

Scotland Residential Quarterly | Winter 2019/20

Research - Market View

Economic Outlook

The latest Scottish Business Monitor shows signs of improved confidence in the Scottish economy and a positive outlook for 2020. Prospects for business activity, investment and employment are now at their highest level for six years.

Although subdued, growth expectations are also promising. The Scottish Fiscal Commission have forecast GDP to rise 1% this financial year increasing to 1.1% in 2021 and 1.2% in 2022-23. The latest RBS purchasing managers index (PMI) showed manufacturing and service sector output at a 14-month high of 52.0 in January. Permanent hiring and starting pay were also up last month according to a monthly survey of Scottish recruitment specialists.

Digital connectivity and improved broadband continue to boost the rural economy. Commsworld have announced the use of 200 kilometres of dark fibre to provide connectivity to rural locations in southern Scotland and FarrPoint are helping to deliver the Scottish Government's 5G strategy by supporting the infrastructure group, Scottish Futures Trust.

Determined to fight climate change and reach net zero in 2045, the government has announced £1.8 billion of investment in low carbon infrastructure as well as peatland restoration and planting new forest across Scotland.

Market Outlook

Scotland continues to see property prices rise. According to the Nationwide House Price Index, UK property prices grew by 0.8% in the year to Q4 2019 while Scotland recorded YoY growth of 2.7%. RoS data shows that average prices for Scotland in Q4 2019 reached £184,446, 9% above their levels five years ago in the same quarter of 2014 and nearly 60% higher than in Q4 2004.

The City of Edinburgh average fell 2.5% over the year to £266,248 but a lack of supply underpins the prime city centre market. The prime EH10 4 and EH3 6 postcodes Morningside and New Town both saw substantial price increases in Q4 2019. Prices fell slightly (0.9%) in Glasgow over the year to Q4 2019 but demand remains robust. The delivery of new homes in the West End has improved availability at the top end of the market with prices averaging £289,668 in Q4 2019 in G12.

Dundee is seeing strong demand with annual prices up 4% on 2018 but it remains more affordable than other city locations. In 2019 prices averaged £144,807, 20% lower than the Scottish average. The Highland market is performing well. Although annual prices fell in the last quarter, they reached a peak of £185,108 in 2019, 2% higher than in 2018 and 14% higher than in 2014. Aberdeen prices are 1% down on 2018 and 9% down on 2014. It is interesting to note that the current average of £194,991 is 94% higher than the annual average 15 years ago in 2004. In the prime postcode of AB15 which encompasses the West End, Cults, Bieldside and Milltimber prices averaged £294,529 in Q4 2019, 2% up on the previous quarter.

Location is key and performance is driven by accessibility and connectivity. In the centrally located regions of Stirling and Perth & Kinross prices reached an average of £212,877 and £201,199 in Q4 last year respectively. East Lothian (8%) and Falkirk (6%) saw some of the largest regional gains with prices up significantly over the year to Q4 2019, with East Lothian averaging £269,762.

The market remains uncertain but we anticipate further growth in 2020. Although the supply of properties remains low, demand is generally robust and this is reflected by an overall annual increase (2%) in transactions. Properties priced over £1m have seen volumes increase by more than 50% compared to Q4 2018. In contrast, sales of properties priced between £750,000 - £1m are down 23% on Q4 2018.

We continue to see price growth for new homes. Data from the RoS shows that new build homes in Scotland averaged £181,272 in 2019, 40% more than existing properties. The average price of new build flats (£216,189) was 55% more than second hand ones (£139,030). New build terraced houses saw the largest price increase over the year, averaging £213,292 in 2019.

"Market sentiment has improved considerably at the start of this year and although we expect continued caution in the near term, the outlook for property remains optimistic."

Kevin Maley

Head of Residential,
Scotland

"Appropriate pricing remains important. Homes at the very top of the market are desirable despite the regulatory environment however there is still room for further alignment between buyer and seller expectations especially in secondary rural locations."

Malcolm Leslie

Director, Country Homes

"The new homes market above £1m in Edinburgh has seen a significant increase in volume. The overall market has remained resilient in the face of political uncertainty, primarily due to lack of supply however values will continue to rise due to strong city economies."

