

LSL Property Services/Acadata
Scotland

House Price Index

AUGUST 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 15TH OCTOBER 2014



House prices fall for first time in a year

- Average Scottish house price drops 0.2% in August, as over half the country sees price falls
- But strongest August in 7 years for house sales, despite monthly dip ahead of referendum
- New peak prices reached in East Lothian and Aberdeen City, while values drop in Edinburgh

House Price	Index	Monthly Change %	Annual Change %
£164,210	215.1	-0.2	5.7

Gordon Fowlis, regional managing director of Your Move, comments: “The powerful spell of growth cast over the Scottish property market was broken in August, as house prices fell for first time in a year. At a time when property values across the rest of the UK were continuing to grow, Scotland moved against the grain and average house prices dropped across more than half the country – including Edinburgh, Aberdeenshire, South Lanarkshire, East Dunbartonshire and Fife.

“It’s been an unpredictable and momentous few months in Scotland’s history. In August, uncertainty was still rife over the outcome of the independence referendum, and this hindered the pace of activity in the housing market. Sales in August were 8% below the typical seasonal trend, as sellers shirked the market and buyers postponed purchase decisions until the dust settled. This trend appears more acute at the top tiers of the market, where there were bigger investments at stake, and there was an 11% drop in the number of homes sold across Scotland for over £1 million between July and August.

“But this didn’t poison the longer-term health of the market, and this was the strongest August for house sales since 2007. In the first eight months of the year, there have been 60,000 properties sold in Scotland, up 17% on the same period in 2013. First-time buyers have been the key unlocking this growth – with sales to this group up by a quarter on last year. Flats are changing hands more furiously than any other property type on the market, as a wave of new buyers with more modest budgets clamber onto the housing ladder.

“Annual price growth is holding fast, and Scotland’s average home is worth £9,000 more than a year ago. This 5.7% annual rise is hardier than the growth currently being witnessed in regions outside of the south east sphere of the UK, as Scotland continues to sail on course through the recovery. More and more parts of the map are being swept up in the stream, and house prices in East Lothian and Aberdeen City reached new record highs in August, with values rising 9.3% and 10.1% respectively in the last year. In Aberdeen City especially, new developments and investment in house building projects are nourishing supply of available stock on the market, and feeding the appetite of activity. But it is Renfrewshire which currently clinches the top spot for highest annual growth, with prices climbing 17% in the past twelve months.”

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

House price index: historical data



Table 1. Average House Prices in Scotland for the period August 2013 – August 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
August	2013	£155,288	203.4	-0.2	-0.3
September	2013	£155,670	203.9	0.2	0.3
October	2013	£155,948	204.2	0.2	0.8
November	2013	£157,858	206.7	1.2	2.3
December	2013	£158,388	207.4	0.3	3.1
January	2014	£159,624	209.1	0.8	3.9
February	2014	£160,067	209.6	0.3	3.5
March	2014	£160,914	210.7	0.5	3.8
April	2014	£161,421	211.4	0.3	4.1
May	2014	£162,312	212.6	0.6	4.4
June	2014	£164,118	214.9	1.1	5.8
July	2014	£164,495	215.4	0.2	5.7
August	2014	£164,210	215.1	-0.2	5.7

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

This month's report relates to the housing market in Scotland in August. We therefore know the outcome of the independence referendum, but those buying and selling houses in August did not have this advantage. Many commentators at the time suggested that the referendum would delay prospective buyers from making a purchase until the outcome was known. Although there is evidence that transactions were 8% below the seasonal norm (see page 5), which represents approximately 700 sales, the market in August 2014 was still robust, with purchases being 7% ahead of August 2013. We can perhaps expect a similar slippage in transactions in September as there is a time lag between a purchaser deciding to buy, and that transaction formally taking place. It will therefore be interesting to observe the number of transactions that occur in October, and to judge how the outcome of the referendum has influenced the housing market.

In August, house prices in Scotland fell on a seasonally adjusted basis by £285, or 0.2%, to £164,210. This is the first time that prices have fallen in a month since August 2013. The fall in prices goes against the trend seen in England & Wales, where all regions saw house prices rise in August, except for the North, which also recorded a 0.2% fall in prices.

