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Scotland property market update

July 2018



Independent, free, expert advice on housing

Buying, selling or investing in today's variable market means you need to take a great deal of



care before making a decision. It's essential to secure independent, up-to-date advice you can trust. Kate Faulkner and her team make it easy to access the information and support consumers' needs via FREE of charge [eBooks](#), checklists, [The Buy To Let Show](#), articles and one-to-one advice.

Report Headlines



LSL Acadata HPI

"The market gathered its breath in Scotland in April, with monthly price growth slowing to the month before and a peak of 1.7% in February"



UK HPI

"Scotland house prices grew by 4.9% in the year to May 2018, down from 5.5% in the year to April 2018. Scotland house prices are growing quicker than the UK annual rate of 3.0% in the year to May 2018"



RICS

"The Newly Agreed Sales data is displaying a little more monthly volatility at a country/regional level but the South East is showing the most consistent negative set of results with London not far behind. At the other end of the scale, the feedback for Northern Ireland and Scotland suggests these two areas are displaying greater resilience."

Scotland	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data May-18	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in May 18	Annual average increase since 2000	Highest yearly average increase since 2000	
									Date	% Increase
All property types	£145,641	£120,994	-16.92%	£149,004	2%	23%	4.9%	6.1%	Jun-04	35.0%
Detached	£230,147	£198,562	-13.72%	£255,133	11%	28%	4.7%	N/a	Feb-05	18.9%
Semi Detached	£147,734	£123,669	-16.29%	£154,921	5%	25%	4.8%	N/a	Feb-05	19.3%
Terraced	£121,156	£98,703	-18.53%	£123,277	2%	25%	5.6%	N/a	Feb-05	20.9%
Flat	£113,043	£92,894	-17.82%	£108,414	-4%	17%	4.6%	N/a	Mar-05	19.6%

Source: UK HPI

Different house types only recorded from Jan 05 onwards

Asking prices			Mortgaged only prices			Sold prices inc cash sales			Sold prices inc cash sales & new builds		
Rightmove Average Price Jul-17	Rightmove Average Price Jul-18	Rightmove % Change YoY	Nationwide Average Price Q2 17	Nationwide Average Price Q2 18	Nationwide % Change YoY	LSL Acadata HPI Average Price Apr-17	LSL Acadata HPI Average Price Apr-18	LSL % Change YoY	UK HPI Average Price May-17	UK HPI Average Price May-18	UK HPI % Change YoY
N/A	£158,864	N/A	£143,673	£148,161	3.1%	£172,192	£183,994	6.9%	£142,070	£149,004	4.9%



KATE FAULKNER COMMENTS ON PRICES

“ Year on year the figures for Scotland look good compared the rest of the UK, with growth of 4.6% for flats through to 5.6% for terraced homes.

However, it's important to bear in mind that over time the figures are nowhere near quite so rosy. Having seen falls of 14% to 18.5% during the credit crunch, the recovery since 2009 has been almost non-existent with property prices still, on average, just 2% higher than they were a decade ago in 2007. And property prices for many may not even have recovered, leaving some in negative equity.

Those with detached homes have fared much better, being 11% higher than they were 10 years ago, while flats are still recording an average of 4% below. This is likely to be due to what appear now to be overpriced city centre flat developments in areas such as Glasgow in particular. Some have been selling for a lot less than they were in 2007; one I found sold in 2007 for just over £97k and sold in 2018 for £77k.

I often talk about how property prices are bespoke to an area and 'averages' and prices for properties in Scotland are absolutely no exception!

Scotland Towns & Cities	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data May-18	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in May 18	Annual average increase since 2000	Highest yearly average increase since 2005	
									Date	% Increase
Aberdeen	£171,220	£146,598	-14.38%	£158,706	-7%	8%	-3.0%	N/a	Aug-07	37.3%
Glasgow	£130,473	£104,370	-20.01%	£126,529	-3%	21%	6.7%	N/a	Jan-05	19.2%
Edinburgh	£225,750	£183,029	-18.92%	£251,371	11%	37%	9.9%	N/a	May-07	17.3%
Dundee	£121,250	£104,379	-13.91%	£121,580	0%	16%	5.4%	N/a	Mar-06	37.7%
Falkirk	£118,664	£102,380	-13.72%	£120,908	2%	18%	7.3%	N/a	May-05	28.6%

Data only available from 2004/05 onwards

Source: [UK HPI](#)

Table 2 - City level summary

City	Current price	%yoy May-18	Price relative to London
Edinburgh	£225,300	7.1%	46%
Glasgow	£125,400	2.8%	26%
Aberdeen	£178,300	-5.7%	36%

Source: [Hometrack](#)



LSL Acadata HPI

“Scotland’s capital continues to drive the market. While price growth elsewhere has slowed, it accelerated in the capital, rising to 15.6% on an annual basis. The average property in the city is now worth £290,956, the highest in the country. That growth is beaten only by neighbouring Midlothian, up 15.7%, which along with West Lothian (up 8.5% annually), was among four local authority areas to set a new peak in April.” (Jun 18)



RICS

“Edinburgh market is leading the way in the property market. Interest in the city is strong from buyers outside the region whom seem not discouraged by the LBTT tax. Locals find the level very hard to justify. Supply is curtailed. Prices up.”



