

LSL Property Services/Acadata

Scotland

House Price Index

FEBRUARY 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 16TH APRIL 2014



Help to buy drives Scottish housing recovery further in February

- Average prices climb £5,584 in last twelve months
- All seven cities in Scotland see house price growth over the past year
- Prices in Aberdeen climb 12% since February 2013
- Inverclyde tops table for both sales and price rises

House Price	Index	Monthly Change %	Annual Change %
£160,678	201.5	0.2	3.6

Gordon Fowles, regional managing director of Your Move, an estate agency chain that is part of LSL, comments: “Help to Buy has been the spark driving the engine of recovery for the Scottish housing market. Since launching at the tail end of 2013, the scheme has helped thousands get a foot on the ladder. With sustained growth taking hold, there are now signs that the independence debate is less likely to rock the housing recovery boat. However, there’s still some uncertainty surrounding the ramifications of an independent Scotland for the banking sector. The potential fiscal impact may be felt in mortgage accessibility and employment stability, which in turn could have a knock-on effect on housing.

“Over the past year we’ve witnessed average prices climb by over £5,500, with Inverclyde seeing the greatest annual growth of all, at 16% – with the region clearly benefitting from its close proximity to Glasgow. In a sign of the widespread revival, all seven Scottish cities have also seen price rises from last year. This urban renaissance is being driven by first-time buyers benefitting from Help to Buy, typically taking the plunge in vibrant cities. Aberdeen in particular has seen the average house price climb by 12% over the past twelve months – it has its own micro-economy. The same trend is being seen across metropolitan areas in England, with places like Manchester also seeing positive growth.

“Under Help to Buy more people have been able to move from rental properties into their own home, and this has created a ripple effect unlocking greater movement further up the ladder. Overall, total house sales in Scotland rose by a seasonally-adjusted 12% between January and February. Inverclyde also topped the sales table, with transactions in the three months to February climbing by 56% compared to a year ago. But there are also indications that the first-time buyer express is starting to lose some steam. In the three months to February, flats – the archetypal home of new buyers – saw the smallest uplift in sales. Last summer the opposite was true.

“The next few months will be a testing time. The debate is sure to ramp up in intensity as we edge ever closer to September and all eyes are on Mark Carney’s next move for housing. But for now Scotland can simply revel in a revived property market.”

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 February 2013 – February 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
February	2013	£155,094	194.4	0.6	-1.3
March	2013	£155,441	195.3	0.2	-1.0
April	2013	£155,847	195.0	0.3	-1.2
May	2013	£155,975	195.0	0.1	-0.7
June	2013	£155,150	194.1	-0.5	-1.3
July	2013	£154,998	194.8	-0.1	-1.0
August	2013	£154,432	194.4	-0.4	-0.4
September	2013	£155,015	195.7	0.4	0.1
October	2013	£155,165	195.4	0.1	0.6
November	2013	£157,734	198.3	1.7	2.3
December	2013	£158,590	198.9	0.5	3.1
January	2014	£160,285	201.0	1.1	4.0
February	2014	£160,678	201.5	0.2	3.6

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

The housing market in Scotland continues to see prices rise. Average house prices in February increased by £400 (0.2%) on a seasonally adjusted basis. Although this increase was lower than that seen in January, it is still the sixth month in succession in which prices have risen. Over the last year, monthly prices have risen on nine occasions, with only three months in the summer holiday season of 2013 seeing prices fall.

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 on a monthly basis. The year started with a gentle upward price movement to May 2013, followed by a subsequent fall over the summer months: this fall coincided with an expansion of sales to the first time buyer market, which had the effect of lowering average prices. From September onwards the increased activity by first time buyers had a knock-on effect further up the property chain, with home movers also increasing in numbers. This resulted in larger price movements being seen from November 2013 through to January 2014.

