



REPORT
Savills Research

PRIME SCOTLAND RESIDENTIAL

WINTER 2021



“ As winter approaches, the market, though less frenzied compared to earlier this year, remains well above normal conditions ”



MARKET PERFORMANCE INDICATORS

122,412

Scottish transactions (Sep 2020-Aug 2021) the highest number in 13 years

8,755

Prime transactions (£400k+, Sep 2020-Aug 2021), a record for this time period

435

Million pound plus transactions (Sep 2020-Aug 2021), a record for this time period

122%

Prime transactions in country areas were 122% more than the pre-pandemic three-year average

8.1%

Prime value annual growth in Scotland (Q3 2021 v Q3 2020), the highest in 11 years

-27%

Homes with five or more bedrooms in Scotland's cities spent on average 27% less time on the market (Oct 2021 v Oct 2020)

Source Registers of Scotland, Savills Research, Home.co.uk

Unprecedented demand

Prime residential property in Scotland continues to operate well above pre-pandemic levels

A remarkable period of housing market activity has led to the highest number of Scottish transactions in 13 years (Sep 2020-Aug 2021) and a record number of prime sales above £400,000 in both urban and country locations. This is despite Scotland not benefiting from the same level of tax holiday on offer south of the border.

As winter approaches, the market, though less frenzied compared to earlier this year, remains well above normal conditions. According to data provider TwentyCI, the number of agreed sales in Scotland above £500,000 during October was 38% higher than the average for the same month between 2017 and 2019.

Demand outweighs supply

With improved seller confidence, the number of £500k+ new properties coming on to the market in October was 23% higher than the pre-pandemic average. This follows a formidable vaccination programme and relaxation of lockdown rules. Yet, there is a shrinking pool of stock, with 22% fewer properties listed at any one time.

Whilst supply has improved, there is unprecedented demand, with the number of new buyers registering with Savills to buy a Scottish property 61% higher in October than two years ago.

Consequently, well-priced properties are selling almost as quickly as they become available in the most sought-after areas. As a result of competitive bidding and strong premiums, prime Scottish values are 8.1% higher than a year ago, which is the highest annual growth figure in 11 years.

Strong commitment to moving

Looking ahead, with a continuation of hybrid working patterns and changing buyer requirements, there is still a relatively strong core of unsatisfied demand, with a net balance of +16% of respondents to our September survey of buyers and sellers indicating more commitment to moving at some point in the next 24 months. The ongoing supply/demand imbalance underpins our forecast of 4.0% annual growth in prime and mainstream Scottish values next year.

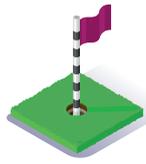
But the increased cost of living and gradually rising interest rates are expected to temper medium term prospects of price growth, as buyers' spending power is gradually reduced. An alignment of buyer and seller expectations will therefore be vital in order to maintain market momentum.

Forecasts Annual change in residential values

	2022	2023	2024	2025	2026	5-year compound growth
UK mainstream values	3.5%	3.0%	2.5%	2.0%	1.5%	13.1%
UK prime regional values	4.0%	3.5%	3.0%	3.5%	4.0%	19.3%
Scotland mainstream values	4.0%	3.5%	3.0%	2.5%	2.0%	15.9%
Scotland prime values	4.0%	4.0%	3.5%	4.5%	5.0%	22.8%

N.B. These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate.

Source Savills Research



As the international market returns, prime transactions in St Andrews doubled to 137 over the last year

Country life

Scotland's country locations are attracting a large number of prime buyers seeking a lifestyle change

The desire for a lifestyle change continues to drive Scotland's prime country markets. Here, transactions above £400,000 during the 12 months ending August 2021 were 122% higher than the pre-pandemic average. But demand for more space has led to stock shortages, with 40% fewer properties advertised above £500,000 in October compared to the pre-pandemic average. Consequently, prime values here were up 8.5% during the 12 months ending September 2021. As buyers take advantage of greater flexibility in their working lives and widen their traditional search area, let's look at the leading locations.

