

LSL Property Services/Acadametrics
Scotland

House Price Index

AUGUST 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 17TH OCTOBER 2012



Scottish house prices fall £1,724 in August

- Steepest monthly fall since March 2009 as exceptional wet weather takes its toll
- Prices fall 2.1% compared to August last year. Back to weak 2009 levels
- Prices in Edinburgh up £4,896 in the past 12 months

House Price	Index	Monthly Change %	Annual Change %
£143,867	195.1	-1.2	-2.1

Richard Sexton, director of e.surv chartered surveyors, part of LSL, comments: “The headline figures suggest the housing market is slipping back into the deep hole it found itself in during 2009, but it isn’t time to start ringing the alarm bells just yet. There were ‘freak’ factors in play over the summer which affected August prices: various summer events and the torrent of rainfall.

“The market hasn’t suddenly become a lot weaker. First time buyer numbers are up 9% so far on last year, demand is still strong, and high loan-to-value mortgages are more widely available. August should prove to be just a blot on the copy book of recovery.

“Areas of Scotland were deluged with twice the normal amount of rainfall, which discouraged plenty of second time buyers from going out and viewing properties. And the Olympics took up people’s spare time. Lots of potential buyers will have put their property search on hold for a few weeks and used their leisure time to watch the sport. This may be why sales were down 6% on July.

“In the longer term, the feeling around the market at the moment is one of cautious optimism. This year has seen a tentative recovery in first-time buyer numbers. But it is a fragile recovery which could easily be shattered by a sharp downturn in the economy. And if the Eurozone crisis flares up again mortgage lenders will have their hands burnt, which will make it much more difficult for first-time buyers to get a mortgage.

“Things were more varied on a regional basis. Prices in Edinburgh continue to rollick along, thanks mainly to the greater number of wealthier buyers who live in the capital. In less affluent areas, fewer buyers have been able to meet mortgage finance requirements, which has reduced sales levels and dragged down prices as a result.”

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 September 2011 - August 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
September	2011	£147,731	200.3	0.6	-1.4
October	2011	£147,710	200.3	0.0	-1.3
November	2011	£147,500	200.0	-0.1	-0.7
December	2011	£147,071	199.4	-0.3	-0.9
January	2012	£145,855	197.8	-0.8	-1.9
February	2012	£145,699	197.5	-0.1	-1.7
March	2012	£145,853	197.8	0.1	-1.3
April	2012	£146,273	198.3	0.3	-0.6
May	2012	£146,041	198.0	-0.2	-0.7
June	2012	£146,055	198.0	0.0	-0.1
July	2012	£145,591	197.4	-0.3	-0.6
August	2012	£143,867	195.1	-1.2	-2.1

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

The average price paid for a house in Scotland in August 2012 fell £1,724, or 1.2% down on July. This is the largest monthly fall in house prices since March 2009. Over the month prices fell in 21 of the 32 local authority areas, with those surrounding the Firth of Forth all seeing a slide on a seasonally adjusted basis. The average house price of £143,867 has now returned to its November 2009 figure, at the time when prices were recovering from the housing crisis of 2008.

On an annual basis, average house prices in Scotland have fallen by 2.1%, which again is the largest fall seen on an annual basis since November 2009. So why the dramatic fall in prices this August? To some extent it is too early to say based on only one month's data. There are however two exceptional factors this year. The first is the Olympics, which will have taken up many people's spare time, resulting in fewer property transactions in August and September. The second factor is the weather, which according to the Met Office was wetter than normal in July. Across eastern and southern Scotland, over twice the normal amount of rain fell in the Lothians, Fife and the eastern borders, where it was one of the wettest Julys on record. Rain tends to deter purchasers of second homes who might otherwise be tempted to buy some of the more expensive properties on the market: this might explain the subdued level of prices in the area.

