

LSL Property Services/Acadametrics  
Scotland

# House Price Index

FEBRUARY 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 18TH APRIL 2012



House prices rise in February following four months of falls

- First time buyers rush to beat March stamp duty deadline
- Transactions 10% higher than in January

House Price	Index	Monthly Change %	Annual Change %
£145,860	197.8	0.1	-1.6

**Gordon Fowlis, regional managing director of Your Move, an estate agency chain that is part of LSL, comments:** “The impending end to the stamp duty holiday galvanized the first time buyer market in February, and reversed four consecutive months of falling house prices. More buyers decided buying now was preferable to forking out an extra £1,600 after the end of the tax break.

“But the panic to beat the stamp duty deadline was not the only factor behind the recovery in February. Banks and building societies had been tentatively increasing their lending to lower income borrowers, and introducing more mortgages which require smaller deposits. This has gone some way to banishing the concern that the increase in activity in February was largely artificial, and that prices will fall away again as the rush to beat the tax break subsides. And, broadly speaking, mortgages have become more affordable than they’ve been at any point since the downturn, which should soften the blow of the stamp duty holiday ending. Demand is still healthy, despite tepid economic growth, and that should help support house prices.

“However, in the longer-term, the outlook is much murkier. The fortunes of the housing market remain inexorably tied to fallout from the European financial crisis, which could hinder banks and building societies’ ability to satisfy the high demand for mortgages. And the national average price may be masking more worrying, and volatile, regional disparities. If you delve beneath the headline figures, it is clear the housing market is still suffering in the majority of local authority areas. Prices actually fell in two-thirds of all localities in February, highlighting that the recovery of house prices is still on dicey ground.”

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 March 2011 - February 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
<b>March</b>	<b>2011</b>	£148,426	201.2	0.1	-0.7
<b>April</b>	<b>2011</b>	£147,863	200.5	-0.4	-1.3
<b>May</b>	<b>2011</b>	£147,493	200.0	-0.3	-1.2
<b>June</b>	<b>2011</b>	£145,669	197.5	-1.2	-1.8
<b>July</b>	<b>2011</b>	£145,896	197.8	0.2	-1.7
<b>August</b>	<b>2011</b>	£146,441	198.6	0.4	-1.9
<b>September</b>	<b>2011</b>	£147,621	200.2	0.8	-1.5
<b>October</b>	<b>2011</b>	£147,552	200.1	0.0	-1.3
<b>November</b>	<b>2011</b>	£147,280	199.7	-0.2	-0.7
<b>December</b>	<b>2011</b>	£146,954	199.2	-0.2	-1.0
<b>January</b>	<b>2012</b>	£145,652	197.5	-0.9	-1.9
<b>February</b>	<b>2012</b>	£145,860	197.8	0.1	-1.6

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## Press Contacts:

Melanie Cowell, LSL Property Services  
David Pickles, Acadametrics  
Adam Jones, Wriglesworth PR

01904 715 326  
020 8392 9082  
020 7427 1403

[melanie.cowell@lsps.co.uk](mailto:melanie.cowell@lsps.co.uk)  
[david.pickles@acadametrics.co.uk](mailto:david.pickles@acadametrics.co.uk)  
[a.jones@wriglesworth.com](mailto:a.jones@wriglesworth.com)



## Further commentary by Dr Peter Williams

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

Following four months of falling house prices, the seasonally adjusted average price of a house in Scotland rose by £208 in February. Whilst only a marginal (0.1%) rise, it brought to an end a series of small monthly falls which began in November 2011. Transactions rose, too. At 4422 for the month, these were up 407 over January. Both the rise in the number of sales and the average price occurred against the grain of the February housing market in Scotland. Whilst, in England & Wales, January is normally the quietest month, in Scotland it is February that has seen the fewest sales in seven of the last eight years. Whereas a February transaction fall of -12.3% would be normal, the sale of 4422 properties resulted from the sales of an extra 880 houses - a rise of 22% over the past norm. As occurred in the market south of the border and shown by the LSL/Acadametrics E&W House Price Index, the influence of government was at work. The March end of the stamp duty tax holiday for first time buyers brought both the small increase in demand and, in turn, the end to the downward trend in prices.