On an annual basis, house prices have increased by £8,920 or 5.7%. This is the same percentage increase as last month. As we show on page 4, positive annual house price movements are currently being experienced in 27 of the 32 local authority areas. Although this is three fewer authorities than last month, it gives an indication of the extent to which house price increases are being seen across all of Scotland. Interestingly, the top 13 local authority areas, ranked by their average house price, all saw positive movement in the change in prices over the year. This suggests that rising house prices are associated with higher priced properties – a trend that is also observable in England & Wales.

Placing Scotland's 5.7% annual increase in house prices in a UK context, the rate is higher than the rises currently seen in all regions of England & Wales, except for those located in the south east of the country, where prices are strongly influenced by the proximity to Central London. Prices have risen in the East Midlands by 6.4%, in East Anglia by 6.5%, in the South East by 10.6% and lastly in Greater London by 20.4%. However, most regions across England are now beginning to see a decline in the rate of annual house price growth, with only the East Midlands and the South East seeing an increase in the rate of house price inflation over the year.

Figure 1 gives a quick sense of how prices have evolved over the last twelve months. The black line shows the trend in average house prices over the period, with the red line indicating the actual movement in prices on a monthly basis. The year started with gentle fluctuations in price movements to October 2013, when the market appears to have shifted up a gear with a rise of 1.2% in November 2013. Subsequently, prices have tracked the trend line on a near straight-line basis up until July 2014, with the decline in August possibly being due to uncertainties associated with the referendum, taking current prices below the trend, at least for the time being.

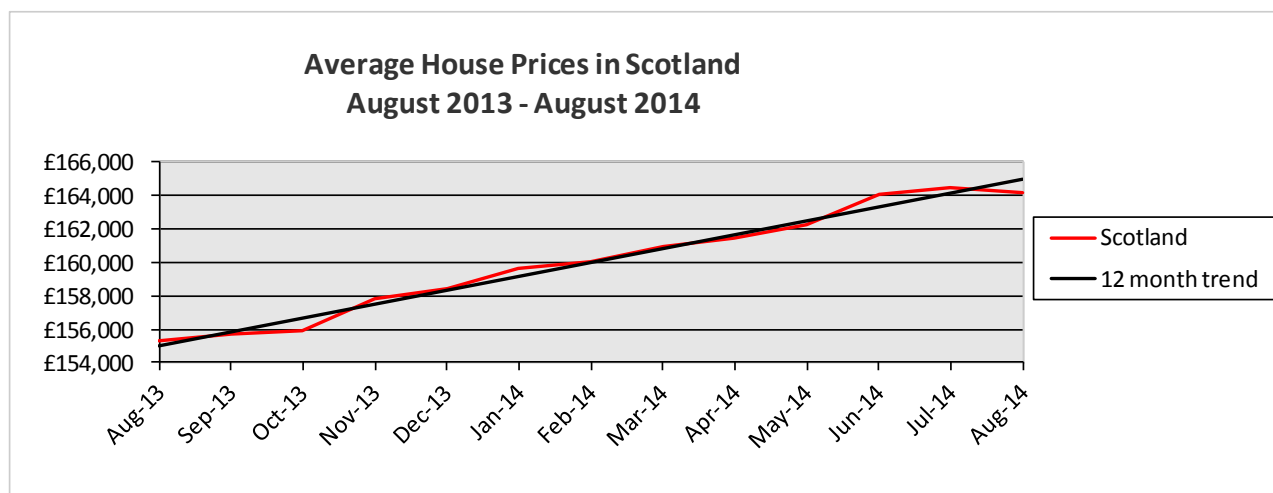


Figure 1. The average house price in Scotland, August 2013 – August 2014.

[link to source Excel](#)

The number of housing transactions per month in 2014 has been consistently higher than the previous five years. In the eight months to the end of August 2014 there have been 60,000 properties sold, which is 17% higher than the equivalent period in 2013. A significant proportion of this expansion in sales has been brought about by the first time buyer, with sales to this sector up by 25% compared to the previous year. While the bank interest rate remains at an historic low, we can anticipate further growth in this important sector of the market, as well as further growth in the number of home movers.