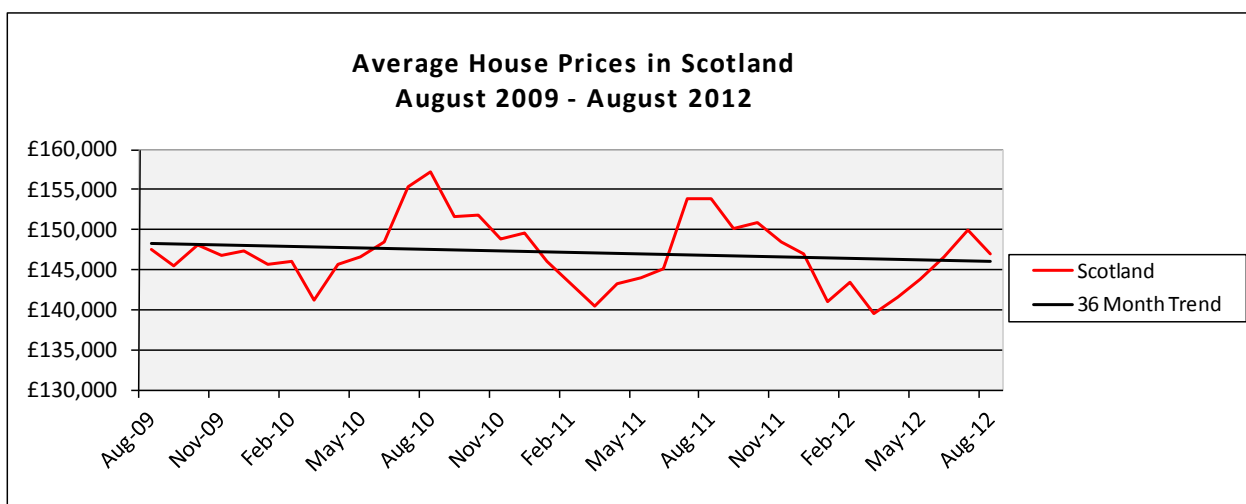


Figure 1. Average house prices in Scotland, August 2009 – August 2012

[link to source Excel](#)

The above graph, which is not seasonally adjusted, puts this month's fall in house prices into perspective. Over the last three years the trend has been a very gentle decline in prices down from £148K to £147K, albeit with a number of seasonal peaks and troughs over that time. The unusual factor this year is that August does not represent the 'peak' price for the year, which occurred in July (on a non-seasonal basis). We rarely publish non-seasonally adjusted prices, as we believe that housing trends are clearest when looking at seasonal behaviour over the years. However the 'seasonal' weather pattern this summer has been abnormal and this, together with the Olympics, has produced behaviour which does not conform to what we might normally expect. It will be interesting to see if more traditional buying patterns are reflected in the movement of prices and transactions next month.

The fall in monthly prices, along with the decline in the annual rate of house price inflation, point to a slowing market at a time when both the UK and Scottish governments are trying hard to induce new levels of activity and confidence. The Funding for Lending Scheme (FLS) promoted by the Bank of England should result in a greater supply of cheaper mortgage funding. This in turn should stimulate transactions and prices, not least because supply remains constrained. However, there is little in recent figures to support any strong optimism about the market, with a clear consensus indicating that it will remain subdued for the rest of the year.



Table 2. Average House Prices in Scotland, by local authority area, comparing August 2011 with August 2012

[link to source Excel](#)

AVERAGE HOUSE PRICES IN SCOTLAND BY LOCAL AUTHORITY AREAS (Mix adjusted)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Aug-11	Aug-12	% Change
1	1	Edinburgh, City of	215,022	219,918	2.3%
2	3	East Lothian	204,147	207,659	1.7%
3	4	East Renfrewshire	199,177	200,457	0.6%
4	2	Aberdeenshire	210,497	193,077	-8.3%
5	5	East Dunbartonshire	186,614	181,923	-2.5%
6	6	Aberdeen City	185,496	178,896	-3.6%
7	8	Stirling	163,436	165,786	1.4%
8	7	Perth & Kinross	169,297	165,754	-2.1%
9	9	Scottish Borders	160,881	150,628	-6.4%
10	10	Highland	149,112	148,018	-0.7%
11	11	Midlothian	147,577	145,420	-1.5%
12	12	Argyll & Bute	145,602	144,376	-0.8%
13	16	Moray	132,184	140,651	6.4%
14	21	Clackmannanshire	122,404	138,568	13.2%
15	14	West Lothian	136,474	134,279	-1.6%
16	19	Angus	129,070	131,339	1.8%
17	15	Dumfries & Galloway	133,486	130,898	-1.9%
18	18	Fife	130,752	129,092	-1.3%
19	13	South Ayrshire	141,467	126,802	-10.4%
20	17	Glasgow City	131,575	124,540	-5.3%
21	24	Shetland Islands	114,873	120,588	5.0%
22	23	Dundee City	119,626	118,929	-0.6%
23	27	Inverclyde	109,459	116,943	6.8%
24	22	South Lanarkshire	121,948	116,860	-4.2%
25	20	Orkney Islands	122,734	115,717	-5.7%
26	32	Eilean Siar	92,511	105,799	14.4%
27	26	Falkirk	109,471	105,210	-3.9%
28	30	North Ayrshire	103,689	102,301	-1.3%
29	28	Renfrewshire	106,908	101,683	-4.9%
30	25	West Dunbartonshire	114,519	99,700	-12.9%
31	29	East Ayrshire	105,888	97,399	-8.0%
32	31	North Lanarkshire	98,520	96,951	-1.6%
		All Scotland	146,914	143,867	-2.1%

