

Market in Minutes

Prime Scotland

Residential Market

August 2014



Blanefield House (Offers Over £1,750,000) near Turnberry, Ayrshire.
Prime transactions across Ayrshire increased annually by 49%.

SUMMARY

Strong prime market in Scotland boosted by professionals aged below 40

■ The prime residential market across Scotland has showed a strong performance, with a 35% annual increase in activity. The prime market has outperformed the mainstream market, where the number of sales increased annually by 22% across the same period.

■ The prime city hotspots of Edinburgh and Glasgow are increasingly being driven by professionals below the age of 40. Demand from this group, which was subdued during the housing market downturn, has increased by 13% this year.

■ A decisive 'No' vote at the Scottish Independence Referendum this September will lead to further consumer confidence in the housing market, and we predict Scottish prime values potentially rising by 2% by the end of this year, with five year growth up to 2018 matching UK Prime Regional growth as a whole.

■ In the event of a decisive 'Yes' vote we expect the current uncertainty to continue, particularly in relation to tax and currency issues, restricting significant price growth for a number of years.

TABLE 1
Price movements to Q2 2014

Area	Q on Q	Y on Y	Since 2007 Peak
Prime Scotland	0.7%	2.5%	-21.8%
Prime Edinburgh City	1.0%	6.0%	-18.6%
Prime Glasgow City	1.4%	4.5%	-16.7%
Prime Edinburgh Country	0.7%	-0.4%	-27.0%
Prime Glasgow Country	0.0%	3.7%	-27.0%
Prime North East	0.5%	1.1%	-13.6%
Prime Perthshire	1.0%	1.3%	-12.0%

Source: Savills Research

→ **Strong growth in prime sales**

The prime second hand residential market, at £400,000 and above across Scotland, showed a strong performance, with a 35% annual increase in activity, reaching 2,860 transactions during the year ending May 2014. The market has been robust from spring 2013 onwards, making it the busiest 12 month period since 2008. Sales in the mainstream market across Scotland increased annually by 22% across the same period.

The prime market is being boosted by the hubs of Edinburgh, the Aberdeen area and Greater Glasgow, where activity increased annually by 31%, 43% and 44% respectively. Edinburgh was heavily supported by the hotspots of Grange, Morningside and Merchiston. Prime transactions in this combined area increased annually by 26%, representing 234 sales. Prime transactions in the New Town of Edinburgh increased annually by 49%, representing 109 sales.

Similarly, the prime southern Glasgow suburbs of Pollokshields, Newlands, Giffnock and Newton Mearns experienced a strong market with a 45% annual increase in activity. These areas continue to be supported by top quality education facilities and excellent transport links.

The market strength in the core locations of Edinburgh, Aberdeen and Glasgow has spilled out to some

TABLE 2 **Prime markets: Five-year forecast values**

	2014	2015	2016	2017	2018	5yrs to end 2018
Prime Regional UK	4.5%	-0.5%	7.0%	7.0%	4.5%	22.7%
Prime Scotland*	2.0%	3.5%	5.0%	5.0%	5.5%	22.8%

Source: Savills Research

(Post decisive 'No' vote in Scottish Independence Referendum)

of Scotland's provincial locations, such as Tayside, where prime transactions increased last year by 33% and also the Midlothian area, south of Edinburgh, where prime transactions increased to 21 during the year ending May 2014, compared to 13 during the previous 12 month period. The prime markets in Ayrshire and the Borders also improved last year following restrained performance in previous years.

