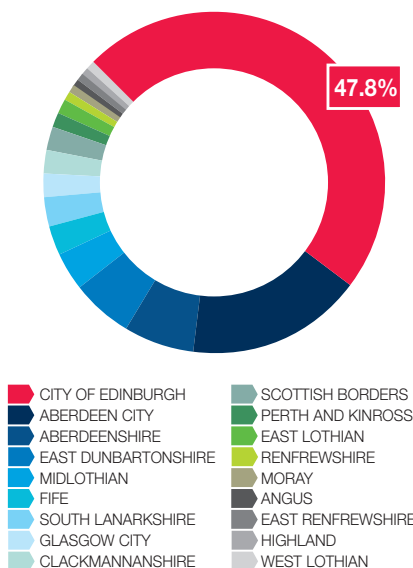
Focus on £1m+ sales

According to the latest available data, Edinburgh accounted for nearly half of all the £1m+ sales which took place in Scotland last year.

The figures, from the Registers of Scotland, show that the number of £1m+ sales in Edinburgh increased as the year progressed. In fact, the total number of sales completed in the final three months

of 2014 was 38% higher than the period between April and June and more than double the number recorded over the opening three months of the year.

FIGURE 3
Location of £1m+ transactions in Scotland in 2014



Source: Registers of Scotland

“Buyers have been taking advantage of the short window when purchase costs are lower.”



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Knight Frank Edinburgh City Index, Q1 2015

	Edinburgh	New Town/ West End	North	South	West
3 month	1.2%	1.2%	1.0%	1.5%	0.4%
6 month	1.7%	1.4%	1.7%	2.2%	0.8%
1 year	4.1%	3.9%	4.2%	4.6%	2.9%
3 years	9.7%	12.4%	6.4%	11.1%	5.5%

Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH

Liam Bailey
Global Head of Research
+44 20 7861 5133
liam.bailey@knightfrank.com

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

PRESS OFFICE

Lizzie Copestake
+44 20 7861 1033
lizzie.copestake@knightfrank.com

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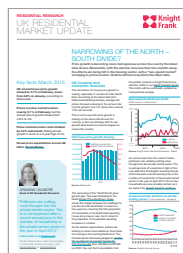
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