

# Scotland Residential Quarterly | Autumn 2019

## Research - Market View

### Economic Outlook

Scotland's GDP has grown by 0.6% compared to the same quarter in 2018, revised down from the first estimate of 0.7%, but this remains slower than equivalent UK growth of 1.3%. GDP in Scotland fell by 0.2% in the second quarter of 2019, slightly less than initially expected. The services sector saw slight growth; however, a quarterly drop in output was recorded in both the production (-1.5%) and construction (-2.4%) industries. Brexit delays have led to prolonged caution and uncertainty with confidence remaining subdued. The Scottish Consumer Sentiment Indicator remained negative at -6.6 in Q3 2019, a 0.4 point drop from Q2, reflecting weakening sentiment over the quarter.

In the three months to August, unemployment in Scotland rose to 4.1%, a 0.8% increase over the quarter. Although higher than the UK (3.9%), the unemployment rate remained 0.2 percentage points down on the year, true of both Scotland and the UK as a whole. Latest figures show that labour productivity in Scotland increased by 1.3% compared to Q2 last year.

Visit Scotland recently announced that an additional £3 million was being added to its Rural Tourism Infrastructure Fund (RTIF) to invest in new projects in 2020-21. Improvements to infrastructure and connectivity remain significant for the population across rural Scotland in particular. The Government's Digital Scotland Superfast Broadband (DSSB) programme has already helped communities and businesses across Scotland to connect to fibre broadband. It is anticipated that the DSSB programme will generate £2.76 billion towards the Scottish economy over a fifteen year period.

### Market Outlook

The Scottish property market continues to buck the UK trend, despite a softening in the sector. The Acadata HPI shows that the average price of a home in Scotland in September 2019 was £185,576 (a 2.3% annual increase), 38% less than the average in England and Wales (£300,556). Scotland's relative affordability continues to reinforce its appeal. Sensibly priced properties in prime locations that offer excellent amenities and reasonable accessibility remain highly sought after. Recent data from Zoopla showed that homes in Glasgow and Edinburgh are selling in five to six weeks and for 6-7% more than the asking price.

RoS data shows that the volume of properties within the £525,000-£750,000 and £1m+ price bracket has increased over the year in Q3 2019 with properties over £1m seeing sales rise by almost 19% compared to the same period a year ago. Prime residential continues to drive price increases in the capital. The Acadata HPI showed a 33% increase in the number of top-value homes in Edinburgh sold to end July 2019 compared to 2018. According to RoS, in Edinburgh, prices averaged £273,753 in Q3 2019, 2.7% higher than the previous year. In Glasgow City prices averaged £164,503, 3.4% more than the previous quarter despite an annual fall of almost -1%. The Highland market continues to see price growth with average prices reaching £186,221 in Q3 2019, a 1.6% quarterly increase and 2.6% up on the previous year.

Overall volumes across Scotland totalled 25,806 in the third quarter of this year according to RoS, -0.1% on the same quarter in 2018 but 11% up on Q2 2019. Although volumes have held steady, they remain significantly lower than in Q3 2007 when most markets saw transaction levels peak. Transactions were down in Edinburgh (-35%) and Glasgow (-40%), compared to Q3 2007; however, they were up 49% in the City of Edinburgh and 35% in Glasgow City compared to 10 years ago in Q3 2009.

The uncertain economic outlook and regulatory environment continue to restrict supply. Despite the continued increase in new housing completions, the number of properties being built still falls short of demand. Sterling continues to offer value to international purchasers and increasing yields and rents for buy-to-let properties across Scotland have led to a rise in investor interest. However Additional Dwelling Supplement (ADS), the introduction of a tourist levy and further moves to cap Airbnb rentals, including a likely amendment to the planning bill to regulate short term lets, are affecting the market.

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*"We continue to feel the effect of political uncertainty but the market remains relatively resilient. Seller and buyer expectations have become more aligned and this is helping to sustain sales activity despite the cautious environment."*

### Kevin Maley

Head of Residential,  
Scotland

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*"New homes continue to fill the supply void. There is a healthy development pipeline in place and we are seeing strong demand and competition particularly in the capital and surrounding commuter towns."*

