

# Aberdeen and North East Residential





**Activity in the prime market will continue to recover, provided sellers maintain realistic price expectations**

# Local heroes emerging

Transactional recovery has continued across Aberdeen, led by areas within easy reach of the city, however high stock levels continue to suppress mainstream prices

Despite property prices struggling to find their level, activity in the housing market of the Aberdeen area provides early signs of recovery in some locations. The combined annual number of transactions across both Aberdeen and wider Aberdeenshire has now held firm at just under 8,000 for nearly three years. A stabilising local economy has helped buyer confidence. By the end of this year, overall economic output is expected to increase for the first time since 2014.

## Commuter areas outperform

Areas within easy reach of the city lifted Aberdeenshire transactions annually by 6%. Top performers include Inch and Portlethen. The AB51 postcode district, which includes the expanding commuter towns of Inverurie, Kintore and Oldmeldrum, remains the most active residential market in Aberdeenshire. A total of 696 transactions were recorded over the last year, representing a 19% annual increase.

Whilst Aberdeen City transactions fell slightly, a number of areas outperformed, including Peterculter, where the new bypass road can be easily accessed at the Deeside junction. Westhill, at the edge of Aberdeen City, has also benefitted from its proximity to the bypass. With a 27% annual rise in transactions, Westhill now has a strong second hand market following the completion of a number of new build developments that have historically driven the local market. A strong second hand market also lifted activity in the central AB10 postcode.

## New build support

The Aberdeen area market is also being supported by major new build residential developments in Chapelton near Stonehaven and also in the popular town of Ellon in the north. Meanwhile, new build activity continues to support neighbourhoods in the north, including Bridge of Don, Grandhome and Bucksburn.

## Prime activity expands

Aberdeen's recovery has also extended to its prime market above £400,000, which

recorded a 6% increase in the number of transactions during the 12 months ending August 2019. The AB15 postcode district, which includes the West End and suburbs of Cults and Bieldside, is the most popular prime market across the Aberdeen area, making up almost 30% of activity. However, traditional hotspots that previously witnessed significant levels of activity prior to the downturn are now recovering. These include Milltimber near Cults and further afield in the attractive Deeside village of Aboyne, at the edge of the Cairngorms National Park.

Aberdeen has witnessed its strongest million pound market in three years, recording 11 transactions in the 12 months ending August 2019. More than half took place in the AB15 postcode.

## Demand remains strong

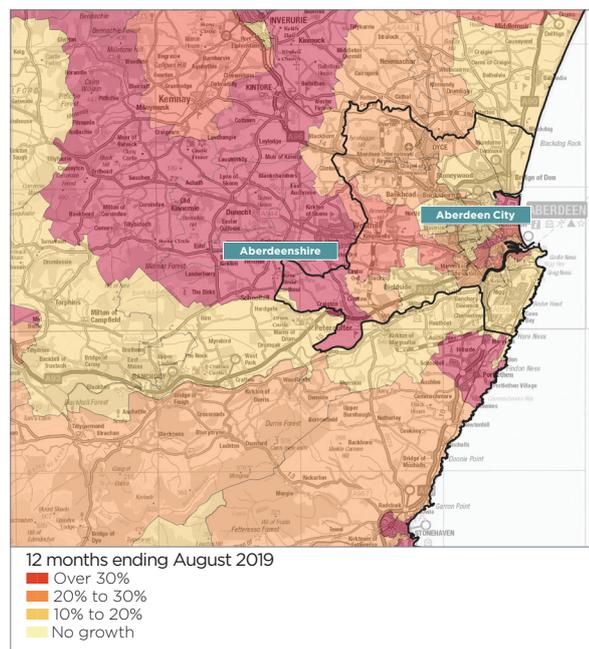
A 31% annual rise this year in the number of buyers registering with Savills in the North East indicates that demand for the Aberdeen area's prime housing stock is continuing to recover. Along with a 20% increase in viewings, signs show that activity in the prime market will continue to recover, provided sellers maintain realistic price expectations.

## Outlook for prices

Transactional recovery has occurred even though house prices fell annually by an average of 3.5% across the city and the surrounding county to £146,141 and £189,784 respectively during August 2019. This is mainly due to the chronically high number of available properties, largely priced below £200,000. Despite more realistically-priced properties being launched, this trend looks set to continue as there are currently over 5,500 properties available to buy across the market as a whole compared to 2,500 before the downturn.

