

Scotland Residential





Edinburgh made up 37% of Scottish transactions above £400,000 in 2018

Scotland's residential market remains unfazed by the political uncertainty currently affecting the rest of the country. The number of transactions increased by 2% at the end of last year, supported by a record-breaking prime market. Meanwhile, the official UK House Price Index for Scotland has seen positive annual growth for the last 33 consecutive months.

However, what happens next is less clear cut. Our forecasts assume that if Article 50 is extended, it is for a relatively short period and that, ultimately, we avoid a no-deal Brexit. That would give households greater confidence over their future finances, which in turn should underpin buyer sentiment to support an improvement in house price growth in 2020. We cannot rule out a delay in this should negotiations to leave the EU become more drawn out. Meanwhile in the event of a no-deal Brexit, the impact on the housing market will be dependent on the Government's response to support the economy.

Despite the uncertainty, Scotland still has room for growth, particularly in popular, well-connected neighbourhoods. In many of these markets, supply falls well short of demand, so competition will drive up values.



Faisal Choudhry
Head of Scotland Residential Research
0141 222 5880
fchoudhry@savills.com



Edinburgh's still going strong

A more stable and considered market is expected this year

Edinburgh remains the jewel of Scotland's housing market, making up 37% of prime and 61% of million pound transactions in 2018. Transactions above £400,000 reached 1,931 during 2018, an increase of 12% compared to 2017, as more stock became available. Million pound transactions reached 128, the highest since 2007 and up nearly 20% from 2017.

At 7%, annual price growth in Edinburgh's prime market was the highest in the UK according to the Savills index. Strong premiums and record prices per square foot continue to be achieved.

The capital of Scotland's international profile and economy underpins its strong housing market.

Economic growth has increased more over the last five years than most UK cities, with a higher percentage of the working-age population in employment. Edinburgh also has a large proportion of workers in high-skilled occupations, such as the finance and insurance sector, which currently makes up 20% of Edinburgh's economic output.

Looking ahead, we expect a more stable and considered market in 2019, driven by realistic pricing. Whilst some buyers are waiting for the political dust to settle, there remains a surplus of motivated buyers, despite an increase in the number of sellers.

Residential values annual change forecasts

Scotland has room for further growth, as market sentiment remains positive

	2019	2020	2021	2022	2023	5-year compound growth
Mainstream UK	1.5%	4.0%	3.0%	2.5%	3.0%	14.8%
Prime GB Regional	0.5%	1.0%	3.0%	2.5%	4.0%	11.9%
Mainstream Scotland	2.5%	5.0%	3.5%	2.5%	3.5%	18.2%
Prime Scotland	2.0%	2.0%	3.0%	3.0%	3.5%	14.2%

Source Savills Research

“Whilst some buyers are waiting for the political dust to settle, there remains a surplus of motivated buyers and sellers”

Prime hotspots

Our prime market analysis of Edinburgh covers 10 hotspots that make up the majority of transactions above £400,000. Edinburgh’s inner suburbs were the star performers in 2018. These include the Grange, Morningside and Merchiston area, south of the City Centre, where prime activity reached 399 last year, supported by a strong second hand market.

Ravelston was the stand-out area, where prime transactions, mostly second hand, increased by 44% from 59 in 2017 to 85 in 2018. Neighbouring Murrayfield witnessed 155 prime transactions, up by 20% from 2017, supported by new build activity at Donaldson’s and Westerlea Gardens. Meanwhile, prime activity in Trinity, Inverleith and Stockbridge increased from 144 in 2017 to 182 in 2018.

The central hotspots of the New Town and West End remained stable last year. Despite an increase in second hand activity, there were fewer new build transactions due to a number of sites reaching completion, resulting in a slight drop in overall prime activity.

A similar trend was also witnessed in the outer suburbs of Barnton, Cramond and Colinton where stable second hand activity was offset by a drop in new build transactions.

Wider Edinburgh market

Whilst Edinburgh’s prime transactional market increased last year, it was offset by a drop in supply and (subsequently) transactions below £400,000, thus leading to an overall 9% fall in Edinburgh City transactions across all price bands.

However, some areas bucked the trend, including the second hand market in the EH3 9 postcode, which includes the Quartermile development, and the EH10 6 area covering Fairmilehead.

Meanwhile, the new build market supported transactional growth in Currie, Gilmerton and Liberton. The new build market in Leith also stimulated the local second hand market.

