

North East Scotland Residential



Aberdeen area ● Angus, Dundee & Moray ● Rest of Scotland



Pragmatism among sellers will be essential to ensure a continuation of recent market trends

MARKET PERFORMANCE INDICATORS



16%

The proportion of Scottish transactions that have taken place in the North East since 2011



74%

Increase in agreed sales in the North East July-Oct 2020 vs July-Oct 2019



139%

Growth in Savills North East viewing numbers July-Oct 2020 vs July-Oct 2019



1.2%

Prime value growth in Angus, Dundee and Southern Kincardineshire, Q3 2020 vs Q2 2020



5,400

Number of residential properties currently available to purchase in the Aberdeen area



-5.2%

Average annual change in monthly house prices during 2020 in the Aberdeen area

Source Savills Research, TwentyCi, UK House Price Index and ASPC

North East performance echoes rest of country

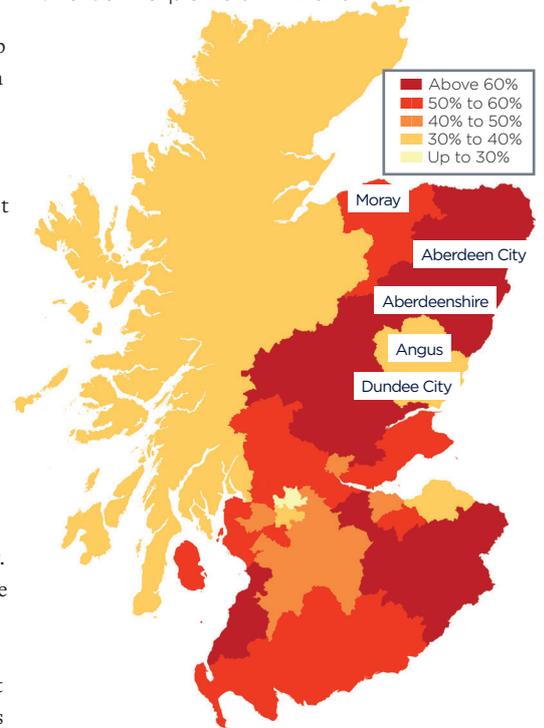
Pent-up demand for homes has been amplified by changing buyer needs, with a renewed appetite for space

The exceptional performance of Scotland's housing market post lockdown has echoed across the North East of the country, which includes Aberdeen, Aberdeenshire, Banffshire, Kincardineshire, Angus, Dundee and Moray. The market here is being driven by the pent-up demand that was present even before the lockdown in March and has since been amplified by changing buyer needs, with a renewed appetite for space.

This was demonstrated in the 74% increase across the North East in the number of sales subject to contract from July to October 2020 compared to the same months last year, according to data provider TwentyCi. Ongoing price adjustments have enabled this recovery, with realistic asking prices translating into multiple bids and Offers Over premiums, attracting buyers from other parts of Scotland and beyond.

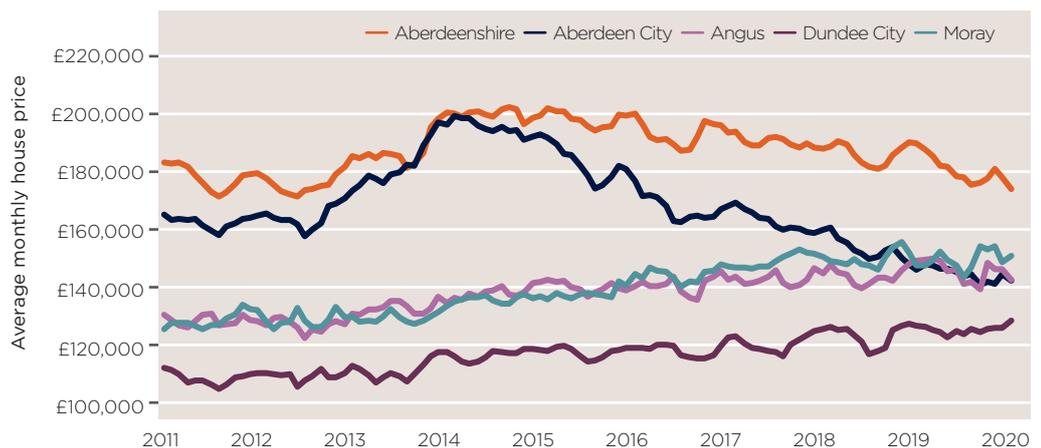
As we look forward, we are encouraged by a build-up of new buyer registrations and a rise in viewings in the North East, which have risen annually by 74% and 139% respectively from July to October this year. But strong levels of supply in some areas mean that we are unlikely to see any meaningful growth in values in the medium term. Pragmatism among sellers will be essential to ensure a continuation of recent market trends. Economic challenges and ongoing restrictions due to Covid-19 are likely to necessitate this.