KATE FAULKNER COMMENTS ON TOWN AND CITY PRICE DIFFERENCES



In most areas, there are some differences in property price growth, but the difference across key cities in Scotland is vast. Edinburgh is really driving the average prices up. It's an incredible city, but one very short of stock versus demand and, as with London, it attracts some very high paid jobs which means property prices have been driven upwards, albeit at 11% over the last 10 years, versus London's rise of around 62% while Glasgow and Dundee are hardly seeing a change in prices over the last decade, and Falkirk is showing a small increase.

Year on year the picture is a little cheerier with growth varying from Dundee's 5.4% through to double-digit 10% in Edinburgh. However, this growth spurt isn't expected to last, suggesting that in the main, capital growth in Scotland has been severely curbed since the credit crunch on average. Some of those lucky enough to purchase at the low of the market in 2009 will have seen some great growth and hopefully that will allow them to move up the ladder, helping to generate more movement in the market.

The exception to this is Aberdeen which, like most cities in Scotland has its own local economy driving prices (and rents). Normally Aberdeen bucks the trend when it comes to price and rent rises, always rising at higher rates than anywhere else and it's an area that didn't even really suffer that much when the rest of us were seeing huge falls during the credit crunch.

However, over the last few years, the sustained loss of revenue in the oil industry has meant the economy has suffered and when people's jobs and company's revenues and profits aren't performing, so the property market under performs. This is why Aberdeen is now seeing prices 7% lower than they were in 2007 and still 3% lower year on year.



Aberdeen's economy has suffered due to the loss of revenue in the oil industry.

Image: © Alexey Fedorenko | Dreamstime.com

First-time buyers: average price, loan and deposit by region,

	Average house price (£s)	Average mortgage (£s)	Average deposit (£s)	Deposit as % of purchase price
Scotland	140010	118550	21460	0.15

FTB average paid	121183
Trading up average paid	177349
Cash purchase average price paid	137790
New build average price	202487

Source: [UK HPI](#)



You can buy a property in Glasgow for less than £100,000.

Image: © Chris148 | Dreamstime.com



KATE FAULKNER COMMENTS ON TOWN AND CITY PRICE DIFFERENCES

“ The good news for anyone thinking about buying for the first time in Scotland is that you can, with the average price paid being just over £120,000 – and you don’t even need to spend that much; those in Glasgow can secure properties for less than £100,000.

Although buyers are finding 15% deposits, FTBs only actually need 5% and, with a 5% deposit – supported by the Help to Buy ISA, you would need to save £4,000, which would mean taking out a mortgage of 95%, which would cost £400 in repayments each month.

With the Help to Buy/Lifetime ISA, coupled with the [Help to Buy new build scheme](#) and areas which have incredibly good value first purchase properties, those who want to get on the ladder should be able to do so.

For those who still struggle, there is also [shared ownership](#) – where a buyer can purchase a 25%, 50% or 75% share of a home with the rest being owned by a housing association, you will then pay an occupancy charge on the remaining share.

Property Price Forecasts	Savills 2018 (Nov 17)	Savills 5 Yr compound growth (Nov 17)	Knight Frank 2018 (Dec 17)	Knight Frank 5 Yr Forecast (May 18)	Countrywide 2018 (Summer 17)	Chestertons 2018 (Nov 16)	Chestertons 2016-20 growth (compounded) (Nov 16)	NAEA 2018 (Dec 15)	YoY % Increase
UK	1.0%	14.2%	1.0%	14.2%					
Great Britain					2.0%				
England & Wales						6.0%	31.9%		
England									
Scotland	1.5%	17.0%	1.0%	12.0%	2.0%			£218,474	4.6%
London	-2.0%	7.1%	-0.5%	13.1%	2.5%	6.0%	37.6%	£626,133	6.2%
South East	0.5%	11.5%	0.0%	14.2%	2.5%	6.0%	35.6%	£435,031	6.8%
South West	1.0%	14.2%	1.0%	14.2%	2.0%	4.5%	25.8%	£292,435	2.8%
East of England	0.5%	11.5%	2.0%	15.9%	2.0%	6.0%	36.9%	£372,139	8.2%
East Midlands	1.0%	14.8%	2.0%	14.2%	2.0%	4.5%	25.8%	£209,613	2.7%
West Midlands	1.0%	14.8%	2.0%	14.8%	2.0%	4.0%	22.8%	£218,218	2.5%
North East	1.5%	17.6%	2.0%	14.8%	1.0%	3.0%	14.8%	£174,780	4.3%
North West	1.5%	18.1%	1.0%	16.4%	2.0%	4.0%	23.4%	£206,046	3.7%
Yorks & Humber	1.5%	17.6%	1.0%	12.6%	1.5%	4.0%	21.1%	£208,358	3.8%
Wales	1.0%	15.9%	1.5%	13.1%	2.0%			£182,162	1.8%



