

DEMAND JUMPS IN EDINBURGH CITY MARKET BUT SUPPLY REMAINS LIMITED

Results for Q1 2017

Edinburgh property prices **rose by 1.1%** in Q1 2017, taking annual growth to 3%

Price growth has been underpinned by rising demand, with a **31% increase** in the volume of new buyer enquiries year-on-year in Q1

The number of new homes listed for sale was **38% lower** in Q1 2017 compared with a year earlier

Edinburgh's city centre flats outperformed in terms of price growth, **rising by 1.8% between January and March**

Rising demand for property in Edinburgh city centre has underpinned prices over the first three months of 2017.

Prime property values in Edinburgh rose by 1.1% between January and March, only the second time quarterly price growth has exceeded 1% in the last two years.

On an annual basis prices have increased by 3% on average, up from 2.6% at the end of 2016.

The pick-up in values so far this year has been underpinned by a growing imbalance between supply and demand across the city.

New buyer enquiries, for example, were nearly double that seen in the previous quarter and almost a third higher than in Q1 2016. Viewings were also up by 45% year-on-year between January and March. Rising demand is an indication that buyers are starting to adjust to higher rates of taxation, although purchase costs remain a factor.

Flats attracted the highest level of interest over the course of the quarter contributing to a 1.8% rise in average values over this time. Houses saw more modest growth of 0.8%.

However, rising demand has not been matched by a boost in supply, according to our analysis of all property listings. There was a 38% fall in the number of homes listed for sale across Edinburgh in the first

quarter of 2017, compared with the same period the previous year.

At the top end, this has been even more pronounced. There were 54% fewer properties valued above £500,000 put up for sale compared to the same period last year, with a 64% fall in properties priced above £750,000.

"Rising demand for property in Edinburgh city centre is being underpinned by growing confidence among buyers regarding the strength of the market," Edward Douglas-Home, Head of Edinburgh City Sales, said.

"Higher purchase costs as a result of changes to LBTT remain a concern, but it's a shortage of good quality stock relative to new buyers that has been the primary driver of the market at the start of 2017."

However, Knight Frank sales volumes so far this year have been robust. While transaction volumes were lower than in both 2015 and 2016 – when the market received an artificial boost from buyers bringing forward deals ahead of changes to property taxation – they were comfortably higher than the comparable period in 2014, by 41%.



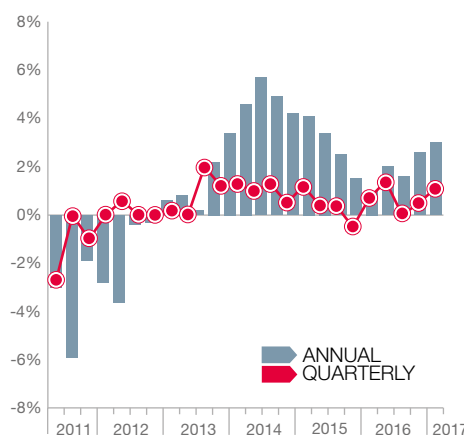
OLIVER KNIGHT
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"The pick-up in values over the first three months of 2017 has been underpinned by a growing imbalance between supply and demand."

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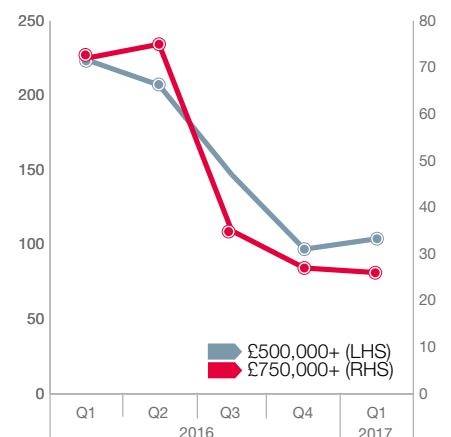
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FIGURE 1
Edinburgh: Annual and quarterly prime price growth



Source: Knight Frank Research

FIGURE 2
Edinburgh: Prime stock levels for sale



Source: Knight Frank Research

Edinburgh City Index Q1 2017

	Edinburgh	New Town/ West End	North	South	West
3 month change	1.1%	1.9%	1.7%	0.7%	-0.2%
6 month change	1.5%	3.0%	2.7%	0.7%	-0.2%
1 year change	3.0%	5.5%	4.2%	1.7%	0.2%
3 year change	8.2%	11.4%	11.0%	6.8%	3.3%

Source: Knight Frank Research



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