Despite the overall rise in average prices in Scotland, prices fell in February, in fact, in 21 of the 32 local authorities as shown in Table 2. To understand these movements, it is necessary, as always, to investigate transaction numbers and prices at property type level. What about the 29.4% rise in the average price in the Orkney Islands? This was influenced by the sale of one property at £300,000 and another at £405,000. Given that only 30 sales of houses worth £300,000 or more have taken place in the Orkney Islands in the last 12 years, we may regard the February boost as an effect of chance.

At £145,860, the average price still hovers close to a level last seen in December 2009. Despite the month's overall average house price increase we can see, from the annual changes shown in Table 2, that the average price in almost all local authorities has fallen over the past year, much in line with the fall for Scotland as a whole. Excluding the smaller areas, which are likely to reflect apparent price volatility resulting from low transaction volumes, Aberdeen stands out with a counter-trend price rise of 2.2%. As noted, the average house price in Scotland fell -1.6% compared with a year ago. How does this compare with outcomes in England & Wales?

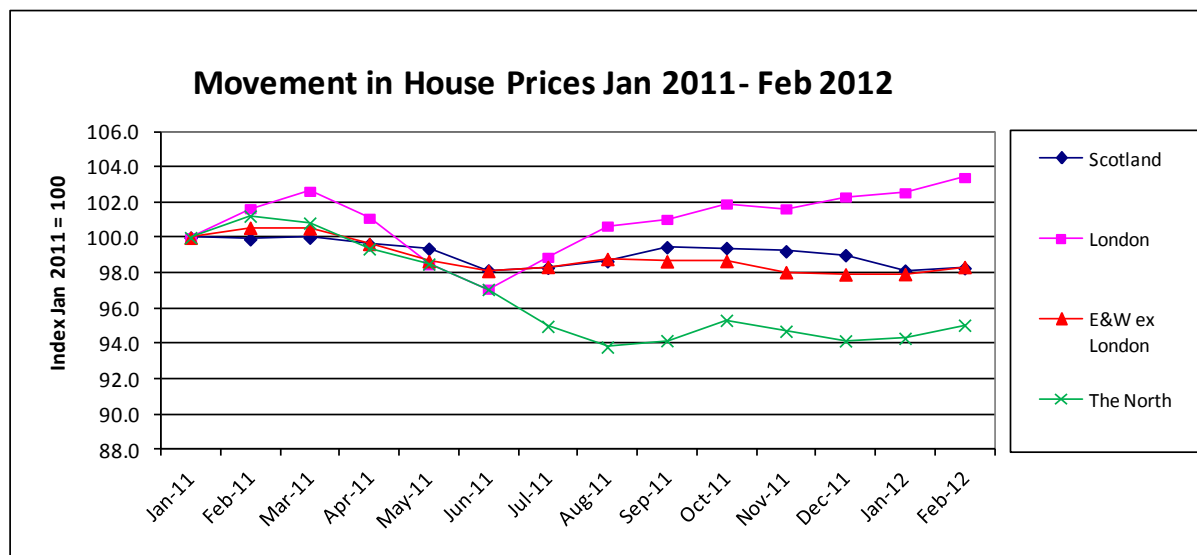


Figure 1. Comparison of house price movements in Great Britain, Jan 2011 – Feb 2012

[link to source Excel](#)

Figure 1 shows the movement of house prices for the year from January 2011 (Index = 100.0) to February 2012, and compares Scotland with Greater London, England & Wales, excluding Greater London, and the North of England. As last month, the graph shows that, from June 2011 onwards, house prices changes in Scotland have closely matched those in England & Wales (excluding London). By contrast prices in the North of England have fallen whilst those in Greater London have risen. In Figure 7, we show the price movements in the principal cities.



