

UK Residential - Autumn 2020



REPORT

Savills Research

Scotland Residential

savills

Reshaping priorities

How changing attitudes to work-life balance are accelerating activity across Scotland's housing market

“ The experience of Covid-19 has caused potential buyers to reconsider their work-life balance ”

THE LOCKDOWN EFFECT*



66%

A garden or outside space more important



55%

Wi-Fi/a good internet connection more important



55%

Find a countryside or village location more attractive than before Covid-19



46%

A separate space to work from home more important



35%

More inclined to work from home



33%

More committed to moving in the next 12 months

*Key findings from our August survey of Scottish buyers and sellers

A period of change

As buyers adjust to the experience of Covid-19, pent-up demand and the desire for space are driving the market

The performance of Scotland’s housing market since it reopened at the end of June is being driven not only by a release of pent-up demand that was present before the lockdown, but also by changing buyer needs, with a renewed appetite for space.

The experience of Covid-19 has caused potential buyers to reconsider their work-life balance, with a greater commitment to moving, not just in the next 12 months but also in the shorter term.

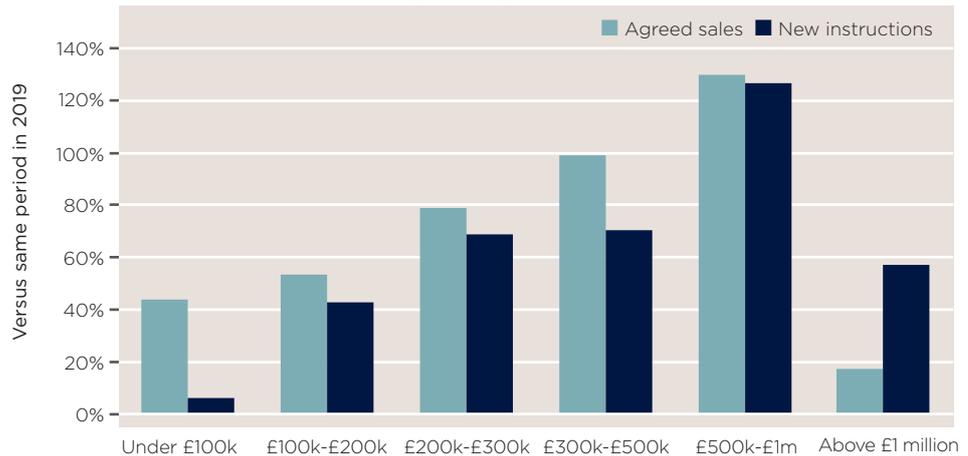
Consequently, the number of sales subject to contract (SSTCs) during July and August 2020 was 60% higher than the same period last year, according to data provider TwentyCi.

As we look forward, despite a healthy build-up of new buyer registrations and a rise in viewings, both buyers and sellers will need to remain pragmatic if the current levels of activity in the market are to be sustained, given the economic uncertainty.

While the market will remain price sensitive, Scotland’s value gap and the behavioural change sparked by the experience of lockdown underpin our expectation of modest price adjustments in the short term before a return to growth, supported by economic recovery.

Market activity in Scotland during July and August 2020 compared with the same period in 2019

Activity has been amplified in the prime markets due to the relative financial security of buyers



Source Savills Research using TwentyCi

Prospective buyers and sellers views on house price growth

● Next year ● 5 years





There is capacity for further growth across the Edinburgh and Glasgow city regions, underpinned by long term economic and population growth

Living in the city

Buyer demand remains strong across Scotland's cities with properties in Glasgow and Edinburgh selling faster than any other UK city



Athole Gardens, Glasgow
Offers Over £950,000

Despite the renewed interest in country living, the markets in Scotland's cities remain strong due to their access to green spaces, resilient local economies and value for money compared to their counterparts south of the border.

In fact, homes in Glasgow and Edinburgh are selling faster than any other UK city. Properties in Glasgow took an average of just 16 days to sell between May and August this year – down from 22 days a year ago, according to a report by Zoopla.

As a result, in the eight weeks following the opening of the housing market, the city hubs of Edinburgh and Glasgow each saw around 2,600 agreed sales compared to 1,900 during the same period last year, according to TwentyCi.

