

## Low stock and rising demand pushes prices higher

Confidence among buyers and vendors has returned to the prime Scottish property market. Oliver Knight examines the key factors that have contributed to a rise in prices in Q1 2014.

### Key facts for Q1 2014

Prices have risen by 1.1% over the first three months of 2014, taking the annual rise to 2.8%

Prime prices rose or were unchanged during the quarter in all Scottish regions

Stock levels are 26% lower compared to the previous year

The number of £1m+ residential property sales picked up significantly in the second half of the year

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A lack of supply of prime properties in Scotland is boosting competition between buyers, and has contributed to a 1.1% rise in prime house prices during the first quarter of 2014.

On an annual basis in the year to March 2014, prices rose by 2.8%. This is the largest annual gain in prices in six years.

One factor that has put upward pressure on prices is a lack of stock across the market.

Tighter stock levels have coincided with an increase in the number of buyers registering their interest in purchasing a prime property in Scotland. There was a 36.5% rise in the number of new applicants over the three months to March 2014 compared to the same period a year earlier.

While the property markets in key Scottish towns and cities, such as [Edinburgh](#), have been the biggest beneficiaries of this increased demand, there are indications that this is filtering out to the wider prime market. Indeed, prices rose or were unchanged during the quarter in all of

the main Scottish regions, led by increases for homes located in the Scottish Borders, the Central region and the Lothians.

Ran Morgan, head of Knight Frank's Scottish residential department, said that positive signs are emerging: "The bulk of sales tend to be concentrated in the sub-£1m price band, although we are seeing a pick-up in interest among buyers for well-presented, large family homes above this level. However, a lack of stock continues to be an issue.

"We have noticed a definite hesitancy on the part of some vendors to bring their homes to market before the result of the Independence Referendum in September 2014 is known."

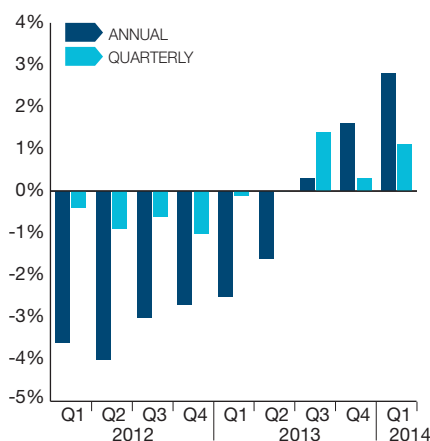
Potential buyers seem less deterred by the Referendum result, however. The number of property viewings taking place across the prime Scottish market over the last three months was more than double the number conducted over the same period last year.

**OLIVER KNIGHT**  
Residential Research

*"We are seeing price rises for prime homes in Scotland filter out to the regions. In Q1 2014, average prices rose or were unchanged in all Scottish regions."*

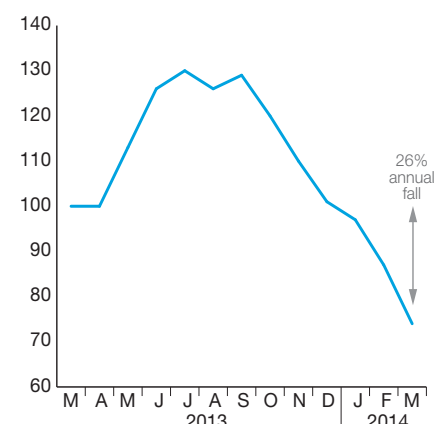
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FIGURE 1  
**Prime Scottish property prices**  
Annual and quarterly change Q1 2012-Q1 2014



Source: Knight Frank Residential Research

FIGURE 2  
**Stock levels are 26% down on March 2013**



Source: Knight Frank Residential Research

Our analysis of stock levels in the prime Scottish property market (excluding Edinburgh), reveals that there are 26% fewer homes on the market in March 2014 compared to the same point in 2013 (figure 2). Low stock levels, combined with rising demand from buyers, have helped put upwards pressure on prices. The ratio of buyers to available properties currently stands at around 7:1.

### Focus on £1m+ sales

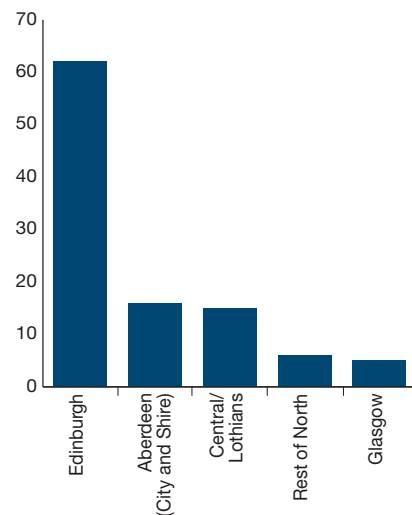
In line with the wider recovery in the Scottish property market, the number of million-pound residential property sales picked up markedly in the second half of 2013, according to official sales statistics from the Registers of Scotland (RoS).

Above £1m, some 68 sales were agreed in the final six months of the year compared to just 37 between January and the end of June. The pick-up in sales is reflective of the increasing confidence in the market.

Edinburgh had the most million pound residential property sales in Scotland in 2013 with 62, more than double that of any

other local authority country. Aberdeen City and Shire had the second highest number of such sales and accounted for 13% of the total market last year (figure 3).

FIGURE 3  
Scotland £1m+ sales by area



Source: Knight Frank Residential Research / Registers of Scotland

*“There are 26% fewer homes on the market in March 2014 compared to the same point in 2013. This has helped put upwards pressure on prices.”*

### Knight Frank Prime Scottish Property Index Q1 2014

	Cottage	Farmhouse	Small country house	Large country house	Average
3 month	2.9%	0.6%	1.3%	1.2%	1.1%
6 month	2.9%	1.1%	1.5%	1.4%	1.4%
1 year	6.7%	3.0%	3.0%	2.1%	2.8%

Source: Knight Frank Residential Research



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