

PRIME SCOTLAND RESIDENTIAL

SUMMER 2021

“ Scotland witnessed a record number of prime transactions above £400,000 during the 12 months to March 2021 ”

MARKET PERFORMANCE INDICATORS



+116%

Increase in new buyer registrations (Savills Scotland, Jan-Apr 2021 vs Jan-Apr 2020)



6,286

Prime transactions (£400k+, April 2020-March 2021), a record for this time period



300

Million pound plus transactions (April 2020-March 2021), a record for this time period



+33%

Increase in net agreed sales (Jan-Apr 2021 vs 2017-2019 average)



-11%

The level of new instructions are 11% below the number of agreed sales (Jan-Apr 2021)



-22%

Prime values in Scotland's village and rural areas remain on average 22% below the peak of 2007

Source: Savills Research, TwentyCi

Activity levels soar

The number of transactions in Scotland's prime market hit record levels boosted by demand for larger homes

We have witnessed an extraordinary period in Scotland's residential market as the pandemic boosted demand for larger homes with gardens and space to work. Consequently, the number of net agreed sales increased by 36% between July and December last year compared to 2019, according to data provider TwentyCi. The surge in activity has fed official data, with 65,501 transactions recorded between October 2020 and March 2021, the highest figure in 13 years, according to the Registers of Scotland.

With the ability to lock into low costs of borrowing, the increase in sales was amplified in the prime market, as wealthy and financially secure households have had both the inclination and opportunity to respond to a reassessment of their housing preferences and needs.

As a result, Scotland witnessed a record number of prime transactions above £400,000 during the 12 months to March 2021. Activity in country locations has been exceptional, driven by a desired change in lifestyle. However, city, suburban and commuter areas have also seen a rise in sales, as many buyers have chosen to be closer to family, schools or places of work, as life starts to resemble something of a new normal.

The prolonged nature of social distancing appears to have embedded the changes in buyer

priorities with market momentum continuing in 2021. The number of net agreed sales in Scotland during January to April this year was 33% higher than the average between 2017 and 2019. But the level of sales activity has created shortages in the amount of property available to buy. This has resulted in a supply/demand imbalance that will underpin Scottish house prices throughout 2021.

Looking ahead, the vaccination programme and the consequential relaxation of social distancing will increase buyer commitment over the medium term. This is also likely to bring more stock to the market, particularly from downsizers and others who were reluctant to sell while risks from Covid were high. This should gradually ease some of the current supply constraints.

While the majority of sales activity has come from Scottish buyers, demand from London and the rest of the UK has remained strong, despite prospects of another Independence Referendum, as buyers seek more space and value for money. Good quality and appropriately priced properties, particularly in desirable hotspots, will continue to receive competitive bids and interest from buyers outside Scotland and beyond as international travel restrictions begin to be eased.

Forecasts - annual change in residential values

	2021	2022	2023	2024	2025	5-year compound growth
UK mainstream	4.0%	5.0%	4.0%	3.5%	3.0%	21.1%
UK prime regional	5.0%	4.0%	3.5%	3.0%	3.5%	20.5%
Scotland mainstream	3.0%	5.0%	4.5%	4.5%	4.0%	22.8%
Scotland prime	5.5%	4.0%	4.0%	3.5%	4.0%	22.8%

N.B. These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate.

Source Savills Research



Pragmatic pricing has remained at the heart of the prime country revival

The country revival

The pursuit of outdoor space has boosted demand for homes in Scotland’s prime country locations, a trend that looks set to continue

The search for more inside and outside space has underpinned the revival across Scotland’s country locations, with prime transactions above £400,000 increasing annually by 43% during the 12 months ending March 2021.

Pragmatic pricing has remained at the heart of this revival. Supply constraints so far this year have supported prime value growth of 5.6% in the 12 months ending March 2021.

That said, values remain 21.6% below their previous 2007 peak, which acts as an additional driver, particularly for those looking for more space. This trend is likely to persist as demand continues to outstrip supply of the best properties.

