



A Market Divided

When reading the national news headlines, it would be easy to presume that the housing market was weakening on the back of Brexit uncertainty and recessionary fears. However, while there is lacklustre activity and negative sentiment emerging from other locations in the UK, Edinburgh's housing market is remaining comparatively positive based on strong underlying fundamentals and economic indicators.

While Edinburgh has reported its first year-on-

year price and transaction falls since 2016 in the first quarter of this year, overall demand and sentiment remain positive across many market segments. Within a UK context, Edinburgh's continued recognition as a business and lifestyle hub is driving relocation and demand within the city.



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Associate Director

Key Findings

- Stock levels in Edinburgh rose strongly at the end of 2018 and this has continued into 2019.
- The city experienced small year-on-year falls in price and activity in Q1 2019.
- Average house prices in the city rose 6.6% in 2018, while transactions fell back -8.8%, resulting in market turnover down 2.8%.
- Activity at the start of 2019 is pointing to market consolidation but stock and enquiry levels point toward persisting demand.
- Contrary to other parts of the UK, Edinburgh's economic outlook and market sentiment is positive, underpinning continued housing demand in the city.
- Within the city, most postcode areas have experienced increased housing supply in 2019.

Resolute in the face of uncertainty

The Edinburgh market has experienced positive year-on-year growth for the past 26 months up until February 2019, when there was a marginal -1.3% decline. Overall, the average house price in Edinburgh in the first three months of the year is down -1% on the same period in 2018.

Sentiment in the market has pointed towards demand remaining robust so far this year, compared to other markets, despite wider UK political and economic considerations. This positive attitude is founded in a number of key drivers, which are

allowing Edinburgh to outperform the wider UK housing market. Optimistic business conditions, strong employment, rising population and household numbers, combined with limited supply, is underpinning confidence in the Edinburgh market.

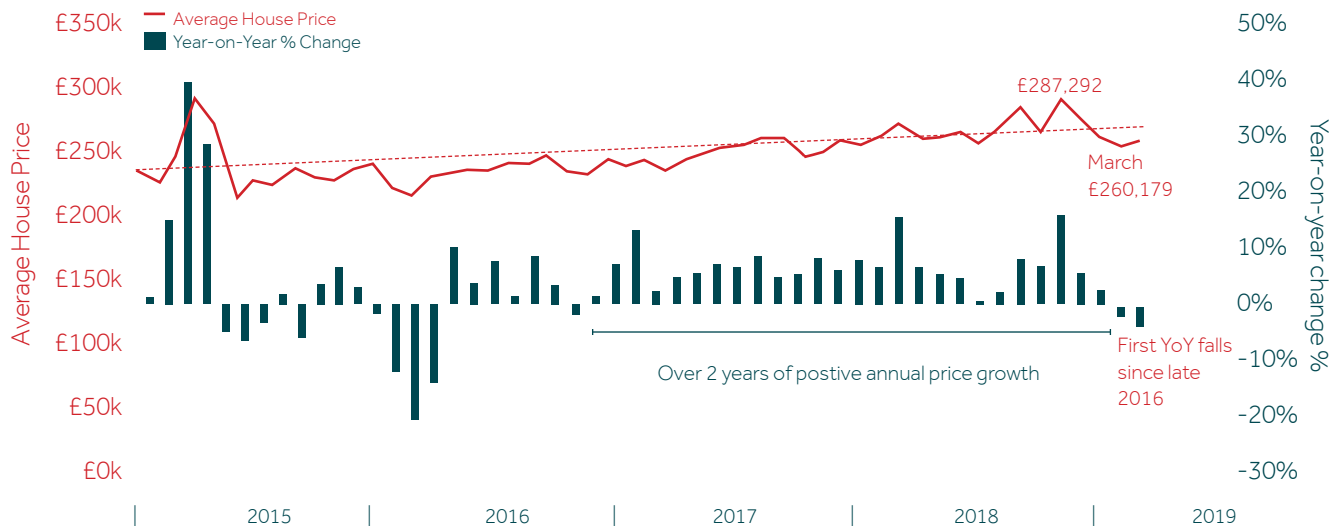
While average house prices are down -1% year-on-year in Q1 2019, and transactions have remained flat, this market consolidation is set against particularly strong growth in recent years. Since 2013, the average price in Edinburgh has increased by £50k. This is an increase of 24% in

5 years, or 4.3% per annum. Growth over the last two years has been amongst the highest nationally, averaging 6.4% per annum on a compound annual growth basis.

The comparatively strong performance of Edinburgh's housing market points towards the equally positive view of the city's future, which is consistently winning accolades for business culture and lifestyle. These strengths look set to underpin the continued demand in the city in the face of wider market concerns.

