

Spotlight Central and Tayside Residential Market

Summer 2016



Drumfada (Offers Over £540,000) in Dundee, where overall transactional activity increased annually by 13%.

SUMMARY

Growing confidence in lower price brackets fuels prime activity across Central and Tayside

■ The market below £400,000 across Central and Tayside has outperformed Scotland and continues to attract second home owners and downsizers from outside the region.

■ Strong growth across lower price bands is now leading to improved prime activity in the city and town locations of Angus, Dundee, Fife, Stirling, and Perth.

■ The prime market has adjusted to taxation changes in the city hotspots of Edinburgh and Glasgow, with growth spreading into traditional suburbs and commuter areas.

FIGURE 1
Residential values annual change forecast

Area	2016	2017	2018	2019	2020
Prime GB regional	2.5%	3.5%	6.0%	4.5%	4.0%
Prime Scotland	2.0%	3.5%	4.0%	4.0%	4.0%
Prime Central & Tayside	1.0%	2.5%	3.5%	3.5%	3.5%
Mainstream UK	5.0%	3.0%	3.0%	2.5%	2.5%
Mainstream Scotland	3.0%	3.0%	2.5%	2.5%	2.5%
Mainstream Central & Tayside	2.5%	2.5%	2.0%	2.0%	2.0%

Source: Savills Research

CENTRAL AND TAYSIDE MARKET

A positive reversal of fortunes is currently taking place in Scotland's heartland of Central and Tayside, which had been slower to recover since the property market downturn. The number of residential sales in this region, which includes Angus, Perthshire, Stirlingshire and Fife, increased annually by 9%, slightly ahead of the 8% figure for Scotland. Even more positive for local sellers, activity in the market below £400,000 increased by 23%, compared to 11% across Scotland as a whole (Figure 2).

The local markets within the Central and Tayside area have been boosted by comparatively lower rates of property taxation and improved mortgage lending. They have traditionally comprised relocation hotspots and continue to attract second home owners and downsizers from outside the region, particularly within lower price brackets.

The recovery of the market below £400,000 is now firmly established, having begun in 2013. Looking forward, the region is likely to see value growth over the next five years, albeit at a slower rate compared

to the city hubs of Edinburgh and Glasgow. As a consequence, there will be opportunities for buyers to take advantage of relative affordability (Figure 1).

While prime sales activity (above £400,000) in the heartland fell by 6% last year, in line with the rest of Scotland, the growing confidence felt in lower price brackets is now beginning to spiral upwards in specific locations. Stirling and Fife have led this trend, where prime activity during the year ending March 2016 was 24% and 22% higher respectively compared to the five-year annual average. Prime activity across the town locations of Angus, Dundee, Perth, Aberfeldy and Auchterarder has also improved over the last two years.

The million pound market, which is a small but important sector of the Central and Tayside market, saw 19 such sales during the year ending 2016 Q1. This is slightly higher than the 17 annual sales on average over the last five years. Recent activity at the top end of the market has taken place around Dundee, Dollar, St Andrews, Aberfeldy, Crieff, Kinross, Bridge of Allan, Killearn, Callander and Drymen.

The overall Central and Tayside market was led by Dundee City, where total sales increased annually by 13%, stimulated by new housing developments.

The Stirlingshire market also showed strength, with sales across all price bands increasing annually by 9%, with a 28% uplift in sales below £400,000. This market has seen a particularly powerful performance in and around

Stirling city and the hotspots of Dollar, Dunblane and Killearn.

The Fife market was in line with the rest of Scotland, however sales below £400,000 increased annually by 26%. The market in Fife is traditionally dominated by the hotspot of St Andrews. However, the market has grown substantially in coastal and commuter areas, offering good transport links and attainable housing compared to Edinburgh.

The Angus market has remained active in Brechin and Forfar, with increased activity in the coastal locations of Carnoustie and Montrose below £400,000 and also areas just outside Dundee City.

The Perth & Kinross market witnessed a 22% annual increase in sales below £400,000, with the majority taking place in Perth City, Blairgowrie, Crieff, Auchterarder and Kinross.

THE MARKET IN SCOTLAND

The overall residential market in Scotland has shown continued growth, with an 8% annual increase in the number of residential transactions during the year ending 2016 Q1. The market was supported by an increase in cash buyers and Buy to Let purchasers, boosted by increased levels of equity generated from core hotspots, particularly among older buyers. Various Help to Buy schemes and the gently improving economy, leading to increased consumer confidence, are also combining to support the market.

Market growth is continuing to spread out to locations that were lagging following the housing market downturn. These include West Lothian, East Ayrshire, North Lanarkshire and Glasgow City, where the annual growth in transactions was higher than the figure for Scotland as a whole. This is mainly due to an increase in house building, coupled with attainable house prices and improving transport links. Annual transactional growth in traditional hotspots and commuter locations, such as Renfrewshire, East Lothian and Midlothian, as well as the market

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 "A positive reversal of fortunes is taking place in Scotland's heartland of Central and Tayside"

 Savills Research

FIGURE 2 Residential market performance during year ending 2016 Q1

Area	Overall transactions annual change	£200k-£400k transactions annual change
Angus	7%	7%
Dundee City	13%	24%
Perth & Kinross	7%	22%
Stirling area	12%	28%
Fife	8%	26%
Central & Tayside	9%	23%
SCOTLAND	8%	11%

Source: Savills Research

hub of Edinburgh, also exceeded the figure for Scotland as a whole.

