

LSL Property Services/Acadametrics
Scotland
House Price Index

APRIL 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 19TH JUNE 2013



House prices fall by £1,982 over the year to April 2013

- **But there are signs market is improving, prices in April £2,430 higher than December 2012**
- **Sales up 14% in April thanks to improving mortgage availability**

House Price	Index	Monthly Change %	Annual Change %
£143,965	195.2	-0.1	-1.4

Alan Penman of Walker Fraser Steele, part of LSL Property Services, comments: “Despite the brightening housing market in England, the picture is not as glowing for Scotland. The strain on borrower finances has been more pronounced north of the border, which has meant fewer people have been able to get a mortgage. Deposit requirements are still substantial and borrowers are struggling to swim against the tide of high inflation, low savings rates and weak wage growth. There has been an uplift in first-time buyer activity in recent months, in part due to various Government schemes designed to make it easier for people to borrow – particularly high LTV borrowers.

“As a result, sales in April have surpassed forecasts, rising 14%, which reflects the improving mortgage market. Traditionally March and April are the busiest months of the year due to the boost in temperatures, better weather and longer days resulting in a lot of property sellers viewing it as prime time to get their properties on the market.

“But big regional variations remain. In some areas, prices are soaring, while at the same time suffering in less affluent ones. Equity rich buyers continue to dominate activity, which has led to a clear divide in the market.

“Fortunately, the next few months should see further improvements in first-time buyer numbers, which should help begin to equalise the regional variations in sales levels. Conditions for first-time buyers are vastly improved compared to six months ago. The Funding for Lending scheme is giving buyers a helping hand and is boosting competition between lenders, which has made mortgages more affordable.”

For comment by Dr Peter Williams, housing market specialist and Chairman of Acadametrics, see page 3.

House price index: historical data



Table 1. Average House Prices in Scotland for the period April 2012 – April 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
April	2012	£145,947	197.9	0.3	-0.6
May	2012	£145,647	197.5	-0.2	-0.7
June	2012	£145,516	197.3	-0.1	-0.1
July	2012	£145,111	196.7	-0.3	-0.6
August	2012	£143,714	194.9	-1.0	-2.1
September	2012	£143,608	194.7	-0.1	-2.9
October	2012	£142,710	193.5	-0.6	-3.7
November	2012	£142,524	193.2	-0.1	-3.7
December	2012	£141,535	191.9	-0.7	-4.2
January	2013	£142,208	192.8	0.5	-2.7
February	2013	£143,378	194.4	0.8	-1.6
March	2013	£144,053	195.3	0.5	-1.0
April	2013	£143,965	195.2	-0.1	-1.4

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Dr Peter Williams, housing market specialist and Chairman of Acadametrics, comments:

The LSL/Acadametrics HPI shows a small decrease of £88, or 0.1%, in the average price paid for a house in Scotland in April, compared to March on a seasonally adjusted basis. Considering the seasonal trends, March has the largest adjustment factor of the year: in other words, house prices in March are traditionally the lowest of the year, with non-seasonally adjusted prices increasing to a high in July of each year. The non-seasonally adjusted average house price in April of this year, as reported by the Registers of Scotland, showed an increase of 1.8% over March; however, this was not a sufficiently large rise to compensate for the underlying seasonal trend.

Figure 1 below shows the average house price in Scotland for the period April 2012 to April 2013, again on a seasonally adjusted basis, together with a trend line over the twelve months. We see that the year can be split into two distinct periods. The first is one of a small but almost constant decline in house prices from May 2012 to the end of the year, with price falls ranging between -0.1% to -1.0% per month. The second, from January 2013 to April 2013, shows an upturn in prices, although this upward movement levels off in the final month. Prices in April 2013 are however above the trend line, illustrating the gains that have been made since the start of this year.

