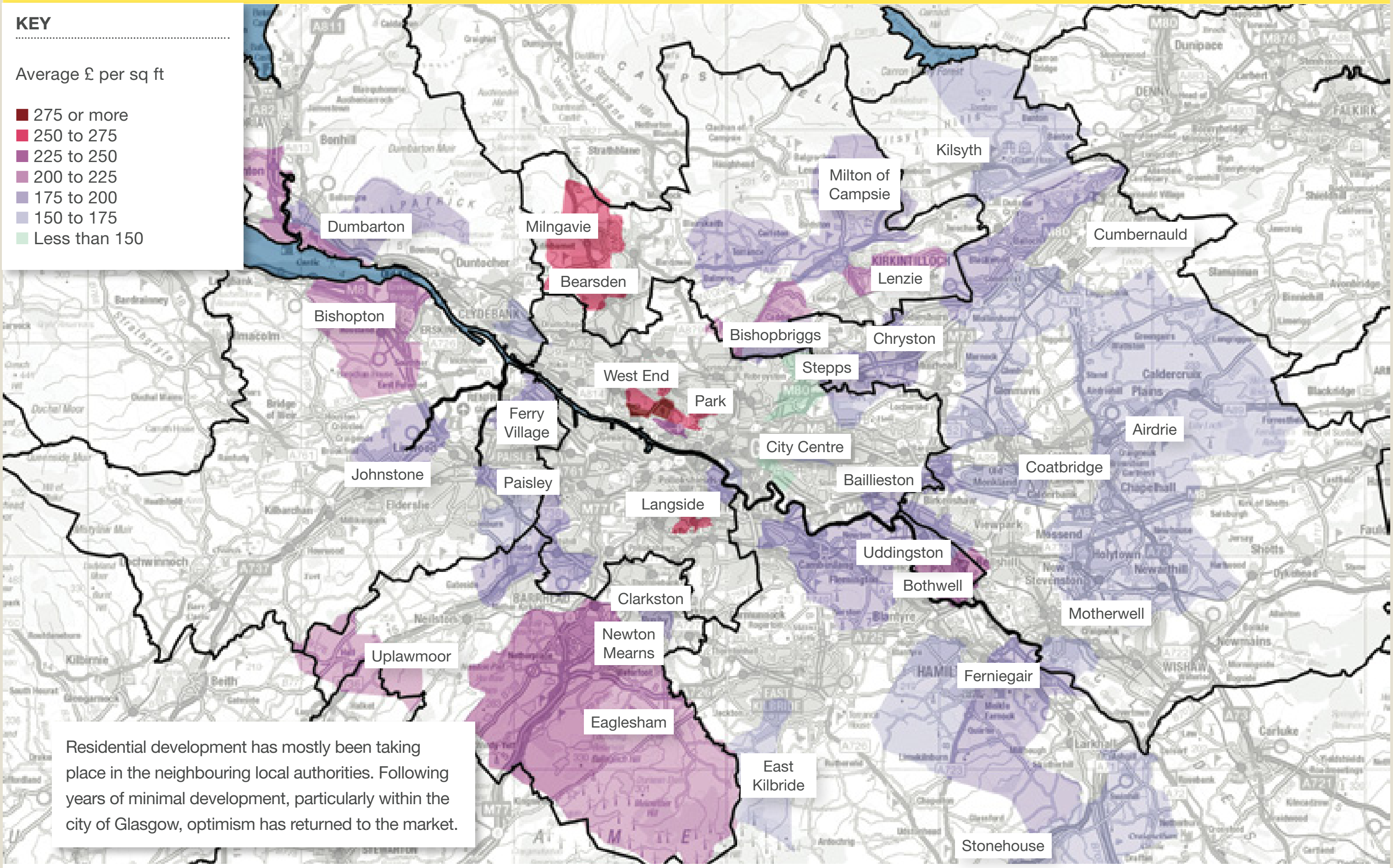
Spotlight
Residential Development in Glasgow and the Surrounding Areas

Summer 2015



Residential development has mostly been taking place in the neighbouring local authorities. Following years of minimal development, particularly within the city of Glasgow, optimism has returned to the market.

SUMMARY

Residential development in Glasgow and the surrounding areas is witnessing a resurgence

■ The Scottish Government's latest figures report that the number of private sector completions across Scotland in the year to September 2014 was 18% higher than the previous year. Despite this the number of units completed per year remains considerably below peak levels.

■ The city of Glasgow has borne the brunt of the decline. Completions were 85% below peak in the year to September 2014, but the market is now stabilising. Neighbouring local authorities have not suffered to the same extent. In Dunbartonshire (East and West) completions now stand 33% above peak.

■ Initiatives such as Help to Buy, combined with relatively favourable mortgage conditions, have put home ownership within reach of many and this has helped to make a number of developments viable and increased demand.

■ This document aims to give a brief insight into the residential development market so that we can better understand the forces at work and aid the decision making for developers in the months ahead.

RESIDENTIAL DEVELOPMENT MARKETS

There are three distinct residential development markets at play within the city of Glasgow and the wider area. These are closely linked to the historical development of the city and reflect the continuing evolution of the area.