We are forecasting annual growth of 3.0% in Scottish mainstream values by the end of 2016. We expect values in city locations and core hotspots to outperform the figure for Scotland as a whole. Stricter lending conditions and a possible rise in mortgage rates could limit capacity for strong price growth and transactional growth. This is likely to keep exposure to risky mortgage debt under control (Figure 1).

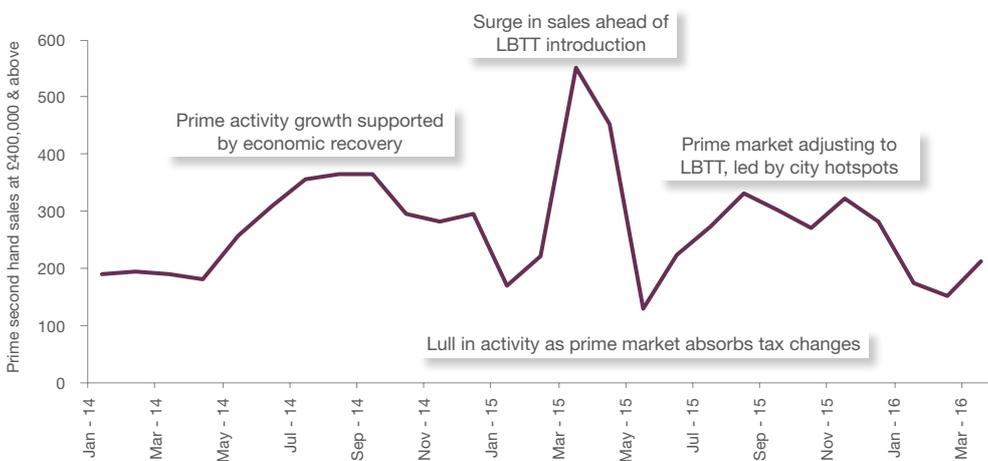
Prime market

Scotland's Land and Buildings Transaction Tax (LBTT) continues to have a significant impact on the residential property market, following its introduction in April 2015. Over the last 12 months, the prime market above £400,000 witnessed an overall shortfall in activity, mainly due to higher rates of taxation. However, since the end of 2015, the prime market has adjusted in the city hubs of Edinburgh and Glasgow. Furthermore, prime market strength is spreading from the hubs into traditional suburbs and commuter areas (Figure 3).

The number of prime second hand sales at £400,000 and above in Scotland fell annually by 14% to 3,131 during the year ending 2016 Q1, as the market continues to adjust to higher rates of taxation. Despite this drop, prime activity was 13% higher than the five-year annual average of 2,762 sales. The prime market was led by the core city hotspots of Edinburgh and Glasgow. Prime activity in Stirlingshire and the Lothians region surrounding Edinburgh bucked the national trend, benefitting from relative affordability and improving transport links. Furthermore, demand for family homes in areas with top performing state schools remains buoyant.

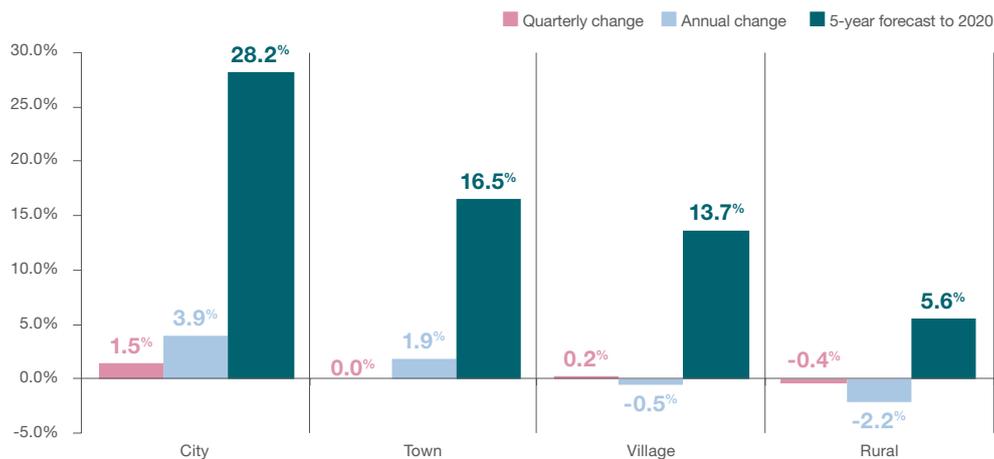
According to Savills Prime Residential Index, overall values in Scotland remained unchanged, with a slight 0.4% year-on-year increase at the end of March 2016. Further examination of the Savills Index shows a widening gap between overall property values in city and town locations compared to village and rural areas. For example, values in Edinburgh and Glasgow increased annually by 4.3% and 3.7% respectively. Values in town locations of Scotland increased by