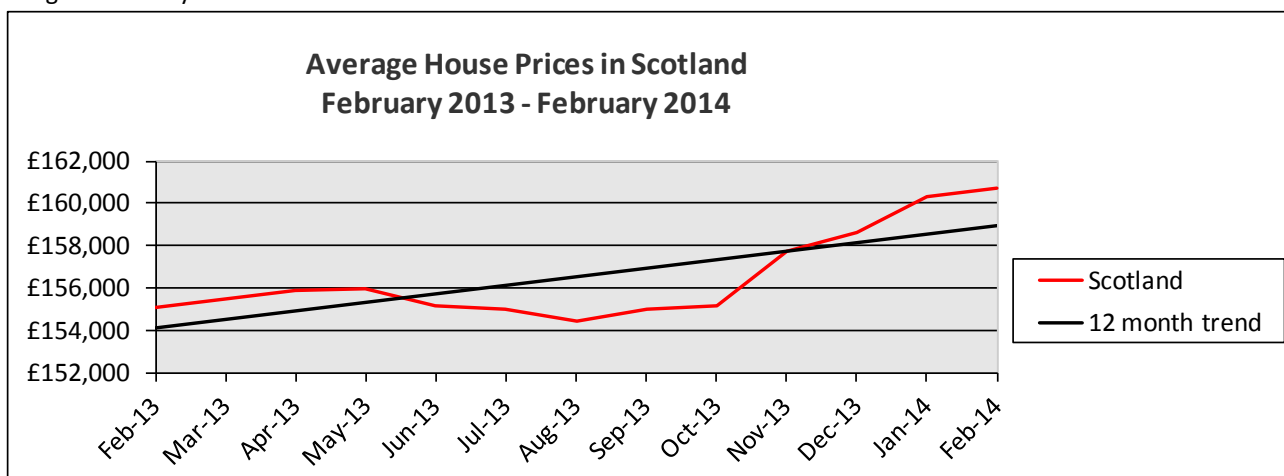


Figure 1. The average house price in Scotland, February 2013 – February 2014.

[link to source Excel](#)

On an annual basis, prices have increased by £5,584 or 3.6%. This compares with the RPI Index for February of 2.7%, so many home owners in Scotland are beginning to see their pre-eminent asset rise in value in real terms. However, as we show on page 4, this will still depend on the particular location of the property concerned. At £160,678 the average house price in Scotland is now only £5,100, or 3.1%, from its peak in April 2008.

Housing transactions showed a 2% increase in February over January levels. Although this might sound like a relatively minor increase, it goes against trend, as sales in February typically fall by 10% compared to January - mainly due to there being three fewer trading days in the month. On a seasonally adjusted basis, we could therefore argue that sales expanded by 12% over January, and on an annual basis February's transactions were 30% above the previous year. Despite these impressive growth figures, there is some evidence to suggest that the pent-up demand of first time buyers to get on the property ladder is becoming sated. Flats, the popular choice of first time buyers, saw the smallest increase in sales, +27%, over the three months December 2013 - February 2014 compared to the same three months twelve months earlier, with detached properties showing the highest increase at +33%. During the summer months of 2013 the situation was the reverse, with flats showing the highest increase in the number of properties being sold. This perhaps indicates that the market is now moving on to a new phase, with less reliance on and demand from the first time buyer.

Currently annual house prices in Greater London are rising by 13.3%, with much discussion about how the Bank of England is going to tackle this threatening housing bubble. The policies that are required to curb the excesses of the London market, such as a large hike in interest rates, are almost certainly not appropriate for the housing markets in Scotland, or the northern regions of England & Wales. The Bank is waiting to see the effect of the new mortgage market rules (MMR) which come into play on April 26th, which will involve stronger affordability tests and tighter documentation requirements. Potential borrowers will find that their capacity to continue servicing their mortgage with a rate 3-4% above the lender's standard variable rate is assessed - clearly some will need to adjust their borrowing downwards to meet this requirement. So it is likely that the new MMR rules will both tighten and slow lending trends, and that this will impact the market along with any Bank base rate rises later in 2014 or early 2015. In that sense the brakes will be applied.

