



# Scottish house prices continue to grow

Whilst London and its surrounding commuter areas have been impacted by Brexit uncertainty, Scottish markets so far remain more confident

Scottish house prices have continued an upward trend, with transactional growth now being seen in the higher price bands. The number of transactions above £250,000 increased from 9,094 five years ago to a record 19,259 during the year ending June 2018. As a result, the average transaction price reached £176,548 during the year ending June 2018; an annual increase of 5%.

Similarly, the official UK House Price Index for Scotland has seen positive annual growth for the last 27 consecutive months, increasing by 5% during June 2018. Moreover, annual growth in prime values according to the Savills index in Scotland was 2% during the second quarter of 2018.

## Lack of supply restricts transactional growth

A lack of supply has constrained the transactional growth that the Scottish market has enjoyed in recent years. In the first six months of 2018, the market witnessed a 6% drop in transactions compared to the first half of 2017.

This can be explained by a combination of a reduction in the number of new properties coming to the market and the effects of the extreme weather caused by the ‘Beast from the East’.

Alongside ongoing supply constraints and a fall in Buy-to-Let mortgage lending, the extreme weather earlier this year is likely to have had a negative impact on viewings, offers and subsequent transactions. However, already we are seeing a recovery in the second half of 2018. This is evident in the latest Registers of Scotland data which shows the number of Scottish transactions during July 2018 exceeding the number in July 2017. We expect a recovery by the end of this year and the number of transactions in 2018 as a whole to be level with 2017.

## A changing market structure

Fewer sales below £250,000, and in particular below £145,000, is another factor that has contributed to the drop in transactions this year. This is indicative of the changing price structure across Scotland’s current market. A decade ago, activity below £145,000 made up around 60% of all transactions.

With the help of low mortgage rates and government assistance over the last five years, buyers have been able to consider relatively higher value properties. This has resulted in fewer properties coming on the market in lower price bands. Consequently, annual transactions below £145,000 made up less than 50% of all residential activity over the last year. This has never happened before in any 12-month period.

## What lies ahead?

We remain cautious about the growth prospects for the wider UK market, given the current political and economic uncertainty. Whilst London and its surrounding commuter areas are the most affected, there remains much more confidence in the Scottish markets, where there is capacity for further growth in values.

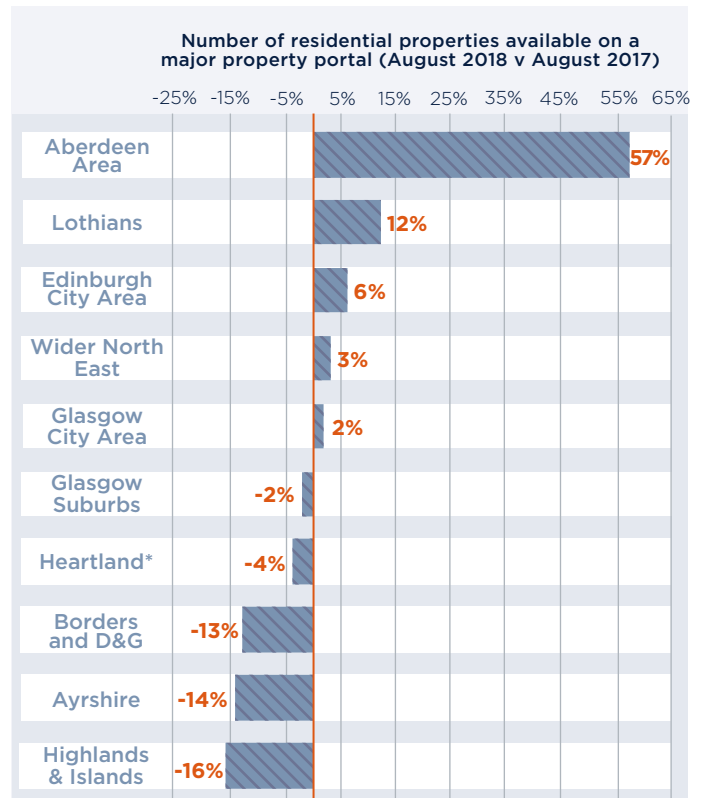
We are currently forecasting a 17% increase in Scottish house prices by 2022. In Edinburgh and Glasgow, the time that properties are spending on the market is reducing and we are seeing comparatively more viewers.