House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing August 2013 and July 2014 with August 2014 [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Aug-13	Jul-14	Aug-14	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	221,278	242,759	241,923	-0.3%	9.3%
2	3	East Renfrewshire	205,196	220,564	230,355	4.4%	12.3%
3	2	Aberdeenshire	211,076	230,293	225,470	-2.1%	6.8%
4	5	Aberdeen City	201,806	217,678	222,204	2.1%	10.1%
5	6	East Lothian	201,618	216,483	220,449	1.8%	9.3%
6	4	East Dunbartonshire	203,874	212,079	208,961	-1.5%	2.5%
7	7	Stirling	180,426	190,756	191,062	0.2%	5.9%
8	8	Perth & Kinross	177,255	183,058	187,477	2.4%	5.8%
9	9	Midlothian	165,005	162,840	168,844	3.7%	2.3%
10	10	Scottish Borders	161,256	173,506	167,051	-3.7%	3.6%
11	11	Highland	149,844	159,169	158,059	-0.7%	5.5%
12	16	Moray	138,061	146,896	148,261	0.9%	7.4%
13	14	Angus	139,735	145,894	145,275	-0.4%	4.0%
14	12	South Ayrshire	145,186	152,017	144,868	-4.7%	-0.2%
15	15	West Lothian	138,168	143,594	144,676	0.8%	4.7%
16	24	Orkney Islands	122,587	129,666	138,146	6.5%	12.7%
17	13	Argyll & Bute	140,885	150,503	136,854	-9.1%	-2.9%
18	18	Glasgow City	132,719	133,032	135,051	1.5%	1.8%
19	17	Fife	134,878	137,151	135,000	-1.6%	0.1%
20	22	South Lanarkshire	124,976	136,381	134,351	-1.5%	7.5%
21	19	Dumfries & Galloway	129,362	132,262	130,611	-1.2%	1.0%
22	27	Renfrewshire	111,542	129,009	130,456	1.1%	17.0%
23	26	Falkirk	116,877	128,325	125,977	-1.8%	7.8%
24	23	Dundee City	124,350	124,636	125,645	0.8%	1.0%
25	20	Clackmannanshire	127,115	123,555	124,330	0.6%	-2.2%
26	21	Inverclyde	125,625	127,633	122,819	-3.8%	-2.2%
27	28	West Dunbartonshire	110,123	119,522	118,564	-0.8%	7.7%
28	25	Shetland Islands	116,882	125,365	117,810	-6.0%	0.8%
29	29	East Ayrshire	109,013	112,694	116,667	3.5%	7.0%
30	31	North Ayrshire	108,230	110,381	113,930	3.2%	5.3%
31	30	North Lanarkshire	108,409	112,942	112,079	-0.8%	3.4%
32	32	Eilean Siar	101,519	103,995	96,674	-7.0%	-4.8%
		All Scotland	155,288	164,495	164,210	-0.2%	5.7%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for August 2013, July 2014 and August 2014. In August 2014, prices fell overall by an average 0.2% in the month, with lower prices in 17 of the 32 Local Authority Areas (last month 18), on a seasonally adjusted basis. Looking at the change in prices in the month, the Orkney Islands saw the highest rise in prices at 6.5%, but low transaction numbers tend to produce large movements in percentage change, which don't necessarily reflect any general trend. On the mainland, East Renfrewshire had the highest rise in prices in the month at 4.4%, with two properties in the area selling in August for £1.6 and £1.4 million. The area with the largest fall in prices in the month was Argyll & Bute, with average prices down 9.1%, but here it was the average prices of flats that fell from £100k to £75k as a high value transaction on the Isle of Islay dropped out of the statistics.

On an annual basis, prices have risen in 27 of the 32 local authority areas, which is three less than last month. The area with the highest increase in average house prices over the year is Renfrewshire, where prices have risen by 17.0%. Detached homes have seen an average price rise of £40k over the year in Renfrewshire, which has helped the area reach its prime position in the annual price growth league.

Last month it was Edinburgh and Aberdeenshire that were the two local authority areas where average house prices set a new peak. However, this month it is the neighbouring areas of East Lothian and Aberdeen City that have seen a new peak in their average prices, with prices in both Edinburgh and Aberdeenshire having fallen in the month. East Lothian is consistently ranked in second place in Scotland in terms of the average price of terraces, and these have risen in value by £30k over the last year. As we mentioned last month, average prices in Aberdeen City over the last three months have been boosted by the sale of six properties in Oakhill Grange, a new development complex in the West End of Aberdeen, all with a price tag in excess of £1 million. It is therefore little wonder that Aberdeen City is currently experiencing a new peak in its average house price.