KATE FAULKNER COMMENTS ON PRICE FORECASTS



Looking forward, expectations over the next five years are good compared to other areas of the UK, with Savills predicting price growth for Scotland two and half times the rate of London, higher than most regions in the UK too. However, before investors get too

excited, especially if you are looking at buy to let, bear in mind the rules in Scotland are completely different to the UK and the only way to invest is by visiting the area yourself and finding experts local to the particular area.

Sales volumes by local authority/county

Local authority/county	Sales volume Jan-Dec 16	Sales volume Jan-Dec 17	Sales volume YoY %
Aberdeen	3883	3992	0.028
Glasgow	11638	11995	0.031
Edinburgh	12097	12397	0.025
Dundee	2572	2534	-0.015
Falkirk	2938	2991	0.018

Source: [UK HPI](#)

SUPPLY AND DEMAND

The data below comes from Agency Express and gives an indication over a three-month period of what's happening to supply (new listings) and demand (properties sold over time).

	New listings		Properties sold	
	Jun 18	Jun 17	Jun 18	Jun 17
Scotland	7.1	-18.3	4.5	12.3

Source: [Agency Express](#)



RICS

"The supply in Edinburgh continues to fall short of demand with positive activity across the city and price ranges." (Jun 18)



KATE FAULKNER COMMENTS ON PROPERTY TRANSACTIONS, DEMAND AND SUPPLY



With recent reports of Foxtons in London going into negative earnings in 2018 due to a lack of stock to sell and rent, any agent would be grateful to see transactions growing year on year at these rates, so overall, apart from

Dundee, transaction levels are looking healthy, but areas such as Edinburgh are still seeing low stock versus the demand which is the main reason for prices rising so rapidly year on year.

CITYLETS REPORTS

Scotland

“Scotland’s PRS continued its recently rediscovered positive annual growth in Q2 2018, rising 1.3% to £799 per month on average representing an all-time national high.”

Edinburgh

“Property to rent in Edinburgh also reached an all-time high in Q2 2018, rising 4.8% YOY to £1087 per month.”

Glasgow

“Having surpassed the Aberdeen average last quarter, the average rental in Glasgow continued to pull away in Q2 2018 at £763 per month, £23 above the granite city. Annual growth however remains low at just 1.1% which will be pleasing for tenants and continues a trend of low annual growth which is currently below inflation.”

Aberdeen

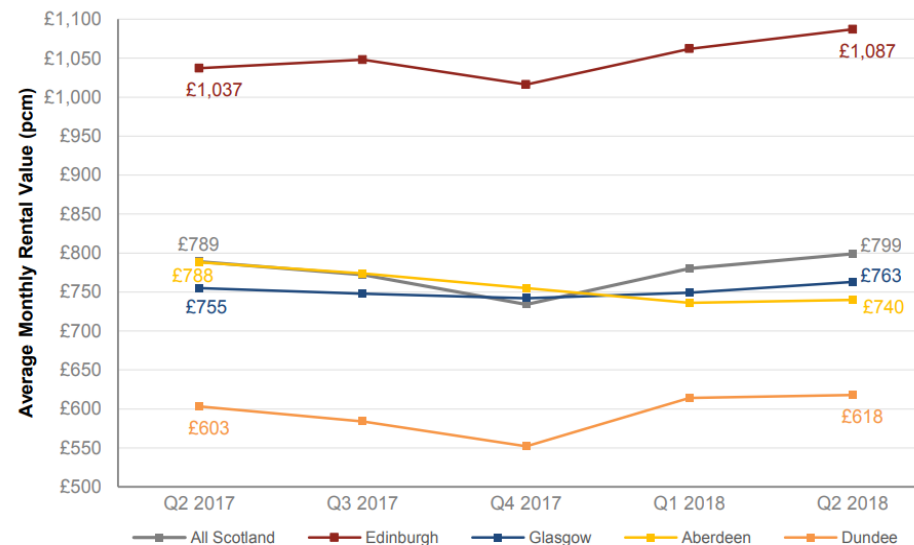
“The Aberdeen rental market continued its decline, albeit steady, in Q2 2018 recording a 6.1% YOY fall. The average property now rents at £740 per month.”

Dundee

“All main Dundee markets recorded positive annual growth in Q2 2018 of between 2% and 5%.”

