



A Layered Market

The Scottish housing market has been more complex in 2018 than many commentators have previously noted. Broad headlines have made much of the strong performance of Scotland's cities in contrast to softening sentiment south of the border, and this has certainly been true, especially in Edinburgh. Led by a resurgence in the markets above the £325k LBTT band, submarkets in Edinburgh and Glasgow have seen record levels of transactions, and a reserve of unsated demand which has led to highly competitive closing dates.

However, across the whole market the picture has been more mixed, with total transactions in the first three quarters of 2018 down around 4% on the same time last year, mainly due to weaker trading in the volume market under £250k. While demand and activity is up on long-term trends, there is a high degree of nuance in local markets that has been influencing the depth and competition for specific

properties. Understanding this detail has been crucial to success for both buyers and sellers over the course of 2018.

Looking forward, there can be no doubt that Brexit is playing a greater role in many people's decisions-making process as its uncertain form lumbers closer. While the worst-case scenarios dominate press coverage, the reality for many households is that life factors are compelling drivers as well as economic scenarios and this has meant demand is still strong and prices robust in many locations, at least for now.



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Associate Director

Key Findings

- House prices in Scotland have continued to rise in 2018, up around 5% nationally from the start of the year.
- Demand in the upper LBTT price brackets has continued into the Autumn market in core urban areas.
- Edinburgh and Glasgow lead the market in terms of demand and price increases, up 6% year-on-year, compared to 3.6% in Dundee and -1.1% in Aberdeen.
- Transaction activity is down 4% year-on-year as the market consolidates after a number of years of rising volumes.
- There is evidence that market activity is beginning to slow in the late Autumn as Brexit uncertainty looms, but strong demand and robust prices persist in core markets.

Positive price growth in Scottish cities

The average house price over the first three-quarters of 2018 is c.5% higher than during this period in 2017. Edinburgh and Glasgow have led the major cities, with the average house price up c.6% over this period. Dundee has lagged these centres at 3.6% and Aberdeen's average house price is now under £200k, having fallen -1.1% year-on-year.

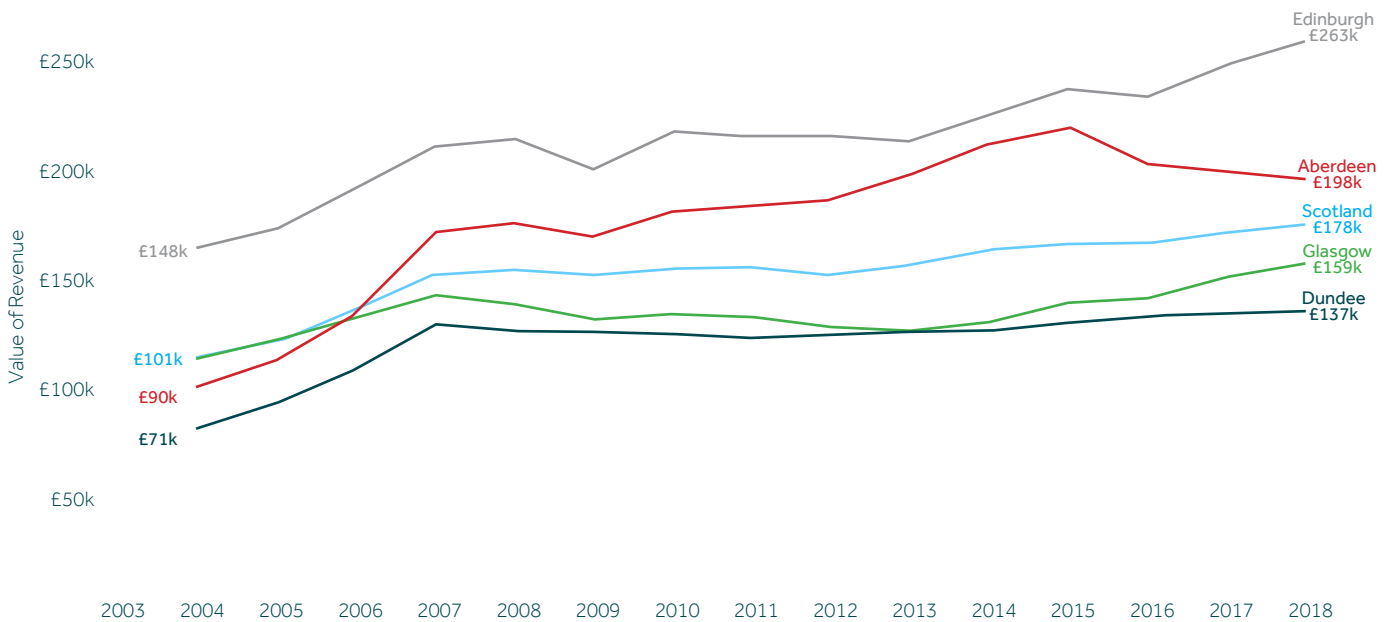
The rise in average house price across most areas has been fuelled by an upturn in activity in the upper bands of the market. This rise has been

particularly true of key neighbourhoods within Edinburgh and Glasgow. In these locations, the supply of quality homes has lagged demand, supporting rising house prices. Over the course of 2018, the market has caught up with this trend, leading to an increase in supply of properties as sellers have sought to make the move and take advantage of an active market. This has seen supply increase in the most sought-after areas, with activity in secondary neighbourhoods reporting more difficult trading conditions.