The number of transactions in August 2014 recorded by the Registers of Scotland was 8,515, down 8% on July 2014 but 7% higher than August 2013. On a seasonal basis, using statistics from the last 11 years, one can anticipate that July and August transaction levels are similar in the number of properties sold, so this year the 8% fall reflects a reduction in demand from the norm, probably caused by the uncertainties in the market associated with the vote on independence. However, the 7% increase in sales volumes over August 2013 indicates the continuing strength of the current housing market compared to last year. Indeed, the August 2014 level is the highest figure for the month of August since 2007, some seven years ago.

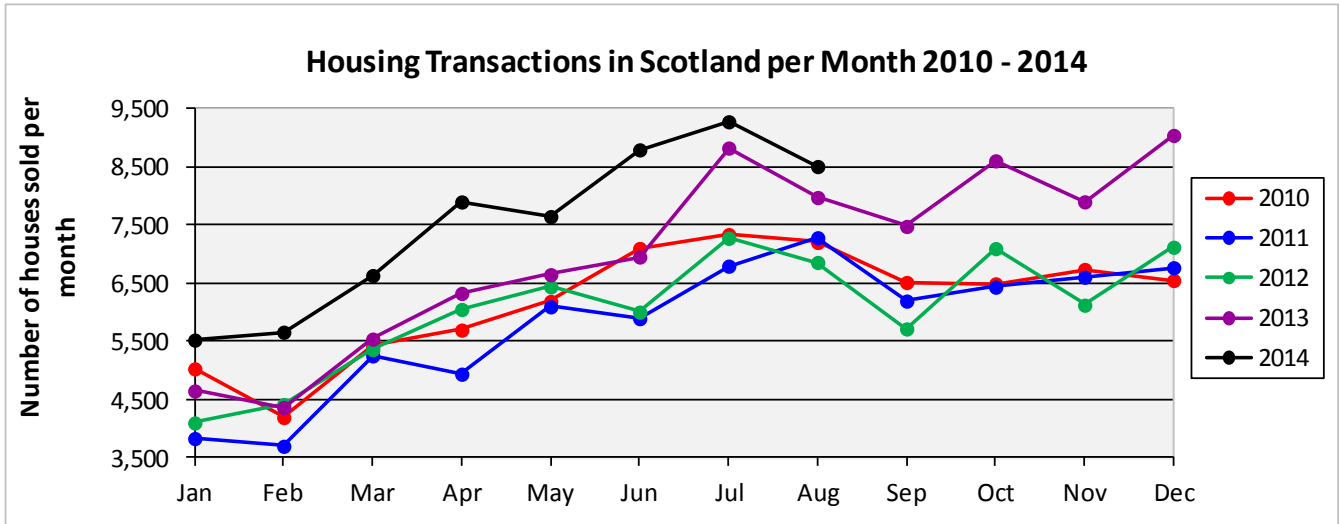


Figure 2. The number of housing transactions by month in Scotland, 2010 - 2014 (not seasonally adjusted)
Source: Registers of Scotland

[link to source Excel](#)

Figure 2 above shows a five year history of the number of housing transactions in Scotland, covering the period January 2010 – August 2014. We can see that the monthly level of transactions in 2014 has been consistently higher than the previous four years, but the graph shows that the gap between the level of monthly sales in 2014 and 2013 is beginning to narrow, albeit one can argue that exceptional factors of a one-off nature, i.e. the referendum, are likely to have caused the slowdown in August 2014.

Taking the last three months, June – August 2014, there have been 26,600 transactions in Scotland, which is a 12% increase over the same three months in 2013, but this figure has fallen by 3% from the 15% we reported last month. Analysing this increase by property type, we find flat sales have increased the most, up 18%, followed by detached sales up 17%, then semi-detached sales up 12%, and lastly terraced sales up 9%. Although showing an increase over the last year, the percentage change in the number of flats and terraces sold have both declined by 4% since last month, while the percentage change in the numbers of detached and semi-detached properties sold over the last year have remained at similar levels to those reported last month. One of the lowest increases in percentage terms in the sale of flats, for the three months June – August 2014, compared to the previous year, was in Glasgow. This might suggest that the Commonwealth Games were also a distraction to this summer’s property market.

Looking at individual Local Authority areas over the period June – August 2014, compared to the same three months in 2013, 30 of the 32 authorities saw increases in the numbers of properties sold. The two areas where sales diminished were Aberdeen City -4%, and Dumfries & Galloway -1%. On the mainland, Moray has seen the highest increase in property transactions over the period, up by 32%, with detached and semi-detached houses seeing the largest increase in sales. Moray is followed this month by Midlothian, seeing an increase of 27% in the number of transactions over this same period. In Midlothian, terraces are the most frequently purchased property type, and these saw an increase of 38% in the numbers sold.