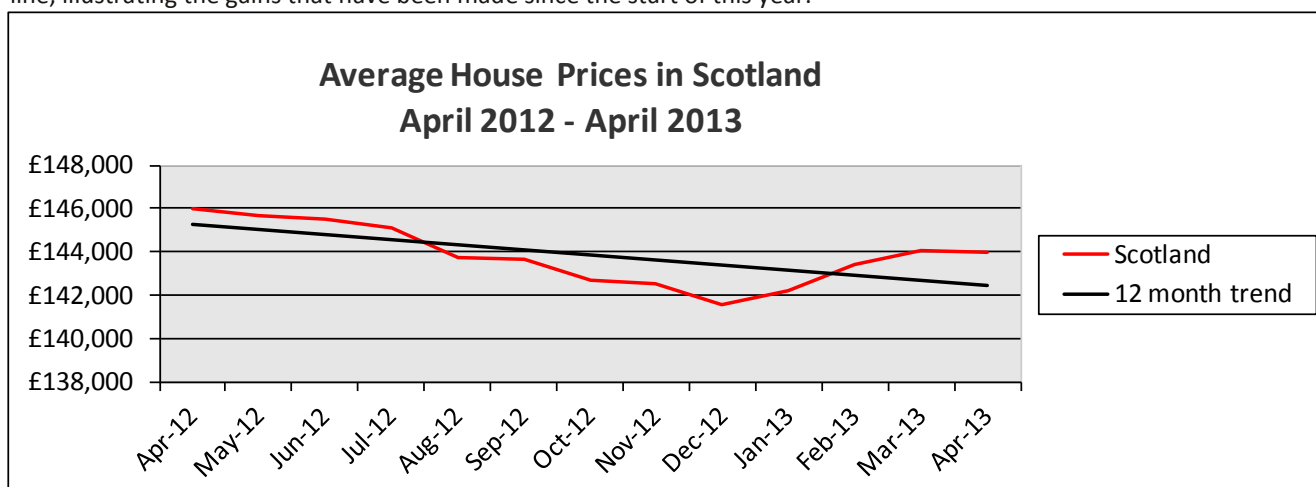


Figure 1. Average house prices in Scotland, April 2012 – April 2013

[link to source Excel](#)

On an annual basis, and as indicated by the trend line shown above, house prices continue to decline, with the annual rate showing a fall of -1.4% across the year. Annual price changes are not susceptible to the influence of seasonal adjustment, so prices in April 2013 can be directly compared with the prices in April of previous years, without the need to consider underlying seasonal trends. However, we would point out that these prices are quoted in nominal terms, i.e. without an adjustment for inflation. One could argue that the nominal decline in house prices of 1.4% over the year equates to a 4.3% decline expressed in real terms, given that the RPI for April 2013 was 2.9%.

Over the year, and based on a three month average, semi-detached properties and flats declined in price by 3% and 2% respectively. Over the same period, detached property prices have remained constant, whilst the price of terraces has risen by 2%. These changes in price by property type are in line with the changes in transaction levels. On page 5 we discuss how first time buyers and buy-to-let landlords have increased the demand for terraced properties, which has fed through to the increase in price of this property type.

In our report on the England & Wales housing market this month, we showed that a new record average price has been set for England & Wales as a whole, surpassing the previous highest average reached in February 2008. We did however comment that this record price was largely a result of the high prices in Central London, with all other regions still being some way off a new record level. In Scotland, the highest average price of £156,952 for the country as a whole was seen in May 2008. House prices in Scotland are therefore currently some 8.3% below this previous record. Nevertheless, this gap between existing price levels and the previous record is less than that observed in five regions of England & Wales. In the North of England, Wales, Yorkshire and Humberside, the North West and East Midlands prices are currently off their previous records by between 11.3% and 8.5%. One can perhaps conclude from this that the housing market in Scotland is showing more resilience than half of the other regions in the UK.

None of the Local Authority areas in Scotland currently shows a new peak average house price, although Aberdeen City is coming close. Here, average prices are currently only £1,980, or 0.1%, below the previous record. With oil activity in the North Sea on the increase, we can anticipate that prices in the area will be setting new record levels in the near future.

House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing April 2012 and March 2013 with April 2013 [link to source Excel](#)

AVERAGE HOUSE PRICES IN SCOTLAND BY LOCAL AUTHORITY AREAS (Mix adjusted)							
RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Apr-12	Mar-13	Apr-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	216,771	210,301	206,207	-1.9%	-4.9%
2	3	Aberdeenshire	197,640	200,716	204,629	1.9%	3.5%
3	4	East Renfrewshire	191,870	198,175	197,141	-0.5%	2.7%
4	6	East Dunbartonshire	179,745	195,485	190,782	-2.4%	6.1%
5	2	East Lothian	198,353	192,129	188,036	-2.1%	-5.2%
6	5	Aberdeen City	182,471	178,369	184,937	3.7%	1.4%
7	8	Stirling	166,134	175,371	171,038	-2.5%	3.0%
8	10	Midlothian	159,598	157,296	164,032	4.3%	2.8%
9	7	Perth & Kinross	171,835	167,109	159,097	-4.8%	-7.4%
10	12	Highland	148,077	154,367	154,900	0.3%	4.6%
11	11	Scottish Borders	153,613	149,562	146,305	-2.2%	-4.8%
12	13	Argyll & Bute	145,158	142,539	144,450	1.3%	-0.5%
13	18	Angus	127,862	129,296	140,308	8.5%	9.7%
14	14	Moray	139,015	139,685	139,997	0.2%	0.7%
15	15	West Lothian	138,712	136,252	137,685	1.1%	-0.7%
16	17	South Ayrshire	135,347	134,006	135,122	0.8%	-0.2%
17	19	Fife	127,317	130,918	128,383	-1.9%	0.8%
18	16	Dumfries & Galloway	135,963	133,896	125,480	-6.3%	-7.7%
19	21	Dundee City	125,961	120,583	125,288	3.9%	-0.5%
20	23	South Lanarkshire	122,308	119,199	123,674	3.8%	1.1%
21	9	Orkney Islands	159,717	113,759	121,528	6.8%	-23.9%
22	20	Glasgow City	126,725	120,103	120,239	0.1%	-5.1%
23	22	Shetland Islands	123,496	114,623	120,080	4.8%	-2.8%
24	24	Clackmannanshire	118,932	119,913	119,143	-0.6%	0.2%
25	25	Falkirk	115,922	117,704	114,884	-2.4%	-0.9%
26	26	Renfrewshire	115,469	106,705	107,570	0.8%	-6.8%
27	29	Eilean Siar	105,388	107,757	106,521	-1.1%	1.1%
28	28	Inverclyde	111,758	101,247	103,446	2.2%	-7.4%
29	30	East Ayrshire	101,266	104,651	103,048	-1.5%	1.8%
30	32	North Lanarkshire	96,891	101,397	100,607	-0.8%	3.8%
31	31	North Ayrshire	100,713	98,012	99,926	2.0%	-0.8%
32	27	West Dunbartonshire	113,331	100,900	99,319	-1.6%	-12.4%
		All Scotland	145,947	144,053	143,965	-0.1%	-1.4%

