



New Year Special

"As the pandemic passes its second Christmas, the Scottish housing market has continued to outperform expectations with sales activity and demand continuing to exceed pre-pandemic levels in many areas.

From Glasgow City Centre apartments to East Fife escapism, prime Edinburgh homes to exclusive new homes, across our branches we have been recording record levels of demand, often only constrained by supply available in the market.

Although cooling is expected in 2022, the demand supply imbalance should see the New Year get off to a strong start.

We hope all of our readers enjoyed the festivities and have a great year ahead."



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Key Findings

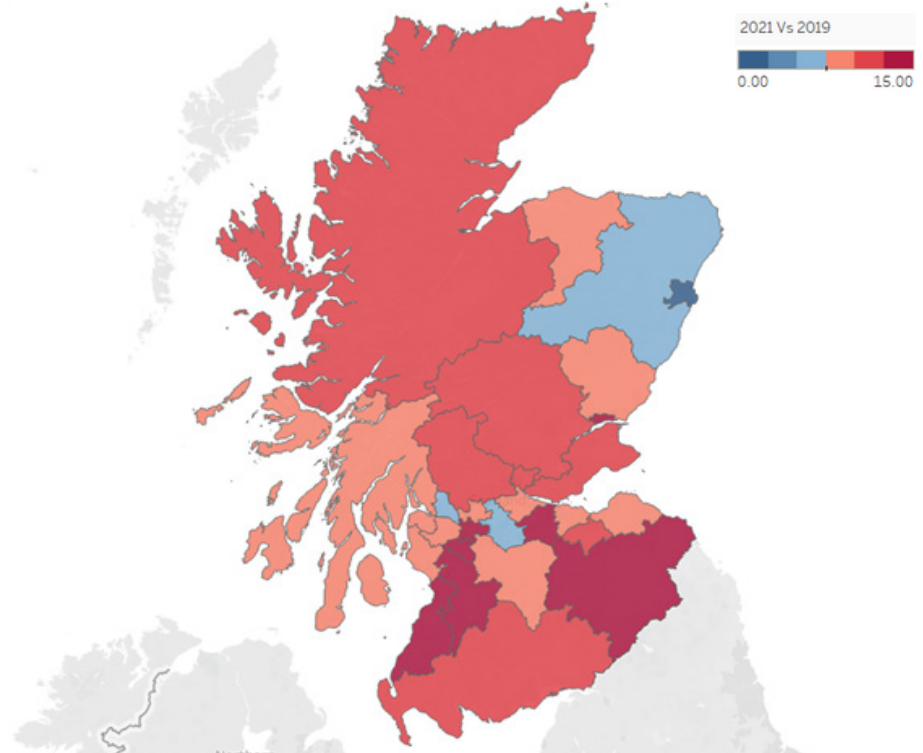
- Over the past two years, demand for quality space and lifestyle has resulted in the average price of a family home in Scotland rising over 13%, compared to 9% for apartments.
- During 2020 & 2021, Rettie & Co. have seen demand consistently 25-50% higher than pre-pandemic levels, while new supply has remained relatively flat.
- Looking ahead, Rettie & Co. are now forecasting positive price growth over 2022, but at lower levels (2.5%). Transaction growth is also expected to level off as 2022 progresses. We expect house prices to rise by around 15% to 2025.

Tales of the Unexpected

When the pandemic first emerged, many commentators were expecting a market downturn, however, in the wake of restrictions on moving being lifted in mid-2020, there was an explosion of activity and rising house prices. This human response to being confined, giving time to reflect, and changes to working patterns, has shifted households' wants and needs.

Looking at how house prices have changed from before the pandemic in 2019 to now (Fig.1), the strongest growth has been in more rural locations that were once seen as idyllic but too far from centres of employment. Areas such as the Scottish Borders and Ayrshire were typically more affordable for these reasons, but values have been driving up in these areas as people have taken advantage of working from home to seek lifestyle and space.