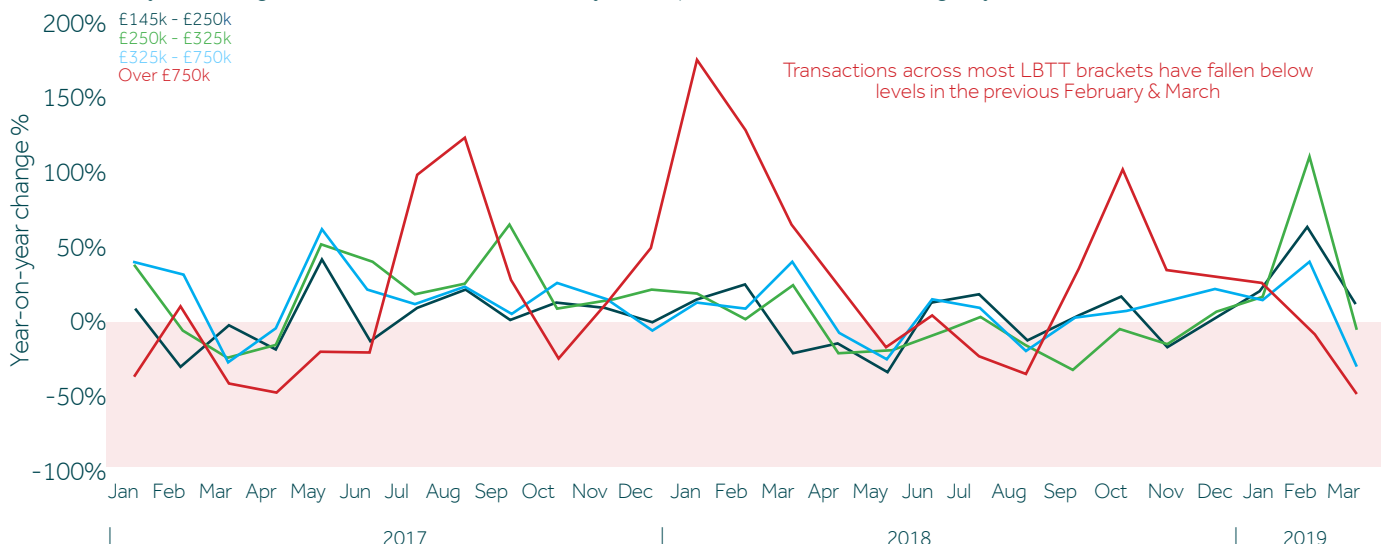
Average House Prices in Edinburgh have seen consistent annual growth for over 2 years

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



Transaction levels at the start of 2019 have softened

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



Stock levels rose over 2018 and activity remains high in 2019

Analysis of stock levels in the Edinburgh market shows a positive upturn in available stock coming to the market at the end of 2018 and over the first three months of 2019. This upturn is across all price points, with the exception of homes between £750k and £1m, which remain subdued since the introduction of LBTT in 2015. This said, stock levels in this price bracket have remained constant over the past few years, having rebased under the new tax regime.

There has been a notable upturn in stock in the £250k to £500k and

£500k to £750k brackets. These brackets represent much of the family housing within the city. This upturn suggests the costs of transacting, which had been discouraging some households from entering the market, may have been mitigated by house price growth over the past couple of years, reincentivising market participation.

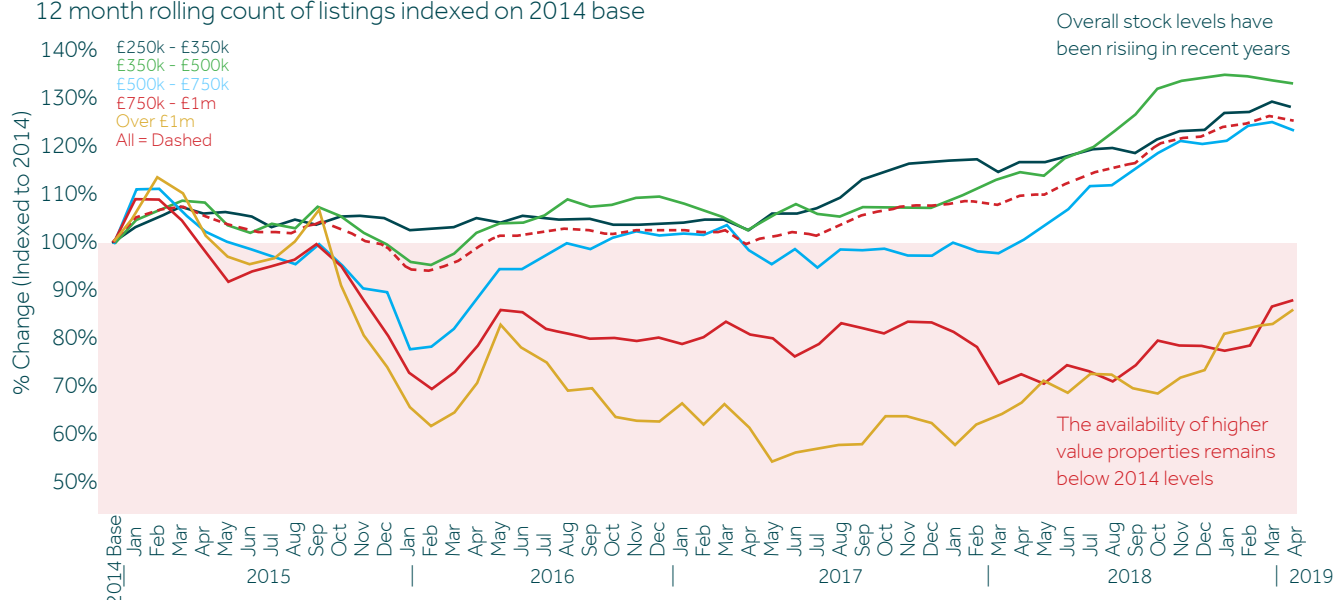
Improving stock levels have been a trend across most postcode areas in 2018. The largest increase in available stock has been seen in the EH1. While a small market in