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for April 2012, March 2013 and April 2013, together with the rates of change over the last month and year. In April, monthly prices increased in 17 of the 32 Local Authority Areas, on a seasonally adjusted basis. On an annual basis, prices are still below last year's levels in 17 Local Authority Areas, but this does represent a marginal improvement over last month.

Looking first at the monthly rate of change from March 2013 to April 2013, the biggest increase in prices among the Local Authority Areas was in Angus, up 4.9%, a result of the sale of some 23 'high-value' detached properties. This was followed by a 4.3% increase in Midlothian, where the average price of a terraced property increased by £48k. The area with the largest fall in prices over the month was Dumfries & Galloway, where the average price of a flat dropped to £61k, which is one third of the average price of a flat in Edinburgh.

Turning to the annual change in average house prices, the highest movement in prices on the mainland was seen in Angus, up 9.7% on the year – and as with the monthly change, the rise in prices of detached houses in the area was the main factor in making Angus the leader in terms of house price growth. The area on the mainland with the largest fall in prices over the year was West Dunbartonshire, down some 12.4%, where there were falls in the average prices of all property types, apart from terraces. West Dunbartonshire has fallen five positions over the year in our ranking of Local Authority Areas by average property price, and is currently the lowest priced area in which to buy a property in Scotland. However, the 17 purchasers paying an average £216k for a detached house in West Dunbartonshire in April might disagree with this statement.

Housing transactions

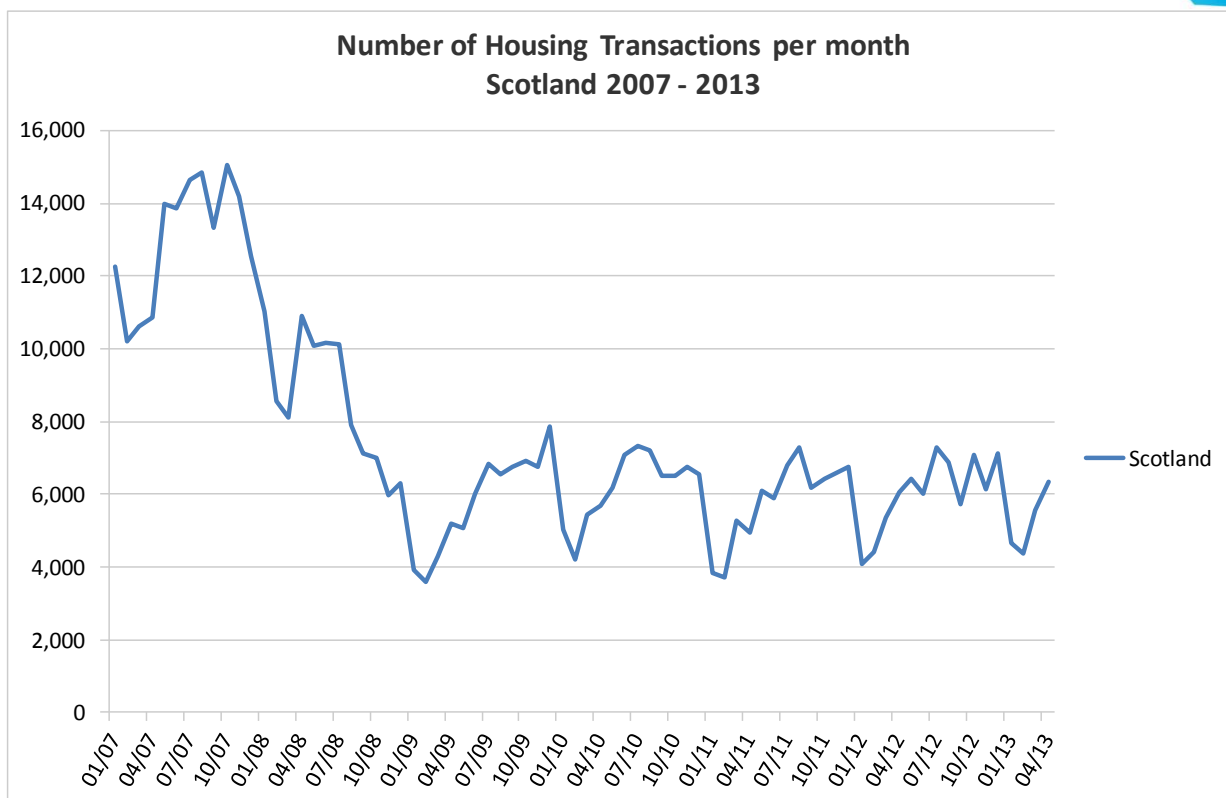


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2013 (not seasonally adjusted)

[link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to April 2013, without seasonal adjustment. There is a bias towards the summer months in the purchase of homes, with April normally heralding the start of an increase in housing transactions as the weather improves. Traditionally, April housing transactions rise by 9% over March levels. The current year is no exception, with sales in April up by 14% over March levels. This suggests a welcome buoyancy in the housing market, with the first four months of 2013 seeing a climb of 5% in the number of properties being purchased, compared with the same four months in 2012.