Whilst the majority of properties are purchased by locals, those from outside Scotland make up a quarter of Savills sales as buyers look to use the equity they have built up to secure a new home and lifestyle north of the border.

Demand for larger properties and more outdoor space continues to drive activity in the popular inner suburbs of

Grange, Morningside, Merchiston, Murrayfield, Inverleith and Trinity in Edinburgh and Pollokshields and Newlands in Glasgow. Edinburgh's prime market growth continues to spread further, most notably in Duddingston and Juniper Green.

Interestingly, properties in central locations such as Edinburgh's New Town, Stockbridge and the West End, as well as Glasgow's Park area and West End continue to attract buyers. Here, supply remains constrained, with access to the numerous resident gardens being an important factor for buyers.

Outside the cities

Access to catchment areas of good schools remains a driving factor in locations such as Bearsden, Milngavie, Clarkston, Giffnock and Newton Mearns in Greater Glasgow. For this reason, the districts covering these neighbourhoods saw a 46% rise in agreed sales since the market reopened, compared to the same time last year.

Meanwhile, the relatively attainable Lothians around Edinburgh also

witnessed a 46% uplift in agreed sales, fuelled by the new build market in the coastal hotspots of East Lothian and commuter locations around the City Bypass. Residential developments also supported a 47% increase in agreed sales in some of Glasgow's commuter towns across Lanarkshire, Renfrewshire and Dunbartonshire.

There is capacity for further growth in the city regions, supported by long term economic and population growth. However, as we enter the autumn market, we advise sellers to remain realistic on price expectations, given the recent significant increase in supply, particularly for Edinburgh City Centre flats.

Aberdeen area market

Amongst the activity this summer, one of the surprise findings was the near doubling in agreed sales in the oil and gas dependent Aberdeen area. But this has come off a low base given the suppressed market conditions of the last few years.

However, prior to the lockdown, the market was recovering, led by traditional city hotspots such as the West End, Cults and Bieldside. Areas within easy reach of the city such as Inverurie, Ellon, Stonehaven and Westhill also remained strong. The incentivised new build market was attracting buyers and lifting areas in the north and west of the city.

Like the rest of Scotland, Aberdeen has also witnessed a surge in demand, as well as being ranked the most desirable place to live in the UK by location specialist CACI. Looking ahead, established infrastructure and a highly skilled workforce means that Aberdeen is at the forefront of making a transition towards renewable energy a reality.

“Garden and outdoor areas are top of buyer wish lists, as they look to discover the pleasures of country living”

Country house revival

There has been a two-fold rise in the number of buyers registering and viewing Savills country houses post-lockdown

A renewed appetite for space, mainly as a result of the lockdown, has triggered a revival in Scotland’s country house market, particularly from town and city dwellers. More garden and outdoor areas, as well as homes with a separate space to work, are currently top of buyer wish lists, as they look to rediscover the pleasures of country living.

Our survey of buyers and sellers revealed that 55% found a countryside or village location more attractive than before Covid-19. This explains the two-fold rise in the number of buyers registering and viewing our country houses in Scotland during July and August 2020 compared with the same period last year.

Consequently, the combined number of agreed sales during July and August 2020 in country areas spanning Ayrshire, Angus, Argyll, Highland, the Borders, Dumfries & Galloway and Scotland’s heartland of Fife, Perthshire and Stirlingshire was 45% higher than the same period last year.

A key difference in today’s country market compared to the scenario prior to the 2008 credit crunch is pricing, which is now more in line with buyer expectations following a period of adjustment.

As a result, the level of agreed sales in a number of areas is slightly ahead of the number of new instructions – an



indication of a more balanced market. This is despite the absence of international buyers, a key component of the Scottish market, which has been particularly constrained by restrictions on overseas travel.

Prime values in Scotland’s village and rural areas remain on average 25% below the peak of 2007. This sits in stark contrast to city and town areas, where prices are just 2.1% below that previous high point, a figure that

underscores the relative value on offer in the country, particularly when property size is considered.

Across Scotland, the price gap between properties in urban and surrounding areas has begun to narrow, as buyers consider life in the countryside. But due to the discretionary nature of country markets, appropriate pricing is key to sustaining current momentum, particularly given the prevailing economic uncertainty.