## Scottish market indicators

Year to June	2017	2018
Overall number of transactions	101,104	100,537
Average transaction price	£168,476	£176,548
Prime transactions	4,314	5,068
Million pound transactions	143	201
Average selling times (weeks)	9	9

Source: Savills Research

**Is there a lack of stock?** Our research shows huge variations, with increased new build supply boosting the numbers in some areas.



\*Scotland’s heartland includes the counties of Fife, Perthshire and Stirlingshire

Source: Savills Research

# Edinburgh outperforms other UK cities

There is room for further house price growth given the disparity compared to other university cities

Edinburgh witnessed 9% average house price growth during June 2018; the highest of any major city, according to the UK House Price Index. Over the last five years there was net in-migration of 22,575 people from overseas and 10,839 from the rest of the UK, according to official statistics, highlighting the capital's continued popularity.

Indeed, according to a study commissioned by the Royal Mail earlier this year, Edinburgh was voted the most attractive UK city in which to live and work.

The Savills Edinburgh City Prime Index grew annually by 7.5% during the second quarter of 2018 due to under supply and growing demand. This was the highest rate among prime regional cities across the country as listed in the table below, which also shows the huge disparity in 10-year growth. There is room for further growth given the value gap compared to other university cities, coupled with relatively low supply struggling to satisfy demand.

Whilst house prices have increased, a decline in sales activity below £200,000 (where a significant proportion of transactions typically take place) has restricted transactional growth. Above this level, transactions increased by 9% over the last year.

## Mixed prime market performance

Edinburgh's transactions above £400,000 reached a 10-year high of 1,803 during the year ending June 2018, supported by an increase in both second hand and new build activity.

The EH12 (Murrayfield) and EH14 (Juniper Green and Currie) postcodes were stand out areas. There were 163 transactions in Murrayfield, 48 of which were new build. This compares with 94 in the same period last year, of which 11 of were new build.

Juniper Green and Currie were also boosted by new build activity, whereas the Craiglockhart area (also within EH14) enjoyed a strong

second hand market. This fuelled a rise in transactions in these areas from 41 to 89 during the year ending June 2018.

Supply in Edinburgh's New Town is beginning to recover, resulting in a modest rise in prime transactions, following two years of little growth. New build sales at developments in Drumsheugh Gardens led to a recovery in Edinburgh's West End, with prime activity above £400,000 reaching a 10-year high of 55 transactions.

Elsewhere, the prime markets in Ravelston, Trinity, Stockbridge, Barnton and Cramond witnessed a modest rise in transactions. However, a lack of supply restricted growth in the Grange, Morningside, Merchiston, Inverleith and Colinton areas.

## City centre sets the tone for the new build market

Prices at a number of high profile developments in the best city centre locations continue to cross new thresholds. These include Donaldson's and Quartermile, with prices per square foot on average at £622 and £555 respectively, with some units exceeding this.

These superior specification developments are setting the tone for the established popular neighbourhoods of Stockbridge, Comely Bank, Newington and Morningside, which have witnessed average prices per square foot heading towards £500.

## Lothians benefit from Edinburgh's growth

The market in the surrounding Lothians witnessed an 8% annual rise in average transaction prices during the year ending June 2018, mostly within the market below £400,000. The number of transactions slightly fell, mainly due to a lack of new build supply in Midlothian.

On the other hand the number of transactions above £400,000 increased from 312 to 419, driven by new build activity which also stimulated the second hand market. Despite this, the average prime transaction price increased by only 0.4%, from £548,971 to £551,059.

## Savills Prime Index performance during 2018Q2

Edinburgh has outperformed other university cities and there is room for further growth.