The Office for Budget Responsibility is currently forecasting a peak in house prices during Q3 2014, after which it expects price growth to fall away. Much now turns on the course of interest rates, the supply of mortgages and real wage and income trends.

House prices analysis



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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Feb-13	Jan-14	Feb-14	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	222,557	231,000	229,253	-0.8%	3.0%
2	2	Aberdeenshire	209,826	217,708	216,184	-0.7%	3.0%
3	4	East Renfrewshire	203,349	213,069	215,369	1.1%	5.9%
4	3	East Dunbartonshire	206,786	214,891	215,058	0.1%	4.0%
5	6	Aberdeen City	189,393	206,860	211,489	2.2%	11.7%
6	5	East Lothian	192,773	211,183	205,757	-2.6%	6.7%
7	7	Stirling	185,423	188,609	192,143	1.9%	3.6%
8	8	Perth & Kinross	178,638	191,286	190,954	-0.2%	6.9%
9	9	Midlothian	171,141	172,483	171,170	-0.8%	0.0%
10	10	Scottish Borders	159,821	171,195	168,904	-1.3%	5.7%
11	11	Highland	153,083	158,029	159,706	1.1%	4.3%
12	13	Moray	146,841	145,773	150,728	3.4%	2.6%
13	18	Angus	135,859	148,834	146,333	-1.7%	7.7%
14	14	South Ayrshire	143,659	143,780	142,761	-0.7%	-0.6%
15	16	Fife	138,763	137,564	140,745	2.3%	1.4%
16	12	Argyll & Bute	149,898	150,464	139,648	-7.2%	-6.8%
17	19	South Lanarkshire	129,340	133,069	136,403	2.5%	5.5%
18	15	West Lothian	141,055	139,214	135,575	-2.6%	-3.9%
19	20	Glasgow City	124,534	127,829	132,645	3.8%	6.5%
20	21	Dundee City	122,159	131,351	129,532	-1.4%	6.0%
21	17	Dumfries & Galloway	137,505	131,891	128,601	-2.5%	-6.5%
22	26	Shetland Islands	116,113	124,884	126,321	1.2%	8.8%
23	30	Inverclyde	105,230	120,279	122,161	1.6%	16.1%
24	29	West Dunbartonshire	109,219	122,844	121,952	-0.7%	11.7%
25	22	Falkirk	121,999	122,591	120,480	-1.7%	-1.2%
26	24	Clackmannanshire	119,252	118,150	119,522	1.2%	0.2%
27	25	Renfrewshire	117,646	119,710	119,213	-0.4%	1.3%
28	23	East Ayrshire	119,560	119,258	110,565	-7.3%	-7.5%
29	27	North Lanarkshire	112,487	108,723	110,460	1.6%	-1.8%
30	28	Orkney Islands	111,017	112,815	107,935	-4.3%	-2.8%
31	31	North Ayrshire	104,315	107,601	107,167	-0.4%	2.7%
32	32	Eilean Siar	102,294	98,285	95,409	-2.9%	-6.7%
		All Scotland	155,094	160,285	160,678	0.2%	3.6%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for February 2013, January 2014 and February 2014. Overall in February 2014, prices continued to rise by 0.2% in the month, although prices fell in 19 of the 32 Local Authority Areas (some 59%), on a seasonally adjusted basis. This is five more areas than last month experiencing price falls.

On an annual basis, prices have risen in 23 of the 32 local authority areas, which although two less than last month, still represents 72% of all the areas in Scotland. Looking at the annual price changes, there are some interesting observations which can be made. Firstly, prices have risen by more than February's RPI of 2.7% in 18 local authority areas; thus some 56% of the local authority areas in Scotland have seen house prices rise in real terms. Secondly, all seven of Scotland's cities are currently experiencing house price growth on an annual basis. This reflects the increase in activity of first time buyers over the last year, who tend to purchase their first properties in urban areas. Lastly, price rises have tended to be higher in the more expensive areas of Scotland. Looking at the top eight areas in the above table, ranked by price, we calculate that the average increase in house prices was 5.6%. Employing a similar exercise for the eight lowest priced areas the change in house prices is a negative 2.0%. A similar trend is currently found across the unitary authority areas in England & Wales.

