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“The Edinburgh property market has bucked the national trend over the last year with both prices and activity levels rising. The demand for property is highlighted by data showing that the average time taken to sell a property has fallen during 2017.”

Key facts

Property prices in the city increased by 1.3% between October and December, taking annual growth for 2017 to 5.4%

An imbalance between supply and demand remains a key factor underpinning pricing, especially in the city centre

There have been 5% fewer properties launched onto the market so far this year compared with 2016

There has been a 17% fall in time on the market in 2017, compared with 2016

EDINBURGH IN DEMAND AMID SHORT SUPPLY

Prices and activity have risen in 2017 but stock levels remain low, our latest analysis of the market shows.

Market update

While the general trend for pricing and activity across UK property markets has been one of moderation over the last year, Edinburgh has bucked this trend. Property prices in the city increased by 1.3% between October and December, taking annual growth for 2017 to 5.4%, the highest year-end growth figure since the inception of our index in 2008.

Such robust growth has come in spite of the wider backdrop of political uncertainty, with low interest rates, rising market confidence and a comparatively strong local economy all contributing to high buyer demand.

Supply and demand imbalance

A key factor underpinning price growth in Edinburgh over the last year has been a growing imbalance between supply and demand, with the number of homes coming onto the market falling short in key areas, according to our own research.

Anecdotal evidence suggests this is, in part, a result of higher levels of taxation with people choosing to stay for longer in their existing homes.

There have been 5% fewer properties launched onto the market so far this year compared with 2016, with this drop more pronounced in central areas of the city, such as in EH1 and EH3, where demand has been the greatest.

Accordingly, competition for best in class properties has been strong. This has contributed to a reduction in the average time taken to sell a property, with a 17% fall in time on the market in 2017, compared with 2016.

Prices equal to, or above, Home Report valuations have been achieved, reflecting the rising levels of confidence among buyers in these markets.

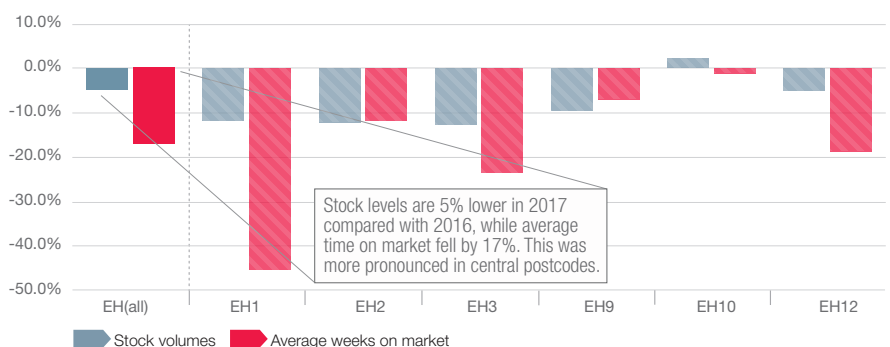
Outlook

There remain challenges for the market, not least higher purchase costs as a result of LBTT and uncertainty surrounding Brexit. But the primary drivers of the city market, including schooling, upsizing and downsizing, remain unchanged and these are expected to continue to drive turnover through 2018. Meanwhile, large-scale regeneration in the city centre, led by the redevelopment of the St James' shopping centre which is scheduled to complete in 2020 is likely to drive interest in the eastern side of New Town.

FIGURE 1

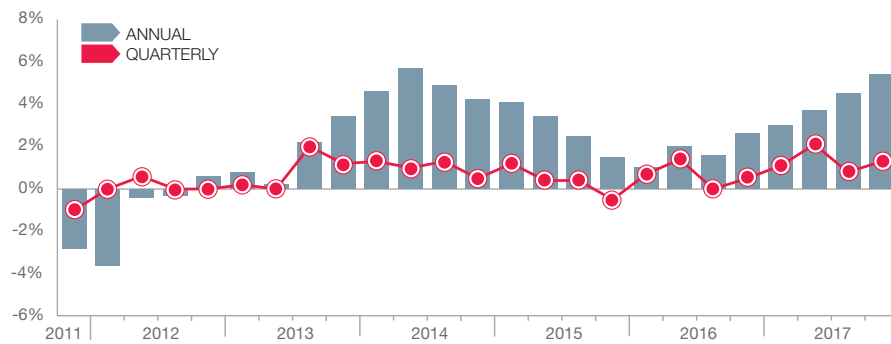
Edinburgh: vendor's market?

Change in average weeks on market and stock volumes in 2017 v 2016



Source: Knight Frank Research / Rightmove

FIGURE 2
Edinburgh: annual and quarterly prime price growth



Source: Knight Frank Research

Edinburgh City Index Q4 2017

	Edinburgh	New Town/ West End	North	South	West
3 month	1.3%	1.8%	1.7%	1.0%	0.8%
6 month	2.2%	3.0%	2.9%	1.5%	1.6%
1 year	5.4%	8.9%	7.0%	3.4%	2.0%
3 years	9.7%	16.0%	13.3%	6.3%	3.2%
	sub- £500k	£500k to £1m	£1m to £1.5m	£1.5m to £2m	over £2m
3 month	2.3%	1.2%	1.3%	1.1%	0.0%
6 month	3.5%	1.9%	2.1%	2.4%	0.0%
1 year	10.7%	4.6%	5.1%	4.6%	-3.1%
3 years	21.8%	9.0%	7.3%	6.1%	-8.3%

Source: Knight Frank Research



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