

## PRIME SCOTTISH PRICES FLAT IN 2015

Prime property prices in Scotland were broadly unchanged over the course of the year, with higher purchase taxes acting as a brake on the market.

### Key facts for Q4 2015

Scottish country house prices rose by 0.1% in 2015

Prime prices increased by 0.5% between October and December, driven by the sub-£1 million market

Properties in the £500,000 to £1 million price bracket increased in value by an average of 1%

The top end of the market in Scotland is still adjusting to the introduction of LBTT

Scottish country house prices have risen by 0.1% over the last 12 months, compared with a 2.1% rise in 2014, according to the latest figures from Knight Frank's prime index.

The year has effectively been bookended by changes to purchase taxes in Scotland, with the latest proposal put forward in December's Scottish Budget.

Finance Secretary John Swinney has proposed an additional 3% rate of Land and Buildings Transaction Tax (LBTT) to apply to the purchase of additional properties, such as buy-to-let and second homes from April 2016, although much of the detail remains undefined.

The top end of the market in Scotland is still adjusting to the introduction of LBTT in April, with purchase taxes in the prime market as much as 90% higher than under the previous stamp duty system.

Ran Morgan, Head of Scotland Residential Sales, said: "The principal driver of the prime market in Scotland in 2015 has been the introduction of LBTT in April.

"Sales volumes spiked early in the year ahead of its introduction with buyer activity in more rural locations subdued thereafter."

A closer look at different price bands within the prime market shows varying levels of performance.

A 0.5% rise in average prices in the last three months has been driven by the sub-£1 million market with properties valued between £500,000 and £1 million increasing in price by an average of 1%. Above this level, prices were unchanged compared to the previous quarter.

Looking to 2016, activity in the prime market is expected to remain subdued, although the proposed changes to LBTT could result in a short-term boost in activity.

The Holyrood elections scheduled for next May and ongoing discussions surrounding council tax reform also have the potential to cause uncertainty in the market.

### Million-pound plus market

There were 24 sales at £1 million and above in Scotland registered between July and September 2015, compared with 42 in the same period last year, representing a 43% annual drop.

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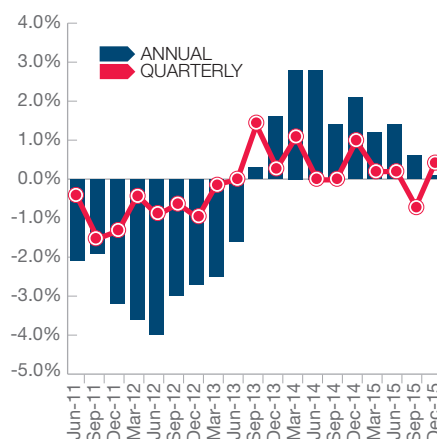
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"The year has effectively been bookended by changes to purchase taxes in Scotland."

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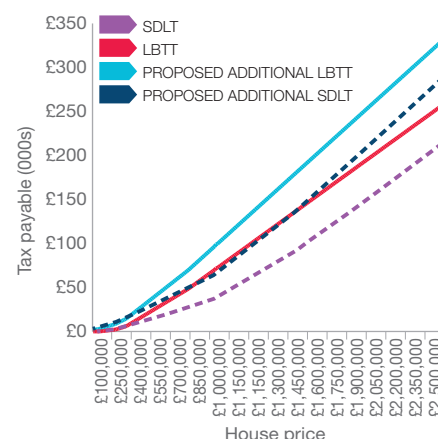
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FIGURE 1  
**Prime Scotland: annual and quarterly price growth**



Source: Knight Frank Research

FIGURE 2  
**Purchase taxes**  
UK and Scotland proposed and actual purchase taxes (000s)



Source: Knight Frank Research

The data, from the Registers of Scotland, showed that sales have mostly been focussed on the core locations of Edinburgh, Aberdeen and Glasgow.

Edinburgh accounted for 33% of all million-pound plus sales in Scotland last quarter.

## PROPOSED LBTT RISE FOR ADDITIONAL HOMES

The Scottish Government has proposed an increase in LBTT for some transactions. Under the proposals, an additional 3% rate will apply to the purchase of additional properties, such as buy-to-let and second homes.

The new rate is set to come into effect from 1 April 2016.

The proposed rates will be levied on the total price of the property for all relevant transactions above £40,000 and will be in addition to the current LBTT rates.

This would replicate the UK Government policy for SDLT announced at the Autumn Statement 2015. A consultation on the proposals is expected to be launched in the coming weeks.

The Scottish Government has forecast that it will raise overall LBTT receipts in 2016-17 by between £17 million and £29 million, rising to a possible £66 million by 2020-21.



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## Knight Frank Prime Scottish Property Index Q4 2015

	Cottage	Farmhouse	Small country house	Large country house	Average
<b>3 month</b>	0.0%	1.3%	0.4%	0.0%	0.5%
<b>6 month</b>	0.0%	0.8%	-0.2%	-1.2%	-0.2%
<b>1 year</b>	0.0%	1.0%	0.2%	-0.7%	0.1%

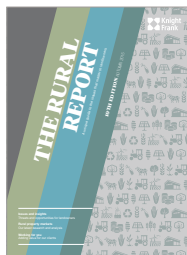
Source: Knight Frank Research



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