

# Spotlight Tayside Residential Market

Summer 2014



The Old Manse (Offers Over £725,000) in Coupar Angus, Perthshire, where prime transactions increased annually by 34%

## SUMMARY

The prime market in Tayside is benefiting from strong performance in Aberdeen

■ Scotland's prime market has shown a phenomenal performance, with a 32% annual increase in activity, outperforming the rest of the Scottish residential market.

■ Tayside is currently benefiting from the strength of Aberdeen's property market and there has been increased buoyancy, with a return to closing dates.

■ Property values and transaction numbers below £500,000 increased over the past year. However, the upper end of the market will remain more challenging as there is currently a high supply of stock at this level.

TABLE 1  
**Five-year residential values forecast**

Area	2014	2015	2016	2017	2018	5-year growth
Prime Regional GB	4.5%	1.0%	5.0%	5.5%	5.0%	22.7%
Prime Scotland	2.0%	3.5%	5.0%	5.0%	5.5%	22.8%
Prime Tayside	0.5%	1.5%	3.0%	3.0%	3.5%	12.0%
Mainstream UK	6.5%	5.0%	4.5%	4.0%	3.0%	25.5%
Mainstream Scotland	5.5%	5.5%	4.5%	4.5%	3.0%	25.2%
Mainstream Tayside	3.0%	3.0%	2.0%	2.0%	0.5%	10.9%

Source: Savills Research

→ **Growth in prime sales**

The prime second hand residential market, at £400,000 and above across Scotland, showed phenomenal performance, with a 32% annual increase in activity, reaching 2,758 transactions during the year ending March 2014 (see Table 2). The market has been robust from spring 2013 onwards, making it the busiest 12 month period since 2007. The prime market has outperformed the mainstream market across Scotland, where the number of sales increased annually by 20% during the year ending March 2014.

The prime market is being driven by the hubs of Edinburgh, the Aberdeen area and Greater Glasgow, where transactions increased annually by 29%, 49% and 42% respectively. There has been increased buoyancy in the market in the Tayside region, which includes Angus, Dundee, Perthshire and Kinross-shire, with a return to closing dates. The region has benefited from the strong Aberdeen area market which has been facilitated by the success of the city's economy and boosted by the energy sector. Indeed, 20% of Savills buyers in Tayside in

the last 18 months originated from the Aberdeen area, with a further 20% of buyers coming from outside Scotland. Buyers from outside Scotland mainly originated from London and other English regions. Overseas purchasers in Tayside originated from locations such as Switzerland, Kenya, Singapore and the United States. Tayside is popular amongst those wishing to relocate to the area, with only 35% of Savills buyers originating from the local area in the last 18 months.

The number of prime transactions across Tayside increased annually by 36%, with the counties of Perthshire and Kinross-shire together accounting for 75% of this activity. Tayside is also a popular area for those wishing to purchase a second home. This sector of the market accounted for 15% of Savills buyers in the last 18 months but remains challenging, given its discretionary nature, with many waiting for improved economic growth and consumer confidence.

**Prime values**

Prime values across Scotland have fallen over the last few years due to the high levels of stock available on the market. However, the significant increase in prime sales has created a net reduction in stock levels in some hotspots, resulting in an annual rise of 5% in prime values in Edinburgh and 3% in Glasgow during the first three months of this year. The rebalancing

of supply and demand has started in the country locations of Scotland with values in Tayside beginning to stabilise at the start of this year. The growth in transaction numbers across the country locations is being led by the lower end of the market up to £500,000. Property values in this price band have increased over the past year, whilst higher value properties, particularly those in provincial and country locations, are still witnessing a drop in values, as supply and demand balances out.

In the event of a 'No' vote majority at the Referendum this September, we anticipate an end to uncertainty. This will lead to further consumer confidence in the housing market, and we predict Scottish prime values potentially rising by 2% at the end of this year, with five year growth up to 2018 matching UK Prime Regional growth as a whole (see Table 1).

**Mainstream market**

House purchase activity across Scotland remains robust, with a 20% increase in transactions, from 73,053 during the year ending March 2013 to 87,475 during the year ending March 2014. This was led by a 15% increase in mortgage lending during 2013.

