

Property premiums still haunting capital buyers

As the darker nights roll in, capital buyers are still refusing to be spooked by frighteningly high premiums often needed to secure a home.

Despite signs that Edinburgh's property market is beginning to find balance between buyers and sellers, many are still finding themselves forking out sums well above the Home Report valuation.

According to Warners Solicitors and Estate Agents, one in 10 properties are still selling for more than 15% of their Home Report valuation, while one in five are achieving a premium of more than 10%.

David Marshall, Operations Director with Warners, said: "Throughout 2017 and during the first few months of 2018 there was a real shortage of properties being brought to the market. This created a situation where demand from buyers vastly exceeded the supply of homes available for sale.

"In most cases there were multiple buyers competing for the homes that were on the market, allowing many sellers to set closing dates and achieve offers well above their property's Home Report valuation.

"This created significant issues for buyers, especially those looking to get onto the property ladder for the first time.

"Lenders are only willing to lend up to the Home Report valuation of a property meaning that if you want to bid more

than the valuation, you will need to have that additional cash on hand in addition to your deposit.

“Many first-time buyers simply don’t have the cash reserves to allow them to do this, leaving them unable to compete at closing dates.”

In the three months from July to September, the average premium paid over Home Report valuation to secure a property was 5.3% – down from 6.0% during the same period in 2017.

Along with a notable rise in the number of properties coming onto the market in the third quarter of 2018, Warners also recorded a 19% annual increase in the number of homes being listed for sale.

David added: “The premiums that properties are achieving are still high by historical standards but they are inching downwards, easing the pressure on those buying a home in Edinburgh and the Lothians.

“Moving forward we expect to see this pattern continue. The supply of homes to the market will continue to improve meaning that premiums will ease further and this in turn will bring house price inflation down to more sustainable levels.

“Earlier in the year ESPC was reporting annual house price inflation in Edinburgh of over 9% but more recently this figure has come down to around 4%.

“Uncertainty over Brexit continues to provide the greatest downside risk to the market but low interest rates and high employment levels will help to support house prices.

“As we head towards the turn of the year, we expect to see annual house price inflation in the region of 2-3%.”

Warners operates three property centres in Edinburgh.