Looking forward, there can be no doubt that Brexit will have some market participants closely reviewing their options, unsure whether now is an opportune time to move, and this is likely to soften supply and activity as the market moves into the Winter months and possibly into next Spring. However, with house prices remaining high and a persistent pool of demand still active in key markets, there remains an active market governed more by lifestyle choice than macro-economic factors.

Prices have continued to rise across Scotland over 2018

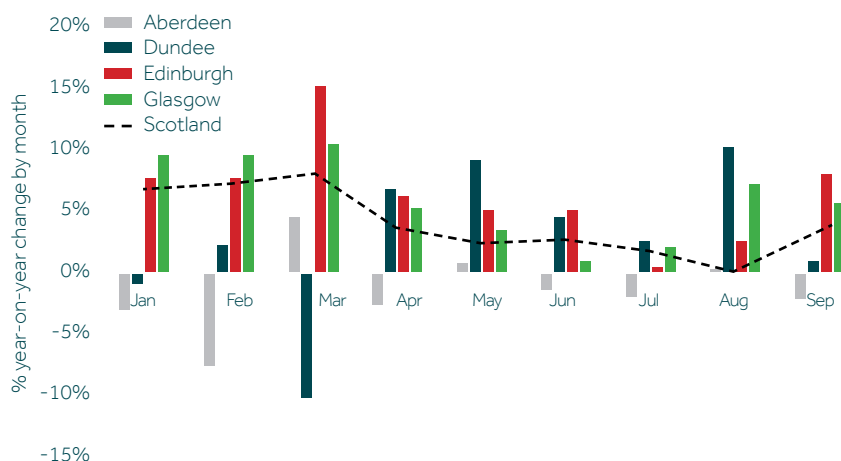
Average House Price by City 2003 - 2018



Cities outperform national average price growth

Prices have been rising year-on-year over the course of 2018

Percentage Year-on-Year Change in Average Price by Month



There has been a pattern of fairly consistent year-on-year house price growth over the course of 2018 for Scotland's major cities.

The strongest annual growth in 2018 occurred at the start of the year, when a more active market from 2017 continued into the new year. Since then, growth has remained positive but slowed as the year has progressed.

Aberdeen has experienced a more mixed picture, but there are signs that the market is reaching a rebased level from which participants are more confident about participating in.

Prices robust as transactions levels soften from market high

The strong levels of activity that returned to the market in 2017 has meant that, whilst average house prices have been rising across most of Scotland, the level of transactions has fallen back in many areas.

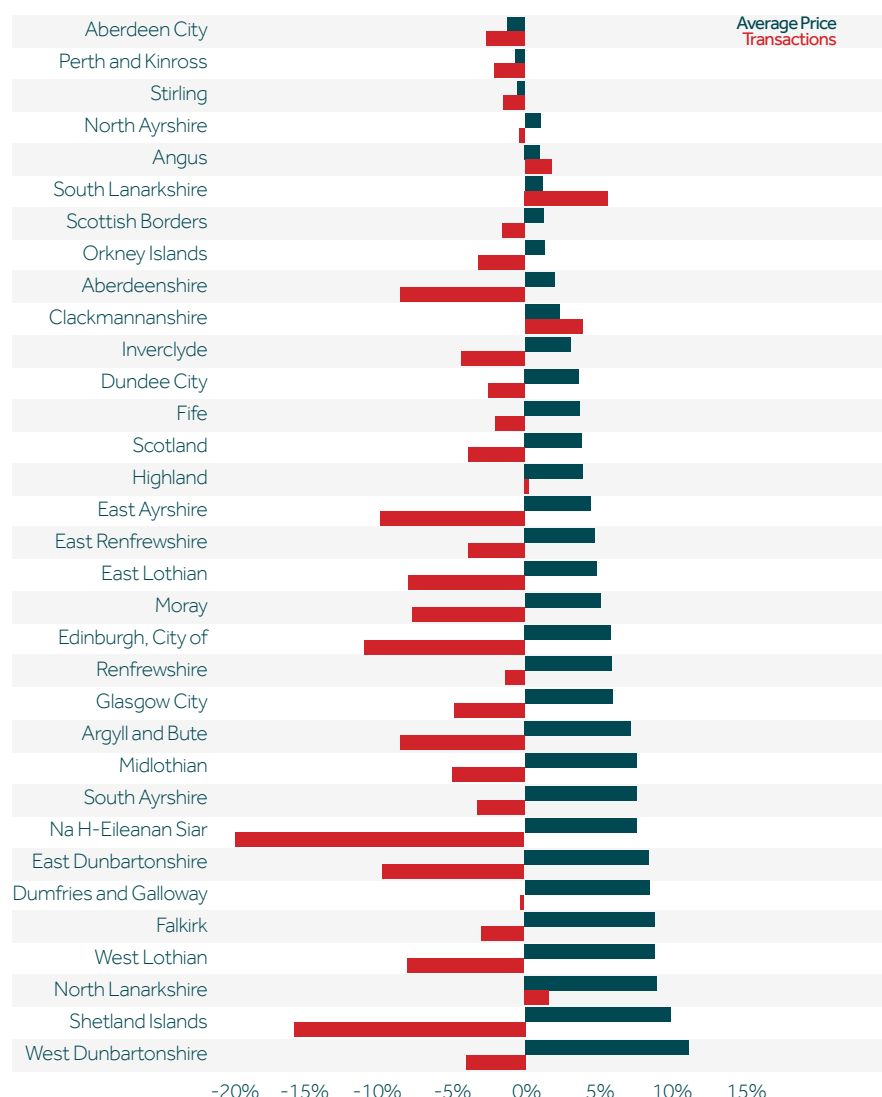
The combination of pent-up market demand from 2 years of suppressed activity, resulting from the introduction of LBTT, and rising supply levels encouraged a strong trading over the second half of 2017 and into 2018. With an element of this demand sated, transaction levels have generally softened in the later months of 2018, leading to sales volumes falling back.