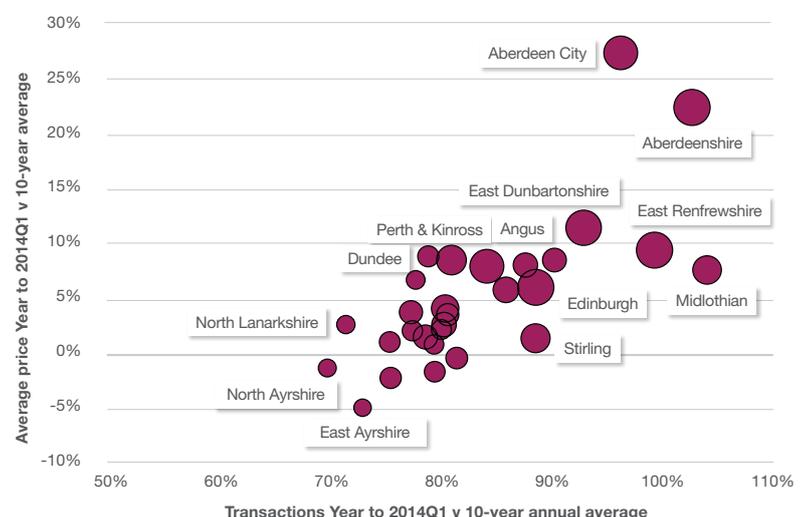
At a Local Authority level, we are seeing continued strong performance in the core markets of Aberdeen and Edinburgh, the commuter locations

TABLE 2 **Strong growth in Prime transactions**

Area	Year to Mar 10	Year to Mar 11	Year to Mar 12	Year to Mar 13	Year to Mar 14
<b>SCOTLAND</b>	<b>1,828</b>	<b>2,320</b>	<b>2,190</b>	<b>2,086</b>	<b>2,758</b>
Edinburgh	583	738	715	718	924
Aberdeen area	322	419	455	400	595
Greater Glasgow	374	449	405	355	504
Tayside	120	168	147	136	185
East Lothian	68	99	82	107	125
Fife	83	99	96	93	101
Stirlingshire	57	65	56	62	59
Ayrshire	52	63	60	47	65
Borders	43	50	56	37	66
Highlands & Islands	47	60	40	39	41
West Lothian	19	31	25	23	29
Dumfries & Galloway	23	40	20	35	25
Argyll & Bute	23	27	21	24	21
Midlothian (excluding Edinburgh)	14	12	12	10	18

Source: Savills Research / MyHousePrice.com

GRAPH 1 **Leaders and Laggards Residential market performance across Scottish Local Authority areas**



Source: Registers of Scotland

**GRAPH 2**  
**Scottish million pound sales are approaching long term average**



Source: Savills Research / MyHousePrice.com

of East Lothian, East Renfrewshire and East Dunbartonshire and also secondary markets including Angus, Midlothian and Renfrewshire (see Graph 1). The number of residential transactions across Angus increased annually by 33% and is only 11% below the 10-year annual average.

Market performance in Perth & Kinross was consistent with Scotland as a whole, with the number of residential transactions increasing annually by 20%. The average price of transactions in Angus and Perth & Kinross showed

modest growth, with an annual rise of 3%. The residential markets in Dundee City and Perth City have shown resilience with a 14% annual increase in the number of residential transactions, following a subdued couple of years. Market activity is slightly lagging Tayside and Scotland as a whole, when compared to the 10-year annual average. However, the average transaction prices during the year ending March 2014 in Dundee City and Perth City were 9% and 6% higher respectively than their 10-year average. The residential market

**GRAPH 3**  
**Percentage change in population 2001 v 2011**



Source: Scottish 2011 Census

**TABLE 3**  
**Prices for new build properties across Tayside**

Area	Average price per square foot	Average price per square metre
Auchterarder	£193	£2,077
Perth	£192	£2,069
Dundee	£187	£2,015
Errol/Inchture	£185	£1,990
Montrose	£172	£1,851
Arbroath	£167	£1,798
Blairgowrie	£164	£1,763

Source: Savills Research

in Perth City has been fuelled by increased activity between £100,000 and £150,000, coupled with a jump in sales between £300,000 and £400,000. Transactions in the higher price band increased to 21 during the year ending March 2014, compared to 10 during the previous 12-month period.