Second hand properties in city locations	Annual growth	10-year growth	Average price per sq. ft during 2018Q2
Edinburgh	7.5%	0.3%	£390
Glasgow	2.5%	-8.8%	£290
Oxford	1.3%	29.4%	£650
York	1.1%	25.1%	£250
Bath	-0.8%	27.3%	£480
Cambridge	-2.1%	50.0%	£620
Bristol	-3.9%	10.8%	£350
Winchester	-4.1%	32.1%	£480

Source: Savills Research



# Rising house prices in Scotland's largest city

An increase in sales activity across higher price bands has driven growth, with new build values in the best locations reaching new heights

Greater Glasgow has witnessed transactional growth in higher price bands, thus leading to rising house prices. Activity above £200,000 increased annually by 12% whereas prime transactions above £400,000 increased by 23%. This resulted in 6% annual growth in the average transaction price during the year ending June 2018.

## Prime hotspots continue to flourish

Across Greater Glasgow, strong premiums are being achieved where a significant level of demand can be channelled to properties that are well-presented and launched to the market at realistic prices.

Prime transactions in the city area of Glasgow reached a 10-year high of 371 during the year ending June 2018, led by the hotspots of West End, Park, Partick and Jordanhill. Together, these locations made up nearly a quarter of the prime Glasgow city area market.

The market in Pollokshields and Newlands continues to recover, with 61 transactions taking place in the same period. The second hand market across all prime city locations has performed strongly between £400,000 and £800,000 and also above £1 million.

The new build market has led the price band between £800,000 and £1 million, with transactions taking place at The Botanics and Claremont Terrace.

The rise in higher value transactions led to a 4% increase in the prime Glasgow city area average price, from £539,115 during the year ending June 2017 to £559,146 during the year ending June 2018.

In East Dunbartonshire, which includes the hotspots of Bearsden and Milngavie, prime transactions reached a 10-year high of 258 during the year ending June 2018, led by a strong second hand market and more new build sales above £500,000.

A similar trend was also witnessed in East Renfrewshire, which includes the sought-after locations of Clarkston, Giffnock and Newton Mearns. Prime transactions reached a 10-year high of 290 during the year ending June 2018, supported by a strong second hand and new build market, mainly up to £700,000.

New build activity in Bothwell and Strathaven as well as lesser known parts of East Kilbride and Cumbernauld boosted the prime markets in Lanarkshire and also stimulated prime second hand activity.

## New build demand pushing out

Like any city, Glasgow's new build market is not uniform. It is instead comprised of many smaller segments, each with their own demand and supply drivers.

