Westbourne Gardens, an entire townhouse in Glasgow’s West End, sold this year well in excess of its asking price of Offers Over £895,000. Prime values across Glasgow City have stabilised in 2013, with signs of gentle growth in certain hotspots.
The Scottish residential market has reached a turning point and is now attracting more buyers from London and further afield.

While prices continue to escalate in London, more realistic prices in Scotland are attracting interest from London and international buyers. The long-awaited turning point in the Scottish prime market is being boosted by improved mortgage lending.

Core city locations are witnessing a supply drop and a modest increase in values, whilst recovery in provincial areas is slower.

We expect further support as a result of the UK Government’s Help to Buy scheme, which promises to unlock the market for homes up to £600,000.

Growth will be modest as proposed changes to Stamp Duty, uncertainty in the run up to the Independence referendum and an unprecedented level of stock on the market will continue to suppress values in the prime market (see Table 1).

### London buyers

Buyers are recognising that the gap between house prices in London and those in Scotland’s prime locations has never been greater and as a result there has been a significant increase in the number of people from the south looking to buy in Scotland.

Buyers registering with Savills to buy a Scottish property by the end of:  

<table>
<thead>
<tr>
<th>Year</th>
<th>Mainstream value annual change</th>
<th>Prime value change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>+1.5%</td>
<td>-4%</td>
</tr>
<tr>
<td>2014</td>
<td>+3%</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>+3.5%</td>
<td>+2%</td>
</tr>
<tr>
<td>2016</td>
<td>+3%</td>
<td>+4%</td>
</tr>
<tr>
<td>2017</td>
<td>+2.5%</td>
<td>+5%</td>
</tr>
</tbody>
</table>

Table source: Savills Research

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**SUMMARY**

- While prices continue to escalate in London, more realistic prices in Scotland are attracting interest from London and international buyers. The long-awaited turning point in the Scottish prime market is being boosted by improved mortgage lending.
- Core city locations are witnessing a supply drop and a modest increase in values, whilst recovery in provincial areas is slower.
- We expect further support as a result of the UK Government’s Help to Buy scheme, which promises to unlock the market for homes up to £600,000.
- Growth will be modest as proposed changes to Stamp Duty, uncertainty in the run up to the Independence referendum and an unprecedented level of stock on the market will continue to suppress values in the prime market (see Table 1).

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Savills Prime Index reveals that while values in key prime areas such as Edinburgh’s New Town and Glasgow’s West End gently improved this year, Scotland’s prime provincial locations lagged behind. This is due to the rebalancing of supply and demand which is taking place in the core areas but is yet to happen in some of the prime regional areas of Scotland.

There is evidence of increasing polarisation within Scotland’s slowly recovering prime market and ‘location, location, location’ has never been a more valid mantra. While a prime property newly launched in Central Edinburgh might attract multiple viewings and competitive bidding, its equivalent in the outlying suburbs is likely to generate considerably less activity. The same can be said of prime properties in the sought after area of St Andrews compared to those in outlying areas within the East Neuk of Fife.

There is some evidence of market strength spilling out to regional locations. Prime transactions in Tayside have increased this year, fuelled by the strong market in Aberdeenshire. Similarly, after a challenging market in 2012, activity in Stirlingshire has bounced back, led by improving markets in Edinburgh and Glasgow. There is still room for further improvement in a number of traditionally sought-after provincial locations like Argyll, Ayrshire, Fife and the Borders (see Table 2).

Whilst the level of prime transactions increased by 6% in the first half of this year across Scotland, compared with the first half of 2012, there was an overall price adjustment of -2%, as sellers accepted more realistic prices. There continues to be a record level of prime homes available to buy in Scotland, according to Savills StockWatch. While there was an increase in the number of homes coming to the market, there was an equivalent increase in the number of sales so the level has stabilised over the past three months (see Graph 1). We expect this trend in transaction levels to continue for the rest of the year and for values to improve when demand and supply rebalance.

