BACK TO BUSINESS AS USUAL FOR CITY MARKET

Property prices in the Edinburgh city market rose for the fifth consecutive quarter between June and September. Oliver Knight examines the latest figures.

A temporary slowdown in market activity in the weeks immediately preceding the Scottish Referendum last month has had a minimal effect on pricing in Edinburgh’s prime property market.

Low stock levels and high demand – two characteristics which have typified the Edinburgh market so far this year – have put upwards pressure on prices, which increased by 1.3% between June and September and are 4.9% higher on an annual basis.

A snapshot of stock levels at the end of September reveals that there were 27% fewer properties available for sale than at the same time last year. However, applicant numbers were 19% higher in 2014 to date compared to 2013 and viewings increased by 1% over the same period.

This increased demand has translated into a jump in the number of sales completed so far this year, with transactions 8% higher in 2014 year-on-year.

It is evidence of just how resilient the Edinburgh property market has been in spite of the uncertainty surrounding the outcome of September’s Referendum. Agents reported activity only noticeably slowed in the three week period before the vote. Since the result was announced activity has returned to more normal levels, suggesting that at least for now it is back to business as usual.

The “No” vote means there is now a more certain environment for the property market to function. It is expected that this, combined with growing consumer confidence, should act as a further boost for the city’s already robust prime market.

Prices for properties in the south of Edinburgh rose at the strongest level in Q3 as a result of a lack of stock, followed by homes in the New Town and West End, which grew in value by 1.2% over the same period.

Edward Douglas-Home, head of Edinburgh city sales, said: “While the flurry of activity continued overleaf...”

Results for Q3 2014

Low stock levels and high demand have put upwards pressure on prices

Property prices in Edinburgh increased by 1.3% between July and September

Annual growth currently stands at 4.9%

So far in 2014, transactions are 8% higher than a year previously

OLIVER KNIGHT
Residential Research

“The temporary slowdown in market activity in the weeks before the Scottish Referendum has had a minimal effect on pricing in Edinburgh’s prime property market.”

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FIGURE 1
Five consecutive quarters of price growth
Edinburgh quarterly price change

FIGURE 2
An increase in prices, prospective buyers, viewings and exchanges...
Year-on-year change in 2014 to date

Source: Knight Frank Residential Research
that was predicted in the event of a ‘No’ vote hasn’t materialised, we have dealt with a number of buyers and vendors who put off making decisions until after the vote.

“The recent figures highlight just how buoyant the Edinburgh market has been. Premiums have been paid for the very best homes in the best locations and high demand from would-be buyers is evident across the market. We expect that activity will continue to pick up in the coming months.”

Despite the optimism in the market, there are more hurdles to clear. Ongoing negotiations concerning further devolution and the upcoming May 2015 UK general election could create more uncertainty, especially when it comes to tax changes affecting high-value residential property.

Additionally, from April 2015, Stamp Duty for Scottish residential and non-residential property sales (SDLT) will be replaced by a new Land and Buildings Transaction Tax (LBTT), which will be administered and collected within Scotland. Guidance surrounding the final rates will be provided this month, but it is expected that buyers of more expensive homes will have to pay more tax up-front when purchasing a property.

Focus on £1m+ sales

Edinburgh accounted for more than half of all £1m+ sales in Scotland in the first six months of 2014, according to the latest available data from the Registers of Scotland. The city continues to be the traditional hub of the prime market in Scotland. Average values of properties worth in excess of £1m climbed by 1.7% between July and September.

FIGURE 3
Scotland’s million-pound plus market
£1m+ transactions in Edinburgh and Scotland Q2 2014

Source: Registers of Scotland