

House Prices won't rise in the Capital

✘ House prices in Edinburgh are unlikely to rise significantly in the next four to five years because of restrictive mortgage lending, according to one firm of property solicitors in the Capital.

Warners believes that the tight restrictions currently placed on mortgage borrowing are prohibiting any growth in the city's property sector – meaning that house prices are likely to remain flat until the middle of the decade.

The firm says that the ongoing economic slowdown has led to a surplus of properties being put up for sale in the city, with not enough demand among housebuyers to match the supply of homes on the market.

However, it adds that the situation will not create a property meltdown in the city – as sensible buyers and sellers will still be able to move home if they have realistic expectations about the prices they expect to achieve for their properties.

Scott Brown, estate agency partner at Warners, said: “There's no doubt that house prices are slowing in Edinburgh, regardless of the positive gloss that some reports are trying to paint about the city's property market.

“For months, there has been a steady increase in the number of properties being put up for sale in the Capital and there simply is not enough demand there to match this supply. At present, the ESPC has around 3500 properties listed for sale in the city and the number of new listings is continuing to outstrip the number of sales being achieved.

“With mortgage lending being so restrictive at the moment, many people are finding that they cannot afford the necessary

deposit required to put down on a home – so they are choosing to rent a property instead. This is taking a huge number of would-be buyers out of the market and is increasing competition among sellers – which is keeping prices steady.

“As many public sector jobs are also proposed to be cut in the city and the economic conditions do not look like improving dramatically in the short term, this situation is likely to continue for the foreseeable future. It could easily be four or five years or so before we start to see any significant rise in house prices.”

Scott adds that, despite the gloomy outlook, there are still many positives for those looking to buy or sell property in Edinburgh – provided they are realistic about house prices.

He explains: “The days of paying huge premiums on ‘offers over’ prices are long gone, and there does now seem to be a growing sense of realism in the property market. As Home Reports contain a valuation of each property, people don’t have to bid blindly when putting in an offer on a home – and the popularity of ‘offers around’ prices across the whole of Edinburgh is a reflection of this.

“Until recently, many people also expected to be able to ‘sell high, buy low’ when it came to property – and would try to hold out for prices that they were highly unlikely to achieve. However, they are now realising that buyers won’t match these expectations and are having to change their strategies accordingly.

“The attitude that people are taking now is that even if they make a loss on their sale, they are likely to gain by paying less for their next purchase. For example, if someone makes a 10% loss on the home that they are selling, then they should be able to make a gain in the long run, as they will be buying their next property for a similar 10% reduction.

“Of course, those who are downsizing are likely to take a

financial hit as they are buying a smaller property than the one they are selling. However, as most of these people are at retirement age or have children who have left home, their lifestyle necessitates their move and they are more likely to accept the financial loss as they are buying for less as they are buying for less than they are selling.

“In extreme cases, there will also be some people who are trapped due to the oppressive lending restrictions, as they borrowed a lot when they bought their current property and now have negative or zero equity – and need a deposit for their next property. Unfortunately all they can do is to wait for the conditions to improve or try to negotiate with their existing mortgage lender.

“But for the majority of people in Edinburgh, there will be no significant change for the next four to five years. They can’t put their life on hold for that long, so if they get married, or have kids, or need more space for their family, they will have to move – regardless of what is happening with house prices.

“In these cases, as long as these people have a realistic outlook on how much they expect to sell their current property for – and how much they expect to purchase their next one for – they should be able to move home easily. As long as people buy and sell in the same market then what they lose with one hand they will benefit from with the other.

“At Warners, we’ve already sold more than 500 properties this year, so even though prices are flat, there is clearly still a lot of activity in the market. Those being realistic in both sale and purchase prices are moving ”.

☒ Warners, which has four property shops in Edinburgh, has been the Capital’s leading property solicitor in terms of property sales and listings for the past 11 years.