### Natalie Simpson

Head of New Homes and  
Development, Scotland

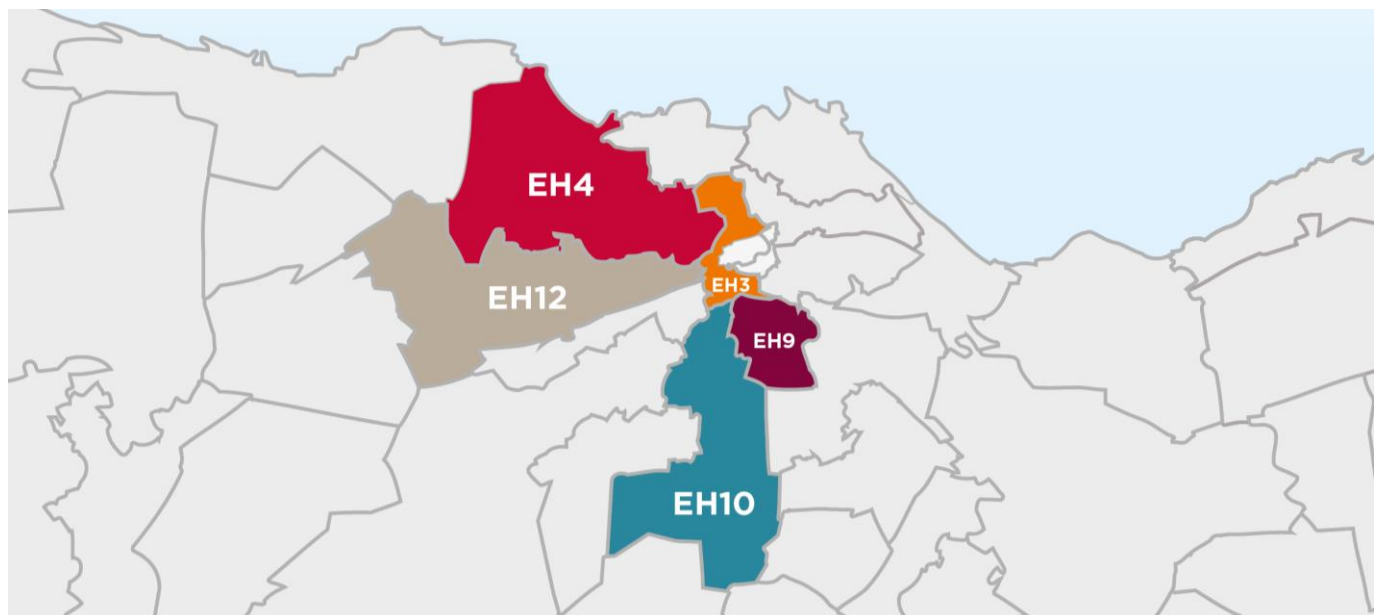
KEY SUBMARKET TRENDS | Q3 2019

Local authority	Regional price Q3 2019, annual change	Regional volumes Q3 2019, annual change	Submarket Postcode	Average House Price*
Aberdeen City	£193,726 (-3.2%)	941 (0.3%)	AB15	£288,821
Dundee City	£146,229 (1.3%)	704 (2.2%)	DD1	£144,698
Edinburgh City	£273,753 (2.7%)	2,907 (1.2%)	EH10 4	£443,144
			EH3 6	£501,465
Glasgow City	£164,503 (-0.9%)	2,976 (-1.8%)	G12	£289,668
Highland	£186,221 (2.6%)	1,111 (-3.1%)	IV2	£198,789
			IV3	£163,756
Perth & Kinross	£206,776 (-0.1%)	752 (-0.8%)	PH1	£184,010
Stirling	£215,485 (4.8%)	380 (7.2%)	FK8	£209,108

CITY OF EDINBURGH | Q3 2019

Postcodes	Average House Price*	Price change	Volume change
EH10 4	£443,144	▲	▶
EH12 5	£534,572	▲	▼
EH12 6	£548,843	▲	▼
EH3 5	£370,703	▼	▼
EH3 6	£501,465	▼	▼
EH4 1	£418,943	▲	▼
EH4 3	£591,628	▲	▼
EH9 1	£371,128	▼	▼
EH9 2	£459,067	▼	▼

Source: Acadata, September 2019. \*Prices based on a Rolling Three Month Average. © Crown copyright material originating from the Registers of Scotland, reproduced with the permission of the Registers of Scotland, September 2019. Regional price does not include transactions >£1m.



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Methodology

As the housing market is seasonal, for the purposes of this report; data is compared year on year, i.e. looking at Q3 2019 in light of changes since Q3 2018. Data may also be compared on a rolling 12 month basis. Economic views are attributed to Strutt & Parker's retained economic advisors, Volterra. Registers of Scotland (RoS) does not have a data lag at end of quarter compared to Land Registry data and therefore transaction figures at end of quarter for Scotland may appear abnormally high in comparison. The global economy remains volatile and therefore there is risk that any market commentary provided will become out-dated within a very short timescale.

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