Table 2 shows the average house price by local authority area in Scotland in August 2011 and August 2012, along with the percentage change in these prices for the year. Although average prices have fallen over the year by 2.1% in Scotland as a whole, in individual areas we see a range of price movements from +14.4% (Eilean Siar) to -12.9% (West Dunbartonshire). Of the 32 local authority areas in Scotland, 10 have seen prices rise and 22 have seen falls over the year. Last month, the equivalent figures were 12 with rises and 20 with falls, suggesting a further deterioration in the market this month.

The two local authority areas with the highest price increases over the year to August were Eilean Siar and Clackmannanshire. However these two areas are amongst the lowest by number of property sales per month, ranked lowest and fourth lowest respectively. Consequently it only takes one or two high value property sales to put these locations at the top of the table. This month the area with the largest decline in property prices is West Dunbartonshire, down 12.9%. However on investigation it is clear that this fall in prices has more to do with an exceptional August last year, when two properties in the area were sold for prices at the top end of the Scottish market, rather than a serious decline in the prices currently in the area.

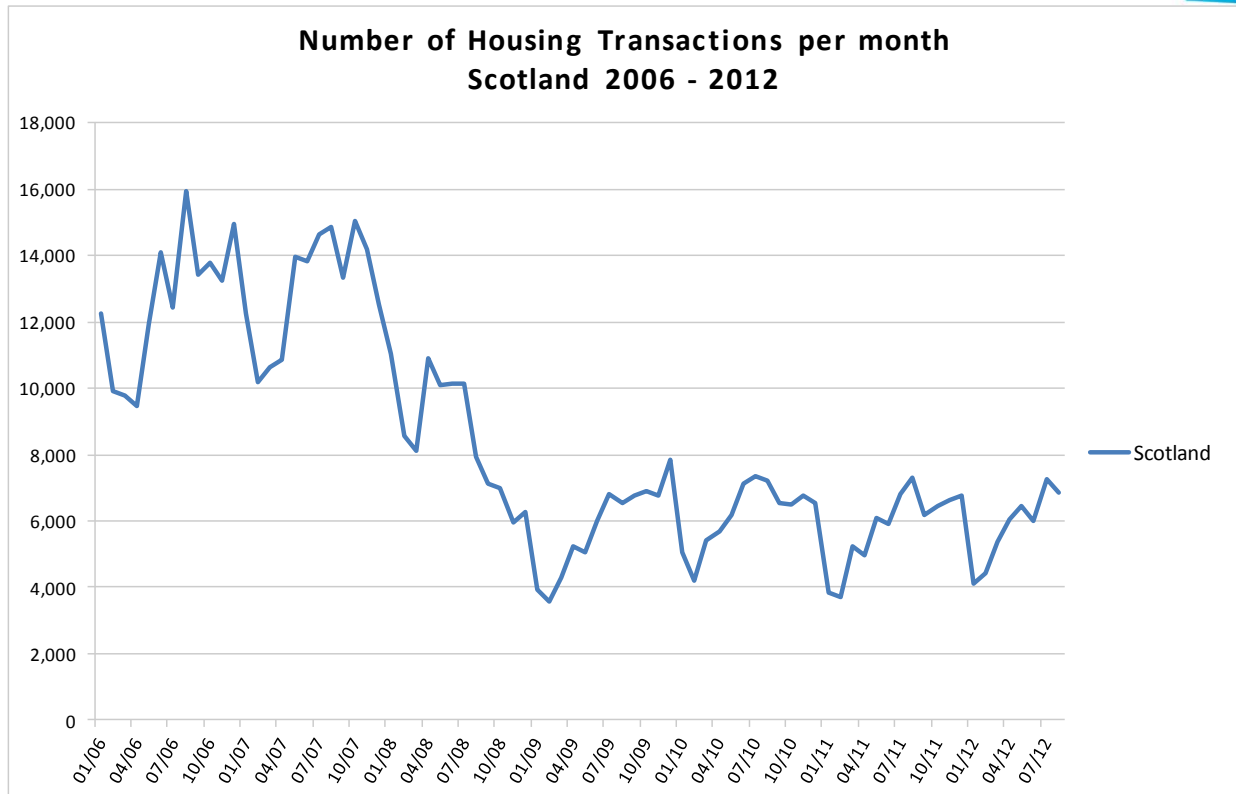


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2012 (not seasonally adjusted) [link to source Excel](#)

The above graph shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2006 to August 2012, without seasonal adjustment. Over the last ten years, there have been on average 50 more property sales in August than in July. However, this year 416 fewer homes were sold in August than in July, which equates to a 6% reduction over the month. The likely reason for this fall in numbers is a combination of the Olympics, when many people were viewing the games, as opposed to viewing properties, plus abnormally high levels of rainfall in both June and July. These factors will have discouraged some potential purchasers from looking for a new family or second home.

Despite a weak August, sales for the first eight months of this year are up 6% on last year. Detached properties have been the most popular purchase, with the number of transactions up 9% compared to last year. Following this, flats and terraced properties both show an increase of 4% in the numbers sold, with semi-detached homes seeing a smaller rise, only up 2% on last year. The pattern is similar in England, where the number of semi-detached properties sold over the summer has fallen by 5% compared with 2011.

