



New Year, New Market

New Year optimism seems high entering 2018 after last year's barrage of geopolitical events. For the housing market, 2017 was on balance, a positive year; both house prices and transaction levels finished the year up on the year before. However, this annual picture conceals a more mixed pattern. There was a nervous start to 2017, meaning that by the end of the first quarter, the market was below 2016 levels in terms of activity. However, a strong Q2, followed by the return of the prime market in Q3 2017 and an early start to the autumn market delivered overall annual growth. This positive performance has been

heralded by some as showing adaptation to LBTT after a 2-year bedding-in period, especially in the mid-to-prime market. While we welcome this enthusiastic interpretation, whether this is a lasting change in the market or a reaction to pent-up demand from 2 years of suppressed activity will become clearer in the first months of 2018 as instruction levels become apparent.

Looking forward to 2018, it is clear that the economic outlook is still mired in uncertainty, with GDP forecasts being downgraded, and the potential impacts of Brexit still lingering in the gloom.

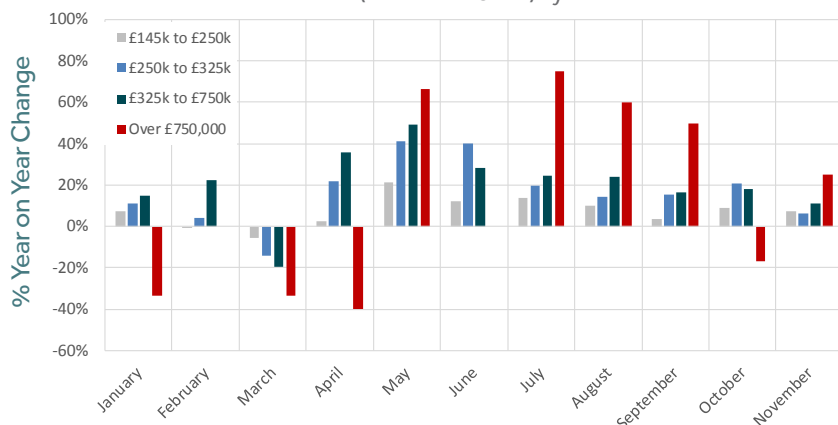
However, housing demand remains strong against supply, and economic fundamentals remain positive for now, providing the grounds for expected growth in 2018.



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Senior Researcher

2017 Return of the Family Market

LBTT Returns (Number of Sales) by Price Bracket



LBTT YoY% Change Returns

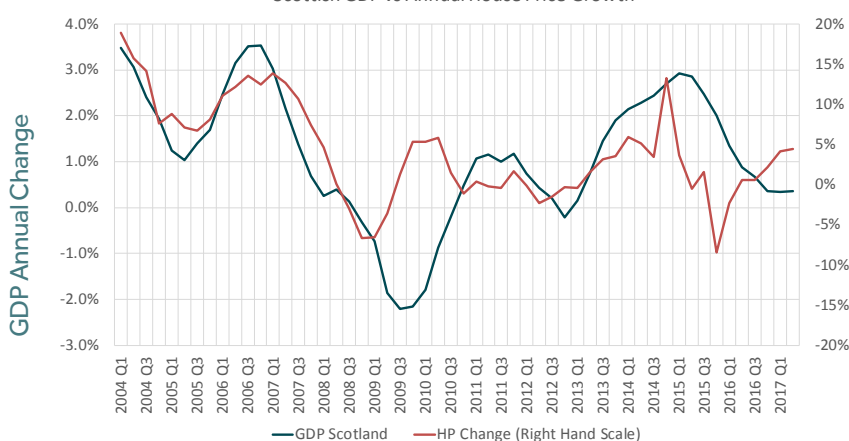
- 7.7% - £145k to £250k
- 16.2% - £250k to £325k
- 19.2% - £325k to £750k
- 10.6% - Over £750k

2017 saw a strong upturn in transactions over £325k; this has been a section of the market that had been lacklustre since the introduction of LBTT.

Whilst there was positive market growth across all price brackets, the family market saw the strongest overall growth, up almost 30% year-on-year. Notably, sales above £750k had a particularly strong second half of the year.

Economic Outlook

Scottish GDP vs Annual House Price Growth



GDP Forecasts 2018/19

- 1.4% - Ernst & Young Scotland
- 1.4% - Office Budget Responsibility
- 0.8% - Scottish Fiscal Commission
- 1.4% - Fraser of Allander
- 1.2% - Pricewaterhouse Coopers

The relationship between house price growth and housing market activity often reflects consumers' confidence in making major purchases. Economic forecasts were downgraded as 2017 came to a close and current GDP forecasts sit between 0.8% and 1.4% for Scotland in 2018. Downgraded growth may suppress market confidence, but forecasts still remain positive.