The area with the highest annual increase in prices this month is Inverclyde, up by 16.1% on the year. There have been a few high end property sales in Kilmacolm and Inverkip which have increased average prices in the area. More widely, the sale of terraced homes has increased in number by 112% over the period December 2013 to February 2014 compared to a year earlier, including some modern terraced waterside properties. This has underpinned demand and prompted the upward movement in prices.

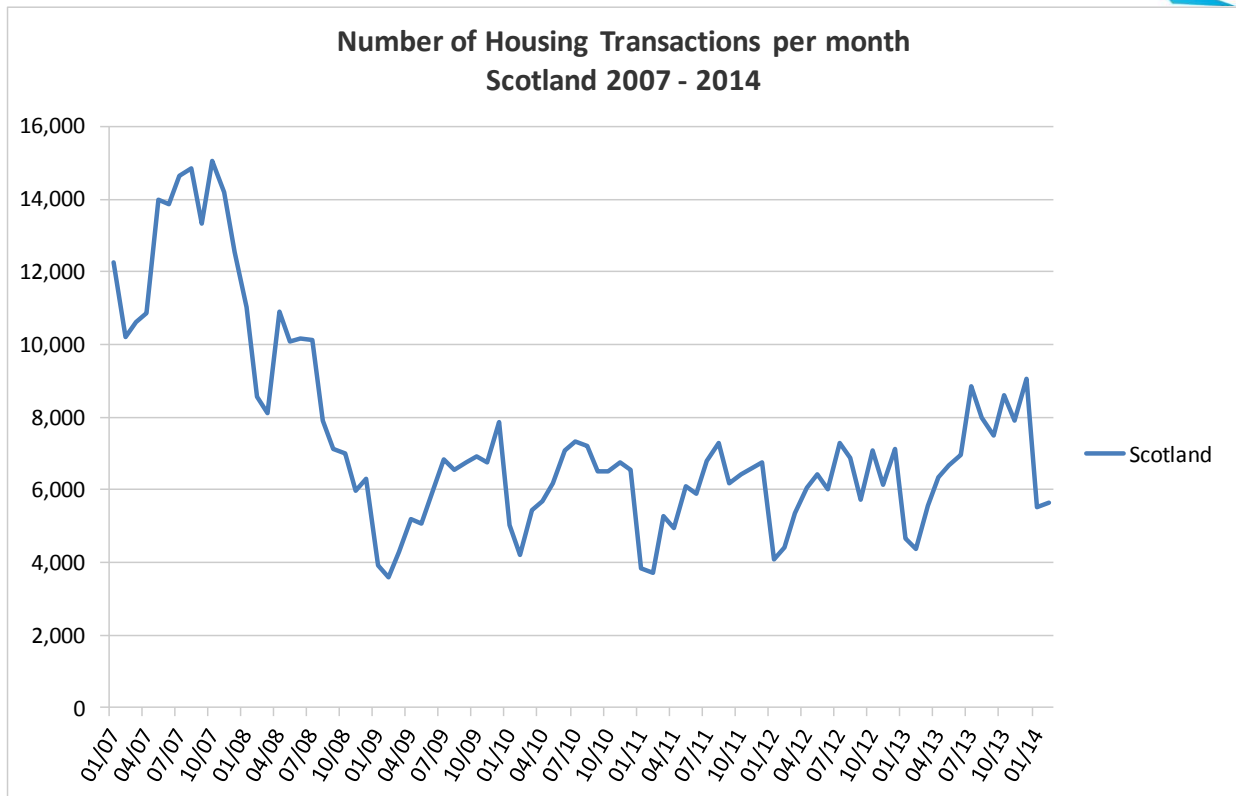


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2014 (not seasonally adjusted) [link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to February 2014, without seasonal adjustment. The graph demonstrates that there has been an upturn in housing transactions in the second half of 2013, with the number of properties sold in each month since June 2013 exceeding that of the equivalent period in the preceding four years. Although there has been a fall in transactions in January and February 2014 from December 2013 levels, this is a seasonal feature of the housing market. It can be seen from the graph that January and February 2014 sales were significantly higher than the January and February sales of the preceding five years, up by 34%.