The Lothians

The overall number of transactions in the surrounding Lothians area fell slightly

last year, mainly due to a lack of supply below £200,000. However, an increase in transactions above £200,000 led to a 7% annual rise in the average transaction price last year.

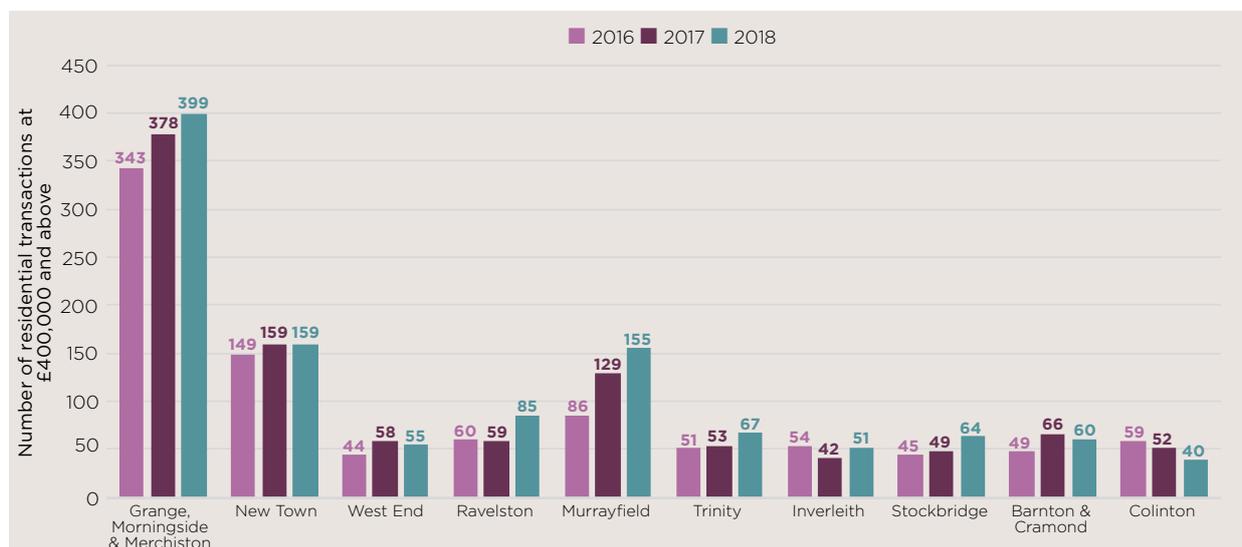
The prime market, especially in East Lothian and Midlothian, continued to rise, with transactions above £400,000 reaching 470 during 2018, which was higher than the number in the Aberdeen area. The increase was mainly due to more new build transactions in North Berwick, Dunbar and Haddington in East Lothian and also Bonnyrigg, Loanhead and Roslin in Midlothian.

Interestingly, prime transactional growth across the Lothians was limited to £700,000, with a drop in activity above this level. As a result, the average prime transaction price above £400,000 fell by 8%, from £564,811 in 2017 to £519,903 in 2018.

Whereas activity above £700,000 during 2017 across the Lothians was widespread, most of the transactions in 2018 took place in the East Lothian hotspots of North Berwick and Gullane.

Prime transactions at £400,000 and above

The market continues to grow across Edinburgh’s inner suburbs



Source Savills Research



Prices in Greater Glasgow grew annually by 5% during 2018

Lack of supply supporting price growth

Demand will continue, bolstered by a growing economy

Greater Glasgow includes the city area of Glasgow and commuter/suburban areas across neighbouring Dunbartonshire, Lanarkshire and Renfrewshire.

Glasgow has experienced economic growth and development in recent years, bolstered by a growing and young population, and business growth in high-tech and service sectors.

These are exciting times for the city, where Barclays have broken ground on the new Buchanan Wharf campus development on the Clyde, which will house their technology, functions and operations team. Once completed, the campus will accommodate up to 2,500 additional staff.

Glasgow is the largest retail centre in the UK outside London and its music,

food, sport and education offering confirms the city's reputation as a highly desirable international destination.

Despite growing demand, housing supply is intermittent. Current availability is 8% lower than last year, which explains the lack of movement in transactions between 2017 and 2018. Meanwhile, average monthly house prices in Greater Glasgow grew annually by 5% during 2018. Moreover, the Savills Prime Index for the city area of Glasgow increased by 3% during the final quarter of 2018 compared to 2017.