Approximately half the rise in sales to date in 2013 compared to 2012 has arisen from an increase in activity by first time buyers. The CML reports that “In the first quarter of 2013, a total of 4,500 loans were advanced to first-time buyers in Scotland. This represented a 10% increase on the first quarter of 2012 when there were 4,100 loans.” There has also been a pick-up in activity by buy-to-let landlords, with rentals in most areas of Scotland remaining strong.

Given the increase in activity by first time buyers it is perhaps not surprising that the property type with the highest increase in transactions in the first four months of 2013 compared to the same period in 2012 is terraces, up 10%. In quantum terms, the largest increase in terraces over this period was seen in Glasgow, up by 62 properties, or 22%, compared to the same period in 2012. In percentage terms the highest increase in the number of terraced properties sold was in Perth & Kinross, up 60%, or 43 properties, followed by Dundee city, up 51%, or 45 properties.

The second largest increase in 2013 by property type, compared to the same period in 2012, was detached houses, up by 7%, or 230 properties. Here the largest quantum increase in detached sales was seen in Aberdeenshire, up by 55 properties, followed by Midlothian up by an extra 40 sales, a 121% increase.

As with house prices, transaction levels have increased in the first four months of 2013 in the majority of Local Authority areas, compared to the same period a year earlier, with 26 of the 32 authority areas witnessing rises in transaction levels. The largest percentage increase was in Midlothian where transactions have increased by 46% over 2012 - this was across all property types, but especially detached houses. Midlothian is followed by East Dunbartonshire, up 22% in sales volumes, with the largest increases taking place in the sale of detached homes. The area with the highest increase in the sale of flats is Edinburgh, with an additional 191 units being sold compared to the previous year. This increase in the sale of flats in Edinburgh represents 50% of the additional 380 flats sold in Scotland in the first four months of 2013, compared to a year earlier.



NOTES

1. LSL Acad Scotland HPI is a price series as opposed to a value series and is the only house price index for Scotland to use:
 - the actual prices at which every residential property in Scotland was transacted, including prices for properties bought with cash, using the data provided by Registers of Scotland as opposed to valuation estimates or asking prices
 - the price of every single relevant transaction, as opposed to prices based upon samples
2. the current month LSL Acad Scotland HPI is not forecast, unlike the LSL Acad E&W HPI, and the first release of the Scotland results lag the first release of those for England & Wales by one month
3. whilst the LSL Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months' prices, the LSL Acad Scotland HPI average reflects the average price at the month of the index and the prior two months' prices and is ascribed to the month of the index i.e. it is "end month smoothed" (ems) and not "centre month smoothed" (cms) as applied to the LSL Acad E&W HPI. Since we provide only a national England & Wales average price in our current month LSL Acad E&W HPI and prices at region and lower levels are lagged one month, this procedure means that the LSL Acad Scotland HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales, Wales and the regions.
4. all LSL Acad Scotland HPI results are subject to change following receipt of updated data from Registers of Scotland
5. Acadametrics is an independent privately owned consultancy working with Dr Stephen Satchell, Economics Fellow Trinity College Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.