North East

The prime markets across Scotland’s North East, including Aberdeenshire, Angus and Moray were among Scotland’s leading country locations. An adjustment in values reinvigorated Aberdeenshire, with a significant pickup in the attractive Deeside village of Aboyne. Elgin in Moray as well as Forfar

and Kirriemuir in Angus led the country markets across the wider North East.

Transactional activity also increased in southern Kincardineshire at the edge of Aberdeenshire and parts of eastern Perthshire. Meanwhile, the market improved across the coastal towns of Montrose, Arbroath and Carnoustie.

Heartland

Scotland’s heartland has seen a record number of prime transactions, led by Perthshire. Here, the towns of Crieff, Pitlochry and Dunkeld as well as villages surrounding Perth City were at the forefront.

In Fife, despite a lack of international buyers, the prime market in St Andrews continues to soar. The nearby relatively attainable town of Cupar and coastal villages around the East Neuk, including Elie, have also attracted more buyers over the last year.

Following an unusually lean period of prime activity, the market in Dunblane near Stirling recorded its highest number of transactions in a decade.

Meanwhile, the market remains strong in the western villages of Strathblane, Blane and Balfour, given their accessibility to Glasgow.

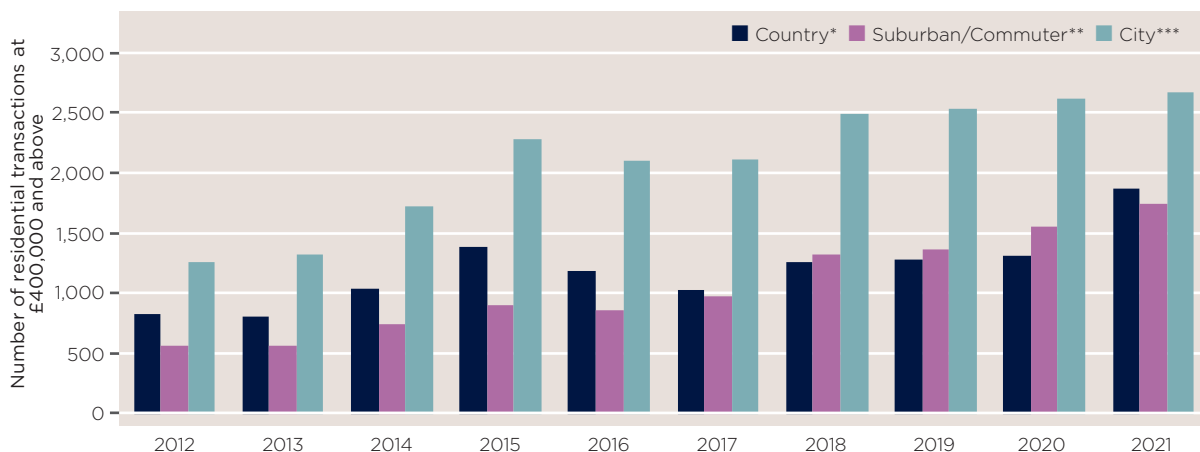
West Coast

In the country markets west of Glasgow, prime activity more than doubled in Ayrshire, led by coastal hotspots along the Firth of Clyde, including Ayr, Troon, Seamill and the Isle of Arran. In Argyll, prime market conditions in the seaside hotspot of Helensburgh are the strongest in a decade, with a rise in activity further west in the coastal towns of Dunoon, Oban, Campbeltown, Cairndow and Lochgilphead.

Southern Scotland

The Scottish Borders and Dumfries and Galloway are also enjoying their best prime markets in a decade with widespread growth, from the North Sea to the North Channel. Here, prime activity has grown in and around Kelso, West Linton, Dumfries Town and Moffat.

