

savills

Spotlight  
**Scotland's Prime  
Residential Property  
Market**

Spring 2013



**This publication**

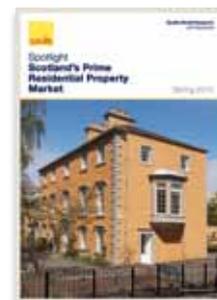
This document was published in March 2013. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts.

**Glossary of terms**

■ **Prime:** refers to the most desirable and aspirational property by reference to location, standards of accommodation, aesthetics and value (£400,000 and above).

**On the cover:** Eskhill House, in the conservation village of Inveresk, East Lothian, has a guide price of £1.85 million. It is likely to attract both international and out of town buyers, due to its easy access to Edinburgh and proximity to Loretto boarding school.

# Spotlight Scotland's Prime Residential Property Market



There is an unprecedented high level of stock on the Scottish prime market and this is proving to be a drag on its recovery, impacting prices and activity

## Prime transactions fall

The prime market in Scotland (over £400,000) saw transactions fall by 5% last year to 2,070 compared to 2,187 in 2011. Whilst the year 2012 had begun in a similar vein to the year before, events such as the Diamond Jubilee and the London Olympics diverted the nation's attention from the business of buying and selling houses, further slowing the traditionally quiet summer market. However, the final months of the year saw a modest upswing in activity, with the momentum continuing into the first quarter of 2013, and barely a pause for the Christmas break.

Whilst prime transactions were down overall across Scotland, distinct pockets of the country went against the overall trend to varying degrees. The number of sales increased in Argyll & Bute (+47%), East Lothian (+38%) the Edinburgh suburbs of Inverleith (+29%), New Town (+24%) and Stockbridge (+22%), Dumfries & Galloway (+41%) and Renfrewshire (+2%). All other areas saw a negative change in the number of annual sales.

The locations mentioned above straddle east and west, and have different characteristics (seaside commuter town, rural idyll, prime suburb etc) and all comprise a high proportion of high quality prime, period housing. They are also all established, sought-after, best-in-class locations whether by virtue of their proximity to Scotland's leading schools, the capital's commercial centre, or simply because they offer a desirable lifestyle in some of the most beautiful parts of the Scottish countryside.

However, these are not the only common themes. Importantly, the houses that have sold in these prime

locations have, for the most part, been realistically priced, offering value for money in a tough economic climate.

As previously stated, these cases are exceptions to the rule and the total number of prime transactions across Scotland has been compromised by steep falls in locations with Lanarkshire (-33%) and Ayrshire (-27%) being the most extreme examples.

## Stock level remains high

The figure of 2,070 prime property sales last year is not a problem in itself, and is similar to the number of homes changing hands on average per year (2,210) between 2003 and 2012. The real challenge for the majority of sellers, and the issue at the heart of the current property market slump, is the high number of properties left unsold on the prime housing market, particularly in areas where supply is outstripping demand, and where asking prices are simply too high and out of step with what the market will pay.

The red line within the Savills StockWatch chart shows the number of prime properties available to buy at £400,000 or above in Scotland. While this has dipped in recent weeks, the overall trend has been upward →

## SUMMARY

### An overview of the market

- There was an overall fall in prime transactions across Scotland during 2012, although activity in some areas improved
- There is an unprecedented high level of prime stock, with houses lingering on the market
- Prime values across Scotland have fallen by 20% from peak
- Selling prices were well below those at which properties ultimately sold and the gap was greater in secondary commuter locations than in cities
- Our analysis suggests that average asking prices should fall by a further 10% to match the level at which buyers are willing to trade. There is evidence of a growing trend of price reductions being made by sellers and their agents
- There were fewer million pound sales last year, compared to 2011, with the vast majority occurring in Edinburgh and Aberdeenshire, and the proportion of non-Scottish buyers increasing by 9%
- Looking ahead, we expect a reduction in the level of prime stock available to buy over the next two years, and prices to improve as demand and supply rebalance

“Our analysis of a sample of 2,000 prime properties reveals that the average price at which prime properties actually sold was 9.4% lower than the average original asking price”

Faisal Choudhry, Savills Research

Savills launched Crown Road South, in Glasgow's West End, at the realistic asking price of offers over £825,000 last year. This bucked the trend and achieved a premium of 8%.