Comparison of indices and RoS average prices

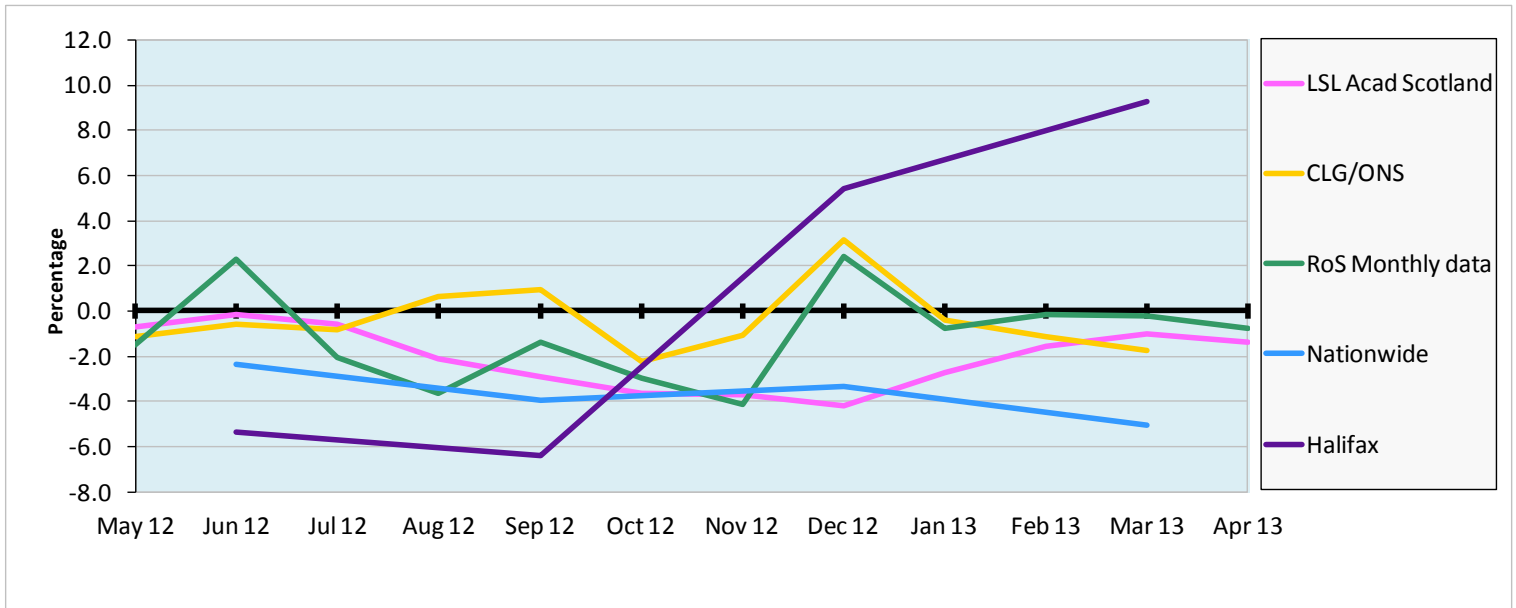


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

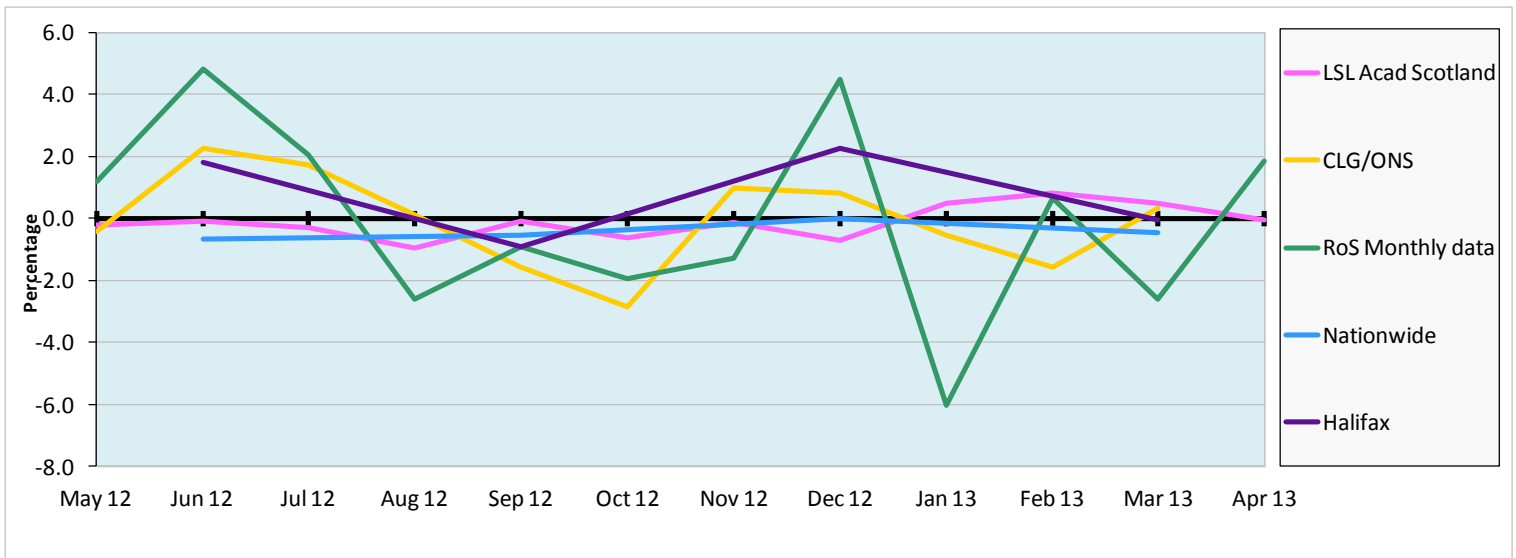


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

The charts above compare the main indices provided for Scotland and the RoS arithmetic average prices. It should be noted that Halifax and Nationwide provide prices for the Scottish market only on a quarterly basis and we have charted these by interpolating on a straight line basis.