As we enter the spring market, we anticipate more stock coming on the market. But a significant spike in applicants and viewing activity will continue to put upward pressure on values.

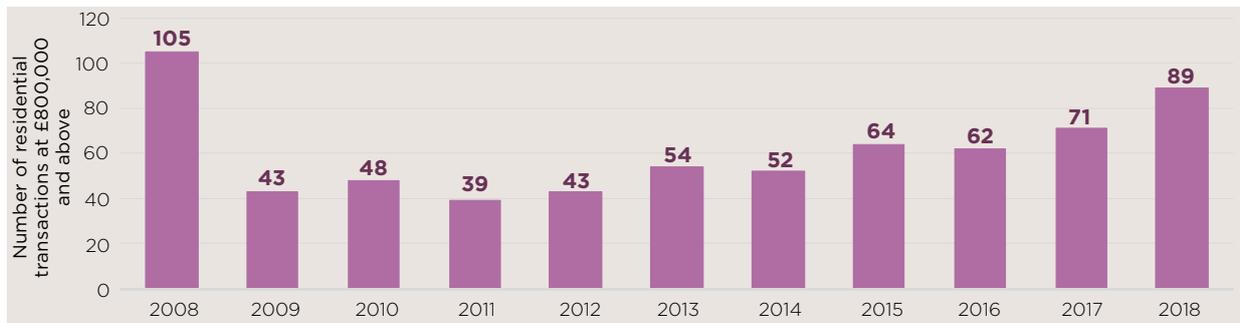
Market exceptions

Whilst the overall market lacked transactional growth, some price bands bucked the trend. The market above £800,000 saw a remarkable performance, with 89 transactions in 2018 compared to 71 in 2017. This figure was the highest since 2008. The majority took place in Glasgow's West End and Park and also Pollokshields and Newlands in the southside.

Activity above £800,000 also increased in the suburbs of Bearsden, Milngavie, Bothwell and Thorntonhall. However, high-end transaction numbers remained unchanged in the suburbs of Giffnock and Newton Mearns. Meanwhile, more attainable new build supply boosted the markets between £200,000 and £400,000 in the commuter locations of Lanarkshire and Renfrewshire.

Greater Glasgow market above £800,000

As the wider market remains stable, high-end transactions have increased



Source Savills Research

Country locations are climbing up

Prime transactional performance is now exceeding city locations, driven by realistic pricing

Country locations of Scotland include the heartland of Fife, Perthshire and Stirlingshire, as well as the Highlands, Argyll & Bute and the southern counties of Ayrshire, Dumfries & Galloway and the Scottish Borders. The prime country market continues to grow, enabled by realistic pricing and good value compared to city and urban properties.

Scotland's heartland is now the third largest prime market outside Edinburgh and Greater Glasgow. Whereas the markets in Perthshire and Stirlingshire remained steady last year, prime transactions in Fife reached 202 last year compared to 170 in 2017. Key to this growth was the hotspot of St Andrews, where the prime market as a percentage

of Fife as a whole grew from 36% in 2017 to 45% in 2018. Other notable locations in Fife where the prime market increased included the coastal locations of Aberdour and Dalgety Bay.

Top performer

Argyll & Bute was the top performing country location last year in terms of

A stabilising market

Transactions in commuter areas and certain price bands continue to recover

Residential activity across the Aberdeen area recovered during the second half of last year and average prices have remained steady in recent months. The number of residential transactions across Aberdeen City and Aberdeenshire increased by 2%, from 4,382 during the second half of 2017, to 4,483 during the second half of 2018.

Prime market outperforms

The Aberdeen area's market recovery is being led by the prime market. Transactions above £500,000 in Aberdeen City during 2018 were slightly higher than the number during 2017.

In Aberdeenshire, the second hand market between £300,000 and £500,000 and also above £700,000 witnessed a modest recovery over the same period. Transactional activity across all price bands in Aberdeen City's new build market also improved, supported by incentives.

Stock levels beginning to peak

The high level of available stock remains a key barrier to Aberdeen's long-term market recovery. Whilst the number is slightly higher than a year ago, it has

dropped by 9% since peaking in July 2018, when 5,674 properties were available. With the exception of the market up to £100,000, all other bands have seen stock levels beginning to ease. Supply is less saturated above £400,000 in particular, and this is being reflected in improved transactional activity in some areas. Whilst just over half of the overall stock has been unsold for a number of years, there are now more realistically priced mainstream properties being launched.