Heartland

Perthshire's prime market in Scotland's Heartland has seen more activity in Perth City and its surrounding villages alongside Crieff and Auchterarder. Stirlingshire also saw a rise in prime transactions in the city area of Stirling, Bridge of Allan and the villages of Aberfoyle and Kippen towards the Loch Lomond and Trossachs National Park. Meanwhile, both Dunblane and also

Dollar in Clackmannanshire continue their recovery following an unusually lean period of prime activity.

As the international market returns, prime transactions in St Andrews doubled to 137 over the last year. The nearby relatively attainable town of Cupar and coastal villages in the East Neuk, including Elie have also attracted more buyers over the last year.

South West and Argyll

Ayrshire's 295 prime transactions over the last year were fuelled by demand for coastal properties and holiday homes along the Firth of Clyde, led by Ayr, Troon, Seamill and the Isle of Arran. Value for money compared to the southside of Glasgow has also lifted places inland like Stewarton. Meanwhile, Dumfries and Galloway saw 104 prime transactions, led by the Dumfries Town and Castle Douglas areas.

In Argyll, prime market conditions in the seaside hotspot of Helensburgh are the strongest in a decade, with a rise in activity further west in the coastal town of Oban.

North East and Highland

With pragmatic pricing at its heart, Angus has attracted a wide range of buyers resulting in a three-fold rise in prime transactions. Whilst the market was led by Montrose and Forfar, transactional activity also increased in southern Kincardineshire at the edge of Aberdeenshire and parts of eastern Perthshire. However, the level of buying activity over the past 12 months has created shortages in the amount of property available to buy.

The country market in Aberdeenshire saw a significant pickup, including in areas like the attractive Deeside village of Aboyne. Meanwhile, Highland's prime market increase was led by locations in the Black Isle, Inverness and Nairn corridor, stretching out to Elgin and Forres in Moray.

Borders

Activity in the Scottish Borders was led by areas within reach of Edinburgh, including Peebles and West Linton and towns close to the border with England, including Eyemouth, Duns, Kelso and Jedburgh.

Most expensive villages in Scotland with at least 10 transactions

One-year performance (September 2020 to August 2021)		
Village	Average transaction price	Number of transactions
Dirleton, East Lothian	£969,000	17
Strathblane, Stirling	£591,000	17
Rumbling Bridge, Perth and Kinross	£513,000	10
Earlsferry & Elie, Fife	£489,000	46
Crathes, Aberdeenshire	£487,000	14

Five-year performance (September 2016 to August 2021)		
Village	Average transaction price	Number of transactions
Dirleton, East Lothian	£843,000	61
Inveresk, East Lothian	£620,000	35
Thorntonhall, South Lanarkshire	£587,000	128
Stenton, East Lothian	£550,000	17
Meikleour, Perth and Kinross	£547,000	25

Source Savills Research

💡 Transactions above £400,000 during the 12 months ending August 2021 were 63% higher than the pre-pandemic average 💡

Intense activity

Strong activity in the prime markets of Scotland’s main cities is being driven by competition for larger homes

While Scotland’s country locations have led the prime market over the last year, activity in the main cities and suburbs remains intense, as office workers progressively return to the city centres. Transactions above £400,000 during the 12 months ending August 2021 were 63% higher than the pre-pandemic average. Fuelled by a desire for larger homes, prime values in Scotland’s cities and towns went up annually by 7.6% in the 12 months ending September 2021. Let’s dive in to the data and trends currently shaping these markets.

Edinburgh remains robust

Supply and demand in Edinburgh’s prime market is relatively balanced, though there are stock constraints at the top-end. Fierce competition for family homes led to an 8.3% annual rise in prime values. But there is more choice for buyers in the market for flats and properties that offer limited private outdoor space.

While the popular inner suburbs of Grange, Morningside and Merchiston remain the epicentre, Inverleith, Stockbridge and Trinity were the standout locations, with 92% more prime transactions than the pre-pandemic

average. In central areas, increased demand for townhouses has supported prime activity in the city’s New Town and West End. The market continues to expand in Corstorphine and Duddingston, with new developments fuelling Cammo and Leith, which was recently ranked 4th in the world’s 50 ‘coolest’ neighbourhoods by travel magazine Time Out.