The pattern of falling transaction levels reflects the particularly strong level of activity that was experienced in the cities and their hinterlands over the course of 2017.

While activity is down slightly, around -4% nationally year-on-year, it should also be noted that the level of activity remains up on 2015 and 2016. This trend of improvement means that demand is still present within the market and with house prices remaining high, for many sellers it is still an attractive market to enter.

Low supply in the cities has pushed values upwards

Percentage Year-on-Year Change in Average Price & Transactions (Jan-Sep)

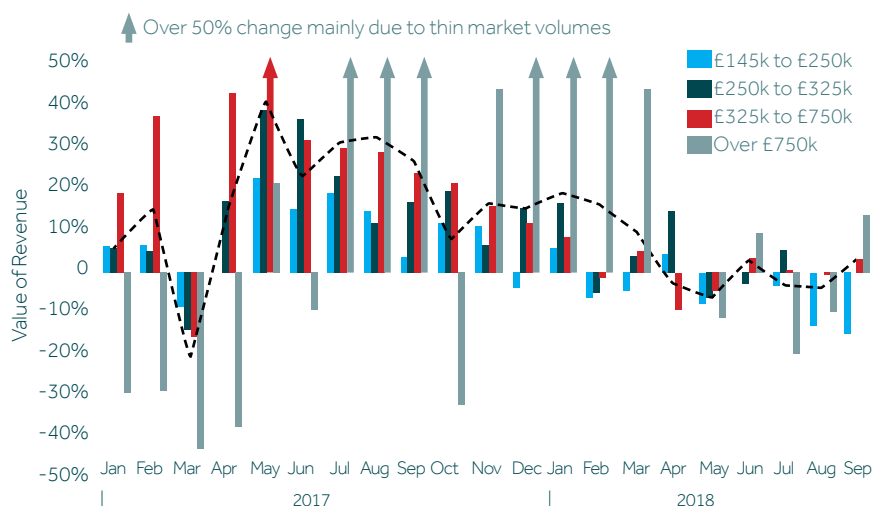


LBTT revenue softens

There was much press coverage over the course of 2017 and 2018 about the recovery of the housing market and the increased income that the Government would receive as a result of this renewed verve, particularly in the over £325k price brackets, which had been subdued after the introduction of LBTT. From the chart to the right, this upturn in income year-on-year can be clearly seen. From its high level in 2017, LBTT revenues in later 2018 have seen a year-on-year decrease. The sharp rise in market activity, particularly in the lucrative prime market, was an unexpected windfall for the Government but this may be coming to an end.

2017 witnessed a strong upturn in sales over £325k which has not been sustained in 2018

LBTT revenue by price bracket, 2015 to 2018



Source: Revenue Scotland



Crawfordton House
Dumfriesshire
Price on application
12 Beds, 6 Reception



Kinvaid House
Perthshire
Offers Over £1,100,000
6 Beds, 4 Reception



Kessock House
Inverness
Offers Over £1,050,000
6 Beds, 4 Reception



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



The Playfair at Donaldson's
Edinburgh
Prices from £247,500
Studios & apartments



Blenheim House
North Berwick
Price on application
3 Beds, 1 Reception



Bonjedward House
Scottish Borders
Offers Over £895,000
12 rooms



Western House
Berwick Upon Tweed
Offers Over £835,000
5 Beds, 3 Reception



Roman Court
Bearsden
Offers Over £1,175,000
5 Beds, 4 Reception



206 Nithdale Road
Pollokshields, Glasgow
Asking Price £395,000
4 Beds, 3 Reception



28 Westbourne Gardens
Hyndlands, Glasgow
Offers Over £550,000
4 Beds, 1 Reception



Liberton Barns
Midlothian
Fixed Price £650,000
4 Beds, 1 Reception

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