Table 2. Average House Prices in Scotland, by local authority area, comparing February 2011 with February 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	Feb-11	Feb-12	% Change
1	1	Edinburgh, City of	217,195	210,861	-2.9%
2	5	Aberdeenshire	193,487	197,652	2.2%
3	3	East Renfrewshire	197,721	197,305	-0.2%
4	2	East Dunbartonshire	198,204	183,785	-7.3%
5	4	East Lothian	194,900	183,390	-5.9%
6	6	Aberdeen City	177,144	182,258	2.9%
7	7	Stirling	176,312	174,686	-0.9%
8	8	Perth & Kinross	173,519	173,253	-0.2%
9	12	Midlothian	153,956	162,650	5.6%
10	9	Scottish Borders	169,075	151,651	-10.3%
11	24	Orkney Islands	117,018	151,390	29.4%
12	10	Highland	156,880	148,549	-5.3%
13	11	Argyll & Bute	155,325	142,319	-8.4%
14	13	West Lothian	141,937	140,037	-1.3%
15	15	Moray	135,107	134,447	-0.5%
16	16	South Ayrshire	134,454	132,944	-1.1%
17	21	Angus	126,839	132,796	4.7%
18	14	Dumfries & Galloway	141,630	130,838	-7.6%
19	22	South Lanarkshire	125,806	128,113	1.8%
20	19	Fife	128,127	126,935	-0.9%
21	18	Glasgow City	131,075	126,292	-3.6%
22	25	Falkirk	114,679	121,909	6.3%
23	23	Dundee City	124,315	118,285	-4.9%
24	27	Shetland Islands	114,244	116,831	2.3%
25	31	West Dunbartonshire	100,466	116,202	15.7%
26	17	Clackmannanshire	132,994	114,567	-13.9%
27	28	North Ayrshire	106,758	112,646	5.5%
28	30	Renfrewshire	104,730	110,423	5.4%
29	20	Inverclyde	126,937	105,848	-16.6%
30	26	East Ayrshire	114,280	105,337	-7.8%
31	29	North Lanarkshire	105,491	101,787	-3.5%
32	32	Eilean Siar	100,309	95,523	-4.8%
		<b>All Scotland</b>	<b>148,292</b>	<b>145,860</b>	<b>-1.6%</b>