We have grouped the development markets under three main headings: traditional Victorian city suburbs, suburban communities and new regeneration neighbourhoods. While distinct, these markets do not operate in isolation, they influence and impact on each other within the city and beyond.

KEY POINTS

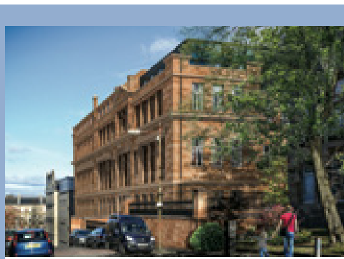
Glasgow at a glance

- Confidence is returning to Glasgow City's development market.
- Victorian City suburbs continue to command a premium due to high demand and constrained stock.
- Family housing in suburban communities with good schools continue to be in high demand.
- Downsizers will have an increasing influence on the residential development market.
- Attainably priced homes in regeneration neighbourhoods are in high demand.

VICTORIAN CITY SUBURBIA

Traditional Victorian suburbia represents neighbourhoods such as Dowanhill and Hillhead in the West End and Pollokshields, Newlands and Shawlands in the Southside. Typically these areas are dominated by Victorian townhouses, villas and large tenement flats. Consequently, these areas are well established and therefore developments tend to be smaller in scale and are more often than not conversions.

The average site density we have analysed in these areas was 28 units. Most of these are coming towards the end of their stock, and as a consequence many upcoming developments in these areas have substantial waiting lists. Some developments in these areas have been achieving around £300 per square foot, but the majority are within the £250 to £290 bracket and we would anticipate upwards pressure if stock was to become more constrained.



THE SCHOOL HOUSE, HILLHEAD
Barony Homes
Former Hillhead Primary School being converted to 35 apartments. Due to launch June 2015, the site has a large waiting list.

ESTABLISHED SUBURBIA

Communities such as Jordanhill, Bearsden, Bishopbriggs, Stepps, Burnside, Newton Mearns and Ferniegair have witnessed considerable development over the past 150 years. They have Victorian roots but have gained a reputation for family orientated housing and excellent transport links.

Sites in these areas are larger, averaging 114 units with a sales rate of 2.8 per month. This rate of sale represents the strong demand for high quality but attainably priced family housing in established locations. The average price here was between £175 and £190 per sq ft.

Downsizers are becoming an important market in these locations and as Scotland's population ages this will become even more apparent. Consequently, well designed, centrally located flatted schemes which appeal to downsizers and first time buyers alike are commanding significant premiums.

MATTHEW COURT, OLD CATHCART
Dickie and Moore
Exclusive new build development of 28 apartments. Due to launch Summer 2015 and has significant waiting list.

NEW REGENERATION NEIGHBOURHOODS

These developments are located on ex-industrial brownfield sites which often lie alongside Glasgow's River Clyde. Their heritage means that they are often large and within close reach of city and town centres. Of the sites analysed there were an average 318 units per site.

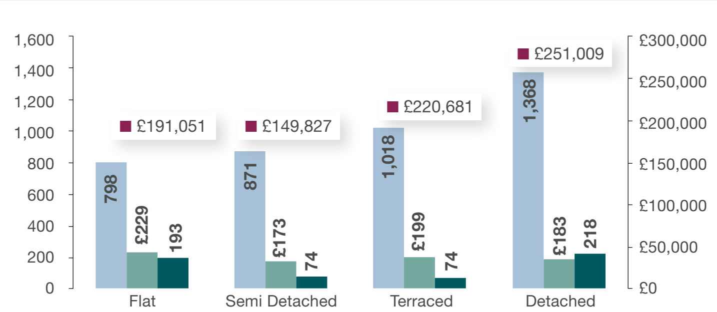
Within the city of Glasgow the product is primarily attainably priced modern flats, with parking and within easy access of the city centre. For example, the average price for a flat across the sites analysed was £107,569 which is 44% below the city average. Out with Glasgow the sites offer attainably priced, high quality family housing.

Help to Buy was particularly beneficial for these developments and whilst it has come to an end these developments should have generated enough momentum to enable further expansion of these communities.

DEANS GATE, FERRY VILLAGE
West Register
Now sold out this development gained considerable momentum towards the end as Ferry Village gained popularity and became more established.

AREA FACT SHEETS

■ Average sq ft ■ Average price per sq ft ■ Size of Dataset ■ Average Price

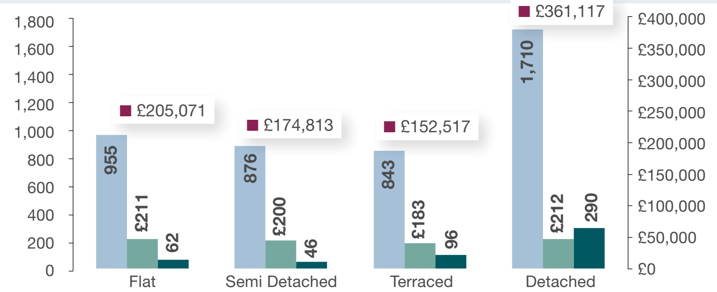


Glasgow City

■ Glasgow is at the forefront of all three identified residential markets.