Prime Scotland house price movements during Q2 2020

Despite recent growth, prices in country locations remain well below their peak

	City	Town	Village	Rural
Annual	+3.0%	+0.9%	+0.6%	+0.7%
Five year	+21.2%	+9.6%	+2.5%	+1.2%
Since peak of 2007/08	+2.1%	-11.9%	-20.7%	-28.0%

Source Savills Research

Relative values How much space does circa £1 million buy you across Scotland?*



Clathmore, Perthshire
5,800 sqft



Aboyne, Aberdeenshire
3,000 sqft



Kilmelford, Argyll
4,600 sqft



Prestonpans, East Lothian
5,700 sqft



Pollokshields, Glasgow
3,800 sqft



Kirkcowan, Dumfries & Galloway
12,400 sqft



Morningside, Edinburgh
2,600 sqft

Million pound market

Following a near record-equalling 288 transactions last year, Scotland's million pound market picked up where it left off before lockdown. There have been 47 agreed sales in July and August compared to 40 in the same period last year, according to TwentyCi. Normally, Edinburgh dominates

this market. However, two-thirds of agreed sales in July and August took place in country locations, most notably in Perthshire and East Lothian.

Looking at recorded £1 million-plus transactions, Scotland saw 89 in 2020 between January and July compared to 137 in 2019 over the

same period, which reflects delays in completions as a result of lockdown. That said, the 2020 figure is the same as the 10-year average, which demonstrates market expansion at the top end in recent years.

The market above £2 million has recorded 16 transactions already

this year - the highest January to July total since 2007. This includes a sale at £2.9 million in the West End of Glasgow, a record for the city. This rarefied part of the market is set to grow further as a number of agreed sales, including some over £4 million in Edinburgh, have yet to be recorded.

*Properties currently for sale through Savills

“ Competitive pricing in line with location across all price bands is critical to maximise demand ”

New build opportunities

Fixed prices and incentives are persuading buyers to explore the potential of new home developments

Scotland's new homes market has witnessed a steady recovery in activity levels since the reopening of the market. This has been supported by developments with mainstream properties up to £400,000, with the Land and Buildings Transaction Tax (LBTT) temporary rate reduction and various government incentives being the main drivers of demand.

Our survey of buyers and sellers showed a commitment to moving in the short term, particularly with a desire for more living and outdoor space. However, this favours Scotland's second hand market, as demand remains strong for

built properties. There is also strong demand for prime new build city and suburban properties that are due to be complete by the end of 2020.

However, we are starting to witness a healthy return of buyers to new home developments, given the certainty of fixed prices and the continuing opportunities to negotiate incentives to facilitate sales.

This presents a growing opportunity for developers to attract buyers who have failed to secure a second hand property due to competitive bidding and strong premiums being achieved over asking prices. But as ever, buyers are

keen to maximise any incentives on offer to complete the deal.

Properties that are due to complete beyond 2020 may have to be incentivised if developers want to persuade buyers to opt for a new build product and secure sales this autumn, particularly in the prime city markets above £400,000.

As always, competitive pricing in line with location across all price bands is critical to maximise demand. Appropriate pricing relative to the current market conditions will remain crucial with the backdrop of uncertainty in the economy.

Demand remains strong for new build properties up to £400,000





Tenant demand has looked robust since the reopening of the market, with some potential buyers favouring the flexibility of the rental market

Rental adjustments

In a post-lockdown world, the priorities of tenants are changing, with a separate space to work from home an important factor

Covid-19 has impacted Scotland's rental markets in many ways.

First of all, an increase in stock has put pressure on rents, especially in Edinburgh, where the average asking price per calendar month fell by 2% in the three months to the end of June this year, according to Citylets.

Lockdown has also affected the needs and wants of tenants, with interest increasing not only for more space, but also specific locations and property attributes.

With many people working from home during the lockdown period, a desire for more inside space has increased.

Savills letting agents have reported an increase in demand for properties with a separate space to work from home. Similarly, a strong Wi-Fi or

internet connection is now higher on a tenant's list of requirements. Meanwhile, demand for family homes close to sought-after schools – where supply has traditionally remained constrained – remains strong.

Try before you buy tenants

Our agents also reported an increase in the number of 'try before you buy' tenants with many renting in a new area before committing to a purchase.

