



Market paradox

Edinburgh's housing market in Autumn 2018 has enjoyed a strong summer of trading, with stock and sales activity broadly positive and building on the resurgence of the 2017 market. Average house prices in the city are over £25k higher now than at the start of the year, with housing demand still outstripping supply. The level of demand in the Edinburgh market has seen average monthly house prices report a year-on-year increase for the past 22 months.

The looming issue of Brexit has undoubtedly become a more prominent discussion point in recent weeks, and there can be no doubt that, for some, this is influencing their decision-making process. The hesitance in the face of uncertainty is understandable. The Ellsberg Paradox is a decision theory

which shows that people prefer making decisions when they can calculate the risk and are generally averse to ambiguity. Defined by its ambiguity, Brexit plays to this aversion for many as it draws closer, as evidenced by the fall in transaction activity in the city in the last year. However, the fundamental undersupply of housing and limited availability of prime properties are acting to support demand and prices in core areas.



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Key Findings

- Average house prices in 2018 are 6% higher than in 2017.
- Overall, transaction levels have dropped back on 2017 levels with the most recent figures down -11% year-on-year.
- Stock levels (defined by number of listings) in Edinburgh are up on 2017 by around 10%, unlocking chains and providing greater opportunities in the market.
- Areas of prime housing have seen the greatest increase in stock levels as they take advantage of rising prices and pent-up demand after stalling in the wake of LBTT.
- Concerns over Brexit are now becoming more prominent in the market for some buyers and sellers.

House prices continue to rise

House prices in Edinburgh have continued to rise over the course of 2018, building on an upward trend of 22 continuous months of year-on-year growth. This is the longest sustained period of price growth since 2008. Over the first three quarters of 2018, the average house price in the capital has risen 10%; this equated to a £25k rise from £255k in January to £280k in September. Overall, the average house price in Edinburgh in 2018 Q1 -Q3 is 6% up on the same period in 2017. In terms of transactions, the strong level of activity that began the year saw

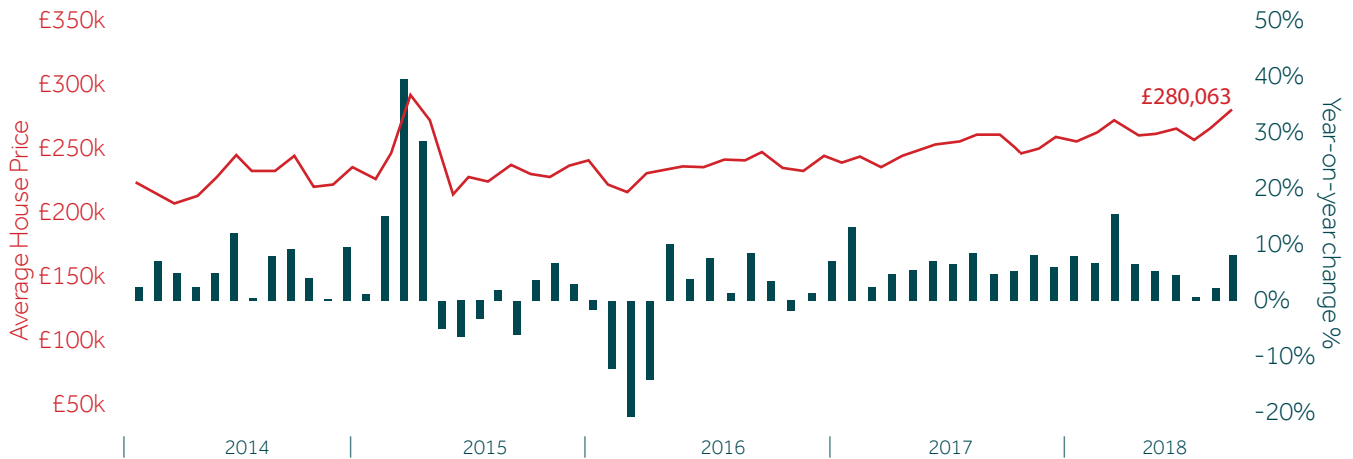
a weakening as the year progressed. The latest figures suggest a slight downturn in sales later in the year, as strong trading over the past 12-18 months has potentially addressed some of the pent-up demand. In the first three quarters of 2018, total sales in Edinburgh have been down around -11% on 2017, whilst available stock has been up by around 10%.

Overall, whilst there may be a cooling in year-on-year activity, this is from a far higher level of activity than previous years. There can be no doubt that

issues surrounding Brexit and future uncertainty is creeping into the market, but, for many, lifestyle and housing need is a more pressing consideration. This means that, there is still strong buyer appetite in key market areas and price points. As the market moves into Winter and Brexit approaches, it could be expected that many households might hold tight and this may reduce activity and available stock in the market.