Source: [Citylets](#)

Scottish Monthly Rent Analysis (Q2 2017 - Q2 2018)



Source: [Citylets](#)

BELVOIR - Q1 18 REPORT

Glasgow

“We have seen an increase in rents for one and two-bed flats, and three-bed detached houses, and expect rents to increase during Q2 2018 across the board. Tenant demand remained static and no change to demand is expected during the next quarter.”

Dundee

“Static rents for studio/one bed flats, increases for two, three and four bed houses, and decreases for two bed flats. This is predominantly due to the current popularity of houses over flats. Rents are expected to increase for both flats and houses during the next quarter. Tenant demand remained static but is likely to increase for both flats and houses during Q2 2018.”

Source: [Belvoir Lettings](#)

LSL Average Monthly Rent Mar-17	LSL Average Monthly Rent May-18	LSL % Change YoY	Homelet Average Monthly Rent Jun-17	Homelet Average Monthly Rent Jun-18	Homelet % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Jun-18
£561	£575	2.5%	£636	£652	2.5%	0.6%

Table 6: Summary of Average (mean) Private Rents (£ monthly): Scotland, 2010 to 2017 (years to end Sept)

	2010	2011	2012	2013	2014	2015	2016	2017
1 Bedroom Property	436	439	447	454	472	480	482	501
2 Bedroom Property	536	546	553	576	596	610	616	643
3 Bedroom Property	679	672	695	707	724	744	753	787
4 Bedroom Property	959	971	983	1,060	1,083	1,097	1,089	1,143
1 Bedroom in Shared Property	300	294	301	309	317	327	340	350
Percentage Increases:								
	2010 to 2011	2011 to 2012	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017	2010 to 2017
	(annual increase)	(annual increase)	(annual increase)	(annual increase)	(annual increase)	(annual increase)	(annual increase)	(7 year cumulative increase)
1 Bedroom Property	0.8%	1.8%	1.6%	3.9%	1.6%	0.4%	4.0%	15.0%
2 Bedroom Property	1.9%	1.2%	4.2%	3.6%	2.2%	1.0%	4.4%	19.9%
3 Bedroom Property	-1.0%	3.4%	1.8%	2.3%	2.8%	1.2%	4.6%	15.9%
4 Bedroom Property	1.3%	1.2%	7.8%	2.2%	1.3%	-0.7%	4.9%	19.2%
1 Bedroom in Shared Property	-2.0%	2.5%	2.6%	2.6%	3.0%	4.0%	3.0%	16.6%

Source: gov.scot



Dundee has hardly seen a price change in the last 10 years. More on page 5.

Image: © Tatjana Pilate | Dreamstime.com



KATE FAULKNER COMMENTS ON THE RENTAL MARKET



From a landlord and investor's perspective, Scotland is lucky to have incredibly good data sources thanks to the government, Belvoir and City Lets all of whom produce some excellent reports explaining on what is happening to the market. Looking at these results, the rental market is clearly still buoyant, which, considering the massive changes

to the PRS over the last few years, including tenancy agreement changes, allowing tenants to stay and leave when they want, while landlords have to give much more notice than England, Wales or N.Ireland. Agents are now regulated too so, in theory, there should be a better quality and more consistent service than elsewhere.

Location	2018	2019	2020	2021	2022	5-year compound growth
UK	2.5%	2.5%	3.0%	3.5%	3.5%	15.5%
London	3.0%	3.0%	3.5%	3.5%	3.0%	17.0%
UK excl London	2.0%	2.0%	3.0%	3.5%	3.5%	15.0%
Wages	3.0%	3.0%	3.0%	3.5%	3.5%	17.0%
CPI	2.0%	1.5%	2.0%	2.0%	2.0%	9.5%

Source: [Savills](#)

Auction data

Scotland		
April 2018 to June 2018	Residential	
Lots Offered	183 (160)	▲ 14.4%
Lots Sold	112 (85)	▲ 31.8%
Percent Sold	61.2% (53.1%)	▲ 15.3%
Total Raised	£7M (£5M)	▲ 45.1%

Source: [EI Group](#)



KATE FAULKNER COMMENTS ON THE INVESTMENT MARKET



Overall, Scotland could have some great opportunities to invest, but no-one should be doing this without visiting the area and finding trusted help and support at a local level now and in the future.

Scotland has the toughest rules on letting property of any country around the UK, and getting it wrong can be disastrous for a landlord. With potential good price and rental growth expected there is definitely money to be made, however, tenants definitely 'rule the roost' in the eyes of the government, so it is worth bearing in mind that, as they can charge their own taxation levels, the current rules may be changed into the future, which could impact on profits.

Yields



Your Move

"The average yield returned to property owners was 4.7% in May, Your Move Scotland found. This is the same as April's figure and once again compares favourably to properties located in England and Wales."



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