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

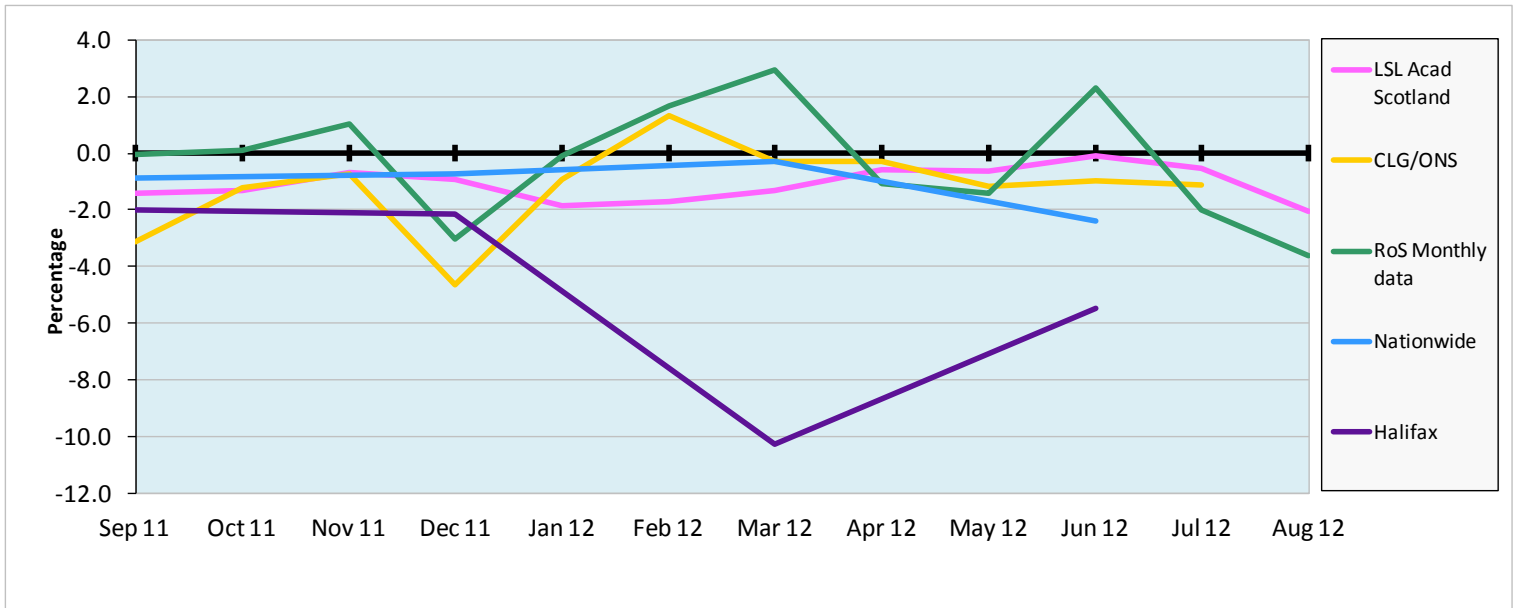


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

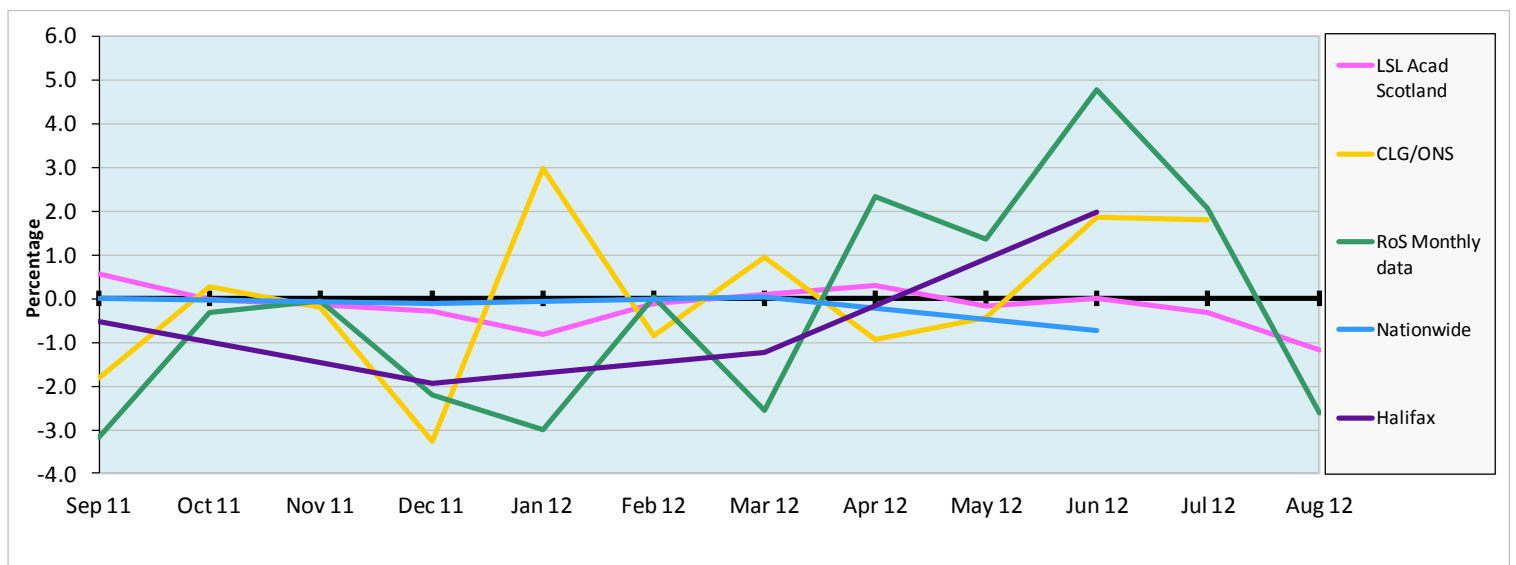


