Price monitor

Key statistics for house price growth

- **2.0%**
  - Annual movement in prime Scotland values

- **6.5%**
  - Prime value growth since the beginning of LBTT

- **-17.2%**
  - Prime value growth since 2008 peak

Growth in the prime Scotland market in the past year

- **City: 4.0%**
- **Town: 3.3%**
- **Village: 0.5%**
- **Rural: 0.7%**

Note: Prices to June 2019

Source: Savills Research

Prime Scotland

Prices maintain upward trend

Prime property values in Scotland showed the highest growth of any UK region during the second quarter of 2019. Unlike other parts of the UK, the market remains relatively unaffected by political uncertainty, but a lack of stock is a major challenge and is starting to suppress prime transactional growth.

Annual growth in prime Scottish values during this period was 2.0%, compared with a drop of 0.4% across the rest of the UK. During the same period in 2018, growth in Scotland’s prime market was 1.9%, highlighting the robust nature of the current market.

The punitive levels of LBTT taxation in Scotland have previously impacted higher price bands. So, over the past five years, the property market below £500,000 has returned the strongest growth in value of 13.4%. However, the market above this level is adjusting and taxation is becoming less of a challenge. Our latest figures show that property values between £500,000 and £1 million are currently 2.7% above the level five years ago, while those above £1 million are up 1.3% as a result of value growth during the past 12 months.

Properties in urban locations that are close to local facilities and employment opportunities have increased in value by 3.8% annually. That said, the market in surrounding areas is offering excellent value for money and we are witnessing an increase in demand for high-quality country properties. As a result, values in accessible village and rural areas grew by 0.7% year on year following a long period of adjustment.

With a prime value differential of 38% compared with the rest of the UK, Scotland continues to attract equity-rich buyers from London as well as expats from mainland Europe, the Middle East and North America.

Image: Brechin, Angus. Offers over £3,000,000

Prime value performance during Q2 2019

The prime Scotland market above £500,000 is adjusting to taxation challenges

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<thead>
<tr>
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<tbody>
<tr>
<td>Under £500k</td>
<td>2.2%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.3%</td>
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<tr>
<td>£500k-£750k</td>
<td>2.3%</td>
<td>1.7%</td>
<td>3.3%</td>
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<td>£750k-£1m</td>
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<tr>
<td>£1m+</td>
<td>1.3%</td>
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</table>

Note: Prices to June 2019

Source: Savills Research

Prime price movements (to June 2019)

<table>
<thead>
<tr>
<th>Category</th>
<th>All prime London</th>
<th>All UK prime regional</th>
<th>London suburbs</th>
<th>London’s inner commute</th>
<th>London’s outer commute</th>
<th>Wider South</th>
<th>Midlands and North</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly growth</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.7%</td>
<td>-0.6%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Annual growth</td>
<td>-1.8%</td>
<td>-0.4%</td>
<td>-0.1%</td>
<td>-2.4%</td>
<td>-0.3%</td>
<td>-0.7%</td>
<td>0.6%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Savills Research
Edinburgh leads local markets

Scotland’s prime market is led by the city area of Edinburgh. Annual value growth of 4.4% is underpinned by its strong local economy and demand for family housing in suburban locations. Supply in the capital has been more consistent in 2019, maintaining prime transactional growth. But prices will have to be set appropriately to attract viewers and progress sales.

Supply issues are affecting the city area of Glasgow. Even so, prime values increased by 3.9% – the highest annual growth in five years.

While an oversupply of second-hand mainstream properties is having an impact on the Aberdeen area market, prime transactions above £500,000 that are within easy reach of Aberdeen have recovered as a result of more realistic pricing. Meanwhile, value growth across the wider North East remains steady, with more interest from Aberdeen buyers as a result of the city’s recovering market.

During 2019, there have been relatively strong levels of value growth in Scotland’s country locations as much of the older stock has been absorbed. However, new supply will have to be priced appropriately to maintain the recent turnaround in transactional growth in the areas surrounding Scotland’s cities.

“Supply in Edinburgh has been more consistent in 2019, maintaining prime transactional growth. But prices will have to be set appropriately to attract viewers and progress sales.”

OUTLOOK

The rise in registered buyers and viewing activity this year give reason for optimism. But heightened uncertainty over what the new prime minister will mean for Brexit suggests the prime markets will remain price sensitive across the remainder of 2019. In Scotland, the key fundamentals of attainability, quality of life, good schools and economic growth in the hubs of Edinburgh and Glasgow will drive local markets. A healthy pool of motivated buyers will continue to support values. But political uncertainty is beginning to be felt in some quarters and we therefore expect a more considered prime market for the remainder of 2019, one that is driven by realistic pricing.

Definition of prime property
This market consists of the most desirable and aspirational property by location, aesthetics, standards of accommodation and value. Typically, it comprises properties in the top 5% of the market by house price.