

Scotland Residential Quarterly | Spring 2019

Research - Market View

Economic Outlook

Although Scotland's economy performed better than expected in 2018, consumer and business confidence remain low due to the ongoing impact of Brexit uncertainty and the prospect of a second independence referendum. Scotland's GDP grew by 1.3% over the year to Q4 2018. Equivalent UK growth was 1.4% according to Government statistics.

National Records of Scotland data shows that the population continued to increase over the year in 2018, with a record high of 5.44 million people now living in Scotland. Migration continues to be the main driver of Scotland's population growth, with more people coming to Scotland than leaving. According to Scotland's Labour Market statistics from December 2018 to February 2019, unemployment in Scotland fell to 3.3%, the lowest rate on record and lower than the UK (3.9%) for the seventh month in a row. Unsurprisingly consumer sentiment weakened over the quarter falling by 3.8 points. The Scottish Consumer Sentiment Indicator was negative at -9.6 in Q1 2019. The indicators for current and expected economic performance were both negative and worsening in Q1 2019, signifying that sentiment relating to Scotland's economic performance remains weak. A lack of clarity continues to weigh on market confidence and decision making.

Market Outlook

Scotland's residential market continues to perform well. Despite the ongoing challenges of Brexit, the latest UK HPI for Scotland shows a 4.5% rise year on year in March. Although nationally the Royal Institution of Chartered Surveyors (RICS) Residential Market Survey recorded house price net balance in April at -23%, in Scotland it remained positive +28% with respondents recording further price increases. Registers of Scotland quarterly data shows a slight fall in overall average prices (-0.4%) across Scotland in the first three months of the year compared to the same period in 2018 but many markets saw recurrent price rises in Q1 2019.

According to our analysis of ROS data, both the City of Edinburgh and Glasgow City saw prices fall by -0.8% and -1.8% respectively over the same period. In the core Edinburgh submarkets, average prices are -0.2% down on the previous month. While average property values have begun to flatten a little, we are still seeing a price premium in certain locations. A total of 85% of sales in the prime postcode of EH3 6 were over £300,000; 6% of properties were priced over £1m. In Dundee City, prices increased by more than 10%, as well as across Highland (2.9%), Perth and Kinross (6.1%) and Stirling (2.0%). In line with the overall Highland trend, the Inverness market continues to perform well due to the desirability of the region as a place to live and work. Prices increased in IV2 (1%) and IV3 (1.1%) in March 2019. Aberdeen City is still seeing some price correction and there was a small price drop of -1.0% over the year in Q1 2019.

Overall sales volumes continued to increase over the year (3.9%) across Scotland during the first quarter of 2019. Supply is constrained by the ongoing fall in new property listings and buyers continue to be limited by the choice available. The number of £1,000,000 homes sold across Scotland fell over the year to Q1 2019. However, volumes at this level at the very top of the market are almost 30% higher than in Q1 2017 signalling sustained demand for the very best properties despite the impact of LBTT. New development in Bruntsfield and Morningside across the EH10 4 postcode helped ease some of the supply pressures. In Highland and Stirling transaction levels were -7.8% down but positive across the City of Edinburgh, Glasgow City, Aberdeen City, Perth & Kinross and Dundee City. The first quarter saw an increase in transactions across the EH12 5 postcode to the west of the capital. However, sales volumes fell across the Edinburgh postcodes of EH3 6, EH3 7, EH4 1 and EH4 3 where the market is dominated by tight supply, particularly at the higher end of the market.

The relative affordability of Scotland in general compared to the rest of the UK, as well as the excellent lifestyle on offer, continues to reinforce its appeal as a place to live and work. Market fundamentals remain strong and we expect to see more balanced supply and demand once there is greater certainty around Brexit and the future of the Scottish economy.

"We continue to see increasing polarisation between properties with strong performance in certain areas. Pricing has become more realistic and we are seeing increasing activity as we move through into summer."

Kevin Maley

Head of Residential,
Scotland

"The shortage of supply coming to the market is driving competition. When the right properties come to the market they are attracting a lot of interest and selling quickly."