New build developments have also supported growth in surrounding areas. Here, prime activity was at its strongest in Linlithgow in West Lothian and East Lothian’s coastal areas of North Berwick, Gullane, Dunbar and Aberlady. Meanwhile, value for money has supported growth in Haddington and Penicuik.

Glasgow scales new heights

A record 713 prime transactions in the city area of Glasgow were led by demand for second-hand and new build properties in the West End, Park and Jordanhill areas and family homes in Pollokshields and Newlands. The market has also grown in emerging prime locations such as North Kelvinside.

Outside the city, new build sales boosted prime market growth in Newton

Mearns, Kirkintilloch and Bishopbriggs. Meanwhile, a strong second-hand market has supported Bearsden, Kilmacolm and Giffnock. Whilst Bothwell and Thorntonhall remain Lanarkshire’s prime mainstays, the market here has recovered in commuter towns and attractive villages along the Clyde Valley.

Aberdeen is back

The city and surrounding areas are witnessing their best prime transactional markets since the oil and gas led housing market downturn. Growth was led by the second-hand and new build markets in the popular AB15 postcode and areas within easy reach of the city, including Inverurie, Banchory and Stonehaven. Although stock levels continue to reduce, the market remains price sensitive.

Dundee outshines

Dundee’s record prime transactional market above £400,000 was led not only by the traditional hotspot of Broughty Ferry, but also in the west of the city in neighbourhoods around Ninewells Hospital and peripheral new build developments, spilling out into the villages of Liff, Piperdam and Auchterhouse.

Prime Scotland price movements during Q3 2021

Area	Edinburgh City	Edinburgh Country	Glasgow City	Glasgow Country	Perthshire	North East	All Prime Scotland
Quarterly growth v Q2 2021	1.7%	2.9%	2.0%	1.8%	4.0%	2.1%	2.4%
Annual growth v Q3 2020	8.3%	11.8%	6.4%	4.5%	9.9%	5.2%	8.1%
Since peak of 2007/08	18.8%	-15.5%	7.7%	-21.6%	4.0%	-10.4%	-7.1%

Source Savills Research



Most of Edinburgh's prime neighbourhoods saw record numbers with Murrayfield and Trinity standing out

Top-end market grows

Scotland's million pound market continues to expand with the capital still dominating proceedings

Scotland's market expansion at the top-end resulted in a record 435 transactions above £1 million during the 12 months ending August 2021, a record for this time period. This includes the highest price ever paid for a residential property in Scotland (a seven bedroom home in The Grange, Edinburgh), a record that has stood for 14 years. With Edinburgh continuing to dominate this market, some areas have seen more activity than ever before.

Edinburgh dominates

The capital recorded 251 transactions above £1 million, including six of Scotland's nine above £3 million. The majority of second hand million pound plus activity over the last year was in the inner suburbs of Grange, Morningside and Merchiston. Nearly all of the city's prime neighbourhoods saw record numbers with Murrayfield and Trinity standing out.

Million pound transactions averaged in the single digits here before the pandemic but over the last year, Murrayfield saw 30 and Trinity 16.

With six transactions over the last year, Inverleith Row, near the Royal Botanic Garden, was one of the capital's most active million pound thoroughfares.

Outside Edinburgh, East Lothian's record 32 transactions were mainly concentrated in North Berwick, Haddington and Gullane.

Greater Glasgow expands

The city area of Glasgow saw a record 34 million pound plus transactions over the last year, mostly in the West End and Park Areas. Here, Kingsborough Gardens and Park Circus recorded nine transactions between them. In the suburbs, the sought-after Whitecraigs area of Giffnock dominated million pound activity in East Renfrewshire. In the north however, a lack

of supply has limited top-end activity in Bearsden and Milngavie.