■ In the most popular central areas of the West End and Southside price per sq ft are in excess of £250. Flats dominate here and this pushes up the city average despite the influence of regeneration sites.

■ In suburban locations prices per sq ft are between £175 and £190 and these account for the majority of family housing.

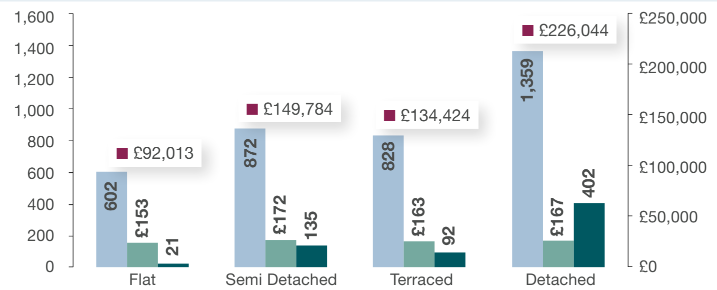


Dunbartonshire

■ Transport links and schools are key drivers for Dunbartonshire.

■ Detached properties account for 60% of properties analysed and Dunbartonshire had the highest average price for a four bed detached property of all areas analysed.

■ Furthermore Dunbartonshire has the largest average size of flat and one of the highest price per sq ft.

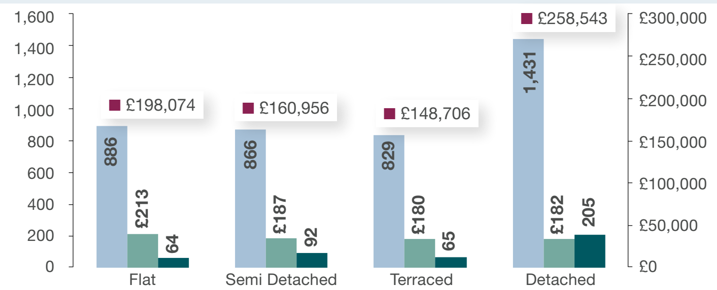


North Lanarkshire

■ Ex-industrial sites, strong train connections and attainably priced homes are the key drivers here.

■ Once again detached properties account for the majority of properties analysed. North Lanarkshire has the lowest average price across the greater Glasgow area.

■ However, sales rates here are some of the strongest with a number of sites exceeding four per month.

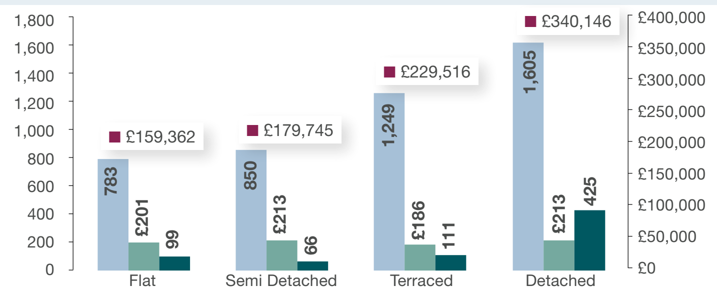


South Lanarkshire

■ South Lanarkshire is populated by established towns located along train lines. Each town has its own community and supply is a key factor in terms of prices.

■ Bothwell has limited supply and is well established and prices per sq ft are around £250.

■ Meanwhile in East Kilbride, which is further away from Glasgow and where supply has been plentiful, average prices per sq ft are in the region of £175.



Renfrewshire

■ The market in Renfrewshire is notable by the measurable good schools effect and popular ex industrial regeneration sites.

■ Newton Mearns accounts for 25% of new build development analysed in Renfrewshire. It is also responsible for the highest price per sq ft of £243.

■ By comparison, developments in more up and coming areas such as Ferry Village and Nitshill the average £ per sq ft is around £160 to £175.

Source: Savills

LOOKING FORWARD: DEVELOPMENT LAND

As optimism returns to the residential development sales market, development land has seen a resurgence, with new sites coming onto the market. Furthermore, sites which have been lingering are coming forward for planning and for sale.

VICTORIAN CITY SUBURBIA

The development land market in these locations has benefited considerably from the reorganisation of public sector assets, from schools to hospitals, and consequently supply is set to increase. The majority of sites are refurbishments and conversions which place limitations on the scope of the development. There have been some larger, cleared sites which have come or are due to come to the market and these have generated considerable interest.

ESTABLISHED SUBURBIA

These markets continue to be relatively consistent and land agents and buyers alike continue to work with local landowners, communities and councils to bring forward land in these locations.

As optimism has been returning developers have been looking beyond the traditional, high demand established communities and getting strong results.

NEW REGENERATION NEIGHBOURHOODS

Many regeneration areas in the city of Glasgow and the surrounding areas have benefited from Help to Buy and this has helped with the initial development of communities in these areas.

While the first lots of land were considered higher risk and consequently relatively good value, latterly regeneration sites have gained significant interest and despite the end of Help to Buy the momentum gathered to date should help to sustain demand.

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Please contact us for further information

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