terms of values, the almost 50% increase in stock may have been a manifestation of potential reforms coming to the short-term rental market.

Elsewhere in the city, central postcodes, such as EH3 and EH4, have seen a jump in supply in what are some of the largest markets within the city. While rising supply could potentially restrain price growth, experience in the market in 2019 points towards demand in strong locations still outstripping supply.

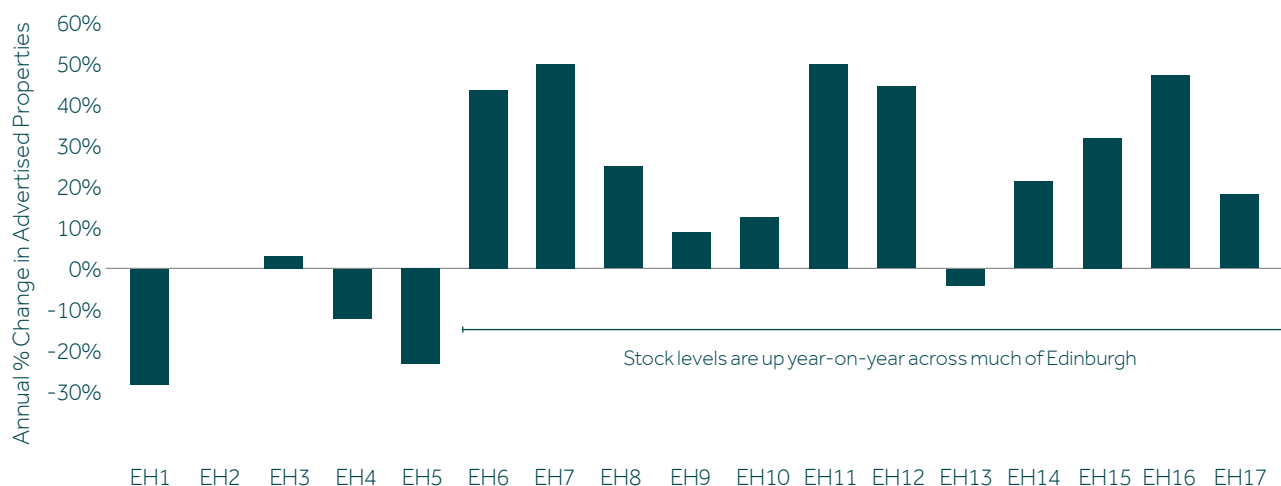
The level of housing stock on the market has been positive in 2018 and strong in 2019

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 advertised for sale by postcode in Q1 2019





**Melville Crescent
West End**
Offers Over £2,400,000
7 Beds, 4 Reception



**Ann Street
Stockbridge**
Offers Over £1,450,000
5 Beds, 3 Reception



**Merchiston Park
Merchiston**
Offers Over £1,400,000
5 Beds, 4 Reception



**Grange Loan
The Grange**
Offers Over £895,000
4 Beds, 1 Reception



**Ferry Road
Trinity**
Offers Over £695,000
7 Beds, 3 Reception



**Craighouse
Apartments & Townhouses**
Prices from £500,000
2 Beds to 5 Beds



**Simpson Loan
Quatermile**
Offers Over £630,000
3 Beds, 1 Reception



**Abercromby Place
New Town**
Offers Over £625,000
2 Beds, 2 Reception



**Douglas Garden Mews
West End**
Offers Over £545,000
2 Beds, 1 Reception



**St Stephen Street
Stockbridge**
Offers Over £385,000
2 Beds, 1 Reception



**Lower Gilmore Bank
Lochrin Basin**
Fixed Price £375,000
2 Beds, 1 Reception



**Marchmont Road
Marchmont**
Offers Over £335,000
2 Beds, 1 Reception

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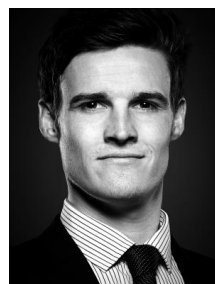
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