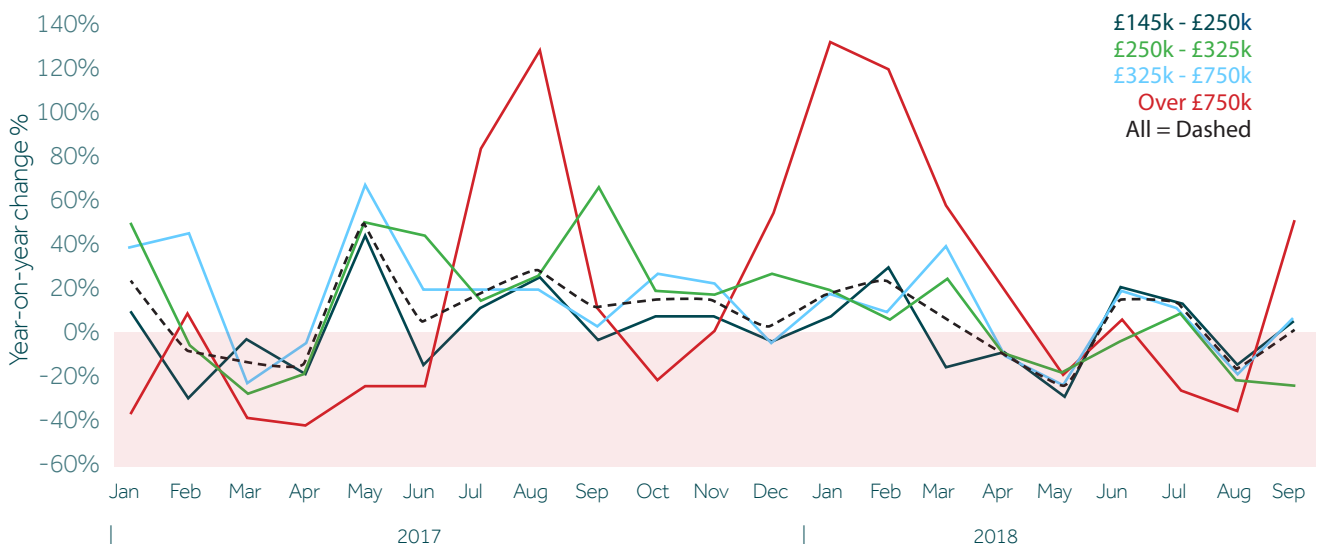
Average House Prices have risen across the city for 22 months

Average House Price by Year, and Year-on-year change in average house price by month (RHS)



Transaction levels have dipped year-on-year after a strong start to 2018

Year-on-year change in number of transactions by LBTT price bracket in Edinburgh by Month



Stock levels soften later in year after positive first half of 2018

Stock levels are measured by the number of new properties coming to the market and therefore may not mirror transactions levels. It is a useful indicator of activity by reflecting sellers entering the market.

A key component of housing market activity in recent months has been the availability of stock, allowing for transactions to occur throughout all levels of the housing market and unlocking chains. The chart below shows the number of properties available in the previous 12 months on a rolling basis in Edinburgh indexed to 2013 levels. This shows that, over 2014, there was strong growth before the introduction of LBTT which slowed the market in 2015 and 2016. Over most of 2016 to 2018, stock over £750k has been below 2013 levels as this is the bracket where LBTT is most keenly felt. Notably, from mid-2017, stock under

£750k has seen positive growth as rising house prices and pent-up demand drove activity in the marketplace. In the first three quarters of 2018, there has been around 10% more available stock above £250k than during the same period in 2017. Compared to previous years, 2018 experienced a strong persistent level of available stock over the usually quiet Summer months.

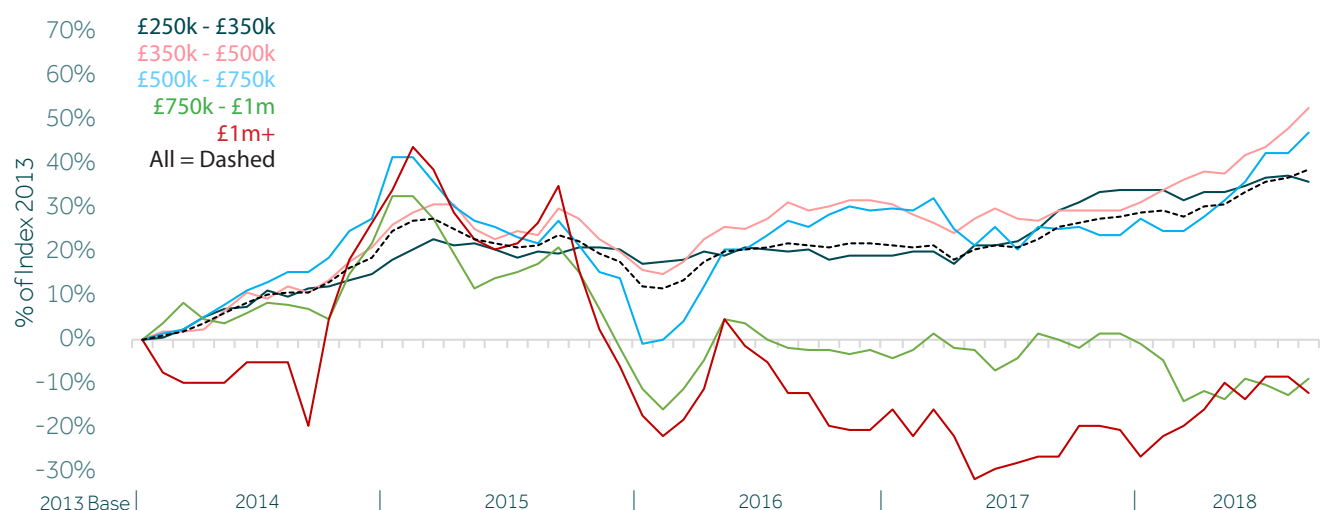
Looking at supply at the local level, many of the strongest levels of supply have been in popular family neighbourhoods or prime markets. These markets were more suppressed as a result of LBTT due to their higher concentration of

