

Scotland Residential Quarterly | Summer 2019

Research - Market View

Economic Outlook

Scotland's GDP grew 1.5% in the first quarter of 2019 however there is concern over the impact of a no-deal Brexit particularly in relation to trade and migration. Business sentiment and consumer confidence remain weak and although Scottish GDP grew by 0.6% in real terms during Q1 2019, the best quarterly performance in Scotland since the start of 2017, this is thought to be a consequence of companies stockpiling and beginning to implement contingency plans for a no-deal Brexit.

In the three months to May, unemployment in Scotland fell by 1,000 to 92,000 according to ONS. The unemployment rate of 3.3% was below the UK figure of 3.8%. Tight labour supply has led to skills shortages in some employment sectors. Recently published data from RBS showed an increase in short-term temporary employment in July 2019. It is likely that this trend will continue as doubt weighs on business decisions.

The Scottish Consumer Sentiment Indicator remained negative at -6.1 in Q2 2019 however expectations for economic performance and household finances over the next 12 months improved after four consecutive quarters of weakening sentiment. Overall economic performance is still expected to decline over coming year. Recently published data from the Bank of Scotland Business Barometer saw sentiment across Scottish companies drop by 17 points to reach zero last month.

Market Outlook

The Scottish market remains buoyant and although Brexit uncertainty has led to a slowdown in sales, prices are continuing to rise. According to data from Rightmove, Scotland has become the fastest place to sell a property. The average time to secure a buyer in Scotland is 43 days compared with a UK average of 62 days. Tight supply levels continue to drive pricing upwards. The most recent HPI figures for Scotland show a 2.8% rise year on year in May 2019. Although house prices across the UK are now 16.6% above their pre-crisis peak, in Scotland they are still -2.5% below. Scotland continues to offer good value compared to other regions in the UK. Despite low interest rates, affordability remains one of the greatest concerns for first time buyers in particular. Acadata's analysis of 'affordability' ratios show that that Scotland at 5.09, is the second most 'affordable' region in the UK. This contrasts with the South East, where the 'affordability' ratio is 10.38, double that of Scotland.

Registers of Scotland data shows a quarterly price increase of 2.6% across Scotland in Q2 2019. Prices increased by 1.5% on an annual basis compared to Q2 2018. Almost all submarkets saw average prices increase with East Lothian seeing some of the highest annual growth (14.4%). The Scottish Borders was one of the markets that saw prices fall over the year (-5.9%). Prices also fell (-1.3%) over the quarter in Q2 2019. Prime residential continued to drive price increases in the capital. Prices rose by 2.3% over the quarter across the City of Edinburgh with EH3 6 and EH10 4 now averaging £547,676 and £442,676 respectively. Glasgow City saw a quarterly price increase of almost 5.0% over Q2. Property within the G12 postcode priced over £500,000 averaged £685,300 over the 12 months to June 2019.

Despite limited supply of quality properties, demand is generally robust and this is reflected by an overall increase in transactions. Quarterly sales volumes increased by 4.7% to 25,806 in Q2 2019 compared to the previous year. This was a substantial increase (32.6%) on Q1 where volumes across Scotland totalled 19,464. The core employment hubs of Dundee, Edinburgh, Glasgow and Inverness all saw increased transactional activity in Q2 2019 compared to the same period last year and while volumes in Aberdeen City fell (-10.4%) over the year, they were up almost 20% on a quarterly basis. Volumes were down in all core city centre Edinburgh submarkets in Q2 where supply remains extremely tight.

Local market fundamentals continue to be key to performance and there is significant divergence in activity between the high and low end of the residential sector. We await clarity in the market before we can predict future trends with any certainty but the overall expectation for Scottish residential property is for a continued upward trend albeit perhaps at a slower pace.

"The outlook for the Scottish property market is positive; however we have seen a slowdown in the first half of 2019 compared to 2018. Although buyer and seller caution as a result of the political uncertainty continues to have an impact, we expect to see confidence and activity return in due course."

Kevin Maley

Head of Residential,
Scotland

"Tight supply continues to dominate the Edinburgh market and strong demand continues to create competition. In the country house market, performance is ever reliant on quality, accessibility and realistic pricing."