Outlook for prices

High stock levels have impacted house price performance in the Aberdeen area. However, prices are beginning to find their level, with the monthly average in Aberdeen City and Aberdeenshire staying around the £160,000 and £190,000 level respectively for most of 2018, according to the UK House Price Index.

Aberdeen area house prices ended the year 2018 approximately 4% lower than 2017. We expect price drops to ease in 2019, subject to a further reduction in stock levels. This will enable a recovery from 2020. Prices will follow a similar trend to the rest of Scotland from 2020 onwards, with 4% growth over the five-year period between 2019 and 2023.

The wider North East

Overall transactional activity across Angus, Dundee, Moray and southern Kincardineshire slightly dropped last year. However, the prime market bucked the trend recording a 22% increase in transactions.

Increased prosperity in Dundee led to prime growth in Angus, mainly in the market up to £500,000, with improved second hand activity around Brechin and the periphery of Dundee.

Prime transactions in Angus increased from 30 in 2017 to 43 in 2018, lifting average prices by 4%.

Transactional activity in Dundee City remained stable last year, despite constrained supply below £300,000. Above this level, transactions increased, which led to a 3% annual rise in average prices last year.

Further north in Moray, improved activity above £200,000 led to a 5% annual rise in the average transaction price during 2018.

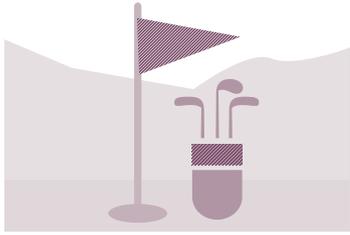
Whilst the overall market in southern Kincardineshire around Laurencekirk remains affected by the slowdown in the Aberdeen area, the second hand market above £300,000 remained stable.



prime transactional growth, attracting lifestyle buyers, many of which came from outside Scotland. The number of transactions above £400,000 increased from 54 in 2017 to a record 77 in 2018, led by Helensburgh and Oban. Below this level, the Argyll & Bute market saw improved activity in Dunoon and Lochgilphead.

In the south of Scotland, improved activity in Peebles and Melrose boosted the prime market in the Scottish Borders, where transactions above £400,000 increased from 128 in 2017 to 144 in 2018. The prime markets in the Highlands and Ayrshire, including the hotspots of Ayr and Troon remained steady. Dumfries & Galloway was one

of a few parts of Scotland that witnessed a rise in transactions during 2018 as a whole. This area had its strongest prime transactional market since 2010, with 37 taking place in 2018. In contrast to previous years, prime activity in 2018 reached into higher price bands, mainly taking place in Dumfries town and its surrounding area.



The magic of St Andrews

Over the past 10 years, St Andrews has established itself as the most expensive location for homes in Scotland. At £370,000, the average transaction price last year was 39% higher than Edinburgh and more than double the level of Scotland.

While prices per square foot in Edinburgh are beginning to reach £800, in St Andrews there have been 18 transactions in The Links, The Scores and Golf Place in recent years that exceeded this level, including 12 at £1,000 per square foot and above. The prestigious Hamilton Grand development has led the way with properties selling at up to £2,500 per square foot.

St Andrews attracts buyers from all over the world who are gripped by the history and magic of the place. Golf is one of the main purchasing reasons, with the town being recognised as the 'Home of Golf' and the Old Course being arguably the most famous in the world.

However, not all the buyers are golfers. Others are drawn to the town for its history, architecture and stunning coastline as well the university, which is the oldest in Scotland and third oldest in the UK.

Strongest market since 2008

Edinburgh's dominance grows, but some regional locations are making a comeback

Scotland's million pound market has enjoyed its strongest performance since 2008, with 211 transactions recorded during 2018. There were 18 above £2 million, the highest since 2008. With 128 transactions, including 15 above £2 million, Edinburgh continues to dominate. Whereas in 2016 and 2017 there was activity above £3 million, there were no transactions at this level in 2018.

However, 2019 data already shows a transaction at £3.25 million in St Andrews and, anecdotally, we understand a number of deals have been done above £4 million that have yet to be recorded. Interestingly, of the 211 transactions, only 26 can be classified as 'country' houses: with an average of 64 acres per country house, privacy is one of the main drivers of demand, especially for buyers from outside Scotland.

Edinburgh

The central hotspots of New Town and the West End recorded the highest number of million pound transactions in Edinburgh last year. However, the market remained steady compared to 2017 due to a lack of supply.

