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“Strong price growth in Edinburgh has been driven by a pick-up in activity across the city in 2017, particularly within higher price brackets. Initial signs suggest that this momentum has carried over to this year.”

Key facts

Property prices in the city increased by 3.3% between January and March, taking annual growth to 7.7%

Price growth has been driven by a pick-up in activity across the city, particularly within higher price brackets

Above £1m, there was a 16% increase in sales in 2017 compared with the previous year. Edinburgh accounted for 65% of £1m+ sales in Scotland

Supply remains tight with 40% fewer prime properties worth £500,000 or more offered for sale so far this year compared to the same period in 2016

RISE IN PRIME ACTIVITY UNDERPINS PRICE GROWTH

A noteworthy pick-up in activity in higher price brackets over the last 12 months and a shortage of homes for sale has resulted in strong price growth in Edinburgh.

Demand drives pricing

Property prices in Edinburgh increased by 3.3% between January and March, the fastest rate of quarterly growth reported by our Prime Edinburgh City Index since its inception a decade ago.

The annual change in property values in the city also reached a record high at 7.7%, the highest level of growth of any prime market tracked by Knight Frank.

A shortage of new supply relative to demand is one of the main reasons behind a rise in values across the city.

Transactions in the city also increased by 2% last year, according to data from the Registers of Scotland. However, stronger growth in sales volumes was seen in higher price brackets during 2017, with a 16% year-on-year increase in property transactions between £500,000 and £1m, and sales above £1m.

It follows a period of more subdued activity in the prime market after the introduction of Land and Building Transaction Tax (LBTT) in 2015.

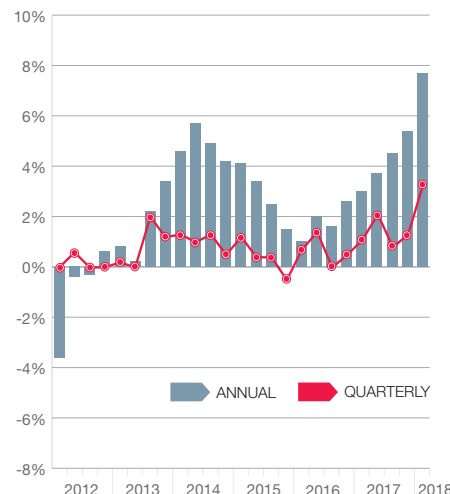
While activity was concentrated on central areas in 2017, it has started to ripple out to more suburban areas, particularly towards the west and south of the city, driven by the market for larger family houses in areas such as Murrayfield and Morningside.

Knight Frank data covering the first three months of 2018 suggest that momentum has continued this year. Demand remains strong, with current selling times averaging around seven weeks across all price bands, compared with more than eight weeks at the same point in 2017.

Outlook

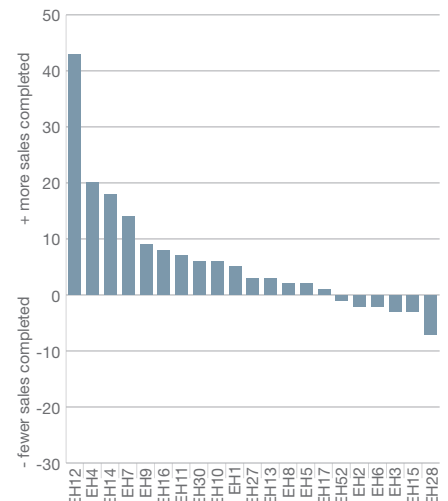
Despite the positive sentiment surrounding the Edinburgh market at present, a relative shortage of new homes coming onto the market could also weigh on transaction volumes this year - though it should also underpin values. An analysis of listings data shows there have been 40% fewer properties worth £500,000 or more put up for sale so far in 2018 compared with the same period in 2017.

FIGURE 1
Annual and quarterly price growth



Source: Knight Frank Research

FIGURE 2
Change in number of £500,000 sales by postal district, 2017 v 2016 (0 = no change)



Source: Knight Frank Research / Registers of Scotland

Edinburgh's £1m+ market

In Edinburgh the number of sales completed with a value above £1m was 16% higher in 2017 compared with the previous year, data from the Registers of Scotland shows. By comparison, across Scotland, there was a slight dip in overall £1m+ transactions from 166 in 2016 to 159 last year.

As a result, Edinburgh now accounts for 65% of this market, up from 55% the previous year.

Figure 3 shows how activity was concentrated in the city centre over this time, with EH3 accounting for nearly a quarter of sales, followed by EH4 and EH10.

Rising activity levels have underpinned a 7% increase in prices for property valued above £1m over the year to March 2018, data from our Index shows.



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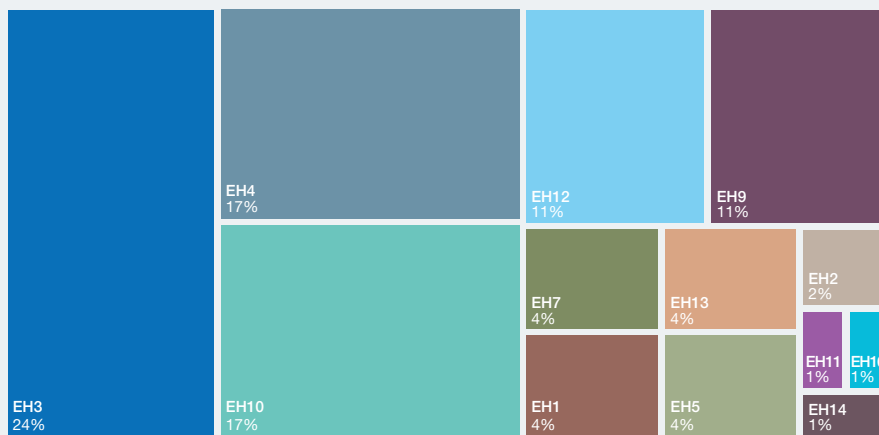
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FIGURE 3

Edinburgh's prime postcodes

Location of £1m+ sales by postcode



Source: Knight Frank Research / Registers of Scotland



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