2018 Forecasts

Considering the recent downgrade of the economic outlook for 2018, there is the potential for the housing market to reflect this wavering in general confidence and remain less buoyant this coming year. Brexit still obscures the horizon in terms of the economic outlook and this is likely to continue to act as a handbrake on the housing market until people are more confident regarding the longer term

economic outlook. Consumer confidence fell in December, reflecting this general concern, which may also impact market participants' choices in the coming year.

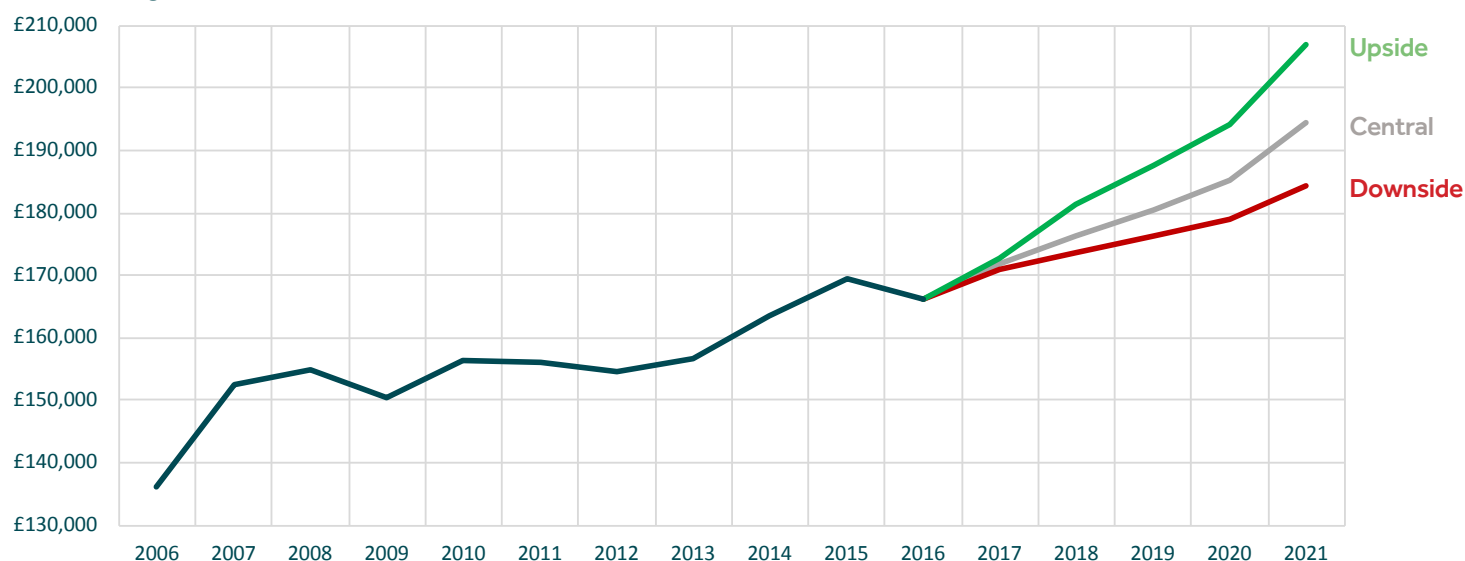
This said, economic forecasts still predict positive growth, employment figures are robust and housing supply is low, both in terms of new house building, and housing stock being brought to the market.

For these reasons, we anticipate positive house price growth to continue at c.2.5% in 2018 in Scotland (Central Forecast).

If the future of Brexit finds more clarity in 2018, and consumer confidence responds positively, then we would anticipate potentially stronger price uplift given the continued demand for housing and continuing under supply.

Economic confidence will be critical in shaping growth in 2018

Actual Average House Price and House Price Forecast 2006-2021



Source: Rettie & Co. Research

Development Services

Structured Finance

- Over 300 Build-to-Rent units delivered over the last 4 years through new rental backed funding initiatives
- Around £50m value of rental assets built on the back of funding streams
- Over £30m value of construction contracts underpinned through agreed re-financing packages

Land & Development

- Advise on land, development sites, residential investment and PRS.
- Advise on every stage of the project, from early appraisal through to site disposals.
- Best results for clients through a proactive approach, creativity and best market intelligence.

New Homes Sales

- Around 200 new homes sold in the last 12 months.
- Over £90m worth of property sold in the last 12 months.
- Dedicated in-house marketing team.
- Initial advice on mix and specification through to bespoke campaigns designed to meet clients individual needs.

Research & Consultancy

- The largest team in the Scottish private sector.
- Analysis backed by Scottish based and Scottish sourced information.
- Research rooted in real time market information.
- Full range of services provided to many clients including developers, builders, investors, landowners and the public sector.

Asset Management

- A growing portfolio of 1,500+ managed units.
- In excess of £650m in residential assets under management.
- Regulated by both RICS and ARLA.
- Management experience of both PRS & Mid-Rent assets.
- Skilled in analysis of the tenant demographics that drive asset demand.



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