Average House Price

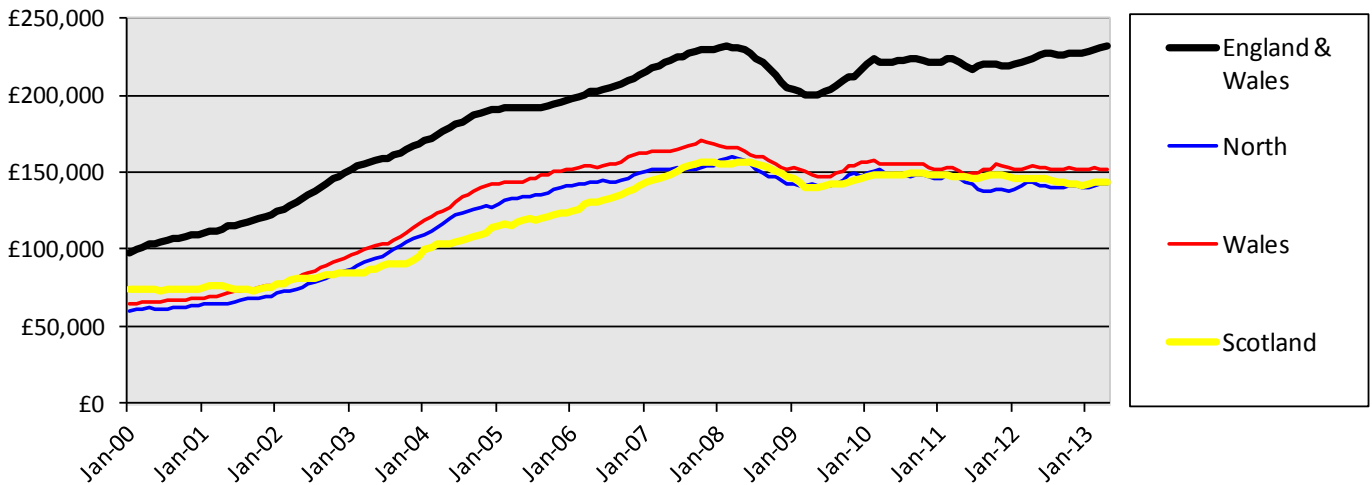


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - April 2013 [link to source Excel](#)

Annual % change in Average House Prices

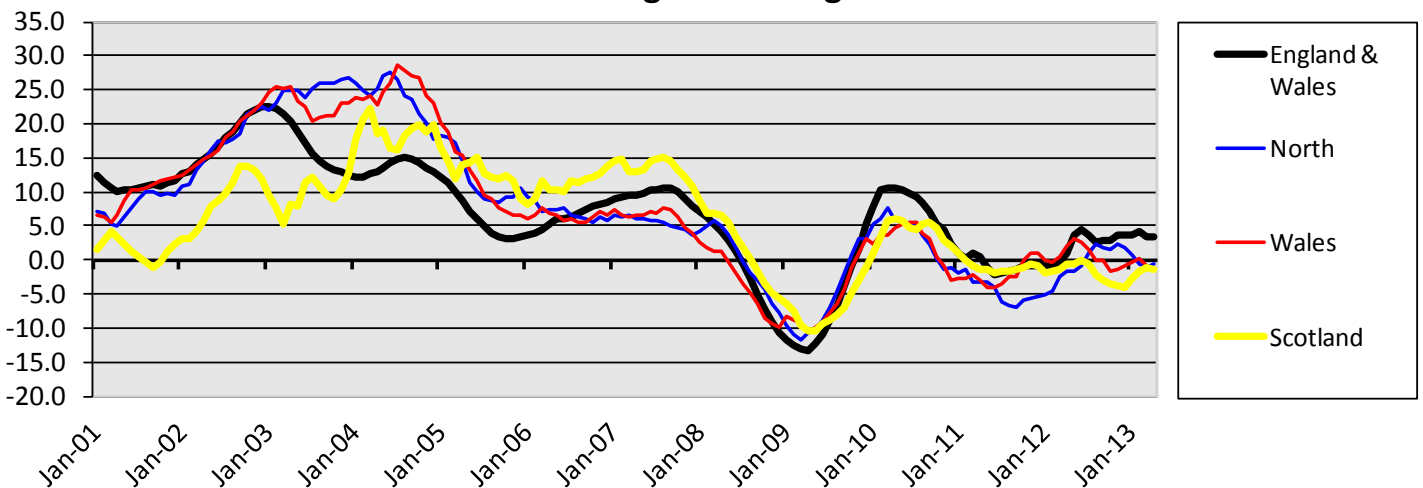


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – April 2013 [link to source Excel](#)