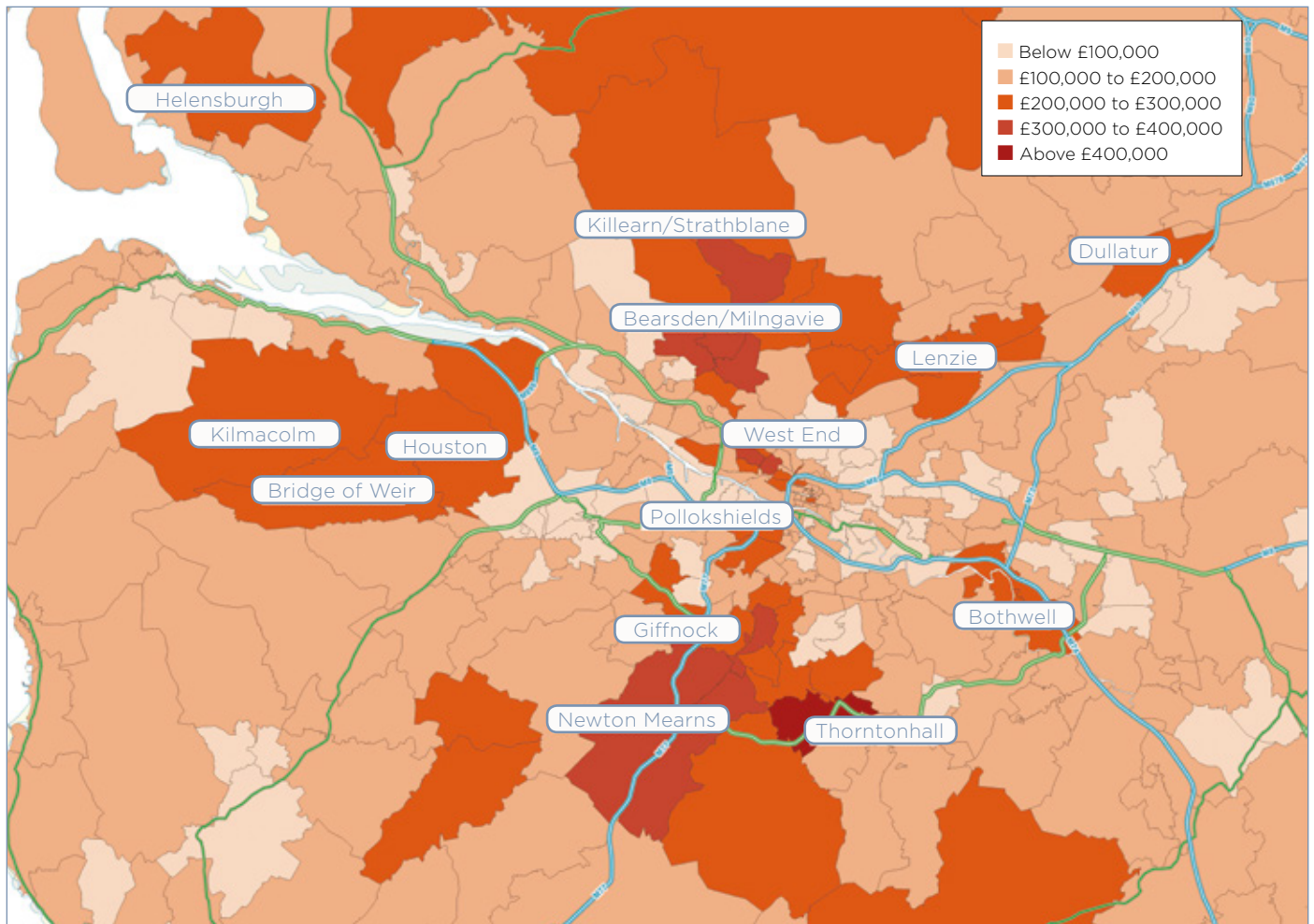
The West End continues to be in high demand for developers and purchasers alike. Achieving between £400 and £450 per square foot, Park Quadrant Residences and The Botanics represent two of the biggest sites in this established market.

The strength of demand is pushing the market out beyond its traditional boundaries. Prices per square foot are now generally in the £300 to £350 range depending on location and unit size.

The south side of the city is also growing in popularity with the opening of well-reviewed independent restaurants giving this area a distinct vibrancy. Prices per square foot are most comfortable around £250 but the best locations are higher, even exceeding £300 in some spots. Meanwhile, the suburban market continues to perform in well-connected locations that have good access to schooling.

**Greater Glasgow average transaction price by postcode sector from July 2017 to June 2018**

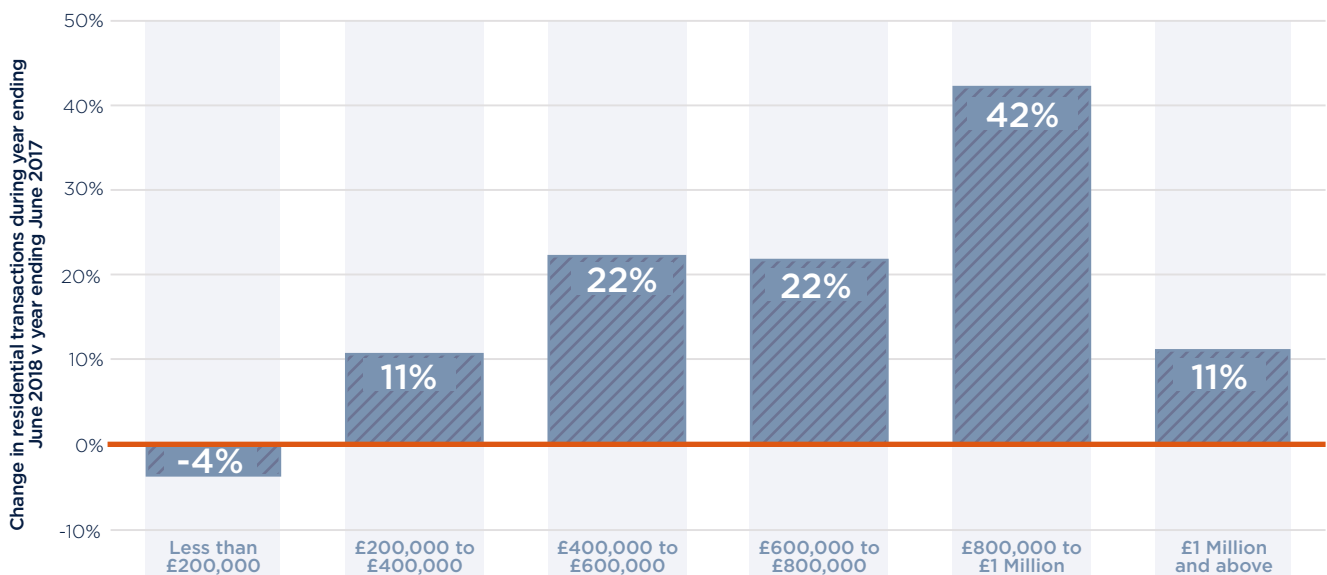
Price growth is spreading beyond traditional hotspots.