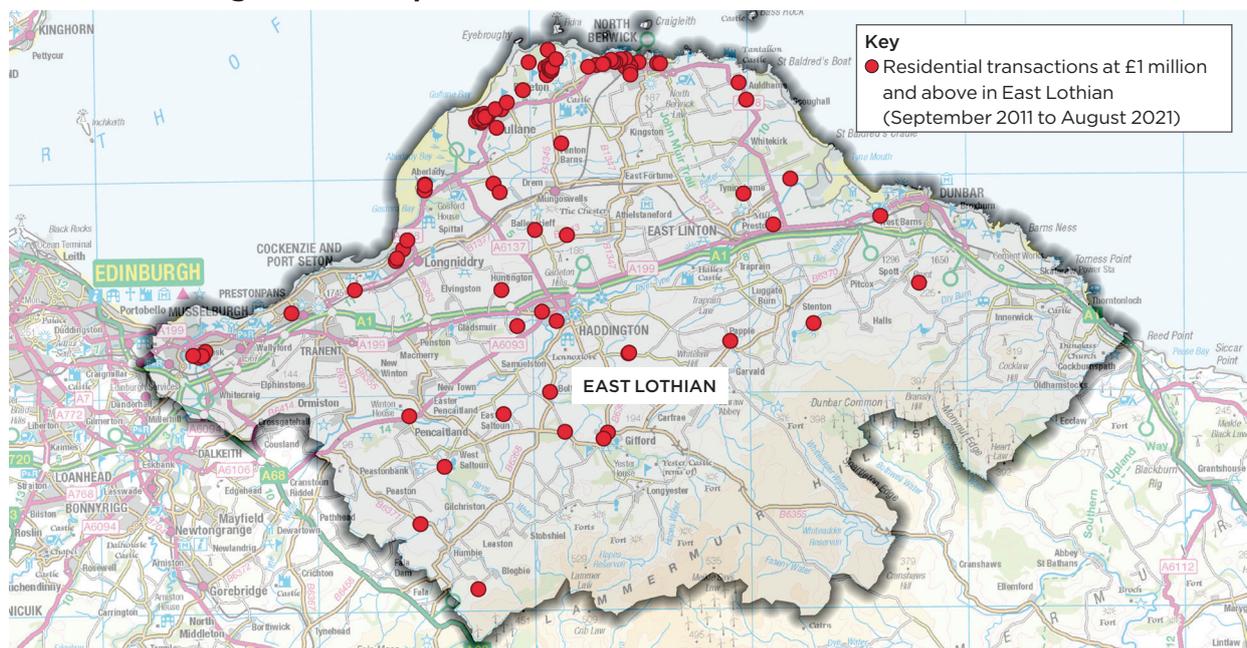
Heartland leads country areas

Scotland's Heartland saw 40 million pound plus transactions over the last year, spread over a number of towns and villages. Whilst St Andrews dominates Fife, there was a rise in Elie and Earlsferry. Perthshire saw top-end sales in Strathtay, Comrie and Gleneagles, whereas Bridge of Allan, Dunblane and Strathblane contributed to Stirlingshire's share of the Heartland's million pound market.

Rest of Scotland

Million pound plus activity in other parts of Scotland, though limited, was at its highest level in over a decade. Significantly, the Aberdeen area saw 14 top-end transactions in the 12 months ending August 2021, the highest annual number for this time period since 2015.

Over the last 10 years, the highest number of Scottish million pound plus transactions outside Edinburgh has taken place in East Lothian



Source Savills Research

“ Nearly a fifth of Scotland’s new build activity has taken place in the city hubs of Edinburgh and Glasgow ”

Building momentum

Scotland’s new build market is witnessing impressive levels of transactional growth and an increase in prices

We are seeing elevated levels of activity across Scotland’s new build market, with the number of transactions reaching 15,715 during the 12 months ending August 2021. This is the highest annual figure in over a decade and 9% higher than the level two years ago before the Covid-19 pandemic. Nearly a fifth of new build activity has taken place in the city hubs of Edinburgh and Glasgow. Here, transactions are 16% higher than the pre-pandemic level. Let’s examine the main drivers of demand.

Demand for space

Alongside transactional growth, the average price for new build properties has reached a record £346,672 in Edinburgh and £265,655 in Glasgow, boosted by demand for larger properties that offer more outdoor space.

However, the new build market for first time buyers in Scotland remains challenging following the end of the Help to Buy scheme and restricted lending on higher loan to value mortgages, particularly for flats.