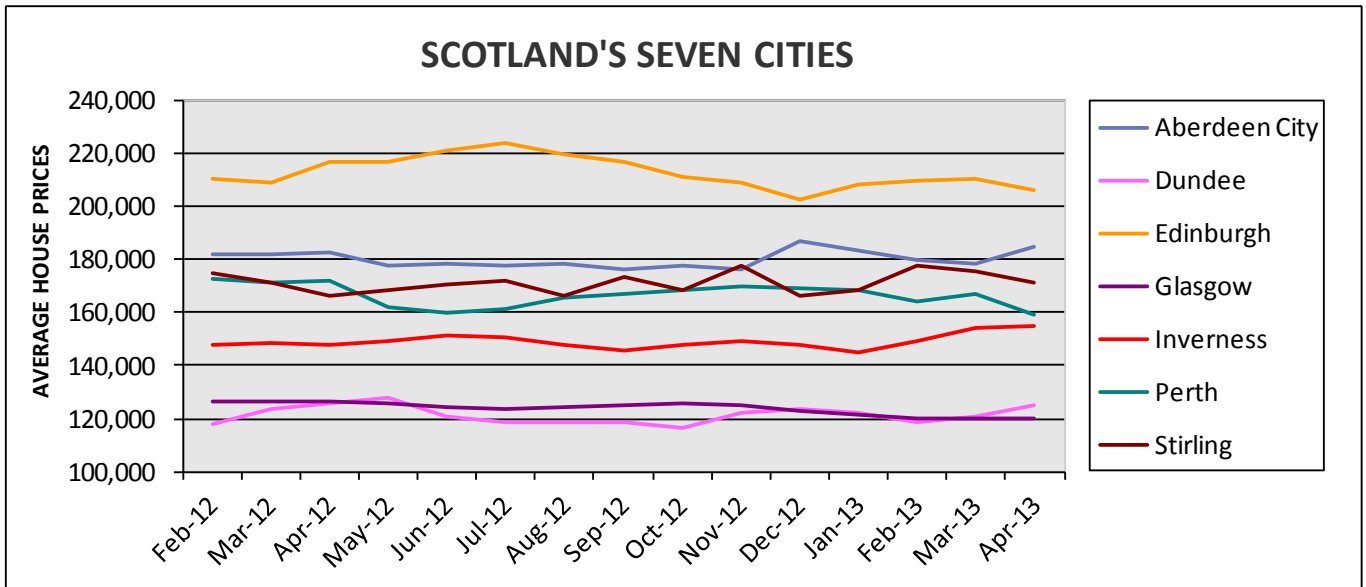


Figure 7. Average house prices for Scotland's seven cities from February 2012 – April 2013

[link to source Excel](#)

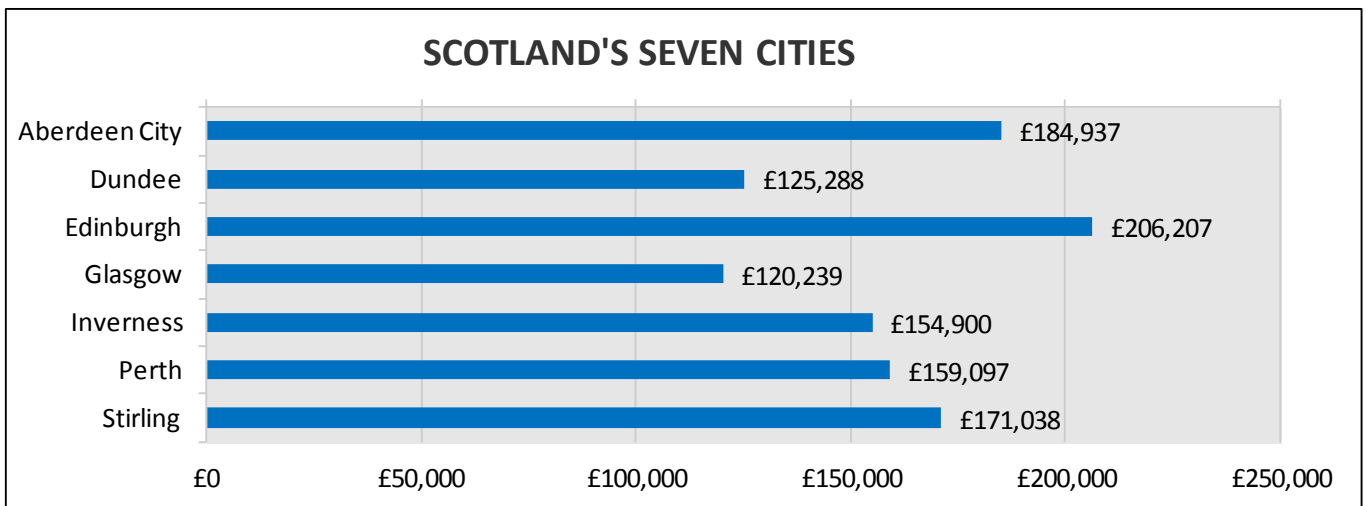


Figure 8. Average house prices for Scotland's seven cities April 2013

[link to source Excel](#)



1. LSL Acad Scotland HPI is derived from Registers of Scotland (RoS) house price data, seasonally and mix adjusted by property type. © Crown copyright material reproduced with the permission of Registers of Scotland. The prices are smoothed to show underlying trends. LSL Acad Scotland HPI includes cash purchase prices and is the only index based upon the complete, factual, house price data for Scotland, as opposed to a sample.

2. most indices employ data available to the provider as a result of its business; index methodologies are designed to exploit the advantages and overcome the disadvantages of each particular dataset; a valuation series (whether the values are professionally estimated at e.g. time of mortgage offer or by an estate agent) is not the same as a price series; a price series, such as LSL Acad Scotland HPI or CLG/ONS HPI, can be prepared only when the prices at which properties have been transacted have been recorded at RoS (LSL Acad Scotland HPI) or when firm prices at mortgage completion have been made available by lenders (CLG/ONS HPI); valuation series can be prepared whenever the data e.g. asking or mortgage offer prices are available to the provider; publicity accrues to those indices which are released first; indices published at or before month end are likely to employ data for the current and prior months. LSL Acad E&W HPI overcomes delay in the availability of all transactions for any given month from LR with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell Economics Fellow Trinity College Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School. Forecasting is assisted by the provision by LR of “emergent data”, being those current month transactions for which LR have received prompt notification.

