

Scotland Residential Quarterly | Winter 2018/2019

Research - Market View

Economic Outlook

Scotland's rolling annual growth rate remains at 1.5%, slightly higher than the UK rate (1.4%). Figures published by the Scottish Government in December 2018 show that although GDP dropped from 0.5% in Q2 to 0.3% in Q3, growth over the year to September 2018 was the fastest since early 2015. Estimates from the Labour Force Survey show that the number of people in work increased in the first half of 2018. Scotland's unemployment rate is at a record low of 3.7%. The UK Government is investing more than £1bn into City Region Deals to strengthen the Scottish economy and create new jobs across the country. However, uncertainty over Brexit continues to affect the outlook for Scotland's economy. The Scottish Consumer Sentiment Indicator was negative at -5.8 in Q4 2018.

Market Outlook

The Nationwide House Price Index reports that UK property prices grew 1.3% over the course of 2018. Nationally, house prices are 16.5% above their pre-crisis peak; while Scotland remains -2.9% below. Scottish house prices were 3.2% up year on year and the overall market value of residential sales across the country increased more than 5% throughout the year in Q4 2018. While a combination of lack of stock and a degree of uncertainty relating both to the interest rate outlook and Brexit has had an impact on activity, the overall picture for the residential market remains positive. The latest RICS results show that the housing market in Scotland remains resilient. Although average 12 month sales expectations are mostly depressed across the UK, Scotland is one of the few markets where the net balance is positive.

Data from the RoS indicates that pricing remains strong for the best properties in the most desirable, accessible locations. Strong take up levels are indicative of the latent demand for quality residential units. More than anywhere else, continued demand and supply constraints in Edinburgh drove some of the strongest price growth with average prices increasing by 9% year on year in Q4 2018. Average residential prices in Edinburgh were 50% higher than the Q4 2018 Scottish average of £181,820. To look at some snapshots, IV4 – comprising Beaulieu, Loanhead, Farnham, Tomich and Kiltarlity – was the most expensive postcode in Highland in Q4 with average prices almost 50% higher than the Highland average. Prices increased by 3.7% in IV2 in line with the overall Highland quarterly trend of 3.9%. Despite an overall fall in average prices across Perth and Kinross, property priced over £300k in the PH1 postcode increased 13% over the quarter in Q4.

Overall, stock levels remained low in 2018 with a knock-on effect on transactions which have fallen more than 30% since their peak in 2006. Across Scotland, the volume of residential sales increased by 1.8% over the year to Q4 2018 but the picture was mixed across different locations. Volumes were down in Edinburgh's EH10 and EH3 and in the Inverness postcodes of IV2 and IV3. Although the number of sales across Perth and Kinross increased by 5.6% (1.7% over the quarter) over the year in Q4 2018, there remains a shortage of quality stock across much of the region. Whilst the market in Scotland is generally performing well, it is characterised by 'property specific' trends in pricing performance and transactional activity and it is difficult to define the market in broad terms. New residential stock has led to increased activity in the periphery and new homes market and this is expected to ease some pressure on supply levels going forward. We expect to see some decline in activity this year but pricing should remain relatively stable throughout 2019.

"Demand is being driven by tourism, employment opportunities and the lifestyle offered by Scotland. We have seen continued activity in the downsizing market as well as from growing families. As ever, properties with good communications and infrastructure links and close to amenities as well as those with garages, gardens, small amounts of land and proximity to good schools continue to drive pricing upwards."

Kevin Maley

Head of Residential,
Scotland

"A significant shortage of stock both in prime central Edinburgh and in the country house market has had a positive effect on prices. This highlights an appetite for well-priced assets, despite political uncertainty."

Malcolm Leslie

Director, Edinburgh

KEY SUBMARKET TRENDS | Q4 2018

Local authority	Regional price Q4 2018, quarterly change	Regional volumes Q4 2018, quarterly change	Postcode	Property priced >£300k as % of total volume	QoQ price change trend (>£300k)	QoQ vol change trend (>£300k)
Highland	£188,690 (3.9%)	1,245 (-3.2%)	IV2	6%	▲	▶
			IV3	3%	▲	▼
Edinburgh City	£272,694 (2.3%)	3,188 (2%)	EH10	66%	▲	▼
			EH3	50%	▼	▼
Perth & Kinross	£197,343 (-4.6%)	891 (1.7%)	PH1	12%	▲	▲
Glasgow City	£162,496 (-2.1%)	3233 (-3.5%)	G12	20%	▶	▼
Stirling	£212,707 (3.4%)	472 (2.4%)	FK8	17%	▼	▼
Dundee City	£143,487 (-0.5%)	674 (6.6%)	DD5	13%	▲	▼
Aberdeen City	£194,219 (-3.1%)	1,027 (-7.4%)	AB15	23%	▼	▼



Source: Registers of Scotland, Strutt & Parker, February 2019. Note: 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 Q4 2018 in light of changes since Q4 2017. Data may also be compared on a rolling month on month basis. When referring to the PCL market it includes those markets which Strutt & Parker operate in (Knightsbridge, Belgravia, Kensington, Chelsea, Notting Hill & Fulham) and as such is reflective of London's most prime markets. 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. Additionally, Lonres.com data is used to assess the London sales and lettings market. The behavioural data is collected from our activity in PCL markets: our proprietary "behavioural data" is not representative of the UK as a whole. 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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