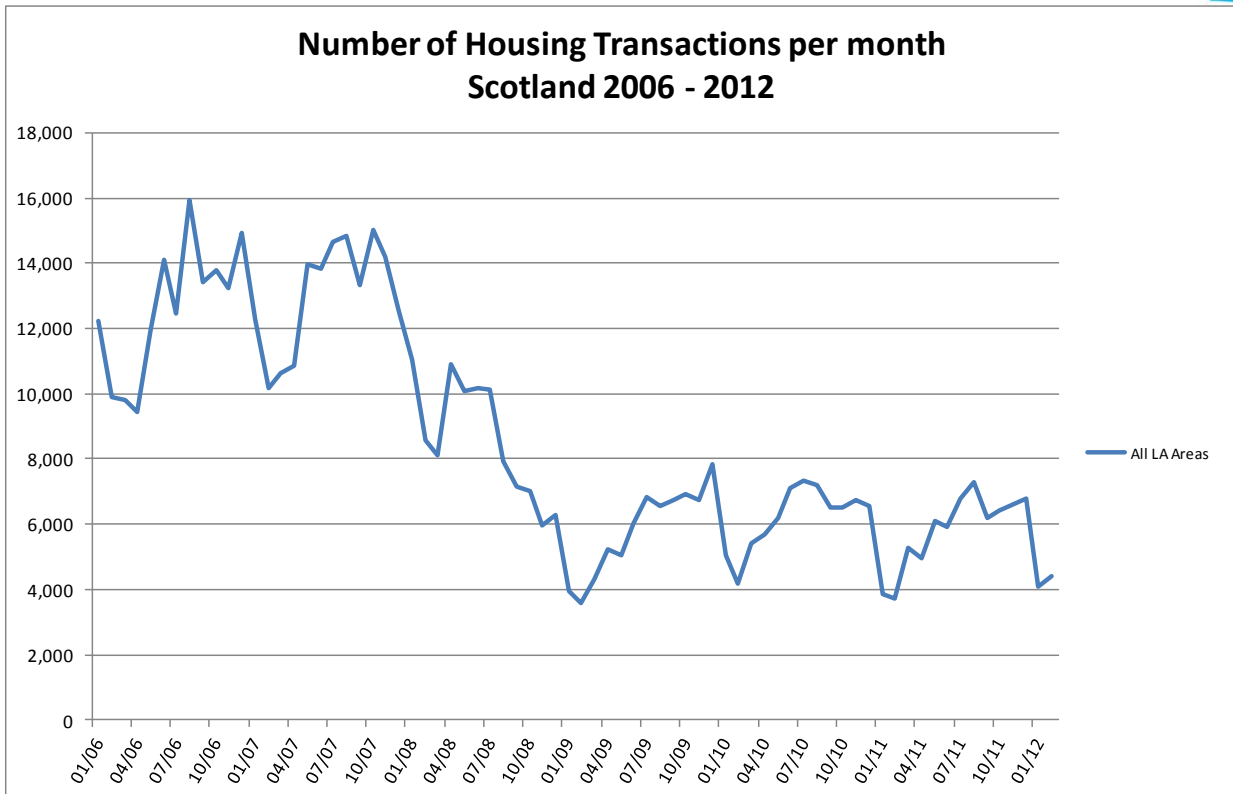


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2012 (not seasonally adjusted) [link to source Excel](#)

The above graph shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2006 to February 2012, without seasonal adjustment. Traditionally, February is the quietest month for housing transactions in Scotland; however, the graph shows that this year there has been an increase in sales in February, albeit a relatively minor one, caused by first time buyers taking advantage of the stamp duty tax holiday. We anticipate that March will similarly show an uptick in sales for the same reason but that, thereafter, there will be no further assistance from this quarter as the tax holiday closed on 24 March 2012.

The other noticeable feature of the graph is the extent to which transactions have fallen over the three year period 2009 - 2011, when compared with 2006 - 2007. The main cause of this decline is the difficulty experienced by borrowers in obtaining mortgage finance, given the higher levels of deposits now required by the lenders. Unfortunately the ending of the tax holiday for first time buyers will do nothing to help restore the housing market to its previous levels.

#### 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. Acadometrics 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