→ since the slump of 2009 and has reached unprecedented levels with 1,282 homes now on the market. This compares to 500 at the height of the market and is 20% higher than at the same point last year. It is anticipated that while the level of prime properties on the market will continue to climb

as spring gets underway, and new sellers attempt to take advantage of better weather to market their homes, the rate will be slower than last year.

**Time on the market**

Residential properties across all price bands in Scotland's cities are

currently taking an average of 219 days to sell, a slight improvement compared to the same point in 2011 (231 days), another symptom of the supply versus demand imbalance and of over-priced stock.

Apart from the best-in-class properties mentioned earlier, or where sellers have been motivated to accept offers due to pressing personal issues, such as death, debt or divorce, properties continue to be slow to sell.

**Asking v selling price**

Prime values across Scotland have fallen by around 20% since the peak of the market, according to the Savills Prime Property Index, following the credit crunch and subsequent crisis in buyer confidence.

However, the continued disconnect between supply and demand suggests that prices in certain areas must experience a further fall of around 10%, if the entrenched glut of Scottish prime housing stock is to be reduced, and a sustained recovery is to get underway.

This is further demonstrated by our analysis of a sample of 2,000 prime properties launched on to the Scottish market during 2011/2012. This revealed that the average price at which prime properties actually sold (£580,373) was 9.4% lower than the average original asking price (£640,398).

TABLE 1 **Second hand residential transactions at £400,000 and above**

Area	2010	2011	2012
Scotland	2,351	2,187	2,070
Edinburgh	768	714	689
Aberdeenshire	427	432	423
Greater Glasgow	451	409	359
Tayside	162	142	140
East Lothian	103	79	109
Fife	95	106	83
Stirlingshire	56	67	55
Ayrshire	68	60	44
Borders	49	53	40
Highlands	59	45	34
Dumfries & Galloway	39	22	31
Argyll & Bute	30	19	28
West Lothian	31	27	23

Table source: MyHousePrice.com / Savills Research

We have observed a gulf between cities and their surrounding secondary locations. For example, whereas in the Glasgow city area, the average selling price was only 6% lower than the average original asking price, in Lanarkshire and Renfrewshire it was around 14% lower.

Similarly, whilst Edinburgh's average selling price was 8% lower than the average asking price, West Lothian is sitting at 16% lower. The average selling price across Tayside was also 16% lower than the average asking price. Prices will need to be significantly reduced before these areas see a recovery.

The process of price correction has already begun, with a 48% increase in instances of sellers and their agents reducing asking prices last year. Assuming this trend of price reductions continues, we anticipate prime property stock levels will fall to around 900 over the next two years, supply will balance with demand and gentle growth in prime values will occur. Savills forecast for the prime market in Scotland suggests an overall 9% price increase between 2013 and 2017.

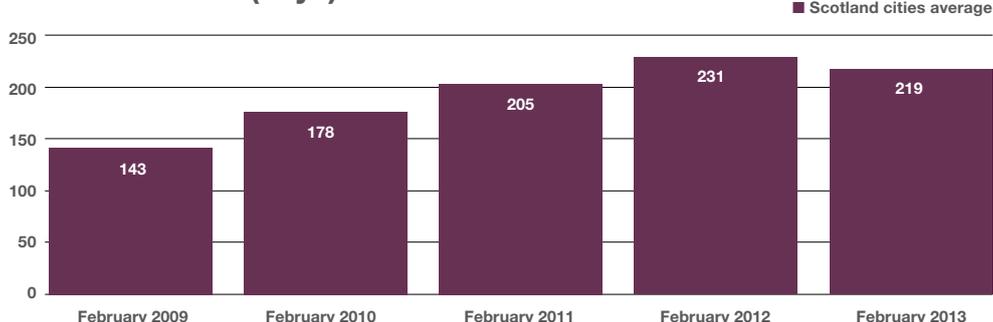
### Million pound market

The total number of sales above £1 million decreased in Scotland from 139 in 2011 to 125 in 2012. 26% of buyers came from outside Scotland, including London and overseas. This is a 9% increase from the year before.