Competition for sites

Strong house price growth, high forward sales and reservation rates, an increasing appetite for sites from a range of players and an acute shortage of opportunities have driven upward pressure on development land values across Scotland.

In the last quarter, Scottish greenfield land values grew by 3.9% and urban values by 2.0%, marking the highest quarterly growth in greenfield values in four years.

Competition for development land has continued to increase significantly over the summer. A net balance of 89% of Savills development agents reported increasing bid levels in Q3 2021 compared to normal levels. Bid values have exceeded guide prices significantly in many markets as a result.

Many developers are looking beyond their normal site size and location to secure sites. This ranges from major housebuilders looking to purchase larger sites through to considering much smaller sites than they normally would

as well as those in more secondary locations. As a result, all types of sites are sought after.

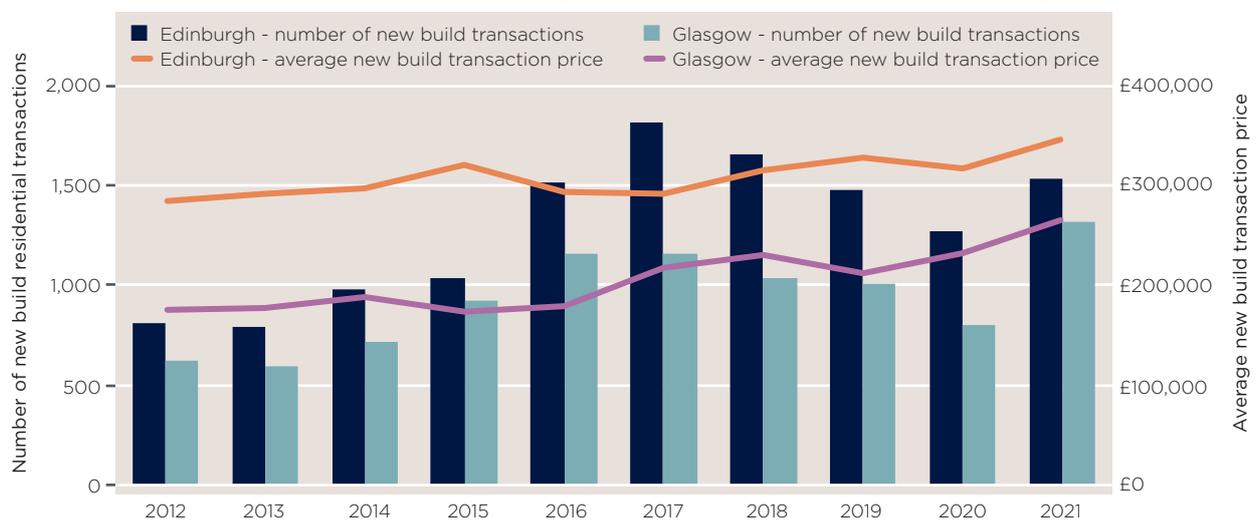
Supply constraints lie ahead

Looking ahead, with hybrid working patterns likely to continue, buyers will continue to seek homes that offer more space due to the experience of Covid-19 and ensuing lockdowns.

As people return to work in towns and cities, we will see increased demand for a wider range of homes in 20-minute neighbourhoods in which daily necessities, such as work, shopping, entertainment, schools and recreation are all within a 20-minute walk or cycle from a home.

But new build supply remains intermittent due to growing delays in the availability of labour and materials, alongside chronic delays in planning. These factors will continue to apply upward pressure on values going forward, particularly for good quality and appropriately priced properties in desirable hotspots.

New build transactions and average prices in the city areas of Edinburgh and Glasgow



Source Savills Research



We anticipate strong demand for larger properties to continue in city and suburban areas

Rental dynamics

Rental growth has been achieved across Scotland’s main cities and surrounding areas with Dundee the stand-out performer

Some of the trends driving Scotland’s prime residential sales market over the last 18 months have also played out in the rental market. These include the search for space and demand for high quality properties.

But constrained supply is an issue here too, as evident in the 4.7% annual increase in the average asking price per calendar month during Q3 2021 across Scotland, according to Citylets.

Let’s focus on rental dynamics across the main cities and their surrounding areas.