Malcolm Leslie

Director, Edinburgh

KEY SUBMARKET TRENDS | Q2 2019

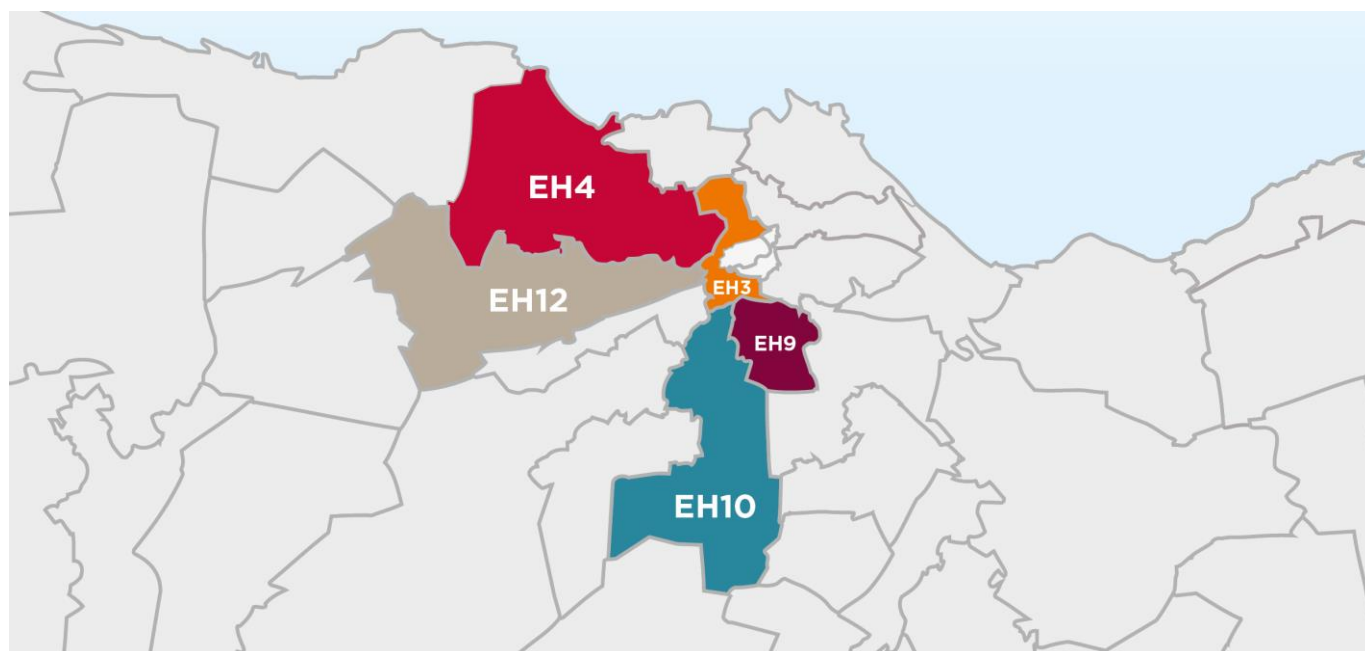
Local authority	Regional price Q2 2019, annual change	Regional volumes Q2 2019, annual change	Submarket Postcode	Average submarket price*
Aberdeen City	£201,801 (0.8%)	941 (-10.4%)	AB15	£309,958
Dundee City	£148,415 (5.5%)	704 (15.8%)	DD5	£221,891
Edinburgh City	£265,131 (1.2%)	2,233 (0.1%)	EH10 4	£442,676
			EH3 6	£547,676
Glasgow City	£159,204 (2.8%)	2,907 (6.9%)	G12	£293,310
Highland	£183,225 (3.2%)	1,111 (5.0%)	IV2	£198,726
			IV3	£163,312
Perth & Kinross	£194,637 (4.0%)	752 (-4.4%)	PH1	£163,456
Stirling	£192,550 (-1.8%)	380 (-15.6%)	FK8	£198,450

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

CITY OF EDINBURGH | Q2 2019

Postcodes	Average House Price*	Price change	Volume change
EH10 4	£442,676	▲	▼
EH12 5	£397,302	▲	▼
EH12 6	£502,173	▲	▼
EH3 5	£377,368	▲	▼
EH3 6	£547,676	▲	▼
EH3 7	£624,871	▲	▼
EH4 1	£413,449	▲	▼
EH4 3	£502,793	▲	▼
EH9 1	£371,575	▲	▼
EH9 2	£582,964	▲	▼

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



Contact us

Kevin Maley

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



Malcolm Leslie

Director, Edinburgh
malcolm.leslie@struttandparker.com

Susanna Clark

Residential Research, Scotland
susanna.clark@struttandparker.com

Hamish Spencer-Nairn

Head of Perth Agency
hamish.spencer-nairn@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 Q2 2019 in light of changes since Q2 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.