Figure 1 Sales agreed between July and October 2020 versus the same period in 2019



Source Savills Research using TwentyCi

Figure 2 Average monthly house prices: Sellers will need to set competitive asking prices in order to generate premiums against a price sensitive market



Source UK House Price Index



The market above £200,000 in the Aberdeen area remains buoyant

Sales rise in local markets

The Aberdeen area and Dundee have seen the strongest uplift in the number of sales agreed, with Angus and Moray also witnessing increases

Aberdeen area

Market recovery post lockdown in Scotland was witnessed nowhere more than the oil and gas dependent Aberdeen area. Since the reopening of the market at the end of June, the number of agreed sales in Aberdeen City and Aberdeenshire was 85% and 115% higher respectively compared to last year. 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 already recovering, led by traditional hotspots such as Cults and Bielside and areas within easy reach of the city such as Inverurie, Ellon and Stonehaven. The rise in agreed sales are now beginning to feed official transaction figures. These show an uplift in sales in Aberdeen City's West End and surrounding areas, including Peterculter, Banchory, Alford and Peterhead.

The recovery in transactions is a consequence of appropriate pricing for recently launched properties. However, there remains a high level of languishing mainstream stock available below £200,000. Consequently, we are expecting Aberdeen house price growth to be restricted to only 0.4% over the next five years compared to 25.4% across Scotland as a whole, fuelled by continued expansion in Edinburgh and Glasgow. The market above £200,000 in the Aberdeen area is buoyant, as stock levels have been mostly stable throughout the recent recovery.

Angus

The number of agreed sales in Angus was 40% higher between July and October 2020 compared to the same months last year. Whilst the local market is typically more active up to £400,000, there has been an uptick in sales above this level in 2020. The country lifestyle on offer in

Angus alongside relative value for money is attracting buyers, not only from the recovering Aberdeen area, but also other parts of Scotland and the UK, who are seeking a change in lifestyle post lockdown. These have made up around half of Savills sales so far this year.

The number of officially recorded transactions during September 2020 in Angus was 27% more than the same month last year. Recovery has been widespread, both in commuter and coastal areas such as Monifieth and Montrose and the central locations of Brechin and Kirriemuir, with new build transactions fuelling activity.

The residential market in Angus links with southern Kincardineshire at the edge of Aberdeenshire and parts of eastern Perthshire. Here, transactional activity has recovered in areas such as Fettercairn, Laurencekirk, St Cyrus, Inverbervie, Alyth and Meikle.

The increase in sales led to price growth of 1.2% in the local prime market between the second and third quarter of 2020: though modest, this was the highest quarterly rise in 10 years. The price sensitive nature of the market means that sellers will need to set

competitive asking prices in order to generate a premium above the Offers Over price.

Dundee

Dundee has been among Scotland's leading areas in terms of the increase in agreed sales (69%) since the reopening of the market and officially recorded transactions in September (28%). The local market is being led by the hotspot of Broughty Ferry, established residential neighbourhoods around the City Centre and new build developments in peripheral areas. Transactional activity is supporting price growth, with monthly house prices increasing by an average of 2.7% so far this year.

Moray

The number of agreed sales in Moray was 58% higher between July and October 2020 compared to the same period last year, with activity beginning to feed official transactions. While prices remain stable, the main towns of Elgin and Forres have led the market, supported by new build developments in peripheral areas.



Gallery, by Montrose, Angus (Offers Over £1.5 million)

Supply and demand nears equilibrium

Demand remains strong across Scotland's city and country locations, however we advise sellers to remain realistic on price expectations as a wide selection of properties becomes available

Across Scotland, prime property prices increased by 2.3% between the second and third quarter of 2020. This was driven by behavioural changes that have encouraged many buyers to trade up the housing ladder and others to reassess their work-life balance.

Consequently, the number of buyers registering with Savills in Scotland and viewing properties between July and October 2020 was 142% and 121% higher respectively than the same period last year. Meanwhile, the number of sales agreed between July and October 2020 was 52% higher than the same period last year, according to data provider TwentyCi. The rise in agreed sales

is now being reflected in official figures, with September 2020 the busiest ever September for recorded prime transactions above £400,000.

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. Consequently, the combined number of agreed sales during July and October 2020 in country areas was 54% higher than the same period last year.

Despite the rising demand for 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. Prime value growth in Edinburgh City and Glasgow City was 1.2% and 4.1% respectively between the second and third quarter of 2020. There is the capacity for further growth in the city regions, supported by long term economic and population growth.

At the top end, there were 114 agreed sales above £1 million between July and October compared to 77 in the same period last year, according to TwentyCi. Normally, Edinburgh dominates this market. However, 61% of agreed sales took place in country locations, most notably in Aberdeenshire, Perthshire, the Borders and East Lothian.

Outlook

While we are seeing a larger pool of buyers than at any time last year, they are in the enviable position of being able to choose from a wider selection of properties.

We anticipate that this healthy alignment of supply and demand will prevent the market

from overheating. Although there may be uplifts in particularly desirable hotspots across the country, we see this trend persisting for some time.

Looking to the future, we can take encouragement from the fact that, although

there appears to be pent-up demand from international buyers awaiting an easing in travel restrictions, the surge in sales has relied on domestic buyers. Furthermore, a prolonged period of ultra-low interest rates should support pricing over the medium term.

Figure 3 Five year residential annual change forecasts

	2020	2021	2022	2023	2024	5-year compound growth
UK mainstream values	4.0%	0.0%	4.0%	6.5%	4.5%	20.4%
UK prime regional values	3.0%	2.0%	4.0%	6.0%	2.0%	18.1%
Scotland mainstream values	4.0%	0.0%	5.5%	8.0%	6.0%	25.4%
Scotland prime values	4.0%	2.0%	4.0%	7.0%	2.5%	21.0%

Source: Savills Research

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



Savills Research

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