In an average year, based on data from the last eleven years, sales in February are the lowest of any month, being 10% below that of the preceding January. This year sales are up 2% in February over January 2014. There has therefore been a 12% pick-up in transactions on a seasonally adjusted basis, above what one would ordinarily anticipate for the time of year.

Looking at the change in the number of transactions for the three month period from December 2013 to February 2014, compared to the same three months a year earlier, there has been an overall increase of 29% in the number of properties sold. All local authority areas showed an increase in property transactions over the period. The largest increase at local authority level occurred in Inverclyde, where sales increased by 56%, with a particularly strong performance in the sale of terraced and semi-detached properties, up 112% and 70% respectively. As we have already seen, Inverclyde also topped our league table in terms of the rise in average prices over the last year. This process of achieving top place in both price and transaction growth tends to go against the standard laws of supply and demand, as found in the economic text books, where one anticipates increased transactions being associated with falling prices. However, it suggests that demand for properties in Inverclyde is very strong, with buyers willing to pay higher prices for the properties that are available.

The area with the largest increase in the absolute number of sales, as opposed to the percentage increase in sales, over the same three month period, and compared to the previous year was Edinburgh. Here, an additional 550 properties were sold, of which 375 additional units were flats. Edinburgh continues to take top place in the number of properties sold in a month, being marginally ahead of Glasgow, with Fife in third place.

Analysing the change in buying patterns of property types over this same time period, we find that detached properties saw the highest increase in sales, up 33%, followed by semi-detached and terraced properties up 30% and 29% respectively, followed by flats at 27%. This pattern shows a shift away from that seen during the middle months of 2013, when flats were the most popular property type. This suggests that first time buyers in 2014 are no longer the predominant force in the market, with home-movers gaining strength in numbers.