Malcolm Leslie

Director, Edinburgh

KEY SUBMARKET TRENDS | Q1 2019

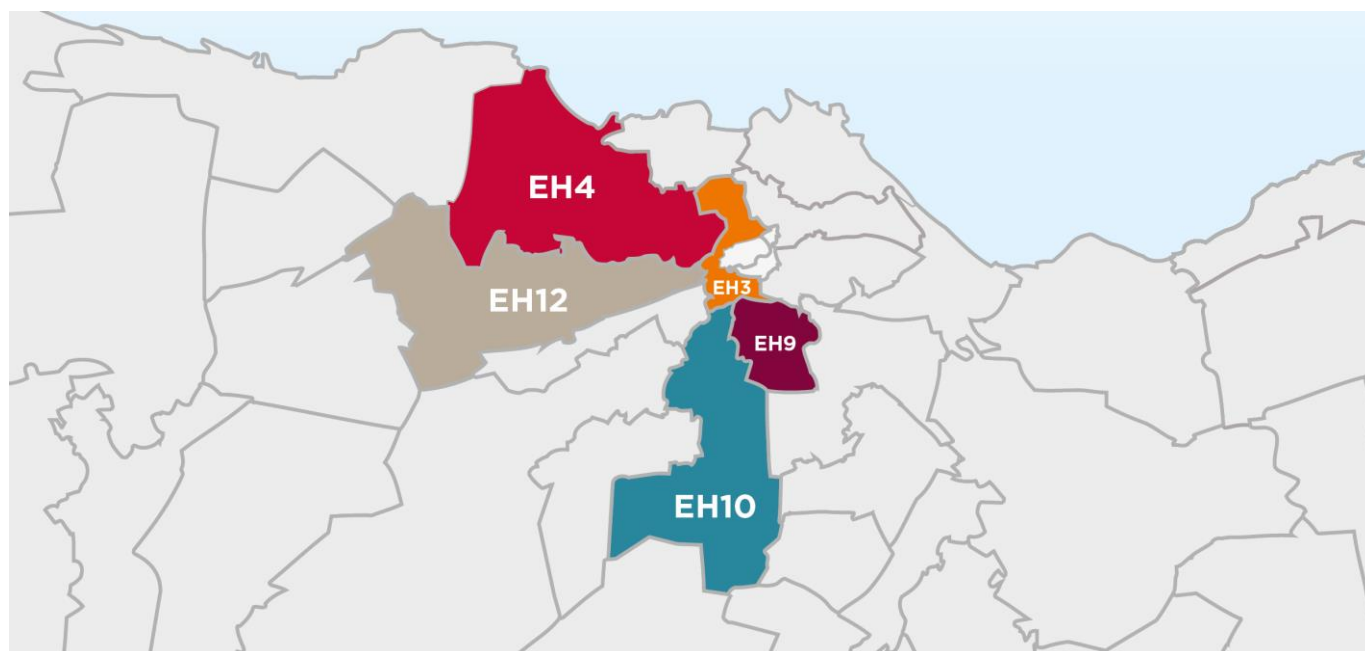
Local authority	Regional price Q1 2019, annual change	Regional volumes Q1 2019, annual change	Submarket Postcode	Average submarket price*
Aberdeen City	£189,376 (-1.0%)	786 (13.4%)	AB15	£301,881
Dundee City	£135,017 (10.1%)	513 (6.4%)	DD5	£220,134
Edinburgh City	£259,148 (-0.8%)	2,233 (0.1%)	EH10 4	£436,074
			EH3 6	£546,194
Glasgow City	£152,010 (-1.8%)	2,227 (0.7%)	G12	£299,583
Highland	£181,374 (2.9%)	865 (-7.8%)	IV2	£159,952
			IV3	£195,453
Perth & Kinross	£201,240 (6.1%)	580 (6.2%)	PH1	£162,835
Stirling	£190,467 (2.0%)	318 (-7.8%)	FK8	£192,002

Source: © Crown copyright material originating from the Registers of Scotland, reproduced with the permission of the Registers of Scotland, May 2019 Note: Regional price does not include transactions >£1m, *Based on a 12 month rolling average to March 2019.

CITY OF EDINBURGH | Q1 2019

Postcodes	Average House Price*	Price change	Volume change
EH10 4	£436,074	▲	▶
EH12 5	£362,006	▲	▲
EH12 6	£499,345	▼	▼
EH3 5	£374,023	▼	▲
EH3 6	£546,194	▲	▼
EH3 7	£608,524	▶	▼
EH4 1	£390,135	▼	▼
EH4 3	£514,078	▶	▼
EH9 1	£376,693	▲	▼
EH9 2	£547,181	▶	▶

Source: *Based on rolling 12 month average to March 2019 © Crown copyright material originating from the Registers of Scotland, reproduced with the permission of the Registers of Scotland, May 2019.



Contact us

Kevin Maley

Head of Residential, Scotland
kevin.maley@struttandparker.com

Malcolm Leslie

Director, Edinburgh
malcolm.leslie@struttandparker.com

Hamish Spencer-Nairn

Head of Perth Agency
hamish.spencer-nairn@struttandparker.com



Susanna Clark

Residential Research, Scotland
susanna.clark@struttandparker.com

Methodology

As the housing market is seasonal, for the purposes of this report; data is compared year on year, i.e. looking at Q1 2019 in light of changes since Q1 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 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.

Copyright

© BNP PARIBAS REAL ESTATE ADVISORY & PROPERTY MANAGEMENT UK LIMITED. ALL RIGHTS RESERVED. No part of this publication may be reproduced or transmitted in any form without prior written consent by Strutt & Parker. The information contained herein is general in nature and is not intended, and should not be construed, as professional advice or opinion provided to the user, nor as a recommendation of any particular approach. It is based on material that we believe to be reliable. While every effort has been made to ensure its accuracy, we cannot offer any warranty that it contains no factual errors. The information contained herein should therefore not be relied upon for any purpose unless otherwise agreed with Strutt & Parker and Strutt & Parker shall have no liability in respect of the same. Strutt & Parker is a trading style of BNP Paribas Real Estate Advisory & Property Management UK Limited, a private limited company registered in England and Wales (with registered number 4176965) and whose registered office address is at 5 Aldermanbury Square, London EC2V 7BP.