Prime Scottish transactions at £400,000 and above



*Aberdeenshire, Angus, Moray, Argyll and Bute, Heartland, Dumfries and Galloway, Ayrshire, Borders, Highland and Islands
 Lothians, Dunbartonshire, Renfrewshire and Lanarkshire *Edinburgh, Glasgow, Aberdeen and Dundee

Note Data from 12 months to March

Source Savills Research

“ Prime transactions in the city area of Glasgow crossed the 500 mark for the first time ever ”

An uplift in prime values

The prime markets in Scotland’s largest cities have witnessed an increase in property values with strong demand from local buyers

Not everyone wants a country life. For some, the urban vibe and associated amenities are more important. Equally driven by the experience of the pandemic, Scotland’s cities and suburban locations are seeing strong demand from local buyers and also those moving back from outside Scotland to be close to family, their roots and support networks. Here, demand for well-presented properties led to a 5.8% rise in prime transactions above £400,000 and a 5.6% uplift in prime values in the 12 months ending March 2021.

Edinburgh

Demand for larger properties and more outdoor space continues to drive activity in the popular inner suburbs of Grange, Morningside, Merchiston, Murrayfield, Ravelston, Inverleith and Trinity. The outer suburbs of Barnton and Cramond have also seen a sharp rise in prime activity following a period of stability.

Meanwhile, more space and value for money has supported growth in Fairmilehead, Liberton, Craighleith and Portobello. In central areas, increased

demand for townhouses and improved confidence in the market for flats has supported prime activity in the city’s New Town and West End.

Outside Edinburgh, value for money and new build developments have supported strong prime market growth. This was led by North Berwick, Dunbar, Gullane, Aberlady and Haddington in East Lothian and Dalgety Bay in Fife. Meanwhile, Linlithgow in West Lothian saw prime transactions nearly double over the last year.

Glasgow

Prime transactions in the city area of Glasgow crossed the 500 mark for the first time ever during the 12 months ending March 2021, led by demand for second-hand and new build properties in the West End and Park areas and family homes in Pollokshields and Newlands.

Outside Glasgow, Newton Mearns was the epicentre of prime market growth, driven by demand for family homes in the catchment area of high-performing schools. These factors also fuelled the prime markets in Lenzie,

Bridge of Weir and Kilmacolm. Activity continues to spread into some of Glasgow’s less-established, yet accessible, prime markets in Lanarkshire.

Aberdeen

The prime market in Aberdeen has been less affected by the oversupply of stock currently impacting the mainstream market. The market remains balanced in the traditional hotspots of Cults and Bieldside and areas within easy reach of the city, including Banchory, Inverurie, Stonehaven, Westhill, Balmedie and Ellon.

Dundee

Dundee, the star performer of Scotland residential market over the last 12 months, has seen a record number of prime transactions. These occurred not only in the traditional hotspot of Broughty Ferry, but also in the west of the city, with views of the River Tay. With the new build market supporting activity at the periphery, the surrounding areas, including Invergowrie and Monifieth have also seen an uplift in activity.

Top locations – number of transactions at £400,000 and above

Commuter towns		Lifestyle locations	
Town	Number of transactions at £400,000 and above (April 2020 to March 2021)	Town	Number of transactions at £400,000 and above (April 2020 to March 2021)
North Berwick, East Lothian	141	St Andrews, Fife	99
Linlithgow, West Lothian	60	Ayr, South Ayrshire	72
Haddington, East Lothian	59	Helensburgh, Argyll and Bute	49
Banchory, Aberdeenshire	54	Crieff, Perth and Kinross	43
Dunblane, Stirlingshire	54	Peebles, Scottish Borders	26

Source Savills Research



Edinburgh recorded 171 transactions above £1 million, including Scotland's only three transactions above £4 million

An expanding market

Transactions reached record levels across the top-end of Scotland's prime residential market with Edinburgh leading the way

Scotland's market expansion at the top-end resulted in 300 transactions taking place above £1 million in the 12 months ending March 2021, a record number for this time period. With Edinburgh continuing to dominate this market, some areas have seen more activity than ever before.

