

STOCK LEVELS DROP BUT DEMAND PICKS-UP

A growing imbalance between supply and demand is a key driver of pricing in the Edinburgh market.

Results for Q3 2016

Quarterly price growth in Edinburgh was unchanged between July and September

On an annual basis prices have risen by 1.6%

The number of new buyers registering their interest in buying a property increased 13% in Q3 compared to last year

Prices in the New Town and West End have risen by 3% over the last year

Property prices in Edinburgh remained unchanged between July and September taking the annual change in prime values to 1.6%, according to the latest index from Knight Frank.

The recent slowing of prices was due in part to the seasonal summer lull, although this was intensified this year as a result of uncertainty caused by the UK's vote to leave the European Union.

'Brexit' has added another layer of complexity to a market adjusting to two major tax changes within the last 18 months. However, it is important not to overstate the impact of the vote.

Our analysis shows that the volume of new buyer registrations in the three months following the referendum increased by 13% compared with the same period of 2015. Meanwhile, the number of viewings was more than 4% higher over the same timeframe which suggests that the underlying demand for homes in the city remains strong.

But despite a pick-up in buyer activity, there remains some hesitation on the part of vendors. Stock levels were 6% lower in September than at the same point last year and 24% below where they were in September 2014.

As a result, transaction volumes so far in 2016 have fallen slightly behind where they were at the corresponding point of last year, although they still remain high on a historical basis.

Edward Douglas-Home, Head of Edinburgh City Sales, said: "The pick-up in activity we have seen in recent months has not been matched by an increase in the number of new homes coming to the market, resulting in a growing imbalance between supply and demand, especially in the city centre.

"While buyers remain price sensitive as a result of higher purchase taxes, the scarcity of properties for sale has, in some cases, resulted in competition for the best homes in central neighbourhoods – something we expect to continue as we head into the traditionally busier autumn market."

Prices in the New Town and West End areas of the city, where anecdotally demand has been highest, have risen by 3% over the last year, outperforming the wider Edinburgh prime market. In comparison, towards the west of the city – in areas such as Blackhall and Barnton – price growth has been more muted, at 0.2%.



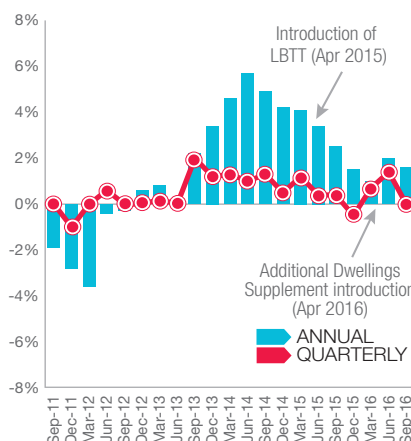
OLIVER KNIGHT
Associate

"Both new buyer registrations and property viewings increased during the quarter compared with last year which suggests that underlying demand remains strong."

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FIGURE 1
Edinburgh recent price movements
Annual and quarterly price growth



Source: Knight Frank Research

FIGURE 2
Edinburgh prime stock levels falling
Index of available residential properties in the Edinburgh market (100 = April 2013)



Source: Knight Frank Research

Edinburgh City Index Q3 2016

	Edinburgh	New Town/ West End	North	South	West
3 month change	0.0%	0.2%	0.0%	0.0%	-0.1%
6 month change	2.1%	3.5%	2.1%	1.6%	0.8%
1 year change	1.6%	3.0%	2.0%	0.9%	0.2%
3 years change	9.3%	12.1%	9.6%	8.8%	5.2%

Source: Knight Frank Research

Key market metrics

Edinburgh market activity, 3 months to September 2016 compared to same period last year

Demand	New Applicants	13%
	Viewings	4%
Supply	New instructions to sell	28%
	Stock volume	-6%
Activity	Sales (subject to contract)	43%

LBTT AND THE ADDITIONAL DWELLINGS SUPPLEMENT

Since its introduction in April 2015, Revenue Scotland has collected £326.2 million in purchase taxes for residential property, according to official statistics.

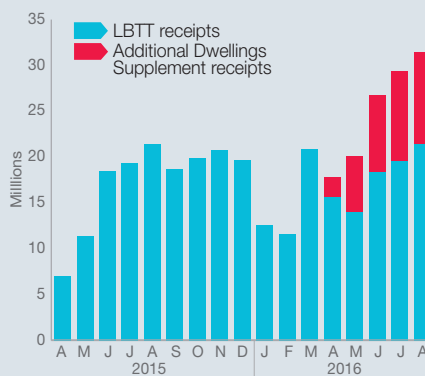
In August – the latest available data – Land and Buildings Transaction Tax (LBTT) receipts totalled £31.4 million, the highest on record, as shown in figure 3.

Some £10 million collected during the month, or 32% of the total, was attributable to the Additional Dwellings Supplement (ADS), under which a 3% surcharge is applied to purchasers buying an additional property.

Since its introduction in April 2016, £36.3 million has been raised by the ADS on 7,350 transactions. This equates to 29% of the total residential LBTT receipts

over this time, helping to significantly boost monthly revenues.

FIGURE 3
LBTT receipts, revenue Scotland



Source: Knight Frank Research

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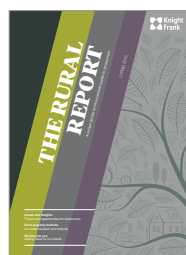
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