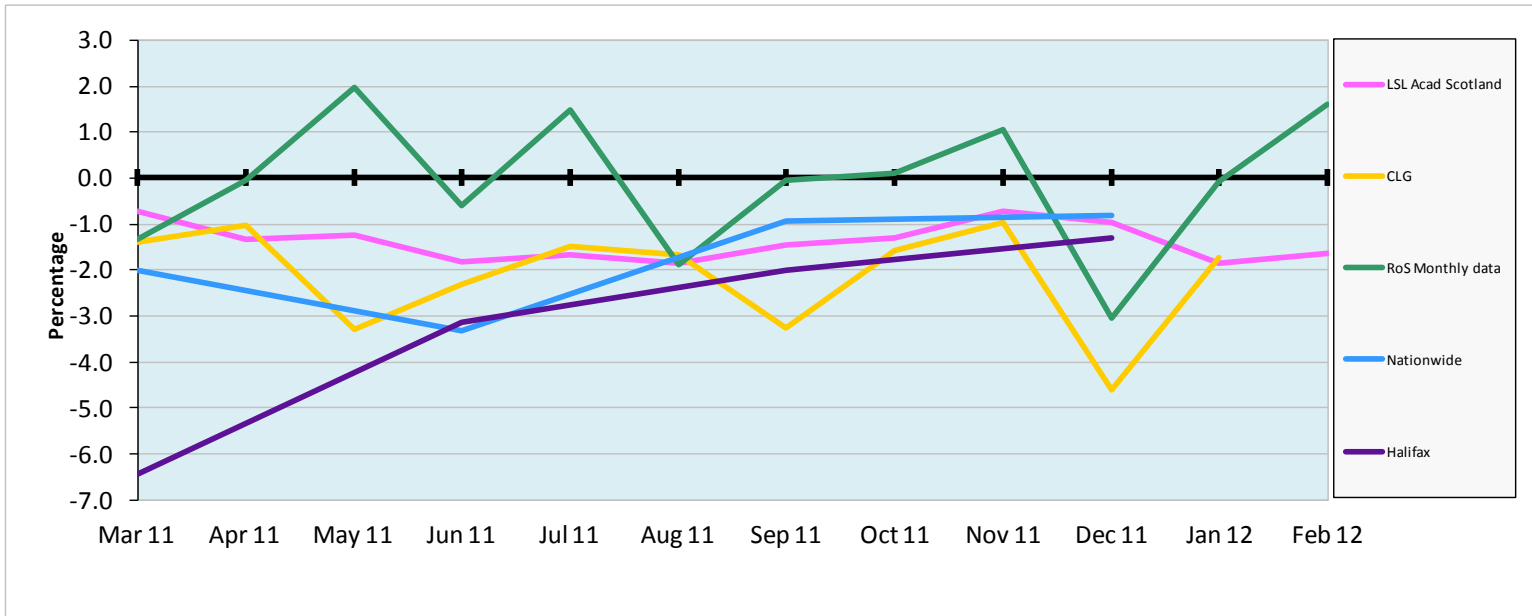


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

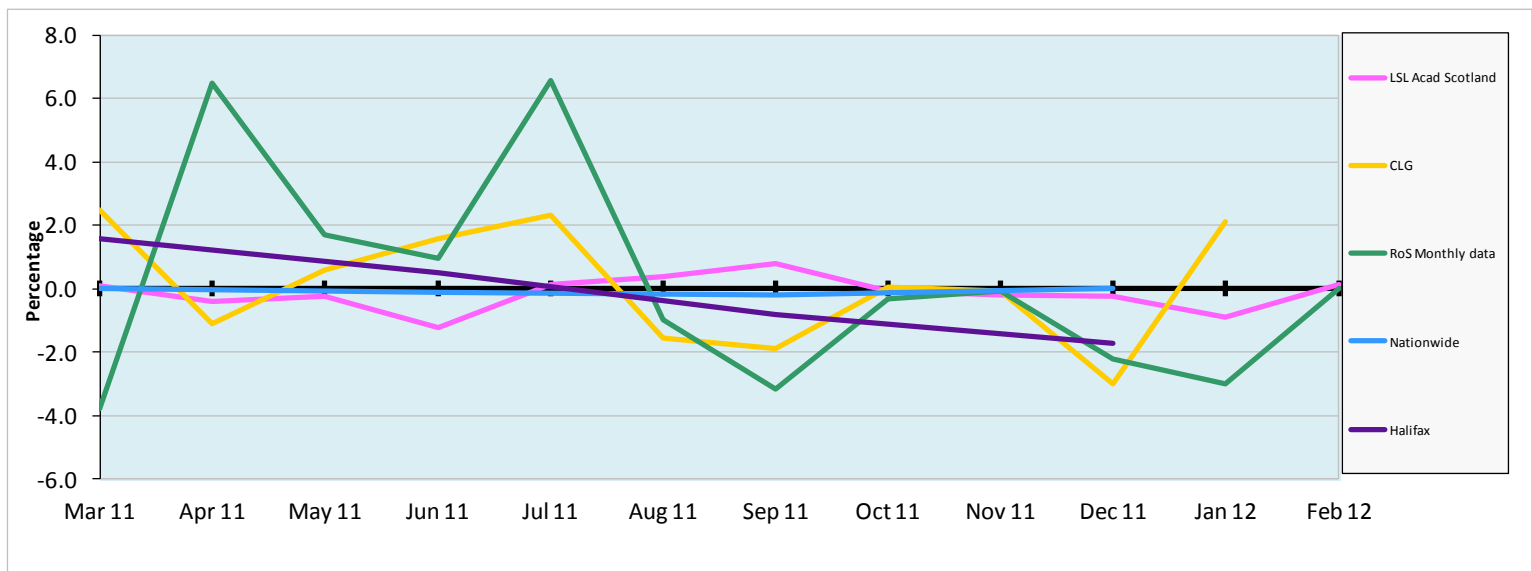


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

The above charts 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.