Source: Savills Research

**Greater Glasgow annual transactional change by price band**

Growth across higher price bands has pushed up prices.



Source: Savills Research

# A steadying market

The market is settling and there is more realism in terms of price expectations

The annual number of residential transactions in the Aberdeen area has settled around 8,000 since the beginning of 2017, following the peak of 11,300 four years ago.

Transactional activity was supported by a strengthening second hand market in Aberdeenshire for properties completed to a high specification. Transactions above £600,000 in city locations also witnessed a modest recovery.

Transactional activity in Aberdeen City's new build market also improved, supported by incentives, particularly in the price bands up to £400,000. This reflects ongoing demand for more attainable supply. Meanwhile, activity above £700,000 recovered in the city's traditional hotspots.

## Local markets

Within Aberdeen City, the West End and the sought-after suburbs of Bieldside, Cults and Milltimber led the recovery, with a 10% annual rise in transactional activity. In Aberdeenshire, the strongest growth in transactions last year took place in locations that are within easy reach of Aberdeen, particularly those with train connections and amenities. These include Inverurie, Insch, Portlethen and the hotspots of Banchory and Stonehaven.

## More realistically-priced stock on the market

The amount of available mainstream second hand stock remains high. Above £400,000 however, supply is less saturated and this is being reflected in improved transactional activity in some areas. Whilst just over half of the overall stock has been unsold for a number of years, there are now more realistically-priced mainstream properties being launched.

Properties offered to the market in good condition and correctly priced continue to attract strong interest. However, the market remains challenging for remote houses in poor condition. For these properties, significant price adjustments or upgrading will be a necessity.

## Prices beginning to stabilise

High stock levels have impacted house price performance in the Aberdeen area. Since peaking at £199,285 in September 2014, the average house price in Aberdeen City has fallen by 20% to £159,507 in June 2018.

The fall from peak to trough has been less severe in Aberdeenshire, where the average price dropped by 8% from £202,570 in April 2015 to £186,765 in February 2017. A modest recovery narrowed that gap to 7% in June 2018.

At 4.5%, our Aberdeen area residential values five-year forecast reflects recent stability in average prices and transactional activity. A number of major projects provide hope for both the local economy and housing market. These include the Aberdeen Western Peripheral route, which will benefit surrounding villages and settlements.

## The wider North East

The transactional market in the wider North East areas of Angus, Dundee and Moray has grown in higher price bands over the last year, leading to a 2% rise in the overall average price. Activity above £200,000 increased annually by 12% and the prime market reached a 10-year high of 90 transactions during the year ending June 2018.