In August 2014 there were 15 properties in Scotland that sold for a figure in excess of £1 million, of which 9 properties were located in Edinburgh, 2 in Glasgow and 1 in Aberdeen City. One year earlier in August 2013 there were 11 properties sold in excess of £1 million, of which 4 were located in Edinburgh, 4 in Aberdeen City and zero in Glasgow. One month earlier In July 2014 there were 17 properties sold in excess of £1 million, of which 8 were located in Aberdeen City, 4 in Edinburgh and zero in Glasgow. Some market commentators have reported a reduction in the sale of top-end properties in Scotland in the run up to the referendum. It has to be said that the statistics for the £1 million plus market do not conclusively prove this to be the case.



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. Acadata 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

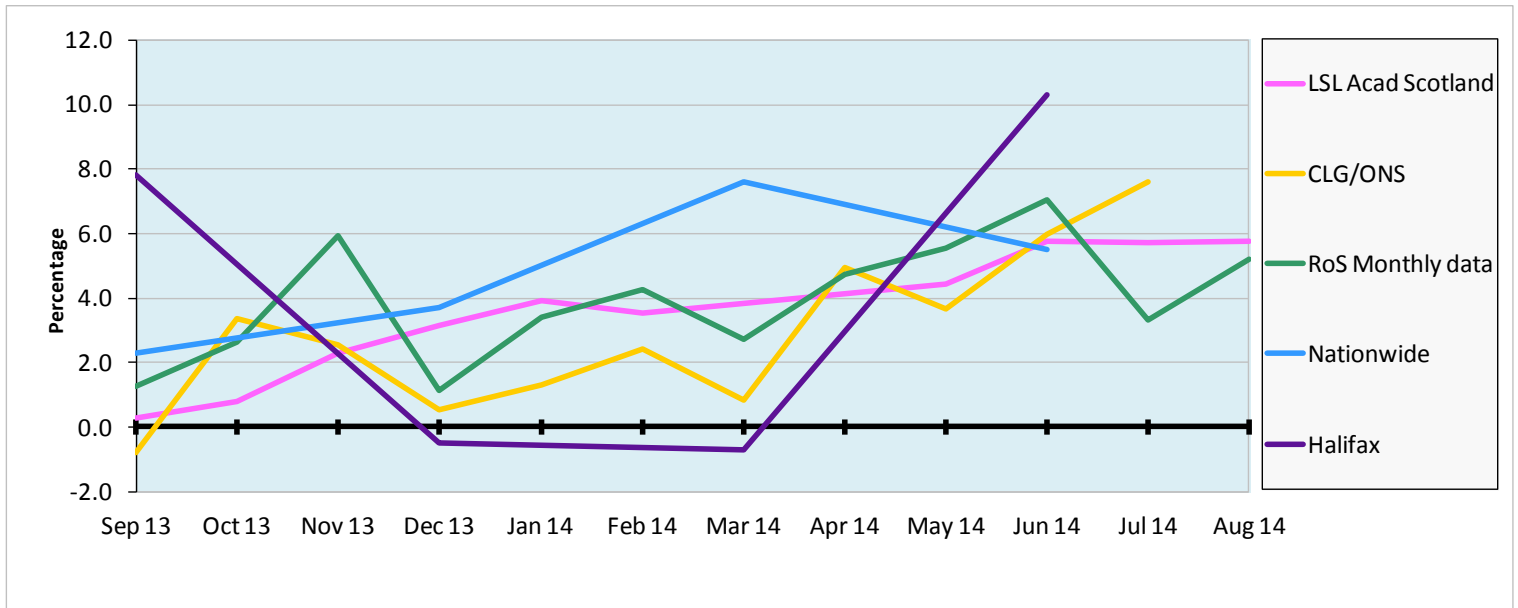


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

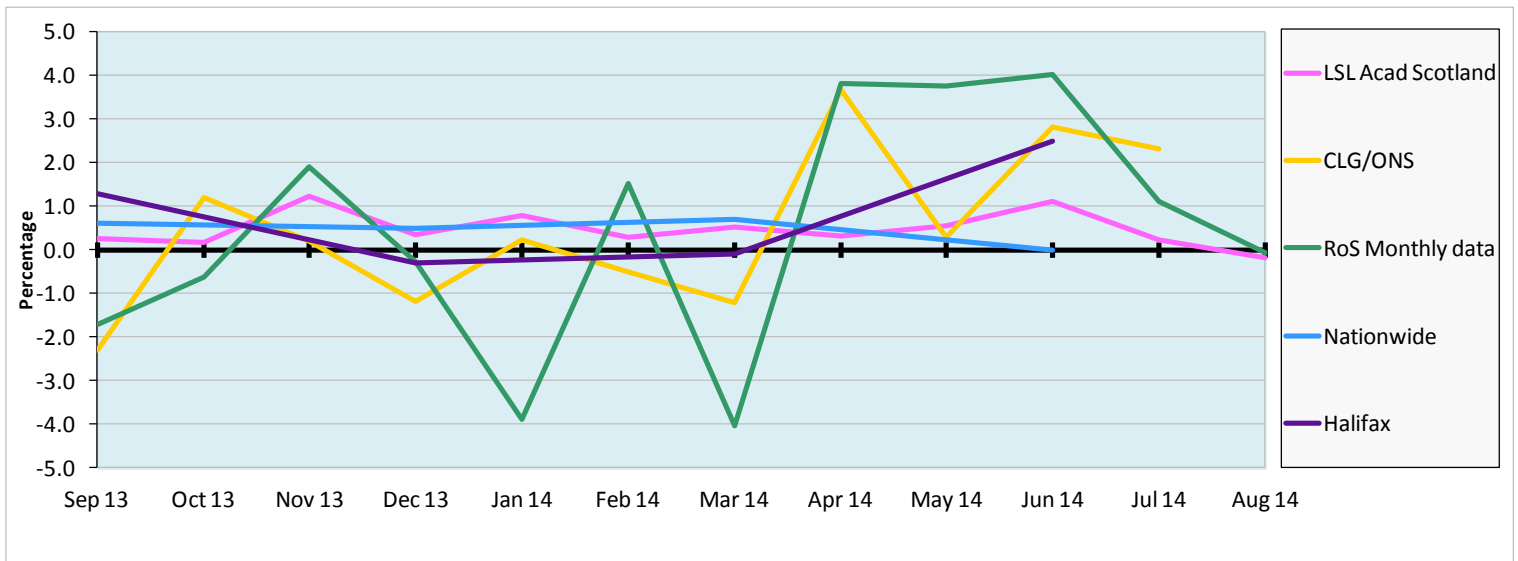


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

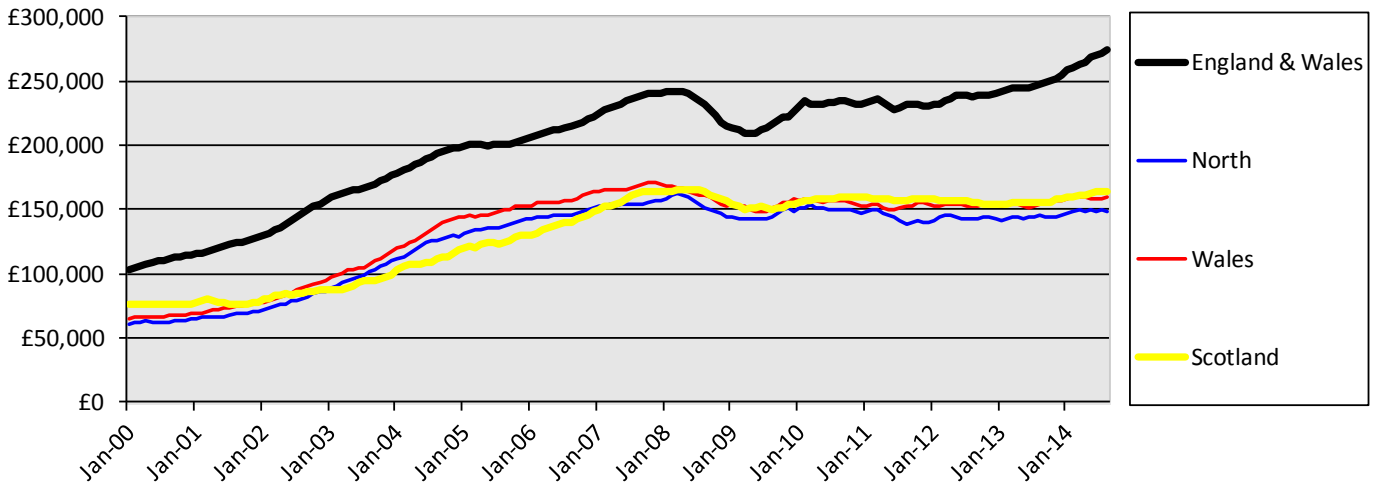


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - August 2014 [link to source Excel](#)