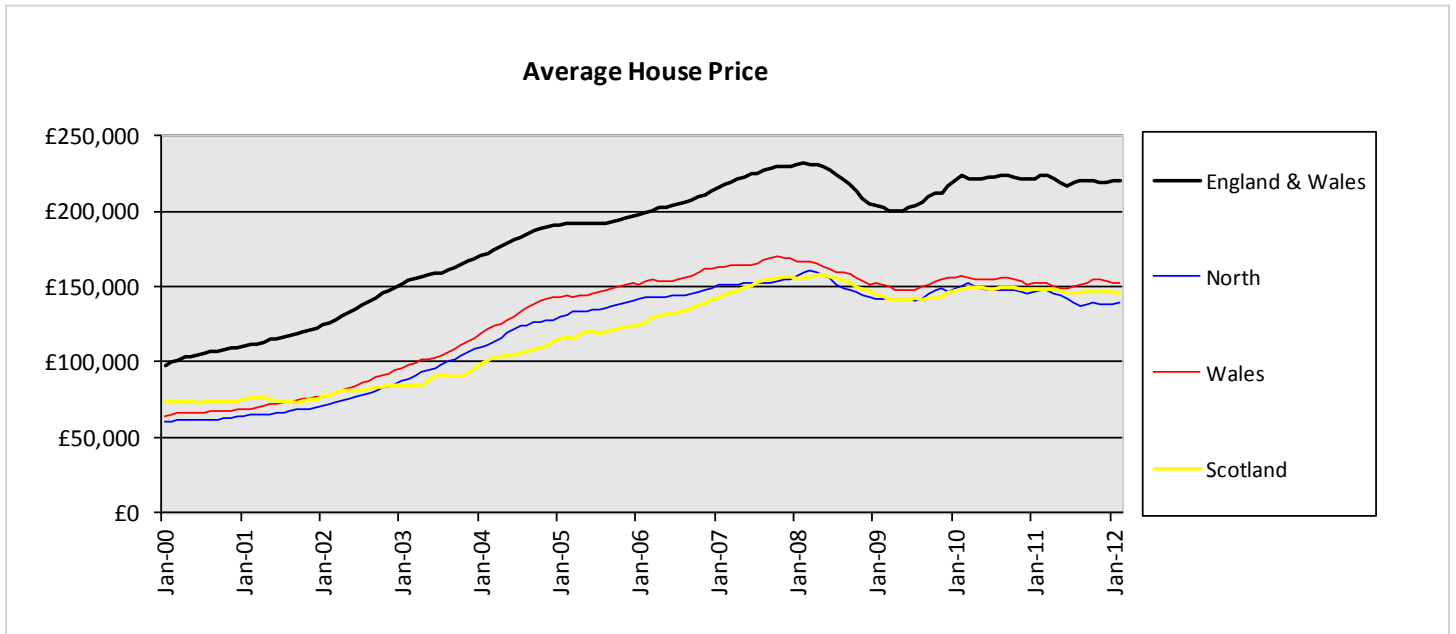


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period Jan 2000 - Feb 2012 [link to source Excel](#)