Fig.1 There has been strong growth in rural regions over the past 2 years
Heat Map of Percentage Change in Average House Price, 2019-21



Source: Registers of Scotland

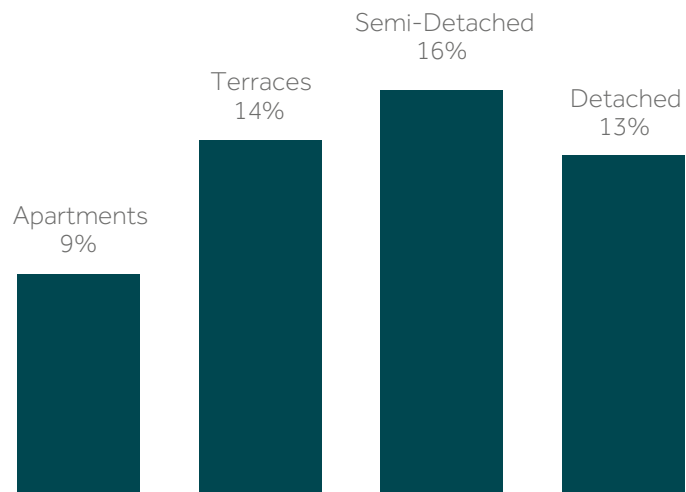
The Good Life

A key trend in the market has been the shift in buyer demand for more space. This may be driven by the need for greater internal space to accommodate living and working from home, or it may be the need for outdoor space or lifestyle space, or a combination of all three.

This hunt for space has been reflected in the change in average house prices over the past two years by house type. Family style house types have all reported double digit growth, with apartments recording high single digit growth.

While apartments have not recorded the same headline growth figures, there is still clearly demand for quality apartments and the desire for urban living remains strong, but such demand has been more selective.

Fig.2 Family housing types have seen greater price growth
Change in Average House Price by Property Type, 2019-21



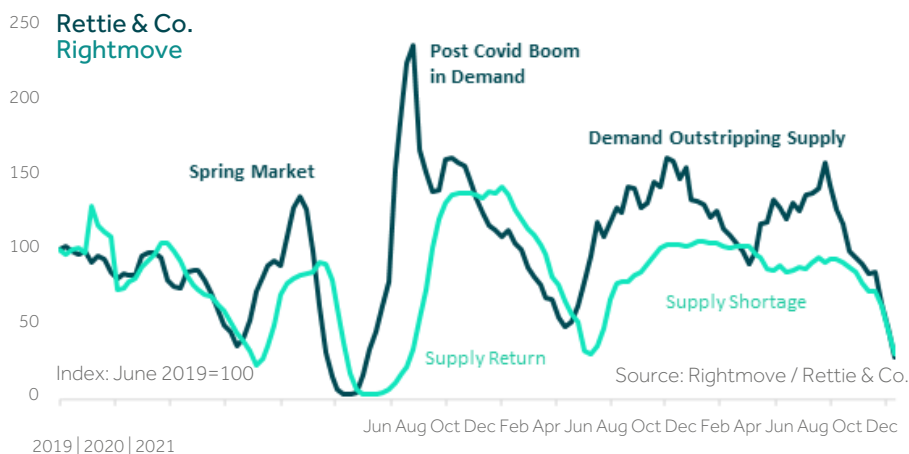
Source: Registers of Scotland

Are You Being Served?

For those looking to buy in recent years, there has been a strong sense of competition in the market and limited supply. Analysis of new listings coming to the market against new applicants being registered by Rettie & Co. highlights this imbalance. Using Edinburgh as a case study, Fig.3 shows that, in Spring 2020, the market started with rising demand and supply similar to the preceding year. Then, the pandemic closed the market.

When lockdown restrictions were lifted, there was a major spike in demand, dwarfing the levels of new supply. Supply has consistently lagged demand being registered over the last 18 months. This demand has supported a seller's market and rising prices.