3. the “emergent” data for Scotland necessary to repeat the E&W forecasting methodology are, as yet, unavailable from RoS such that LSL Acad Scotland HPI incorporates no forecasting procedure. Whilst the LSL Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months’ prices, the LSL Acad Scotland HPI average reflects prices at the month of the index and those for the prior two months and is ascribed to the month of the index i.e. the prices are “end month smoothed” (ems) and not “centre month smoothed” (cms) as applicable to the LSL Acad E&W HPI. Please note that:

- we provide only a current month average price for England & Wales as a whole, in our LSL Acad E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 98% of the transaction for the current month and c.99% for the prior month

Hence, a smoothed average price using three months data ascribed to the index month (ems) for LSL Acad Scotland HPI provides the equivalent price, to all intents and purposes, to the price at region/county level, lagged by one month, provided by a centre month smoothing (cms) process, as used for LSL Acad E&W HPI. Our intention is to align the procedure for LSL Acad Scotland HPI with that used for LSL Acad E&W HPI, as soon as the necessary data may be available. Meanwhile, an ems procedure allows the Scotland prices to be placed alongside the contemporaneous prices for E&W as a whole and for Wales, as a whole, and those for the E & W regions for comparison purposes.

4. LSL Acad E&W HPI provides prices from January 2000. RoS national data were available only from January 2001 and the constituents of RoS data changed between then and April 2003, showing a significant step change in prices between March and April. CLG/ONS quarterly data were used to construct LSL Acad Scotland HPI from January 2000 to April 2001 with straight line interpolations used to construct prices by month. Data for 11 local authorities were unavailable for the period January 2001 to April 2003 and were constructed by back-casting. The underlying data by property type, for months when no sales of a particular property type, in a particular area, were reported were in-filled using the same procedure used in LSL Acad E&W and, by Eurostat, in preparing seasonal data.

5. note that LSL Acad Scotland HPI is unable to distinguish between 3, 4 or 5 bedroom houses or between those with 2, 1 or even no bathroom; the lender hedonic indices and the CLG/ONS mix adjusted index do so. RoS data and, hence, LSL Acad Scotland HPI exclude commercial and, thus, auction sales and do not reflect repossession prices on the grounds that such prices do not reflect those between a willing buyer and a willing seller.

6. LSL Acad Scotland HPI is prepared from RoS data using a methodology designed to provide a “true measure of house price inflation”; Acadametrics does not guarantee the accuracy of the LSL Acad Scotland HPI results and neither LSL nor Acadametrics shall be liable for any loss or damage, whatsoever, consequential upon any error, incorrect description of or inadequacy in the data; persons using the data do so entirely at their own risk; LSL Acad Scotland HPI is freely provided for publication with due attribution to Acadametrics. Permission is required for any commercial use of the data.

7. the monthly, smoothed, average RoS prices at local authority level provided at property type, which underlie LSL Acad Scotland HPI, together with historic data can be purchased from Acadametrics.



LSL PROPERTY SERVICES PLC

LSL is one of the leading residential property services companies in the UK and provides a broad range of services to a wide range of customers including mortgage lenders together with buyers and sellers of residential properties.

LSL's operations cover four key areas; surveying; estate agency; corporate services; financial services.

Surveying

LSL's [surveying](#) business operates under e.surv Chartered Surveyors, Chancellors Associates and Barnwoods brands. e.surv is one of the largest employers of residential Chartered Surveyors in the UK and is the largest distributor and manager of mortgage valuations and private surveys.

Estate Agency

LSL's [estate agency](#) business operates under the Your Move, Reeds Rains, Intercounty and several independent brands. Your Move is the single largest estate agency brand in the UK.

In January 2010 the acquisition of the Halifax Estate Agency (HEA) business from Lloyd Banking Group saw LSL increase in size to become the second largest UK estate agency network - with around 570 branches. It is also the largest letting agency in the UK.

Corporate Services

LSL Corporate Client Services was launched in 2008 to provide asset management and lettings property portfolio management services to corporate clients. This business has grown through the addition of St Trinity Asset Management - which previously operated as HEA Corporate Services - and Templeton LPA, which LSL acquired in February 2010.

Financial Services

LSL offers financial services across its entire branch network. In May 2010 LSL acquired over 450 advisers from leading financial services network Home of Choice - these advisers now operate under the brand of First Complete.

In October 2010 LSL also announced the acquisition of mortgage distribution company, Advance Mortgage Funding Limited (trading as Pink Home Loans) and its subsidiary business BDS Mortgage Group Limited, (together known as Pink), from Skipton Building Society. It further confirmed LSL's position as one of the largest mortgage advisory businesses in the UK today.

For further information see www.lslps.co.uk