Natalie Simpson

Head of New Homes,
Scotland

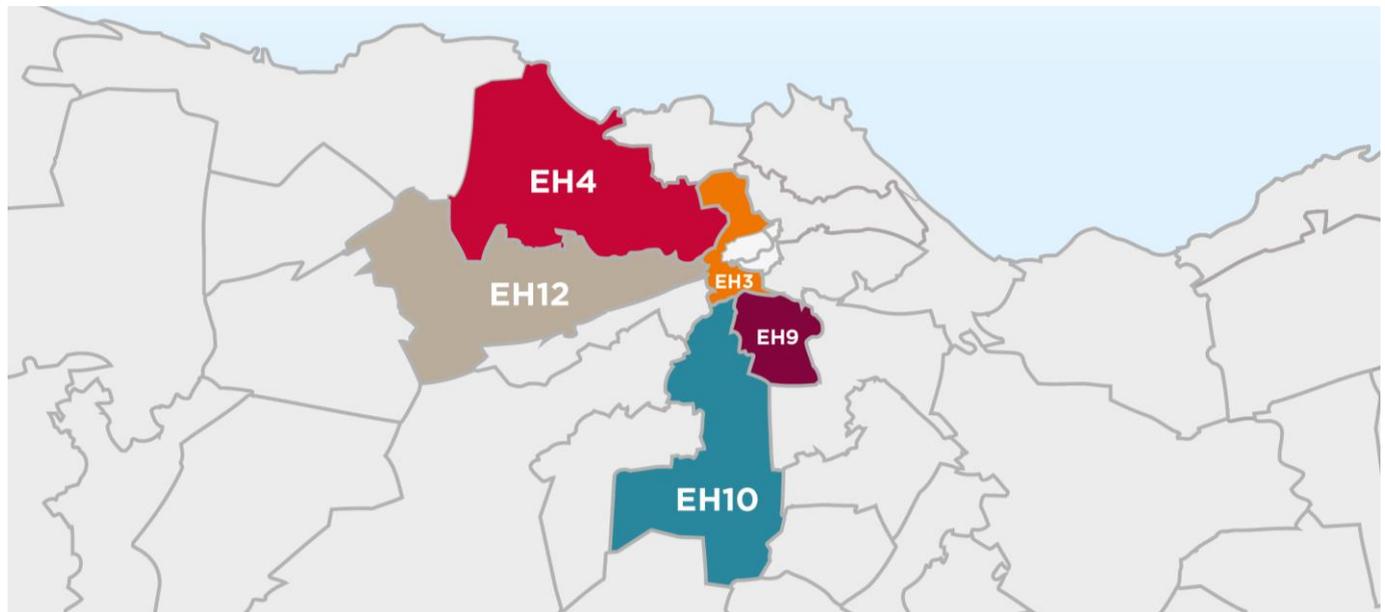
KEY SUBMARKET TRENDS | Q4 2019

Local authority	Regional price Q4 2019, annual change	Regional volumes Q4 2019, annual change	Submarket Postcode	Average House Price*
Aberdeen City	£195,571 (-0.6%)	1,127 (10.2%)	AB15	£294,529
Dundee City	£146,168 (2.0%)	674 (-11.3%)	DD1	£185,626
Edinburgh City	£266,248 (-2.5%)	3,060 (-3.8%)	EH10 4	£488,767
			EH3 6	£582,002
Glasgow City	£163,813 (0.8%)	3,292 (2.0%)	G12	£287,511
Highland	£186,069 (-0.4%)	1,331 (7.3%)	IV2	£202,815
			IV3	£161,671
Perth & Kinross	£201,199 (2.3%)	882 (-0.5%)	PH1	£171,172
Stirling	£212,877 (0.1%)	465 (-1.5%)	FK8	£233,337

CITY OF EDINBURGH | Q4 2019

Postcodes	Average House Price*	Price change	Volume change
EH10 4	£488,767	▶	▼
EH12 5	£408,455	▲	▲
EH12 6	£569,120	▲	▶
EH3 5	£526,757	▲	▲
EH3 6	£582,002	▲	▼
EH4 1	£525,159	▲	▶
EH4 3	£538,046	▶	▼
EH9 1	£407,969	▲	▼
EH9 2	£659,200	▲	▼

Source: Acadata, February 2020. *Prices based on a Rolling Three Month Average. ©Crown copyright material origination from the Registers of Scotland, reproduced with the permission of the Registers of Scotland, February 2020. Regional data 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 Q4 2019 in light of changes since Q4 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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