Edinburgh, the traditional hub of the prime market with a 43% share of the market, saw a modest fall at the top end, from 62 sales in 2011 to 54 last year. The number of buyers from outside Scotland investing in Scottish million-pound-plus property grew from 11 during 2011 to 18 during 2012, illustrating the enduring attraction of the capital as a relatively safe place to invest.

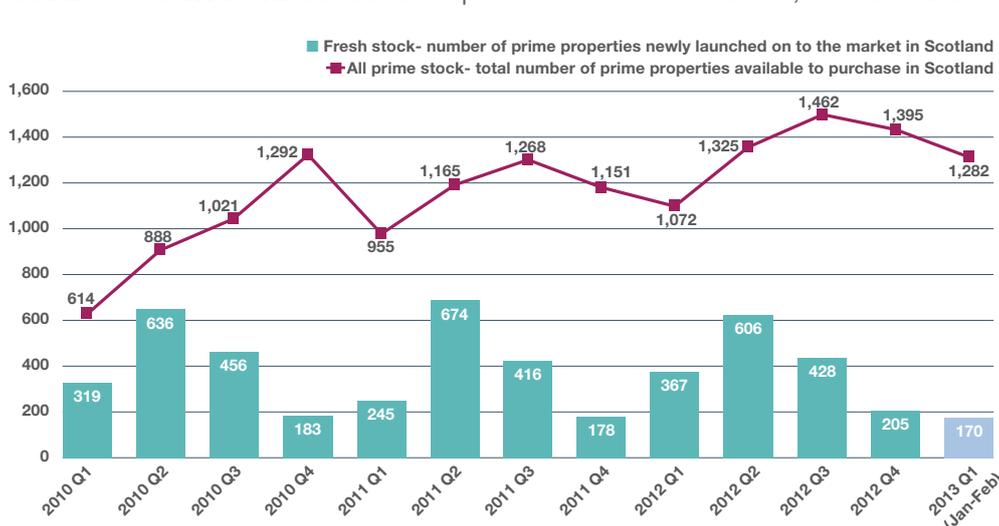
Top end buyers of Edinburgh property came from a wide range of countries, including Brazil, China, Russia, and the United Arab Emirates. As ever, the Edinburgh market was also dependent upon local professionals and financiers. Home-grown, Scottish entrepreneurs and businessmen were not as visible as they have been in previous years.

GRAPH 1  
**Time on market (days)**



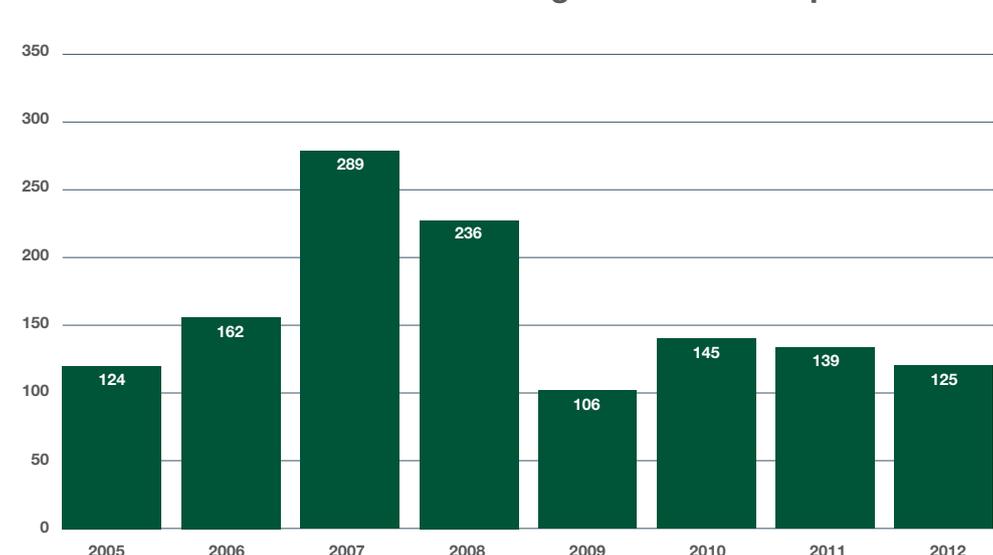
Graph source: Home.co.uk (The Time on Market is the number of days a property has been listed for sale. A property may be withdrawn from the market for reasons other than a successful sale.)

