

## ANNUAL GROWTH SLOWS TO ZERO

Since the introduction of LBTT in April 2015, price growth in the prime Scottish country house market has slowed

### Key facts for Q1 2016

**Prime prices increased by 0.1%  
between January and March**

**The annual change in values now  
stands at 0%**

**Some 62% of all residential sales  
above £1m in Scotland in 2015  
occurred in the first three months  
of the year**

**Ahead of the Scottish Parliamentary  
Election we have worked with the  
main political parties to produce  
the first comprehensive multi-party  
overview of housing policies**

Scottish country house prices were largely unchanged in the first three months of 2016, rising by 0.1%. This reflects a lack of urgency among buyers in the prime market which continues to be constrained by the Land and Buildings Transaction Tax (LBTT).

Buyers, especially those at the top end, have become more circumspect about moving, resulting in an impasse in the country house market as it adjusts to the new regime.

The extent to which the prime market was affected by the introduction of the new tax can be seen in figure 2. The latest available data from the Registers of Scotland shows that 62% of all residential sales above £1m in Scotland in 2015 occurred in the first three months of the year, prior to the introduction of the levy.

Ongoing global economic uncertainty, potential Brexit fears and concerns over the price of oil have also given buyers additional cause for concern in early 2016.

On an annual basis, prices were unchanged compared with a year previously.

Some notable deals have been completed in this time, but activity has generally been concentrated in the commuter belts within an hour of the major cities.

Ran Morgan, Head of Scotland Residential, said: "LBTT remains a live issue, though there has been a slight added impetus in the first three months of 2016 ahead of the proposed change on 1 April that will add three percentage points to the upfront cost of purchasing second homes."

Ahead of the Scottish Parliamentary Election in May, we have worked with the main political parties in Scotland to produce the first comprehensive multi-party overview of housing policies (page 2). From here it is possible to see where the parties agree and diverge on how to address the issues in the current delivery and usage of housing in Scotland.

Housing is high on the agenda for all parties with changes to council tax, land reform and the private rental sector just some of the issues being debated in the run up to the vote.



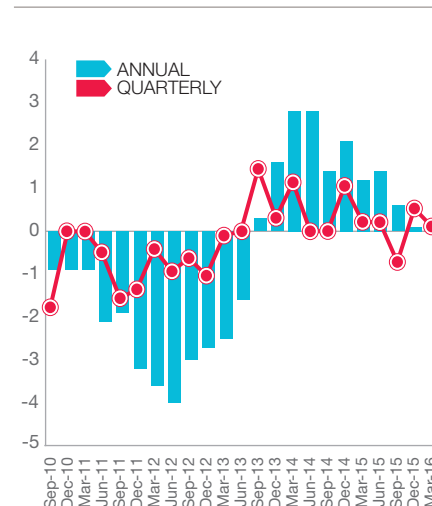
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"Activity in the Scottish country house market is generally concentrated in the commuter belts within an hour of the major cities."

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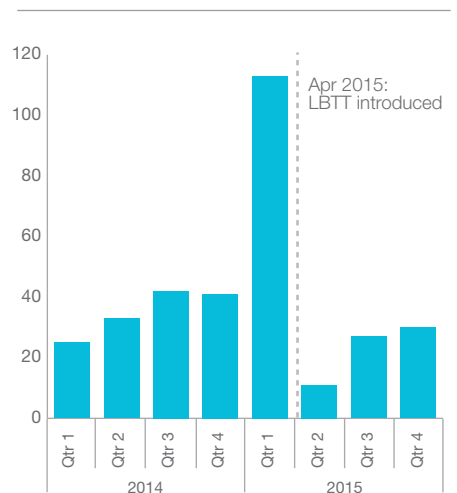
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FIGURE 1  
**Prime Scotland price change**  
Annual and quarterly price growth