City markets

Edinburgh’s rental market has turned a corner following the absorption of some of the excess stock that had suppressed prices earlier this year. Though the number of listings for one and two bedroom properties is above the five-year average, there is a lack of availability of larger properties as demand for space and family homes near top-performing schools remains strong.

Consequently, average rents for three and four bedroom properties went up annually by 5.8% and 3.6% compared to an overall city rise of 1.6%.

The lack of choice is more acute in Glasgow, where returning students and short-term rental opportunities related to COP26 have pushed average prices up annually by 10.3% to £928 per calendar month, according to Citylets.

Aberdeen has seen two consecutive quarters of meaningful rental growth for the first time since 2014. As economic conditions here stabilise, there is growing demand for larger properties. Much like the local sales market, Dundee’s rental market continues to outperform, with average rents increasing annually by 11.7% boosted by demand from students.

Surrounding locations

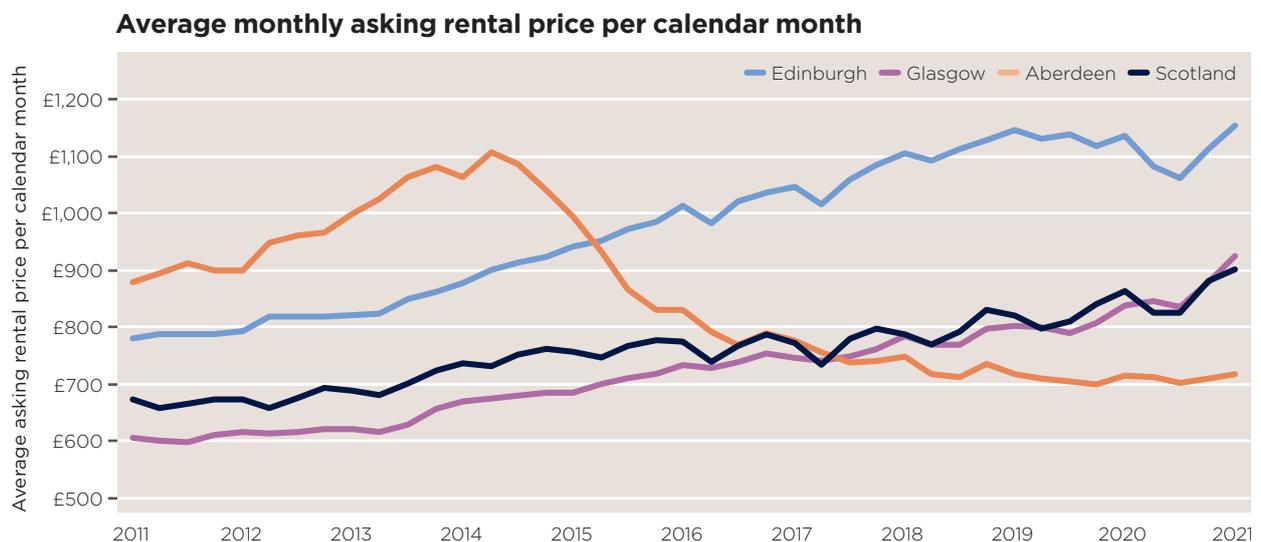
Scotland’s suburban and commuter areas benefitted substantially from the shifts in tenant preferences as a result of the pandemic, with a sharp rise in the number registering with Savills to rent

a property. These high levels of demand have been sustained, driven by the ‘try-before-you-buy’ brigade, often coming out of the cities. But this has also been supplemented by the needs of accidental tenants that have been unable to secure a property in the busy sales market.

As a result, average rental growth over the last year in West Lothian, Lanarkshire and Renfrewshire has ranged between 7% and 10%, according to Citylets. Stock remains low across commuter areas, which will continue to put upward pressure on rents.

Looking ahead

We anticipate strong demand for larger properties to continue in city and suburban areas. But as we see the continued return of key tenant groups such as students, professionals and corporate relocations, we expect a pickup in rents across the board, particularly for smaller properties in Edinburgh, accelerated by a shortage of stock available to rent.



Source Savills Research using Citylets

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.

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