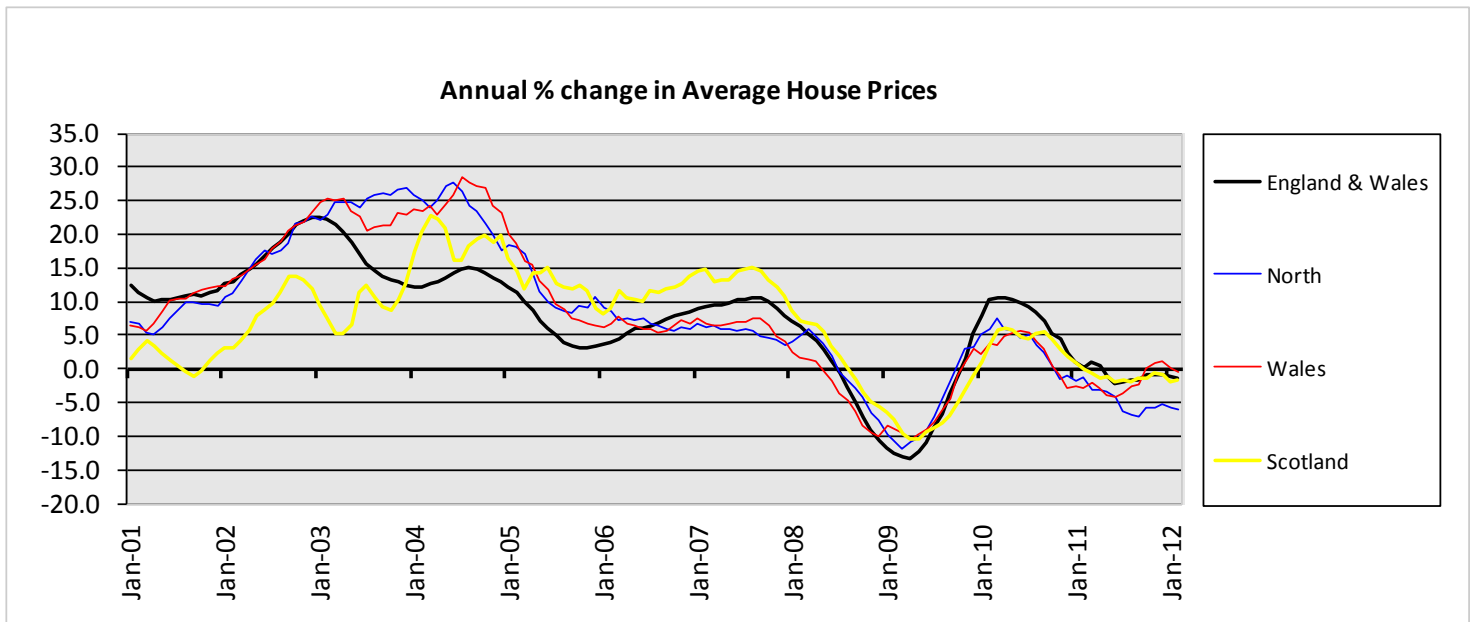


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period Jan 2001 - Feb 2012 [link to source Excel](#)