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

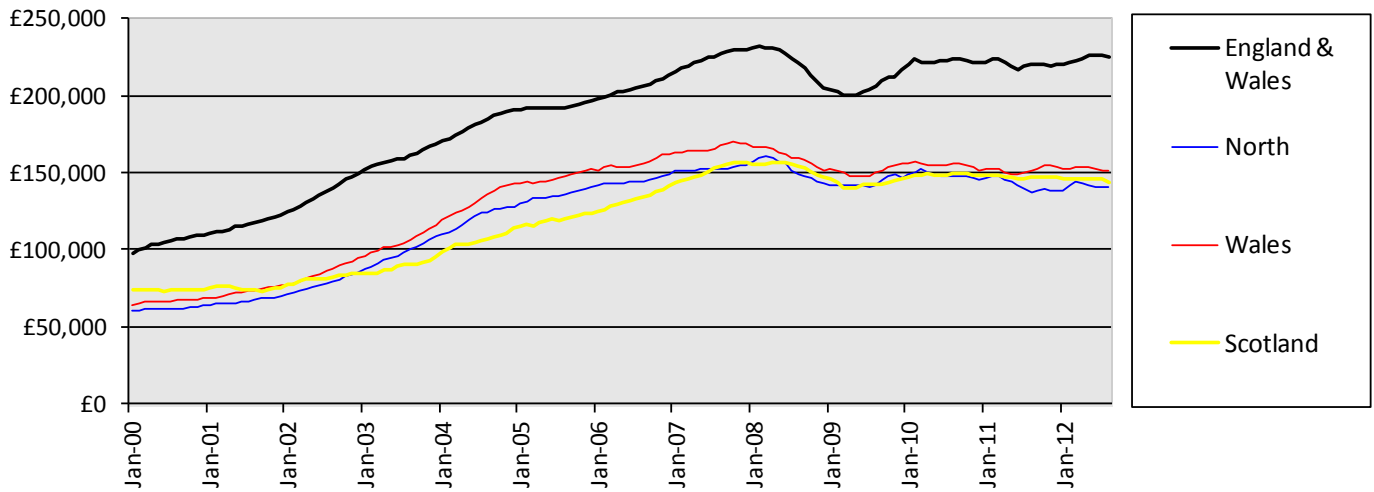


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 – August 2012 [link to source Excel](#)