Overall values in Scotland have shown strong growth during 2014. According to data from the Nationwide Building Society, the average Scottish house price increased annually by 8% during the first three months of 2014.

We are forecasting Scottish mainstream values to rise by 5.5% at the end of this year, with five year growth up to 2018 matching that of the UK as a whole. This is on the basis of a 'No' vote majority in this September's Independence Referendum which will bring more certainty to the market.

We expect transactions in Scotland to increase annually by 10% at the end of this year, supported by government incentives, including Help to Buy.

**Million pound market**

There was a jump in transactions at the top end of the market above £1 million in Scotland, with 144 sales recorded in the year ending March 2014, compared to 120 during the previous 12-month period (Graph 2). The current level of 144 transactions is only 6% below the 10-year annual average of 154 transactions. →

→ At 46%, the majority of activity in the price band took place in Edinburgh, representing 66 transactions. Non-Scottish buyers made up 30% of this market, compared to 24% in the previous 12-month period. The majority of non-Scottish million pound buyers last year came from London, with overseas purchasers mainly coming from other parts of Europe, the US and the Middle East.

Million pound activity in Tayside makes up a small proportion of the Scottish market, with nine sales recorded in the year ending March 2014, compared to five in the previous 12-month period. Savills was involved in six of the nine recent sales, including Lundie Castle in Angus which sold in excess of £1.8 million in April 2013. Ethie Castle, near Arbroath was sold earlier this year at offer at offers over £1.5 million while Turin House, near Forfar (offers over £1.1 million) is currently under offer, having attracted buyers from as far afield as South Africa, as well as Edinburgh, Aberdeen and more locally.

We expect the million pound market across Tayside to continue to benefit from the successful market in the Aberdeen area, where such sales increased by 100% over the last five years.

### Regeneration

The £1 billion sustainable regeneration Dundee Waterfront project will transform eight kilometres of waterfront land, bringing new housing, office, retail and exhibition space to the city. The focal point of this will be the impressive V&A museum and a promenade which are due for

completion in 2016. Furthermore, upmarket hotel Malmaison has opened nearby and the train station is being considerably upgraded. New shopping centres and cinemas are planned.

Dundee University has consistently performed strongly in university league tables and has built a formidable reputation for medicine, nursing and dentistry. Students account for 24% of the Dundee City population and partially, but not totally, explain the considerable growth of the 16 to 29 age group in the 2011 census (see Graph 3). There is also a young professional cohort generated by the health sector supplementing the population growth in this age group.

Across the rest of Tayside the population has grown considerably more than the Scottish average of 4.6%. This has been driven most notably by those aged 45 to 64 and particularly high growth of those aged 65 and above. The property market in Tayside is likely to be further influenced by the demands of downsizers and retirees who require a property to suit their current lifestyle demands.

The demographics of Dundee generate a strong private rented sector. 17% of Dundee City households are privately rented, the largest percentage outside Edinburgh. Citylets reports that demand is highest for one and four bedroom properties, reflecting the student and professional composition of the city. Dundee City's average rental price was £595 during the first three months of 2014, up 4% compared with the same period last year.

## OUTLOOK

### The market in 2014

- We anticipate a recovery in second home sales, traditionally a key aspect of the Tayside residential property market, as economic confidence returns.
- Dundee is poised for future growth and is benefiting from £1 billion of sustainable regeneration focused on the city's waterfront.
- A decisive 'No' vote at the Referendum would bring an end to uncertainty and on this basis we forecast steady growth in both prime and mainstream markets, in line with the rest of the UK.

### New build market

There has been considerable undersupply of new build homes across Tayside, with private house building falling by 52% over the last five years. However, the situation is improving, with the number of completions increasing in 2013, and we anticipate this to continue. In Perth, the first large site in almost a decade has recently launched.

There are further developments planned in Auchterarder, which has been consistently popular with the family and downsizer markets, and has the highest price per square foot/metre in Tayside (see Table 3). Furthermore, sites in Monifieth and Arbroath have the potential to help quench the demand from the Dundee market. Table 3 demonstrates the premiums achieved in well connected areas where supply has been limited. ■

## Please contact us for further information



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