high value stock. The New Town (EH3), Ravelston to Cramond (EH4), Trinity (EH5), The Grange (EH9) and Murrayfield (EH12) have all seen positive increases in stock levels year-on-year as sellers have looked to move on the back of rising house prices.

As Winter draws in, there can be no doubt that the market is slowing slightly, with the topic of Brexit becoming an increasing consideration in many households' planning discussions. However, appetite in key market areas remains strong, with competitive closing dates from multiple bidders still typical of the market despite some concerns over outlook.

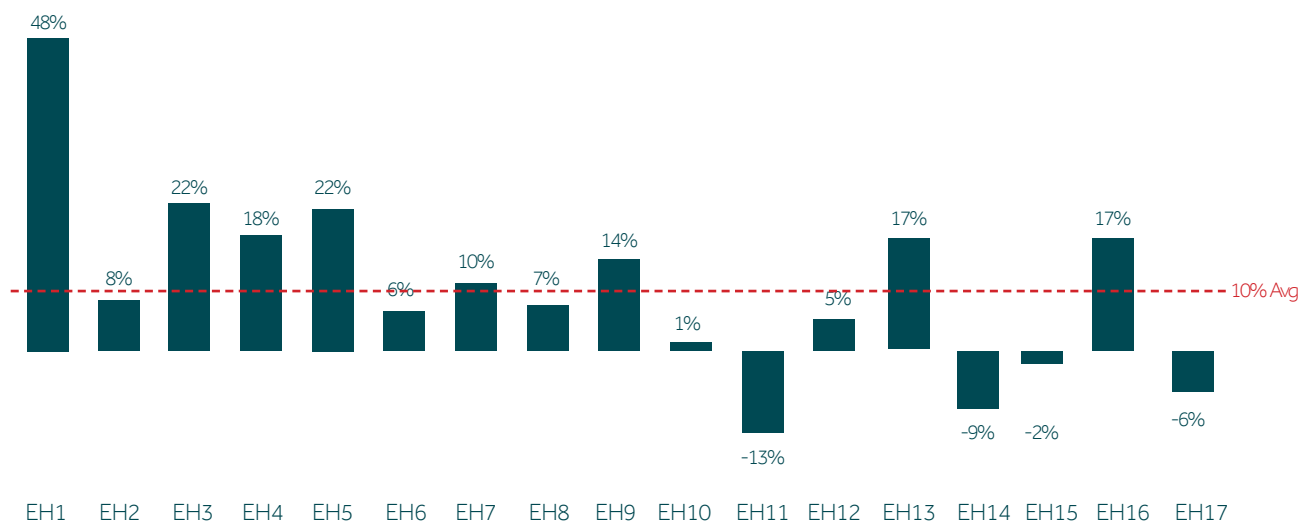
The level of housing stock on the market has been positive in 2018

Index of properties advertised for sale in Edinburgh by price bracket 12 month rolling count of listings indexed on 2014 base



Supply of property over £250k is up 10% year-on-year

Year-on-year change number of properties listed in Q1 - Q3 2018 vs 2017





1 Queen's Crescent
Newington
Offers Over £1,350,000
3/4 Beds, 2/3 Reception



Burnside House
Currie
Offers Over £1,450,000
6 Beds, 3 Reception



11 Inverleith Row
Inverleith
Offers Over £950,000
5 Beds, 2 Reception



127 Grange Loan
Grange
Offers Over £950,000
4 Beds, 1 Reception



3 Dean Park Mews
Stockbridge
Guide Price £745,000
2 Beds, 1 Reception



31/2 Northumberland Street
New Town
Offers Over £720,000
3 Beds, 2 Reception



5/13 Simpson Loan
Quartermile
Offers Over £600,000
2 Beds, 1 Reception



12/1 Ravelston Terrace
Ravelston
Offers over £475,000
2 Beds, 1 Reception



Donaldson's
Wester Coates
Prices from £450,000
Apartments



Craighouse
Morningside
Prices from £520,000
Apartments & Townhouses



Urban Eden
Lochend
Prices from £200,000
Apartments & Townhouses



The Engine Yard
Leith Walk
Prices from £230,000
Detached Houses

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