FIGURE 3 Monthly prime activity in Scotland



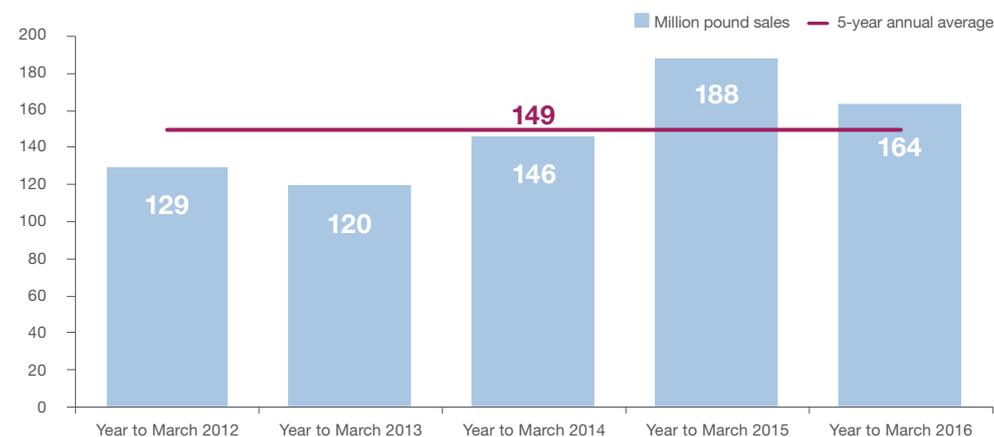
Source: Savills Research

FIGURE 4 Savills Prime Scotland index value performance during 2016 Q1



Source: Savills Research

FIGURE 5 Million pound sales in Scotland



Source: Savills Research

→ 1.9%. However, across Scotland, there was a fall in values in village (-0.5%) and rural locations (-2.2%) (Figure 4). Over the course of 2016, we expect the overall prime market to continue to absorb the turbulence of taxation challenges, with values expected to rise by 2% by the end of this year (Figure 1).

Million pound market

The market at £1 million and above in Scotland is also adjusting to higher rates of taxation, with sales falling slightly to 164 during the year

ending 2016 Q1 compared to 188 during the previous 12 month period. Despite this drop, million pound sales were 10% higher than the five-year annual average of 149 sales.

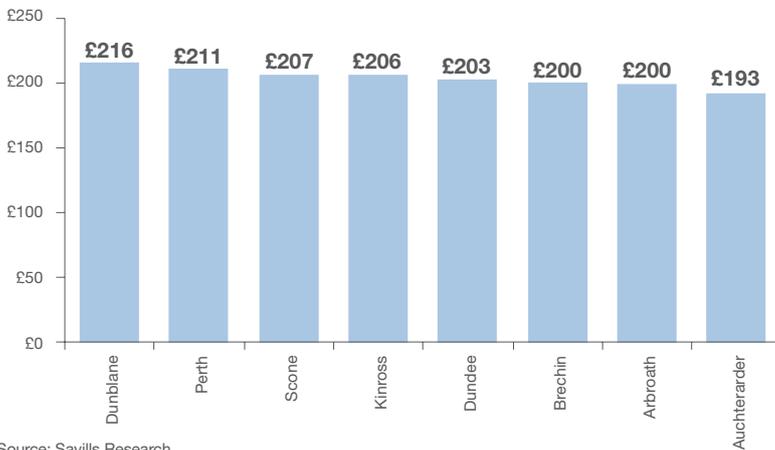
Unsurprisingly, the majority of million pound activity took place in Edinburgh, which accounted for 77 sales. This was followed by East Lothian, which has shown remarkable growth, accounting for 18 sales, which is the best performance in this area in over a decade.

There were 15 million pound sales in Aberdeen City compared to 19 in the previous 12 month period. The million pound market in Glasgow City continues its recovery, with eight recorded during the year ending 2016 Q1. ■

“The market at £1 million and above in Scotland is adjusting to higher rates of taxation”

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FIGURE 6
Current new build prices per square foot



Source: Savills Research

OUTLOOK

The market in 2016 and beyond

- The Central and Tayside region will experience further growth in values over the next five years, albeit at a lower level than Scotland's city hubs.
- Across all regions, the strongest markets continue to be in affluent urban locations, which have outperformed their rural and village counterparts.
- While the additional tax on second homes and buy to let purchases introduced in April 2016 will lead to a slight lull in the short term, we expect the market to adjust by the end of this year.

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GLOSSARY OF TERMS

Prime sales: refer to second hand transactions at £400,000 and above.

Prime values: are calculated from the Savills Index which comprises a fixed list of prime second hand properties located across Britain, which undergo a quarterly desktop valuation by Savills residential agents.

Overall market: refers to the bulk of Scottish house sales.

This document was published in May 2016. 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.

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