Edinburgh

The capital recorded 171 transactions above £1 million, including Scotland's only three above £4 million. The majority of million pound sales were in the inner suburbs of Grange, Morningside and Merchiston, where the annual number remains almost unchanged at 46.

Demand for family homes resulted in a jump from 28 to 47 across the suburbs of Murrayfield, Ravelston, Barnton, Cramond and Trinity. Top-end sales in central areas may have fallen slightly,

but four of them took place on Great King Street in the heart of Edinburgh's New Town, more than any other street.

Outside Edinburgh, East Lothian's record 21 sales were mainly concentrated in North Berwick, Gullane and Haddington.

Greater Glasgow

The city area of Glasgow saw a record 20 sales above £1 million over the last year, mostly in the West End and Park areas. Meanwhile, sales in the suburbs of Newton Mearns, Giffnock, Bearsden and Kilmacolm increased from 14 to 22 due to demand for more space.

Heartland

Million pound sales in Scotland's heartland have steadily risen since 2015, reaching 28 in the 12 months ending March 2021. Notable areas of activity included St Andrews, Comrie, Aberfeldy and Bridge of Allan.

Rest of Scotland

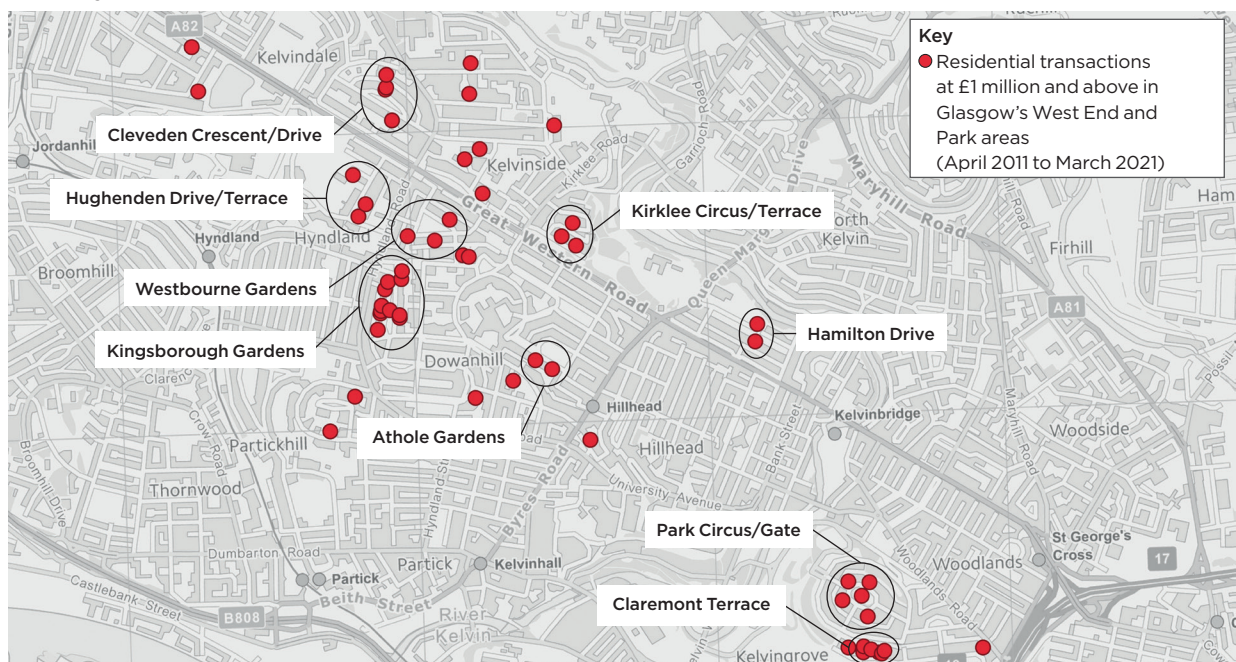
Whereas top-end activity in the North East remained steady, activity in the rest of Scotland, though limited, was at its highest level in over a decade, with a number of sales in the Ayrshire hotspots of Ayr and Troon.