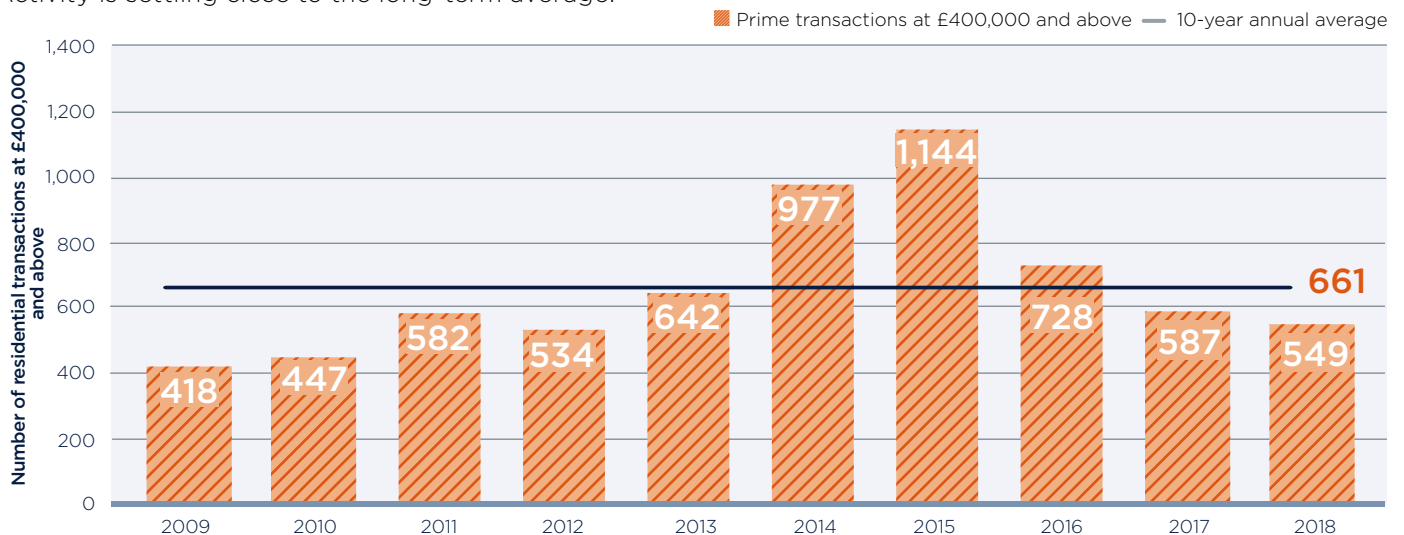
Following a stable three-year period, the prime market above £400,000 in Angus recovered, with 37 transactions recorded over the last 12 months.

A lack of new build supply in Dundee prevented growth in overall transactions in the last 12 months, despite a stable second hand market. Meanwhile, prime transactions remained unchanged at 30, which is the highest annual number in a decade.

Transactions above £300,000 in Moray increased from 66 during the year ending June 2017 to 92 during the year ending June 2018. The rise in higher value activity supported the 5% annual increase in Moray's average price.

## Aberdeen area and North East prime transactions at £400,000 and above (year to June)

Activity is settling close to the long-term average.



Source: Savills Research

# Country locations are standing out

Country locations are offering comparatively good value, attracting the interest of a growing number of UK and overseas buyers

**R**ealistic pricing has been one of the main drivers behind improved transactional growth in Scotland's country locations over the last few years. Country locations now offer excellent value for money and continue to attract buyers from outside Scotland.

As a consequence of favourable exchange rates, Scottish property is now more affordable to overseas buyers and the number originating from outside Scotland has increased significantly. This is particularly noticeable in hotspots such as St Andrews, where the majority of higher priced properties sell to international buyers.

Whilst activity has improved, it has mainly taken place up to the £600,000 level, above which the market has been challenging. The market above £1 million on the other hand has experienced an increase in transactions but continues to be fickle. More expensive houses can take longer to sell and some vendors have had to accept discounted prices.

## Scotland's heartland

Scotland's heartland of Fife, Perthshire and Stirlingshire saw a 5% increase in average transaction prices during the year ending June 2018. This was led by an increase in activity between £200,000 and £600,000, with strong demand for houses with up to 15 acres. The stand out area was Stirlingshire, where the number of transactions and average price increased annually by 7% and 5% respectively, with rising activity in Balfron and Callander.