Source: Knight Frank Research






FIGURE 2  
**Scotland: £1m+ residential sales**



Source: Knight Frank Research / Registers of Scotland

\*Sales grouped by 'date of entry' at Registers of Scotland database

Pre-election policy matrix

						
Spokeperson		Alex Neil, Cabinet Secretary for Social Justice	Ken Macintosh, Spokesperson for Communities	Jim Hume, Member of Scottish Parliament	Alex Johnstone, Member of Scottish Parliament	Maggie Chapman, Co-Convenor of the Scottish Greens
In their own words		"Making sure that everyone has a safe, warm and affordable home is central to the SNP's drive to make Scotland fairer and more prosperous."	"Every Scot should have a decent, warm and secure place they call home and our policies and our vision will make that happen."	"We want every individual to achieve their potential and believe the best starting point for this is when everyone has an affordable, warm and secure home."	"While the last five years rightly focused on stimulating demand, we now need to shift focus to increasing supply across all tenures."	"Scotland can provide good homes for all."
HOUSING SUPPLY AND PURCHASE	Housebuilding target	At least 50,000 affordable homes over the course of the next parliament backed by an investment of £3bn	Support Homes For Scotland's call for at least 25,000 homes per year across all tenures	Increase the supply of socially-rented and affordable homes and take action to improve the availability of housing across all other tenures	Increase completions by 10% per year to reach pre-recession levels by end of Parliament (c. 25,000 p.a). Over 100,000 homes in total	25,000 new homes per year
	Affordable housing target	At least 50,000 over the course of the next parliament, with 70% of these being for social rent	At least 60,000 over the next five years, 45,000 of which will be council or housing association homes	TBC in manifesto, taking into consideration the recommendations of the industry, charities and other experts	50,000, with a mixture of social and mid-market rent in cooperation with the private sector	12,000 socially rented homes per year
	Help to Buy	<ul style="list-style-type: none"> <li>Continue to support</li> <li>Support smaller developers</li> <li>Invest £80m in 2016/17 in Open Market Shared Equity scheme to help FTBs on lower incomes</li> </ul>	Up to £3,000 of extra support for those saving through the Help to Buy ISA	Continue to support	Restore funding to 2015/16 levels – additional £50m p.a.	End Help to Buy as it inflates house prices. Our proposals are to increase the supply of affordable homes and reduce the cost of land
	Planning	<ul style="list-style-type: none"> <li>Currently reviewing the planning system</li> <li>Planning appeals for proposals of 100+ units now being recalled to ensure housing land supply issues are given ministerial scrutiny</li> </ul>	Reform current system to make it more robust and less adversarial. Maintain a plan-led system which offers greater democratic accountability and predictability; where LAs can invest in infrastructure but retain public planning consent	Give power to LAs to tackle fuel poverty in their areas through better planning for district heating and renewable energy technology in new social housing	Looser planning on brownfield sites	<ul style="list-style-type: none"> <li>Give LAs the power to buy land for housing at 'existing use value'</li> <li>Second homes to require planning consent to boost the supply of housing in rural areas</li> </ul>
	Other policies	Continue to work to reduce homelessness and ensure temporary accommodation is of a good quality	Comprehensive strategy to tackle homelessness and rough sleeping. Take action to address fuel poverty. Legislate for a Warm Homes Act and make energy efficiency a national infrastructure project	<ul style="list-style-type: none"> <li>Focus on reducing fuel poverty and delivering warmer homes</li> <li>Improve energy efficiency standards</li> <li>Tackle youth homelessness</li> </ul>	Reintroduce the Right to Buy (not for Housing Associations) and launch a step-by-step scheme to help social tenants buy their home gradually	<ul style="list-style-type: none"> <li>A not-for-profit repair service to manage major repairs, including in tenements.</li> <li>All homes to achieve an Energy Performance Certificate of Band C by 2025 and support the introduction of minimum energy efficiency standards</li> </ul>
PRS	Private rented sector	Provide security and stability for tenants while protecting landlords through the introduction of the Private Housing (Tenancies) (Scotland) Bill	Review the Private Housing (Tenancies) Act to ensure it improves standards, providing security for landlords and tenants and addresses affordability	Give tenants a robust framework for protection of their private tenancy, and give private landlords the security of return on their investment	LBTT exemptions for affordable buy-to-let	Push for better regulation of letting agencies
	Rent cap	LAs will be able to apply to ministers to set a cap on rent increases in designated rent pressure zones	Yes – ensure new powers address issues of affordability and 'excessive' rent rises	No. We have not been persuaded that rent controls will help solve the housing crisis	No	Rent controls which reflect the quality of the property and limit future rent rises
	Short Assured Tenancy	Replace with a new Private Residential Tenancy for all future PRS lets	Support the replacement of SATs with single new tenancy through Private Housing (Tenancies) Act	Supported introduction of private residential tenancies, as they balance tenants' right to security and protection, and landlords' ability to remain competitive	Recognise need for reform, but don't support 'no fault' removal and rent caps	End SATs
TAX	LBTT	Continue to support. Introduce 3% supplement on additional properties such as for a buy-to-let or a second home	Continue to support	Monitor the impact of the new LBTT	Grace period for 3% LBTT supplement	Advocate that LBTT is rolled into local property taxation
	Land reform	Committed to delivering radical land reform to increase transparency of land ownership and strengthen tenant farmers' and communities' rights	Use new powers in the Land Reform Bill to empower communities. Increase transparency & give LAs power to buy land through Compulsory Sale Orders	Work to bring trust back in to the tenancing of land. Review the impact of the current Land Reform Bill before considering further action	Support transparency measures, but serious concerns over other aspects, e.g. agricultural holdings	Push for radical land reform, including ensuring all vacant and derelict land pays non-domestic rates to encourage release for new house building
	Council tax reform	Make fairer by asking those at the top to pay more, protecting the incomes of the majority and reducing the burden on those who can least afford to pay	Replace with a system based on updated property valuations supplemented by new taxes such as the tourist levy and a power to tax economically inactive land	TBC in the manifesto	Retain a reformed Council Tax	Replace the Council Tax with a five-year phased Residential Property Tax based on annual valuations of property. This is the first step towards a Land Value Tax
	Empty homes	Continue work to bring empty homes back into use through the Empty Homes Partnership	Invest or refurbish to provide homes for those who would otherwise struggle to afford a home or would be forced into the private rental sector	Renew the empty homes strategy to address the fact there are 27,000 long-term empty homes in Scotland	Bring back into use or convert to affordable housing	Our Residential Property Tax would include no reduction for second or empty homes, helping to bring Scotland's 27,000 empty homes back into use