This is underpinned by the fact that in our June buyer and seller survey, around half of respondents said if they were unable to secure a property in the next six months, renting would be a viable option.

This also reflects part of a wider trend where people are choosing to rent as part of a lifestyle decision.

Outlook

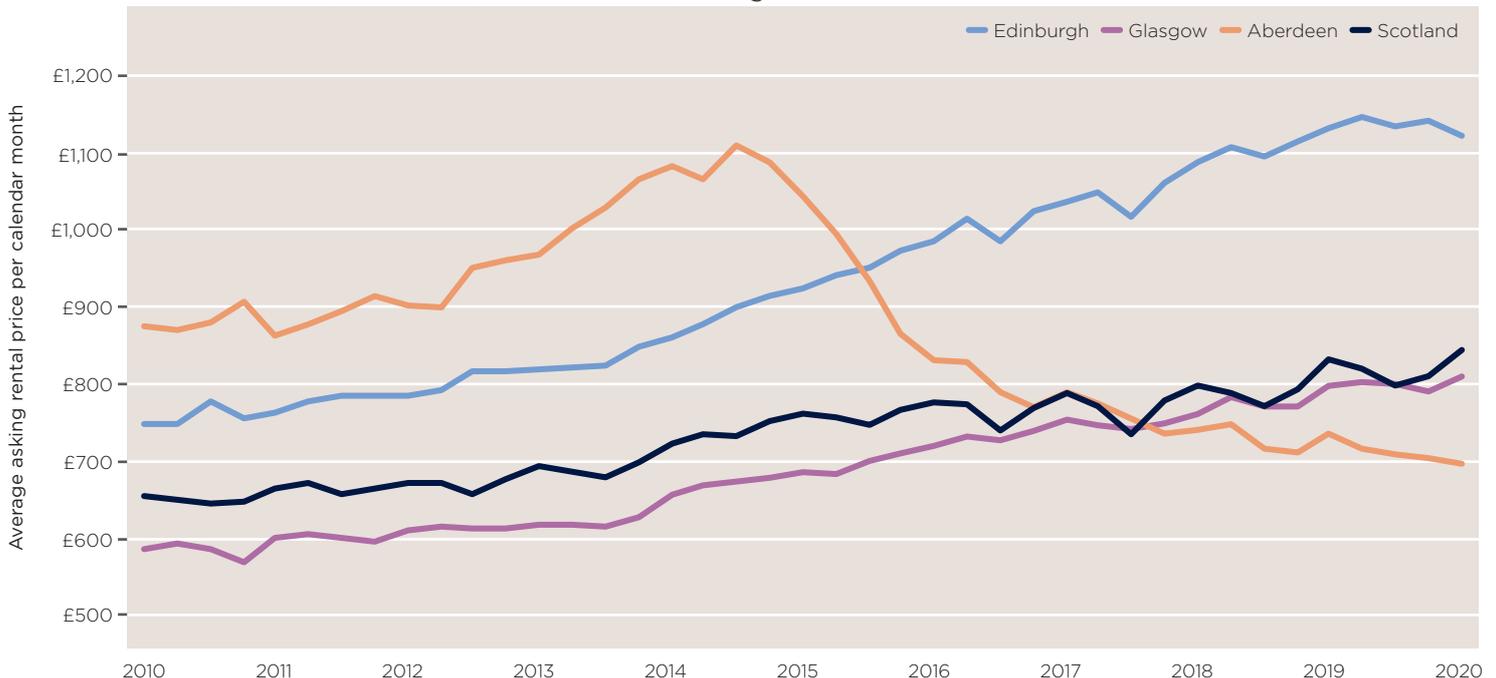
Tenant demand has looked robust since the reopening of the market, with some potential buyers favouring the flexibility of the rental market as events around Covid-19 progress.

This demand has helped absorb some of the excess stock. But the experience of lockdown has meant that a property's attributes, more so than value, have become the driving factor.

Economic uncertainty could have an impact on demand, and in markets underpinned by young professionals, it may put a ceiling on rental growth if wages do not see the same rate of increase. For rental markets in suburban locations, the current strength of demand for family housing should underpin steady rental growth over the next few years.

Average rental prices per calendar month

Prices remain level as increased stock levels begin to reduce



Source 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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