

PRICES RISE IN Q3 AS DEMAND AND ACTIVITY PICK UP

Prime Scottish country house prices rose by 0.2% between July and September, although the annual change in values remains in negative territory at -0.3%.

Key facts for Q3 2017

Prime Scottish country house prices rose by 0.2% in Q3 2017

The annual change in values over the 12 months to September was -0.3%

Knight Frank data shows an 11% year-on-year increase in the volume of property viewings between January and September 2017 and a 32% increase in deal volumes

A shortage of properties being listed for sale remains one of the biggest challenges to the market for the remainder of the year

While the market remains price sensitive following changes to purchase taxes in 2015 and 2016, demand has picked up as asking prices have become more closely aligned with buyer expectations. Greater political certainty following the General Election has also underpinned confidence in the market with the prospect of another referendum on Scottish independence receding.

The strength of underlying demand can be seen from Knight Frank data showing an 11% year-on-year increase in the volume of property viewings between January and September 2017 and a 32% increase in deal volumes.

The latest data from the Registers of Scotland, meanwhile, which covers the first six months of 2017, shows an 18% increase in the number of residential transactions with a value higher than £425,000 compared with 2016, although this rise was driven mainly by the market up to £750,000. Higher rates of Land and Buildings Transaction Tax (LBTT) continue to weigh on demand above this level and are likely to continue to do so.

The Scottish Property Federation has led calls for adjustments to be made to the tax bands.

Agents note that properties in locations close to major cities, coastal markets and rural homes with land are the most in demand.

Ran Morgan, Head of Scotland Residential, said: "The prime Scottish country house market currently represents excellent value when compared with elsewhere in the UK and this is something that ensures a good level of interest when new properties are launched.

"In addition to local buyers, demand from those originating from outside of Scotland, who are able to take advantage of the current weakness in sterling relative to a number of other currencies, is also strong."

As is the case across a number of markets in the UK, a shortage of properties being listed for sale remains one of the biggest challenges for the remainder of the year. The latest market survey of estate agents from RICS shows a gap opening between new instructions, a good indicator of future stock levels, and new buyer enquiries.



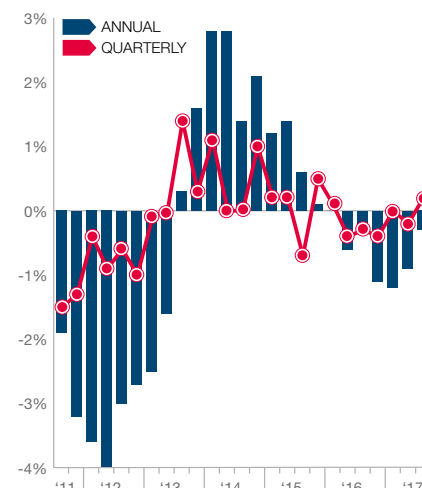
OLIVER KNIGHT
Associate

"The strength of underlying demand can be seen from data showing an increase in both property viewings and deal volumes so far in 2017 compared with 2016."

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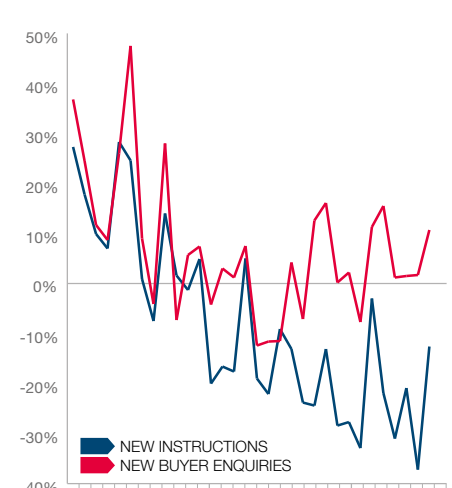
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FIGURE 1
Prime Scotland price change
Annual and quarterly price growth



Source: Knight Frank Research

FIGURE 2
Scotland: Supply and demand
New buyer enquiries v new instructions



Source: RICS



Knight Frank Prime Scottish Property Index Q3 2017

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	0.0%	0.4%	0.2%	0.2%	0.2%
6 month	0.0%	0.5%	-0.8%	0.4%	0.1%
1 year	0.0%	0.6%	-1.3%	-0.3%	-0.3%

Source: Knight Frank Research

RESIDENTIAL RESEARCH

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

SCOTLAND SALES

Ran Morgan
Head of Scotland Sales
+44 13 1222 9600
ran.morgan@knightfrank.com

PRESS OFFICE

Celia Welham
Country PR manager
+44 20 7861 1033
celia.welham@knightfrank.com



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