Annual % change in Average House Prices

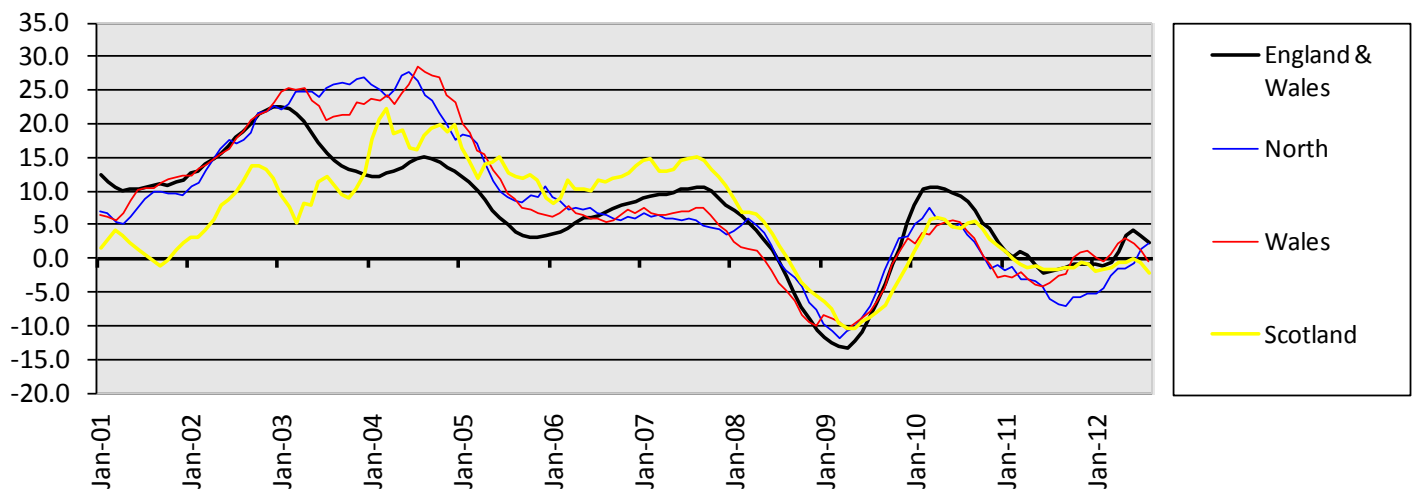


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – August 2012 [link to source Excel](#)