LAs = Local Authorities, SATs = Short Assured Tenancies, FTBs = First Time Buyers, LBTT = Land and Buildings Transaction Tax

PRE-ELECTION OUTLOOK

Housing is high up the agenda for all political parties in the run-up to May's Scottish Parliamentary Election. Housing spokespeople from the SNP, Scottish Labour, Liberal Democrats, Green Party and the Scottish Conservatives set out their plans for housing and construction on the opposite page.

In this, the first comprehensive multi-party overview of housing policies in Scotland, it is possible to see where the parties agree and diverge on how to address the issues in the current delivery and usage of housing.

All political parties have committed to increasing the supply of homes, while policies including reintroducing Right-to-Buy, extra support for Help to Buy ISAs and a new Open Market Shared Equity scheme have been mooted to try and help more people climb onto the housing ladder.

Housebuilding targets across tenures, reform in the private rented sector, including the introduction of rent caps, and housing taxes are other issues likely to be discussed in the run up to the election on 5th May.

All the parties have committed to some form of council tax reform, based on the recommendations of The Commission on Local Tax Reform, while the Private Housing (Tenancies) (Scotland) Bill will lead to significant changes in the private rented sector.

Given Scotland led the way in terms of stamp duty reform – having first

announced LBTT rates back in October 2014 – it will be interesting to see the impact any proposed changes to council tax have in England & Wales, if at all.

The Private Housing (Tenancies) (Scotland) Bill meanwhile will introduce one type of tenancy agreement for all housing rents and will allow tenants to challenge excessive rent rises. In addition, it will abolish the 'no-faults' ground for repossession, which allows landlords to take back their property once an initial fixed period has expired. Instead, there will be 18 separate grounds on which a landlord can seek to take back their property.

Land reform has been another topic debated in the Scottish Parliament with MSPs recently approving the Land Reform Bill which, among other things, will increase transparency of land ownership in Scotland – something broadly supported across parties.

The most recent polls suggest that the SNP will retain their majority with a comfortable lead over Labour and the Conservatives.

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