



Scottish housing market subdued but still performing according to specialist property firm

- ***Rettie & Co's research demonstrates that the Scottish housing market is continuing to function in 2023, with listings of new properties broadly comparable with last year***
- ***However, sales are down 10% in Jan-May compared to the same period last year and Rettie & Co is forecasting that sales transactions will drop by around 15 per cent over the course of the year***
- ***Average house prices are forecast to fall back by around 5 per cent in 2023 according to Rettie***
- ***Landlords are continuing to depart the rental sector, leading to lack of availability and a spike in advertised rents***

4 July, 2023 - Rettie & Co. has characterised the Scottish housing market as now "more complicated and expensive" in its Summer housing market report, and is forecasting that sales transactions will drop by around 15 per cent over the course of the year, with average house prices set to fall back by around 5 per cent.

Dr John Boyle, Rettie & Co's Director of Research and Strategy said: "When you add rising interest and mortgage rates to slower or negative house price growth, the picture is far from rosy for households in Scotland. However, the market is continuing to function even if at a slower pace. On the rental side, the reduction in supply combined with increased demand, set against an unhelpful legislative environment, is seeing a steep rise in advertised rents and a lack of availability."

The main findings in Rettie & Co's Summer Briefing Report are:

- Scottish housing sales were down 10 per cent in the first five months of 2023 against the previous year, with the rate of house price rises also falling. Steeper adjustments are expected over the course of 2023 as interest rate rises take effect.
- Although sales have slowed, there remains an appetite for people to sell. The value of properties being listed is broadly comparable with last year, although sales will take longer in the slowing market.
- Over the last three months, the supply of new properties coming to the market in Edinburgh is approximately 10 per cent higher than the same period last year,

while, in Glasgow, supply has followed the downward trend in registered sales, falling back by approximately 14 per cent year-on-year.

- The main challenge in most parts of the housing market is the rising cost of mortgages. The latest Bank of England decision to raise base rates to 5 per cent, aimed at curbing inflation, will see mortgage rates rise further.
- The average cost of a mortgage on a Scottish property is now higher than the average rent.
- A period of slower or negative house price growth, with material and labour costs remaining high, will slow down housing delivery, likely leading to subdued new build activity.
- Rent increases for newly advertised properties are being driven by strong competition for a smaller supply of available housing. With new legislation in the pipeline, there is likely to be a further reduction in supply, at a time of increasing demand, as landlords continue to leave the sector and new investors are deterred.
- Rettie is forecasting that sales transactions will drop by around 15 per cent over the course of 2023. While the firm expects prime markets to remain more robust as supply remains below demand, first time buyers will find market conditions increasingly challenging.
- Average house prices are forecast to fall back by around 5 per cent in 2023 according to Rettie.

Full-service property firm Rettie & Co, founded in 1993, is headquartered in Edinburgh with 180 staff across 11 offices - Edinburgh, Glasgow City, Glasgow West End, Bearsden, Shawlands, Newton Mearns, St Andrews, Melrose, Berwick, Newcastle, and London.

The firm covers residential and new home sales, letting and property management, land and development sales and consultancy, mortgage and protection advisory, underpinned by Scotland's leading research and strategy unit.