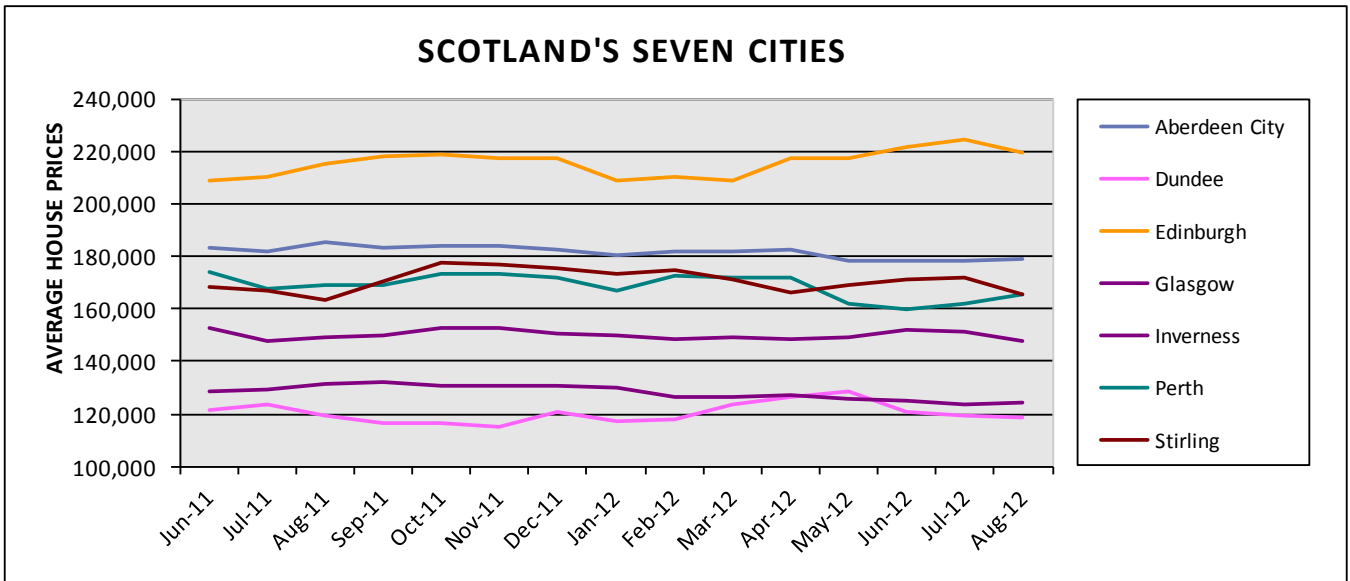


Figure 7. Average house prices for Scotland's seven cities from June 2011 – August 2012

[link to source Excel](#)

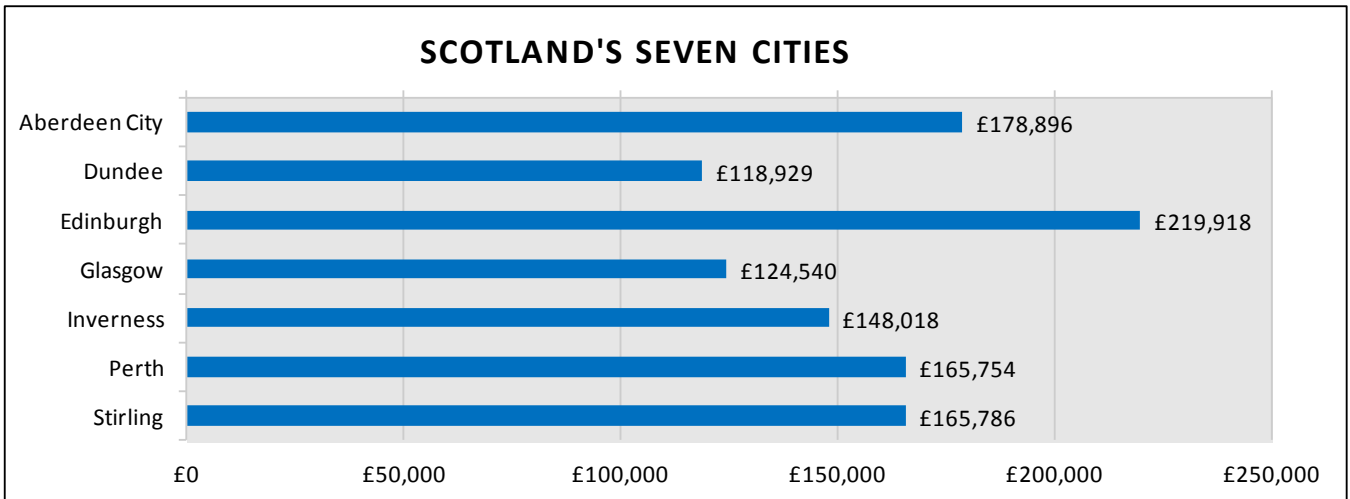


Figure 8. Average house prices for Scotland's seven cities August 2012

[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 95% of the transaction for the current month and c.99% for the prior two months

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 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