---

**Table 1**  
Scotland residential forecasts

<table>
<thead>
<tr>
<th>Year</th>
<th>Mainstream value annual change</th>
<th>Prime value change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
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</tr>
<tr>
<td>2017</td>
<td>+2.5%</td>
<td>+5%</td>
</tr>
</tbody>
</table>
Spotlight | Scotland’s Prime Residential Property Market

Of August 2013 increased by over 100 percent compared to the whole of 2012. A prime residential address, access to good schools, larger accommodation and value for money have all been cited as key drivers for the move north.

Looking at a sample of property on the market, buyers in the London suburb of Fulham would have to pay three times more per square foot than they would in a comparable Edinburgh suburb (see Table 3).

We have noticed a trend in buyers selling London properties and not only buying a larger home in Scotland, but using their equity to reduce their mortgages. In a number of instances the breadwinner has retained their London employment and is commuting to the family home in Edinburgh at weekends.

Million pound market

The top end of the market in Scotland, suppressed by stamp duty thresholds and a lack of home-grown buyers, remains difficult with increasing reliance on purchasers from outside Scotland.

There were 46 residential sales recorded at £1 million and above during the first six months of 2013 in Scotland. This is only one less than for the same six-month period last year but 26% less than the average from 2004 to 2013 over the same six-month period (see Graph 2).

Edinburgh, the traditional hub of the prime market with a 54% share of this market, saw a slight rise at the top end, from 22 sales during the first six months of 2012 to 25 during the first six months of this year.

The West End of Glasgow saw its first residential sale above £1 million in two years. Across Scotland, there were only two transactions at £2 million and above during the first six months of 2013 compared to seven in 2012 over the same period.

More mainstream sales

House purchase activity across Scotland has been robust this year, with a 7% increase in transactions, led by a 10% increase in mortgage lending during the first six months of 2013 (see Graph 4). We expect healthy recovery in transactions as a whole during 2013.
The Scottish housing market and independence

Demand not impacted by uncertainty

The question mark over whether Scotland will remain part of the UK following the Referendum in September 2014 does not seem to be impacting demand for Scottish property. ‘Edinburgh’ remains the most searched for location outside London on savills.co.uk, closely followed by ‘Scotland’, and the number of applicants registered to buy north of the border has doubled in 2013.

Answers to how independence might affect future taxation policies and the economy as a whole may become clearer with the publication of the Scottish Government’s White Paper this autumn. Political elections of any type often cause uncertainty and a subsequent pause in market activity, and it will be interesting to see how buyers and sellers react as the referendum date draws nearer.

Homes across Scotland’s cities are currently taking an average of 26 weeks to sell and have been doing so since 2011. However, properties launched on to the market this year at realistic prices are selling quicker (see Graph 3).

On a more local level, we are seeing continued strong performance in core central markets like Aberdeen City, Aberdeenshire, Edinburgh, East Renfrewshire and East Dunbartonshire and also secondary markets like Angus, fuelled by the ripple out effect from the strong Aberdeen market, as well as Midlothian and Renfrewshire boosted by new build housing which is selling well.

We have revised our forecast for house value growth across the UK between 2013 and 2017, in the light of low interest rates and the Government’s recent stimulus measures. The Funding for Lending scheme (FLS) is making a positive contribution to mortgage availability across the UK.

Furthermore, we estimate around 400,000 house purchases across the UK, and 30,000 in Scotland alone, over a three period, could be facilitated by the UK Government’s recently announced Help to Buy scheme.

The Shared Equity element, aimed at supporting the new build sector, has already led to 12,500 reservations in England in the first five months of the scheme. The Mortgage Guarantee element (due to start in January 2014) has yet to gain traction.