Size matters

With outside space currently top of home movers wish lists, the amount of acreage at the top-end is vital.

With an average of 18 acres, our analysis of 41 country house sales at £1 million and above over the last year showed that a decent amount of land with secondary buildings such as cottages rather than just a principal house on its own is one of the main drivers of demand, especially for buyers from outside Scotland.

Nearly 90% of million pound sales in Glasgow over the last 10 years have taken place in the city's West End and Park areas



Source Savills Research

“ There is keen interest in city developments that offer private outdoor and storage space ”

Building momentum

Buyer interest in Scotland’s new homes market continues to build

The behavioural changes that have encouraged many buyers to trade up the housing ladder and others to reassess their work-life balance have also supported Scotland’s new homes market. Whilst a lot of buyers have been missing out on their dream second-hand home due to competitive bidding, the new build sector has attracted these buyers given the fixed prices and incentives on offer.

Consequently, there was an 18% rise in registered new build transactions in Scotland between October 2020 and March 2021 compared to the same months between October 2019 to March 2020.

Healthy rate of sales

Market momentum has continued so far in 2021 and we are encouraged with the 26% and 63% annual rise in buyers registering and reserving new homes respectively with our offices in Edinburgh and Glasgow between January and April this year. Moreover,

our examination of new build sites across Scotland shows healthy rates of sales. We are also seeing strong growth in second-hand prices of recently-built sites in areas where there has been a lack of new developments.

20-minute neighbourhood

Since the pandemic, Scotland’s new homes market has been led by demand for family homes in suburban locations, due to the trend for more space, both indoors and outdoors. But as lockdown rules are loosened, there is now an urge to move back into cities and there is demand for areas that fit within the concept of a 20-minute neighbourhood, in which daily necessities, such as work, shopping, entertainment, schools and recreation are all within a 20-minute walk or cycle from a home.

There is also keen interest in city developments that offer private outdoor and storage space, especially from downsizers. But supply remains

constrained as new build developments in many city neighbourhoods have now completed, with a lack of fresh sites to meet this demand.

Realistic pricing

Looking ahead, while the market will remain strong above £250,000, it will be challenging below this level for flatted developments in city locations, especially for first time buyers due to tight lending criteria and diminishing government incentives.

Going forward, realistic pricing, targeted marketing campaigns and robust marketing budgets for increased digital collateral will remain key factors in optimising rates of sale. The importance of providing interior designed show homes will continue to remain important to allow selling prices to be maximised and in particular to secure buyers looking to move in the short to medium term in city locations.

New build market performance

Area	Number of new build transactions (October 2019-March 2020)	Number of new build transactions (October 2020-March 2021)	Year-on-year change
Edinburgh City	823	844	3%
Glasgow City	526	686	30%
Lothians	1,000	1,281	28%
Greater Glasgow	1,878	1,983	6%
Heartland	1,018	1,143	12%
North East Scotland	897	1,148	28%
Highland and Islands	361	467	29%
Ayrshire and Argyll	364	509	40%
Southern Scotland	134	209	56%

Source Savills Research



More space both inside and outside the home has driven a significant increase in the rental demand for houses

Room to live

The trends we have seen in Scotland’s rental markets over the period of the Covid-19 pandemic have continued to play out so far this year

City markets

Stock levels, particularly for one and two bedroom properties in Edinburgh remain high and this continues to suppress values, with the average asking price per calendar month falling by 7% in the 12 months to the end of March this year, according to Citylets.

In contrast, the rental markets in Glasgow and Dundee remain surprisingly robust, with the monthly average rising annually by 6% and 2% respectively. In Glasgow, the figures were higher for three and four bedroom properties as tenants seek more space.