Fig.3 Indexed demand registered has outstripped supply compared to pre-pandemic Edinburgh: Rettie & Co. Applicant Registration Index vs Rightmove New Listings Index

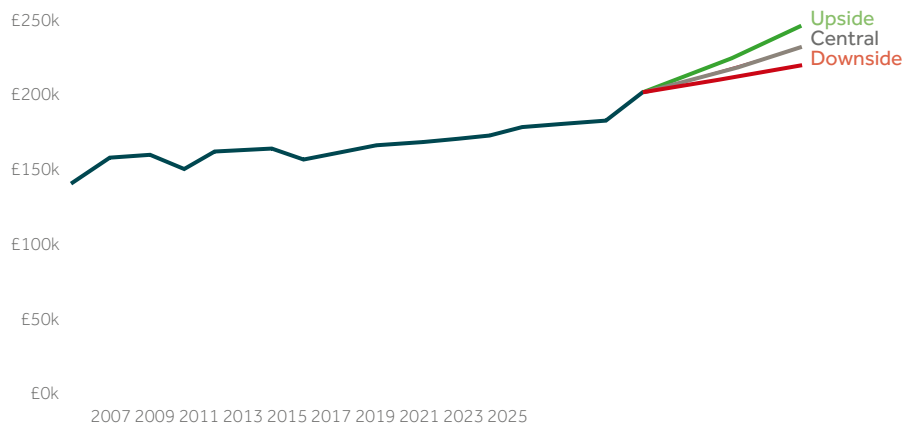


Opportunity Knocks

The pandemic has stimulated considerable house price growth. Over the course of 2021, average house price growth has been around double digits for the first time since the market boom of the early to mid-Noughties.

Looking ahead to 2022, the market is likely to soften as rising inflation (now over 5%) and interest rate rises should curb spending and mortgage availability and affordability over the next year. However, there appears to be life in the 2020-21 surge yet and it may be until the middle next year before economic headwinds push the housing market back. We expect the rate of house price growth to drop back to the low digits, with a current central estimate of 2.5% over 2022. Transactions growth are also expected to level off, however, we expect house prices to rise by 15% by 2025 due to the continuing supply demand imbalance.

Fig.4 Our latest forecasts are that there will be muted house price growth next year Rettie & Co. Scottish House Price Forecast



Source: Rettie & Co.

Current Properties For Sale



Sasson Grove
Edinburgh, EH10
Guide Price £3,000,000
6 Bed House



Belmont Drive,
Edinburgh, EH12
Offers Over £2,950,000
5 Bed House



Leckie House,
Gargunnoch, FK8
Offers Over £1,900,000
10 Bed House



Craigmillar Park,
Edinburgh, EH16
Price on Application
4-star boutique hotel



Mid-Balfuning,
Balforn Station, G63
Offers Over £1,500,000
6 Bed House



Donaldson's
West Coates, EH12
Fixed Price £1,499,000
3 Bed Penthouse



Cater Milley,
Templehall, DD2
Offers Over £1,450,000
5 Bed House



New Eidyn, St James Quarter,
Edinburgh, EH1
Fixed Price £1,120,000
3 Bed Apartment



Craighouse,
Edinburgh, EH10
Fixed Price £1,075,000
4 Bed Townhouse



Limerigg,
Slamannan, FK1
Price on Application
14.8 acres



Castle Gogar Rigg,
Edinburgh, EH12
Offers Over £995,000
4 Bed Penthouse



Amisfield Mains Farmhouse,
Haddington, EH41
Offers Over £975,000
5 Bed House



Broad Sands Barn,
North Berwick, EH39
Price on Application
5 Bed House



Denham Green Place,
Edinburgh, EH5
Offers Over £850,000
4 Bed House



Park Circus,
Glasgow, G3
Offers Over £850,000
4 Bed Apartment



Kylloe House,
Berwick Upon Tweed
Offers Over £800,000
7 Bed House



28 Maritime Lane
Leith, Edinburgh, EH6
Fixed Price £275,000
2 Bed Apartment



Kersland Street,
Hillhead, Glasgow, G12
Offers Over £255,000
2 Bed Apartment



The Walled Garden,
St. Andrews, KY16
Offers Over £255,000
1 Bed Apartment



The Hazel, Castlebank,
Port Glasgow, PA14
Fixed Price £219,995
2 Bed Apartment