Annual % change in Average House Prices

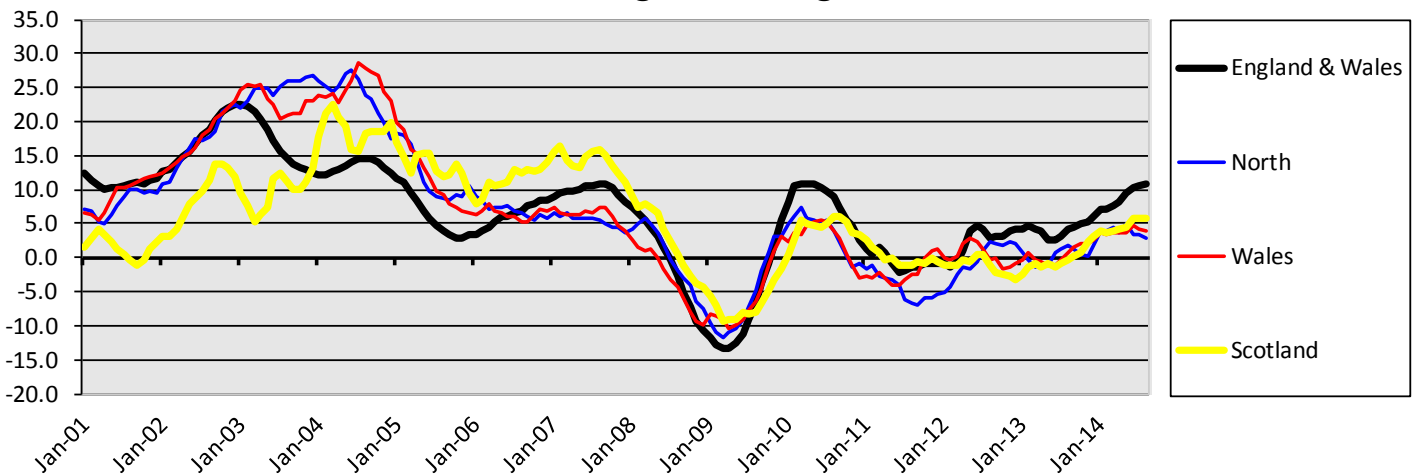


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – August 2014 [link to source Excel](#)