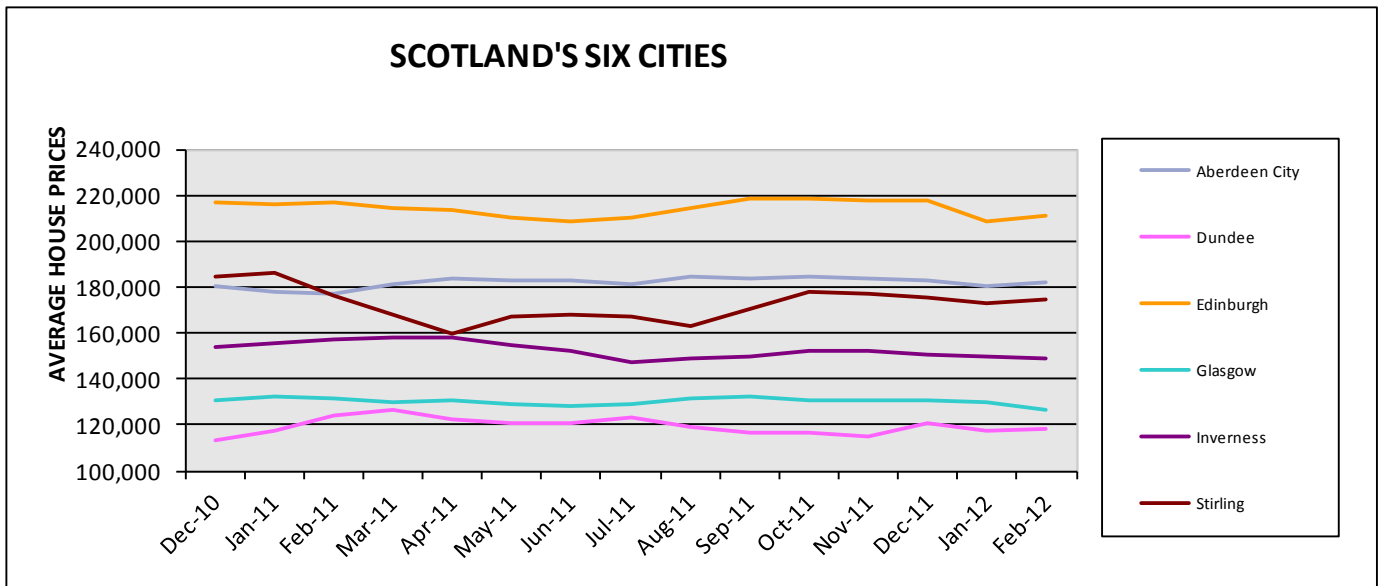


Figure 7. Average house prices for Scotland's six cities from December 2010 – February 2012 [link to source Excel](#)

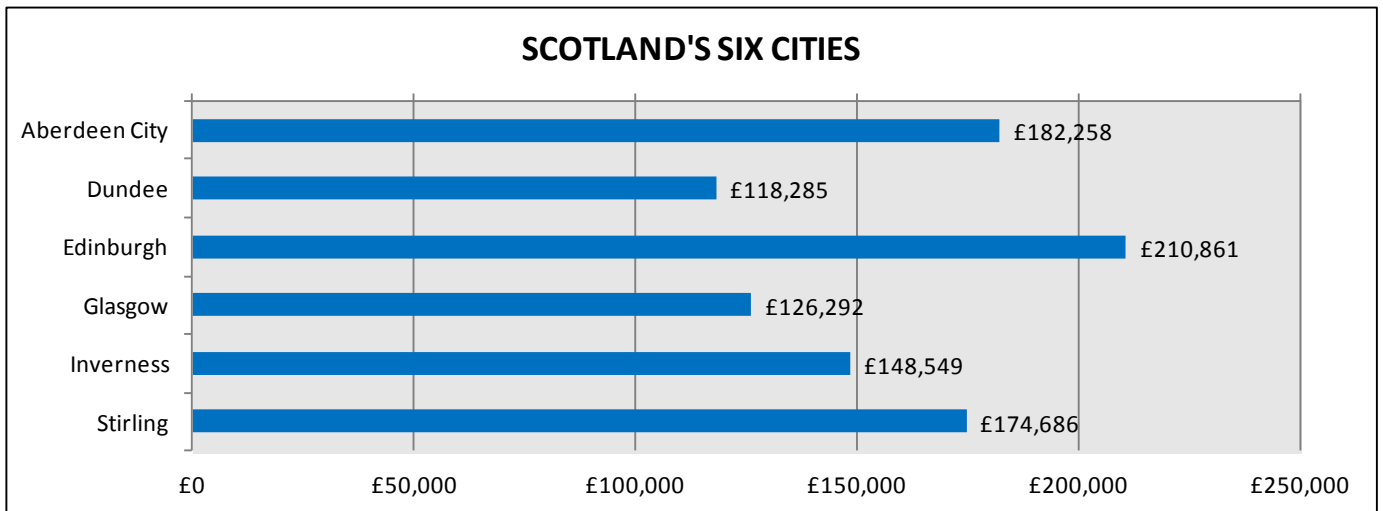


Figure 8. Average house prices for Scotland's six cities February 2012 [link to source Excel](#)





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 CLGHPI, 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 (CLGHPI); 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 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 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](http://www.lslps.co.uk)