Fife led the prime market in Scotland's heartland, with transactions above £400,000 reaching a 10-year high of 200 over the last 12 months.

## Scottish Borders

The Borders has been one of Scotland's leading areas over the last year, with the number of transactions and average price increasing annually by 3% and 6% respectively. Prime transactions above

£400,000 reached a 10-year high of 150 over the last 12 months, led by resurgent second hand and new build markets.

## Argyll & Bute

The average transaction price in Argyll & Bute increased annually by 4%, with more activity across higher price bands. Lochgilphead was the stand out area, where transactions increased by 47% from 85 during the year ending 2017 to 125 during the year ending June 2018.

Prime transactions above £400,000 reached a 10-year high of 65 over the last 12 months, over half of which took place in the Helensburgh area. Argyll & Bute continues to attract buyers from outside Scotland, making up 36% of prime transactions over the last 12 months.

## Ayrshire

The residential market across Ayrshire witnessed a 4% increase in average transaction prices, with improved activity between £200,000 and £400,000. Above this level, the market has witnessed modest growth, led by the hotspots of Ayr and Troon.

## Dumfries & Galloway

Dumfries & Galloway was another top performing area over the last year, with the number of transactions and average price increasing annually by 7% and 5% respectively. But the market improved mostly up to £500,000, with limited activity above this level.

## Highlands & Islands

The market across the Highlands and Islands has grown over the last 12 months both in terms of transactions and prices. Growth has mainly taken place up to £600,000, with limited activity above this level, despite a number of transactions above £1 million taking place in the Ross-shire and Sutherland areas.



The Gart, Callander (Offers Over £1,750,000) in Scotland's heartland, where prime transactions above £400,000 increased annually by 18% over the last 12 months.

# Million pound market recovers

Transactions were boosted by Edinburgh's south side, Glasgow City and St Andrews

The number of transactions above £1 million reached 201 during the year ending June 2018, up 41% from the 143 during the year ending June 2017.

There were only 13 above £2 million, nine of which were in Edinburgh. The new build market continues to play an important role, making up 32 of the total number.

## Edinburgh

Edinburgh's dominance has grown, representing 60% of the overall total. The annual number increased from 78 during the year ending June 2017 to 120 during the year ending June 2018.

More properties are selling above £1 million due to the strong house price growth in recent years. Some areas have had their strongest markets in a decade. These include the Grange, Merchiston and Morningside areas, where the number increased from just 16 during the year ending June 2017 to 40 during the year ending June 2018. This includes nine new build and the top two in Scotland as a whole.

Comparing the years ending June 2017 and June 2018, the number in Murrayfield increased from 5 to 12. In Stockbridge, transactions went up from 6 to 10 and in the New Town, they increased slightly from 13 to 16.

## Greater Glasgow

Across Greater Glasgow, there were 30 transactions during the year ending June 2018, compared to 27 during the previous 12-month period. Within this region, the city area of Glasgow saw transactions double to 10, which was also the same number in Bearsden and Milngavie. Activity elsewhere was limited due to the lack of new build supply that had previously boosted the top end of the market.

## Other areas

New build sales in St Andrews made up 10 of the 16 transactions in Fife and the overall 24 in Scotland's heartland. Elsewhere, there were six in the Borders and in 2018, Aberdeenshire saw its first million pound sale in two years, sold by Savills.

**Top performers** Million pound transactions in the 10 leading areas have made up 57% of Scotland's total over the last 10 years.

Area	Million pound transactions
Grange, Morningside and Merchiston, Edinburgh City	234
New Town, Inverleith and West End, Edinburgh City	210
Bieldside, Cults and West End, Aberdeen City	96
Murrayfield, Edinburgh City	67
Bearsden and Milngavie, East Dunbartonshire	57
West End and Park, Glasgow City	50
Stockbridge, Edinburgh City	46
St Andrews, Fife	46
Barnton and Cramond, Edinburgh City	37
Thorntonhall, South Lanarkshire	32
<b>Scotland total</b>	<b>1,548</b>

Source: Savills Research

**Glossary** Overall market refers to residential transactions across all price bands, obtained from the Registers of Scotland. Prime market refers to transactions at £400,000 and above.

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