However, values for one and two bedroom properties in both cities have remained steady so far this year. Meanwhile, rents in Aberdeen have remained stable for over two years, with values rising for four bedroom properties.

Surrounding locations

Much as it has done in the sales market, the desire for more space both inside and outside the home has driven a significant increase in the rental demand for houses.

As a consequence, monthly rents in suburban, commuter and regional locations have risen. Demand in these areas continues to come from a variety of sources. Long-term renters are competing with those looking to rent while they search for a suitable property to buy and others looking for a weekend property to enjoy as social distancing measures are gradually eased.

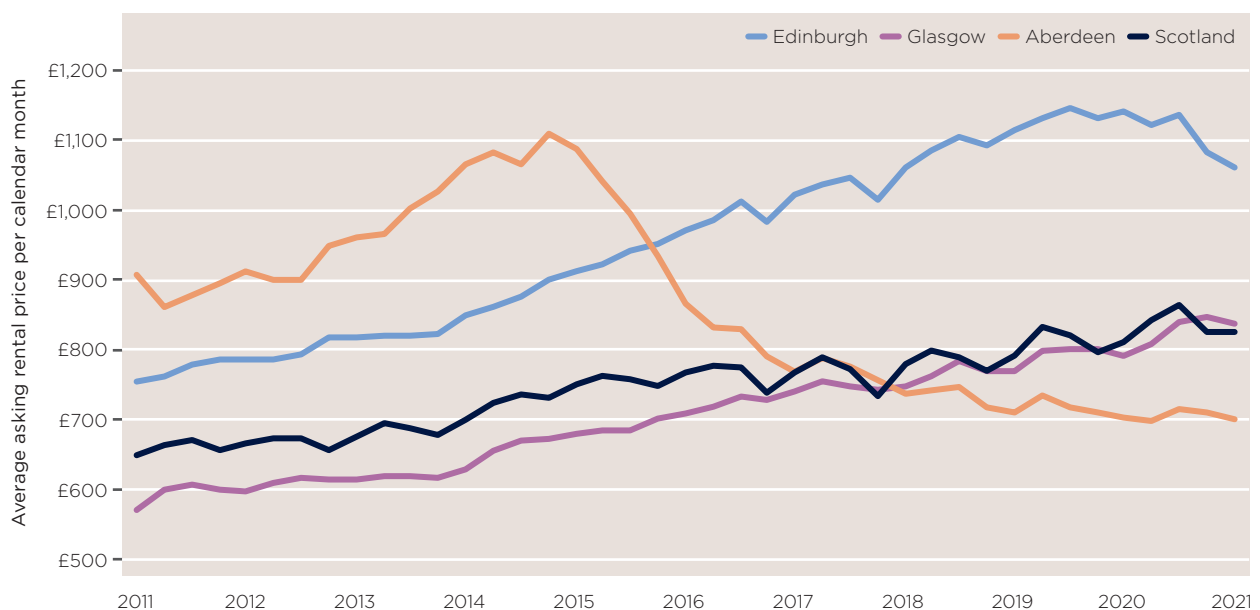
Such demand has depleted levels of available stock, coming at a time when the strength of the sales market has allowed many accidental landlords to sell. With a fall in the amount of stock available to rent, properties are now remaining empty for fewer days compared to last year.

Outlook

While significant progress has been made in the nation’s vaccination programme and there is a roadmap for the gradual relaxation of social distancing measures, we expect the circumstances created by the pandemic to shape the rental market over the next six to nine months. As a result, we expect the market to remain stronger for properties in the commuter belt and family homes.

Over the longer term, we expect demand for smaller properties and those in Edinburgh to gradually normalise. The pace at which this occurs will depend on several factors. Firstly, with the resumption of international travel. Secondly, a progressive improvement in corporate demand as the economic recovery gathers momentum. And thirdly, the return of young professionals and sharers looking for accommodation in proximity to their main place of work.

Average monthly asking rental price per calendar month



Source Citylets



Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market.

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