An expected overall annual drop of 2.5% in Aberdeen area prices at the end of 2019 should not come as a surprise. We expect price drops to ease in 2020, but only if stock levels begin to reduce. This might enable a recovery from 2021, with 3.5% growth over the five-year period between 2020 and 2024.

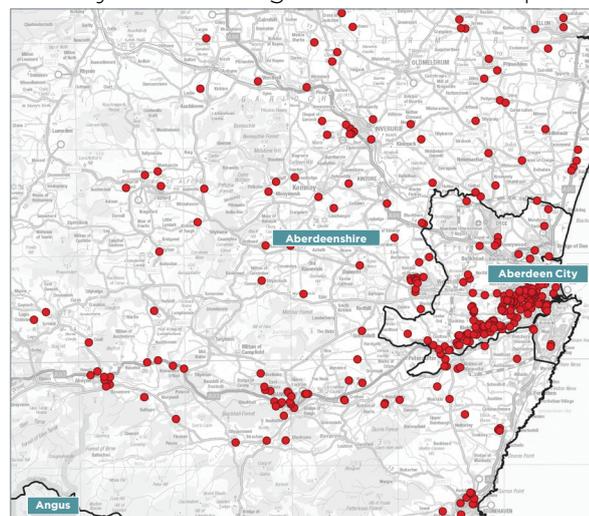
**Annual growth in transactions** The market is growing in areas within easy reach of the city



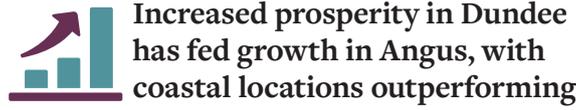
Source Savills Research

## Prime transactions at £400,000 and above, September 2018 to August 2019

Activity is recovering in traditional hotspots



Source Savills Research



# Dundee leads the wider North East

Dundee’s growing profile has supported its housing market, with neighbouring locations benefitting

Housing market performance across the wider North East locations of Angus, Dundee and Moray remains healthy, with a 3% annual rise in transactions during the 12 months ending August 2019.

Similarly, house prices, particularly in Angus and Dundee, have continued to grow in 2019. Whilst the prime markets above £400,000 have remained steady, much of the transactional growth has taken place below this level.

## Dundee

The last 12 months have been monumental for Dundee with the opening of the V&A museum and the new railway station. Huge transformational projects in their own right, both are helping Dundee towards its vision of becoming a thriving and innovative city. V&A Dundee is estimated to have contributed £10 million to the city’s economy while tourism has increased by 9% year-on-year.

The city’s position as a UNESCO City of Design, its impressive universities and reputation for medical research, not to mention its famous technology and innovation sectors, have

all contributed to Dundee being named ‘Best Place to Live in Scotland’ in 2019 by the Sunday Times.

Dundee’s residential market is active and affordable. The average transaction price, at £143,960 during the 12 months ending September 2019, was 20% lower than Scotland’s average. Demand remains strong, supported by the fact that transactional activity increased annually by 7% compared with a national increase of 2%.

Transactional growth over the last year was supported by increased second hand and new build activity in locations around the universities and also towards the western parts of the city near Ninewells Hospital. Transactional growth also continued in the traditional hotspot of Broughty Ferry, which dominates Dundee’s prime market.

## Angus

Increased prosperity emanating out of Dundee has fed growth in Angus, with coastal locations outperforming. These include Monifieth, supported by the new build market and also Arbroath, Carnoustie and Montrose further north,

lifted by more second hand activity. Indeed, Montrose was home to this year’s sole million pound plus sale outside the Aberdeen area: The Craig, situated to the south of Montrose Basin and Nature Reserve.