The strongest growth took place across inner suburbs, including The Grange, where transactions increased from 12 in 2017 to 22 in 2018. In Murrayfield, transactions increased from 10 to 15 over the same period. Transactions in the EH4 postcode, including Stockbridge, increased from 19 in 2017 to 23 in 2018. The outer suburbs of Barnton and Cramond saw eight transactions last year, the highest number since 2007.

Greater Glasgow

The million pound market across Greater Glasgow last year recovered to the level prior to the introduction of LBTT, with 31 transactions taking place in 2018. The majority took place in Glasgow's West End, Bearsden, Giffnock and Bothwell. Within Glasgow's West End, the Kelvinside neighbourhood saw six transactions in 2018, the highest number since 2006.

Aberdeen area

Local market recovery in the Aberdeen area is also being felt at the top end, with eight transactions during 2018. New build transactions made up half of the number in the city. Aberdeenshire saw two transactions, the first such activity since 2016. Across the wider North East, there were two in Angus, near Brechin, with overseas buyers purchasing both.

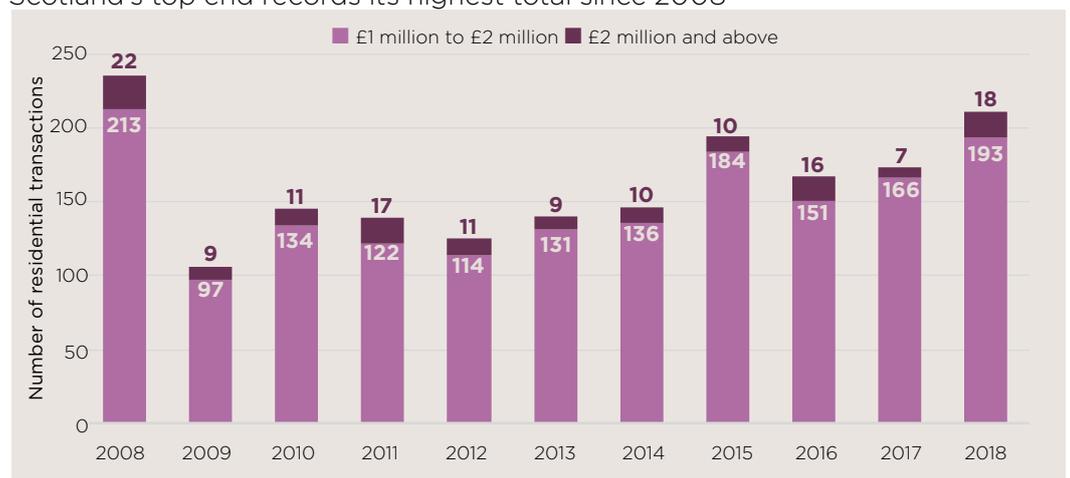
Regional locations

Scotland's heartland recorded its highest total since 2008 with 26 taking place in 2018. This included 14 in Fife and nine in Stirlingshire, both of which are record numbers. Once again, St Andrews dominated the Fife market, including nine new build transactions at The Scores and Hamilton Grand.

Stirlingshire witnessed one of only three transactions above £2 million outside Edinburgh last year. There were four transactions in the Scottish Borders, taking place in Melrose and Duns, one of which was above £2 million. Dumfries & Galloway saw its first million pound transactions since 2015, with three taking place last year.

Million pound residential transactions

Scotland's top end records its highest total since 2008





New build monthly house prices increased annually by 12% in Edinburgh and Glasgow

Awaiting opportunities

Demand for high quality product remains strong in the two main cities

In recent years, Scotland's new build developments have filled supply gaps where the second hand market has been lacking. New build transactions increased annually by 6% to 14,738 during 2017, supported by an increase in private new housebuilding over the same period.

However, a drop in housebuilding resulted in a 4% annual fall in transactions to 14,128 in 2018. The drop in supply has been felt especially in the main city hubs of Edinburgh and Glasgow. Between 2017 and 2018, new build transactions in Edinburgh fell by 24%, from 1,993 to 1,512. In the city area of Glasgow, new build transactions fell by 32%, from 1,578 to 1,074 over the same period.

As demand remains ever strong, the average new build monthly house price between October 2017 and October 2018 in both cities increased by 12%, according to the UK House Price Index.