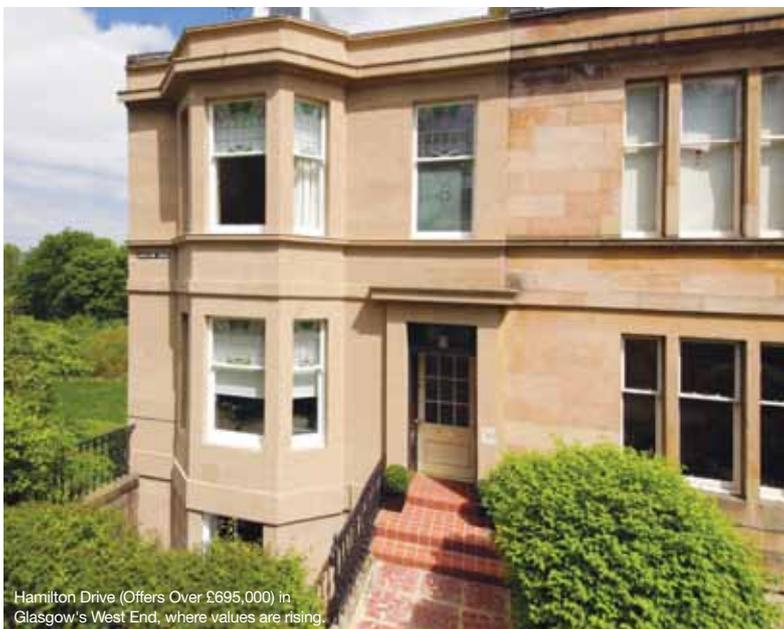
Prime values rising in city hotspots

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 6% in prime values in Edinburgh and 4.5% in Glasgow during the second quarter of this year (see Table 1).

The rebalancing of supply and demand has started in the country locations of Scotland, with values stabilising during 2014.

Younger professionals

In previous years, the prime market has seen a reliance on those aged over 50. However, the market in the city hotspots of Edinburgh and Glasgow is increasingly being driven by professionals below the age of 40, comprising around 43% of Savills sales during the year ending July 2014, compared to 30% during the previous year. This target market had been somewhat subdued following the housing market downturn, mainly due to affordability issues. However, there was an ever-present pent-up demand among this age category aspiring to upsize. This upswing is enabling the whole of the market to move again, following low levels of sales during 2011 and 2012.



Hamilton Drive (Offers Over £695,000) in Glasgow's West End, where values are rising.



Busiest 12 month period witnessed since 2008



Prime market boosted by Edinburgh, Aberdeen and Greater Glasgow



City hotspots being driven by young professionals

→ **Modest recovery in the £1m market**

There was a jump in transactions at the top end of the market above £1 million in Scotland, with 143 sales recorded during the year ending May 2014, compared to 119 during the previous 12-month period. The current level of 143 transactions is 8% below the 10-year annual average of 155 transactions. Buyers originating from outside Scotland made up 28% of the million pound market, compared to 26% in the previous 12-month period. The majority of such buyers came from London, with overseas purchasers mainly coming from other parts of Europe, the USA and the Middle East.

Edinburgh, the traditional hub of the prime market with a 46% share of this market, saw a rise at the top end, representing 65 transactions during the year ending May 2014 compared to 55 during the previous 12 month period. The Aberdeen, Greater Glasgow and Tayside areas together made up 36% of the million pound market, representing 52 transactions. There were 10 residential sales at £1 million and above across Tayside during the year ending May 2014 compared to seven during the previous 12 month period.

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 “Across Scotland, there was a slight increase in activity at £2 million”
 Savills Research

Across Scotland, there was a slight increase in activity at £2 million and above at the end of last year. As a result, there were nine transactions at £2 million and above during the year ending May 2014 compared to seven during the previous 12 month period.

Scottish Independence Referendum impact

The outcome of the Scottish Independence Referendum is unlikely to impact on purchasing decisions for those intending to remain in Scotland or buyers with strong Scottish connections. However, until the close of the spring market, there had been a significant increase in the number of people from London looking to take advantage of the record gap between house prices in London and Scotland. However, as the Referendum date draws nearer, we are beginning to notice a lack of commitment from such buyers with purchasing decisions being put on hold until after 18 September.

In the event of a decisive ‘No’ vote at the Referendum this September, we anticipate the end of current uncertainty boosting consumer confidence in the housing market. 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 2). In the event of a decisive ‘Yes’ vote we expect the current uncertainty to continue, particularly in relation to tax and currency issues, restricting significant price growth for a number of years. ■



Properties like Abercromby Place (Offers Over £295,000) in Edinburgh's New Town are attracting more younger buyers.

143

Number of sales above £1m in the year ending May 2014



Majority of million pound buyers outside Scotland originate from London

Savills Research team

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