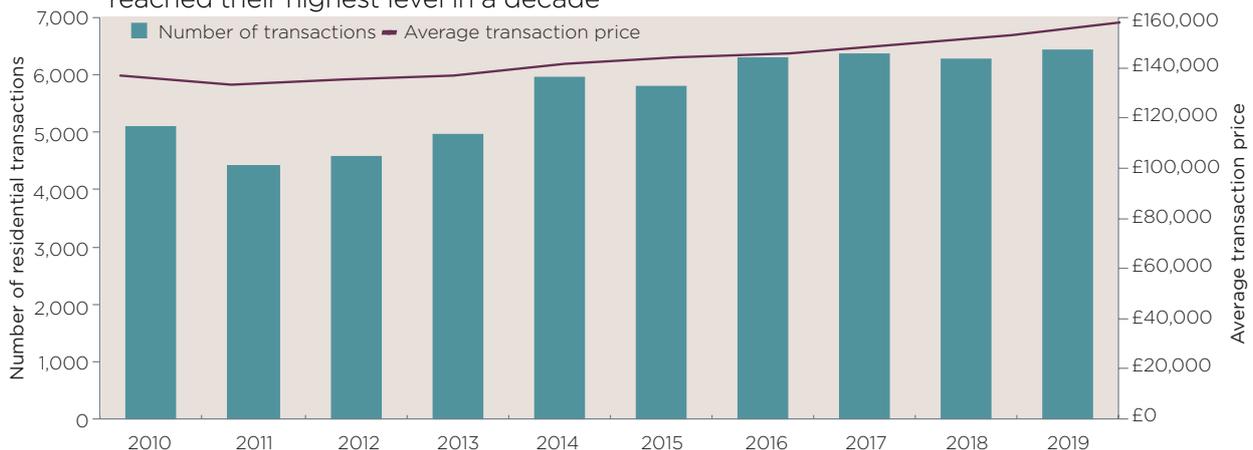
The residential market in Angus links with southern Kincardineshire at the edge of Aberdeenshire. Here, the number of transactions across both the mainstream and prime sectors in areas such as Fettercairn, Laurencekirk, St Cyrus and Inverbervie witnessed a recovery over the last year.

## Moray

Despite being the smallest of the North East areas in terms of annual transaction numbers, Moray has slightly higher prices. Transactional growth was supported by a 19% rise in activity between £200,000 and £400,000.

Moray’s residential market is dominated by the hub of Elgin which made up 30% of transactions over the last year. Transactional growth mainly took place in the second hand markets of Elgin, Keith and Fochabers and the new build market in Forres.

**Annual number of residential transactions and average price across Angus, Dundee and Moray (year to September)** Annual activity and average prices have reached their highest level in a decade



Source Savills Research

# Demand remains strong despite political uncertainty

Transactional activity is the strongest in a decade, with capacity for further growth in values, subject to realistic pricing

Scotland's residential market has remained resilient in the face of political uncertainty. A 2% rise in transactions pushed the annual number to just under 103,000 during the 12 months ending September 2019, which was the highest since 2008. The market above £1 million was the busiest since 2008. Meanwhile, year-on-year growth in prime Scottish values during Q3 2019 was 1.8%, compared with a drop of 0.2% across the rest of the UK. Prime value growth in the city areas of Edinburgh and Glasgow during Q3 2019 was amongst the highest in the country, with capacity for further growth.

Prime activity above £400,000 reached a record 5,331 transactions during the 12 months ending August 2019, with some of the strongest growth taking place in Edinburgh and the Lothians. Meanwhile, a lack of supply led to a

stable prime residential market across Greater Glasgow over the last year. However, growth in wider transactional activity has spread out from the city of Glasgow and surroundings hotspots into more attainable commuter locations.

In Scotland's country locations, the transactional market in the heartland of Fife, Perthshire and Stirlingshire remained steady, however, the number of sales above £600,000 increased by 11%. Argyll & Bute, on the west coast, was one of Scotland's top-performing residential markets during the first nine months of 2019, recording an 8% rise in the number of transactions compared to the same period in 2018.

Whereas market activity in Ayrshire, Highland and Islands and the Borders remained stable, the residential market in Dumfries & Galloway continues to recover.

## Outlook

Looking ahead, a rise in registered buyers this year gives reasons for some optimism. However, we expect the sense of caution in the market to continue for the rest of the year, as buyers and sellers await the outcome of the upcoming general election and Brexit.

In Scotland, the key fundamentals of quality of life, good schools and economic growth in the hubs of Edinburgh and Glasgow will drive local markets. But political uncertainty is beginning to be felt in some quarters, as evident in recent RICS surveys of opinion, which show lower levels of price growth expectations and continuing constrained levels of supply. We expect a more cautious market in the short term. Pricing remains key and sellers will have to be pragmatic in order to align price expectations with buyers.

## Five year residential annual change forecasts

Scotland will outperform the rest of the country, underpinned by the value gap

	2020	2021	2022	2023	2024	5-year compound growth
UK mainstream values	1.0%	4.5%	3.0%	3.0%	3.0%	15.3%
UK prime regional values	1.0%	4.0%	4.0%	3.5%	2.5%	15.9%
Scotland mainstream values	2.0%	6.0%	3.5%	3.5%	3.5%	19.9%
Scotland prime values	2.0%	5.0%	4.5%	3.5%	2.5%	18.7%

Source Savills Research



### Savills Research

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