

Prime prices decline by smallest margin in 2 years

Prime Scottish property prices dipped by just 0.1% in the first three months of 2013, the most modest decline since the first quarter of 2011, while values of prime Edinburgh property rose by 0.2%, the first rise in nearly a year. Gráinne Gilmore examines the data:

Results for Q1 2013

Scottish prime house prices fell by 0.1% in Q1, taking the annual decline to 2.5%

First rise in prime property values in Central and North East regions since late 2007

Prime property values in Edinburgh rose by 0.2% in Q1, and are up 0.8% year-on-year

Rise of the “lifestyle downsizers” in Edinburgh

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“Prime residential property prices in two Scottish regions rose for the first time since 2007 in Q1 2013.”



Gráinne Gilmore, Head of UK Residential Research

The average value of prime Scottish property edged down in the first quarter of 2013, but by the narrowest margin in two years. The annual decline in prices is now at 2.5%, the smallest decrease since the third quarter of 2011.

Prices rose during the quarter in four out of the seven main Scottish regions, with a 0.4% rise in both Argyll and the North, the first quarterly increases in these regions since Q2 2010 and Q2 2011 respectively. Prime property prices in the Central and North East regions also rose, by 0.2%, marking the first climb in value since late 2007.

Ran Morgan, Head of Knight Frank’s Scottish Residential Department, said: “The market has received a boost with some more competitively priced stock being added in recent months. In addition, there are increasing numbers of buyers moving to Scotland from England and particularly London. In many cases they are moving

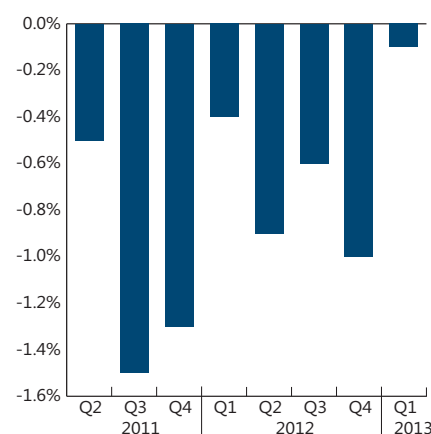
for their job, or for access to schools for their children. But they are also looking at the value they can get for their money in Scotland compared to the English market.”

“More generally, as the data suggests, there are initial signs of some confidence returning to the market. The pent-up demand has started to come to the market, as can be seen particularly in Edinburgh.”

“It is also interesting to note that we are seeing more overseas buyers in the market. Many have not committed yet, but there are signs that they are looking for property. They can purchase a slice of prime Scottish real estate with a large effective discount, given the weakness of sterling.”

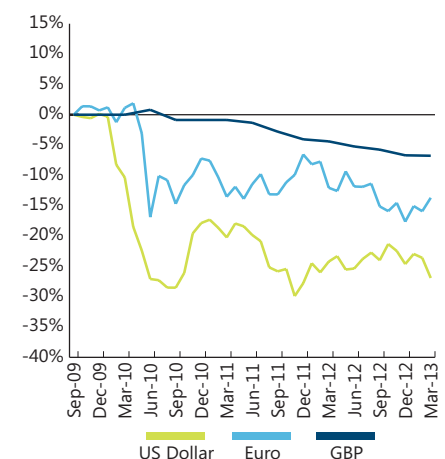
As figure 2 shows below, compared to the peak of the market in September 2009, those buying in US dollars can benefit from an effective discount of more than 25%, while those buying in Euros will pay at least 10% less.

Figure 1
Prime Scottish property prices
Quarterly change Q2 2011-Q1 2013



Source: Knight Frank Residential Research

Figure 2
Currency discounts
Prime prices adjusted for currency fluctuations



Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH PRIME SCOTTISH PROPERTY INDEX



Locations of £1m+ sales in Edinburgh

	2011 (%)	2012 (%)
New Town	38	27
The Grange	5	18
Morningside	10	11
Murrayfield	10	9
Merchiston	2	7
Barnton	15	4
Bruntsfield	8	4
Colinton	3	4
Newington	5	4
Trinity	0	2
Inverleith	3	0
Other	2	9

The Edinburgh prime property market, which was broadly stable last year, showed another 0.2% gain in the first three months of the year, taking the annual increase to close to 1%. But what has been notable is the continued rise in transactions, especially for properties close to the £1 million mark.

Matthew Munro, partner in Knight Frank's Scottish Residential department, said: "Over the last few years, would-be buyers have moved into rented property instead of climbing on or up the property ladder. The flip-side of this is that there are now many buyers ready to move immediately, cutting out the buying chain."

"We saw this pent-up demand starting to come to the market in the second half of

last year, and that trend has continued strongly in the first quarter of 2013, amid improving economic indicators. Employment seems to have steadied up, with some large firms in Edinburgh actively hiring, and this has bolstered confidence, with activity levels in some areas up 30%. This is especially obvious in the competition we see for the best houses in the most sought after locations."

"Another interesting trend has been an increase in the number of buyers who are "downsizing" – not because they are necessarily retiring, but because they are making a lifestyle choice to cut their borrowings and move into a house on a smaller scale."

Knight Frank Prime Scottish Property Index

	Cottage	Farmhouse	Small country house	Large country house	Average
3-month change	0.0%	0.0%	-0.2%	0.0%	-0.1%
6-month change	0.0%	-0.9%	-1.3%	-1.2%	-1.1%
12-month change	0.0%	-2.5%	-3.7%	-1.6%	-2.5%

Knight Frank Edinburgh Index

	House	Flat	Average
3-month change	0.0%	0.8%	0.2%
6-month change	0.0%	0.8%	0.2%
12-month change	0.7%	1.3%	0.8%

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