GRAPH 2  
**Savills StockWatch: Scotland Properties advertised at £400,000 and above**



Graph source: Savills Research

GRAPH 3  
**Residential transactions in Scotland greater than or equal to £1m**



Graph source: MyHousePrice.com / Savills Research

GRAPH 4  
House purchase lending and residential transactions in Scotland per quarter



Graph source: Council of Mortgage Lenders / Registers of Scotland

→ Million pound plus sales in Aberdeenshire and neighbouring counties have seen a rising trend since 2009 due to its micro-climate, driven by the oil and gas industries. They increased from 21 during 2011 to 24 transactions above £1 million last year. Aberdeenshire remains well ahead of Greater Glasgow, which saw 15 transactions above £1 million last year, compared to 23 during 2011, and none within the city itself in 2012. The 15 transactions above £1 million took place in the commuter locations of Dunbartonshire, Lanarkshire and Renfrewshire, with a niche new build site at Thorntonhall generating seven sales alone.

A significant number of transactions hovered just below the million pound

level in the Glasgow City area, (10 during 2012 compared to two during 2011). This suggests that the stamp duty thresholds that were introduced in April 2011 and April 2012 (an increase to 5% for buyers of £1 million properties and 7% for buyers of £2 million respectively) have suppressed the market close to these thresholds.

This also seems to be true for the Scottish country house market, which has comprised around 25% of total sales above £1 million over the past two years (34 in 2011 and 32 in 2012). These high value properties have become too expensive for younger people to buy. Most of the purchasers in this sector have been lifestyle buyers aged over 50. ■

## Prime v overall residential market

### Muted sales growth in 2012

The overall residential market in Scotland outperformed the prime market for the first time since the housing market downturn, with a 4% improvement in the number of transactions last year, largely driven by improving bank lending conditions and the removal of stamp duty for first time buyers, up to £250,000.

However, overall annual property prices fell by 3% across Scotland by the end of 2012, according to Nationwide. We expect recovery to start in 2015/2016, as surpluses in household finances recover and confidence in the economy improves.

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#### Savills plc

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## Residential research services

Adding value to your property interests

Savills Research team provides advice and analysis to clients on the rural, residential, commercial and leisure property sectors in the UK and Europe. Savills also provides similar property research services throughout South East Asia and Australia. In the UK, Savills has had a dedicated residential research team for the past 18 years. Over this time, the department has built up a strong reputation for producing accurate, well informed and, above all else, independent analysis and commentary on the UK's housing market. As a result, the team is a leading national commentator on market trends.

The success of the department has been built on its market insight, provided by the Savills network, in conjunction with a significant external consultancy business.

This market-led approach to our research is vital to our clients.

Through the provision of analysis, commentary and forecasting we can add value to both assets and businesses. The department has been involved in a wide range of consultancy projects for a variety of public and private sector organisations across the UK.

This has involved research into housing of all tenures and across all price ranges and rental levels.

Typical consultancy projects include:

- local area supply and demand analysis
- development feasibility studies
- investment strategy and advice
- place making site studies
- forecasting rents and capital values
- research to inform policy making and best practice statements
- research for property finance and business planning purposes
- research to inform housing-led regeneration initiatives

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