In Edinburgh, the average went up from £269,186 to £300,286. In Glasgow, the average increased from £161,331 to £181,661 over the same period. Looking ahead, there are a number of significant sites in both cities due to launch. But we expect supply to remain discontinuous, thus keeping upward pressure on values.

Edinburgh

In the post-Quatermile era, there are now a handful of sites in central Edinburgh, with prices per square foot now reaching £800, typically attracting downsizers. There are a number of large sites currently marketing around the centre, with relatively affordable prices. At an average of just over £300 per square foot, these are attracting first-time buyers

as well as downsizers. Car parking availability remains a key selling point at developments in central and inner suburban locations. There is demand for more attainable, mainstream flatted product in Edinburgh, as evident in the strong rate of sales being achieved at current sites around the City Centre.

Demand for new build family housing is being met at several sites across the west and south east, where the average price per square foot is around the £250 level. The challenge for these sites is to create a sense of place, with a community feel.

Glasgow

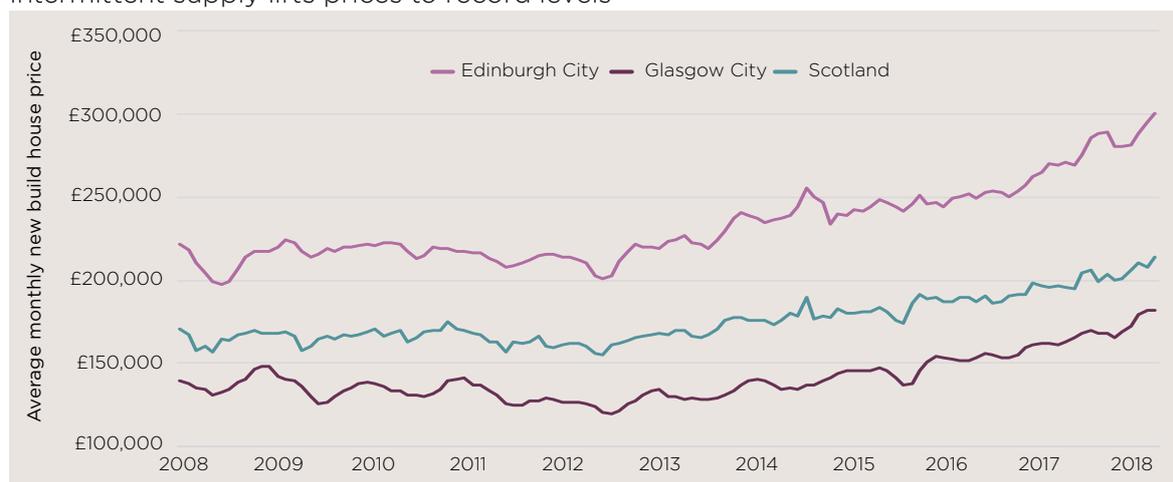
The highest prices per square foot in the city area of Glasgow are typically achieved in the West End. At present, a small number of sites are marketing, with prices per square foot ranging from £300 to £500. Some individual properties in the Park area have achieved closer to £600 per square foot.

There is long-term capacity for more high-quality developments at this pricing level in Glasgow's West End and also the City Centre, which remains starved of new build supply.

Across Glasgow's southside, a number of new sites have launched over the last year. With prices per square foot ranging from around £200 to £300, pricing will be key going forward as more future sites will result in increased competition. Demand for family housing remains strong on the periphery of Glasgow and locations that have good access to schooling.

Average monthly new build house price

Intermittent supply lifts prices to record levels



Source UK House Price Index



Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market.

Research

Faisal Choudhry

Head of Scotland
Residential Research
0141 222 5880
fchoudhry@savills.com

Business

Andrew Perratt

Head of UK Country
Residential
0207 016 3823
aperratt@savills.com

Cameron Ewer

Head of Scotland
Residential
0141 222 5864
cameron.ewer@savills.com

Jamie Macnab

Head of Country
Houses
0131 247 3711
jmacnab@savills.com

Ben Fox

Head of Edinburgh
Residential
0131 247 3736
bfox@savills.com

Ruaraidh Ogilvie

Head of North East
Residential
01356 628 628
rogilvie@savills.com

Fiona Gormley

Head of Aberdeen
Residential
01224 971 122
fgormley@savills.com

Carole Mackie

Head of Scotland Residential
Development Sales
0141 222 5886
cmackie@savills.com

Natalie Simpson

Head of Edinburgh Residential
Development Sales
0131 247 3757
natalie.simpson@savills.com