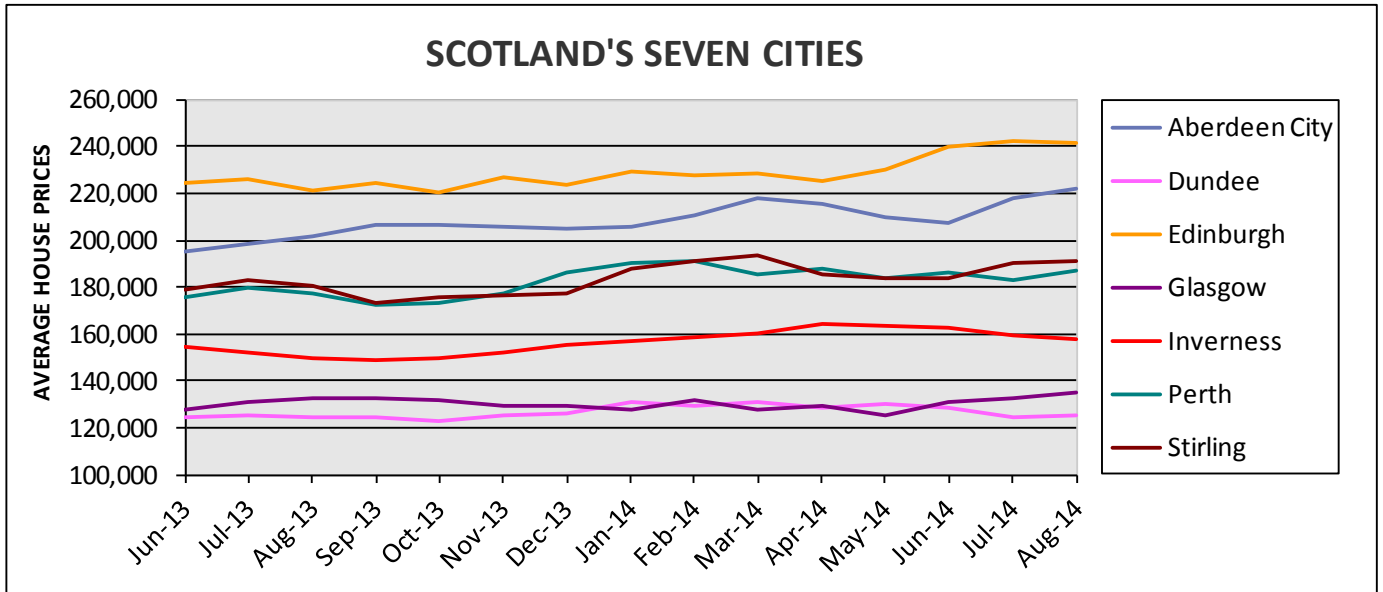


Figure 7. Average house prices for Scotland's seven cities from June 2013 – August 2014

[link to source Excel](#)

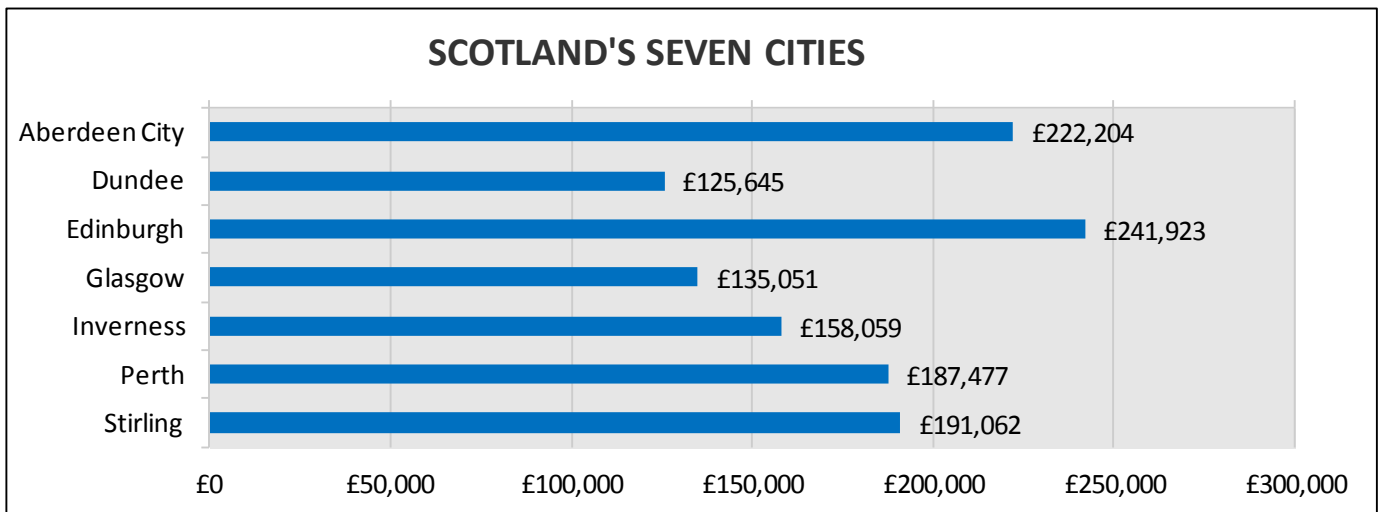


Figure 8. Average house prices for Scotland's seven cities August 2014

[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 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 (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 centre month smoothed (cms) price at region/county level, lagged by one month, as provided by the LSL Acad E&W HPI. Our intention is to align the procedure for LSL 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. ONS HPI 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 identify different prices according to e.g. numbers of bedrooms; the lender hedonic indices and the ONS mix adjusted HPI 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”; Acadata does not guarantee the accuracy of the LSL Acad Scotland HPI results and neither LSL nor Acadata 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 Acadata. 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 Acadata.

8. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acad E&W HPI was published, it was prepared by Acadametrics as was the LSL Acad Scotland HPI. Acadametrics then changed its name to Acadata to reflect its new focus entirely upon house price indices and data following its agreement to sell its 50% holding in MIAC Acadametrics to MIAC Analytics over a 4 year period.



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 the e.surv Chartered Surveyors brand, and the Walker Fraser Steele brand in Scotland. 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