The Scottish housing market and independence

Value Gap: London v Edinburgh

<table>
<thead>
<tr>
<th>Price Range</th>
<th>Property</th>
<th>Description</th>
<th>Price per sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2,000,000 to £2,500,000</td>
<td>London, SW6</td>
<td>Mid terraced house 2,433 sq ft</td>
<td>£966</td>
</tr>
<tr>
<td></td>
<td>Edinburgh, EH10</td>
<td>Detached house 7,486 sq ft</td>
<td>£301</td>
</tr>
<tr>
<td>£500,000 to £750,000</td>
<td>London, SW6</td>
<td>Two bedroom flat 604 sq ft</td>
<td>£1,151</td>
</tr>
<tr>
<td></td>
<td>Edinburgh, EH10</td>
<td>Detached house 1,524 sq ft</td>
<td>£361</td>
</tr>
</tbody>
</table>

Table source: Savills Residential
Stamp Duty changes
Introducing the Land and Building Transaction Tax

From April 2015, Stamp Duty for Scottish residential and non-residential property sales will be replaced by a new tax, which will be collected within Scotland. It will be known as the Land and Building Transaction Tax (LBTT), which would favour residential sales at £180,000 or less.

However, sales above £200,000 will incur a higher rate of tax than at present. Should this progressive form of Stamp Duty be applied, it will introduce positive results for 72% of buyers in the Scottish residential market, provided the market remains exactly the same. However, more than a quarter of house buyers will be hit with higher taxes.

There are no plans to reform Stamp Duty in the rest of the UK. While we welcome a progressive new system, the proposed structure is likely to increase the costs to families and professionals looking to move up the housing ladder.

The majority of housing suitable for these markets in the main cities of Scotland is priced at more than £200,000. LBTT will see the tax due on properties increase by an average of 34% in price bands from £180,000 to £1.5 million. Therefore, the LBTT is going to add to the cost of moving for those living in Scotland’s key cities. Reducing the ability of potential house buyers to move can create a static market, just as the restrictions on mortgage lending has done.

This presents problems for buyers and sellers alike and can lead to reduced market activity. While the principles of a progressive tax allows a more realistic price curve and helpfully provides a tax free allowance to help those at the lower ends of the market, the system needs to be fair for everyone.

Our analysis indicates the proposed rates have not been sufficiently researched and do not take into consideration the composition of the Scottish housing market.

→ 2014) has the capacity to ease purchases across the UK over the next three years, assuming mortgage lenders have a moderate appetite for the scheme.

The scheme’s launch into an improving market has triggered concerns that Help to Buy will provoke another property bubble. However, given the high level of Scottish property on the market, its primary impact north of the border is likely to be increased demand, leading to modest price growth.

We forecast average values will rise by 1.5% this year in Scotland, against an original forecast of 0.0%, with the pace of growth picking up over the three year period of Help to Buy (see Table 1).

House purchase lending and residential transactions in Scotland per quarter

|Graph 4|

House purchase lending and residential transactions in Scotland per quarter

| Residual transactions in Scotland | Number of loans for house purchase lending in Scotland |

Graph source: Council of Mortgage Lenders / Registers of Scotland

Savills Research team
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Savills plc
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Residential research services
Adding value to your property interests

Savills Research team provides advice and analysis to clients on the rural, residential, commercial and leisure property sectors in the UK and Europe. Savills also provides similar property research services throughout South East Asia and Australia. In the UK, Savills has had a dedicated residential research team for the past 18 years. Over this time, the department has built up a strong reputation for producing accurate, well informed and, above all else, independent analysis and commentary on the UK’s housing market. As a result, the team is a leading national commentator on market trends.

The success of the department has been built on its market insight, provided by the Savills network, in conjunction with a significant external consultancy business.

This market-led approach to our research is vital to our clients.

Through the provision of analysis, commentary and forecasting we can add value to both assets and businesses. The department has been involved in a wide range of consultancy projects for a variety of public and private sector organisations across the UK.

This has involved research into housing of all tenures and across all price ranges and rental levels.

Typical consultancy projects include:
- local area supply and demand analysis
- development feasibility studies
- investment strategy and advice
- place making site studies
- forecasting rents and capital values
- research to inform policy making and best practice statements
- research for property finance and business planning purposes
- research to inform housing-led regeneration initiatives