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

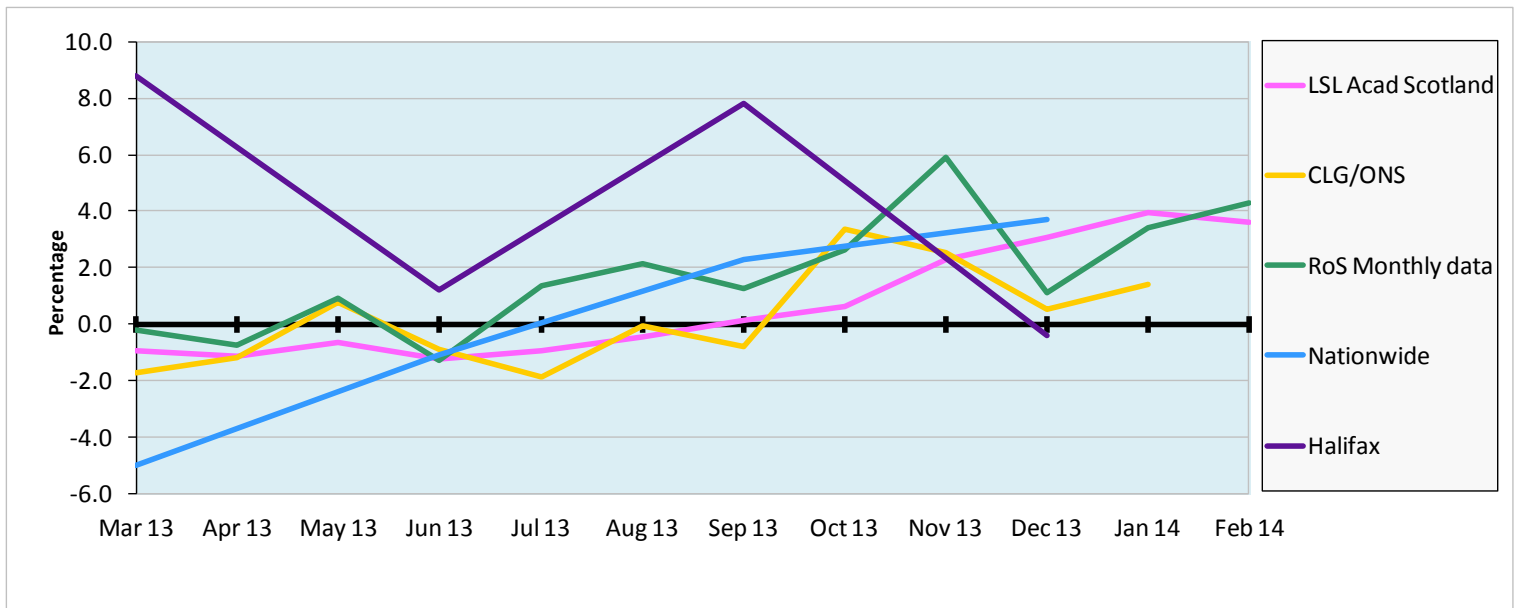


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

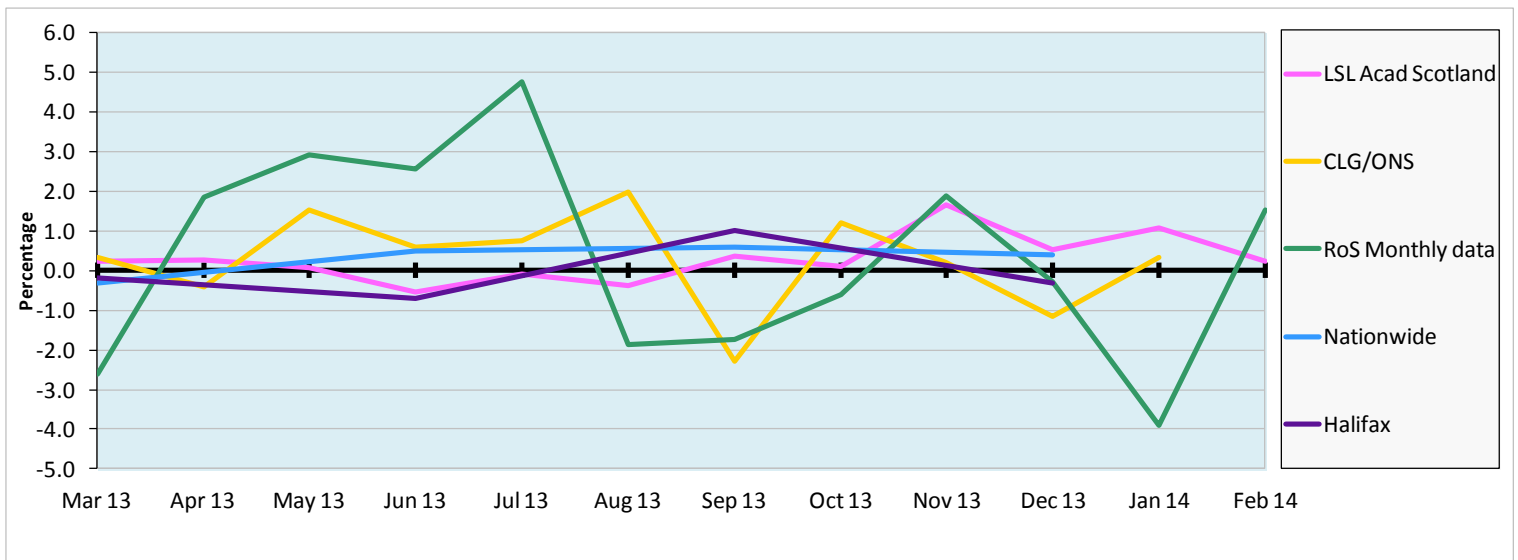


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

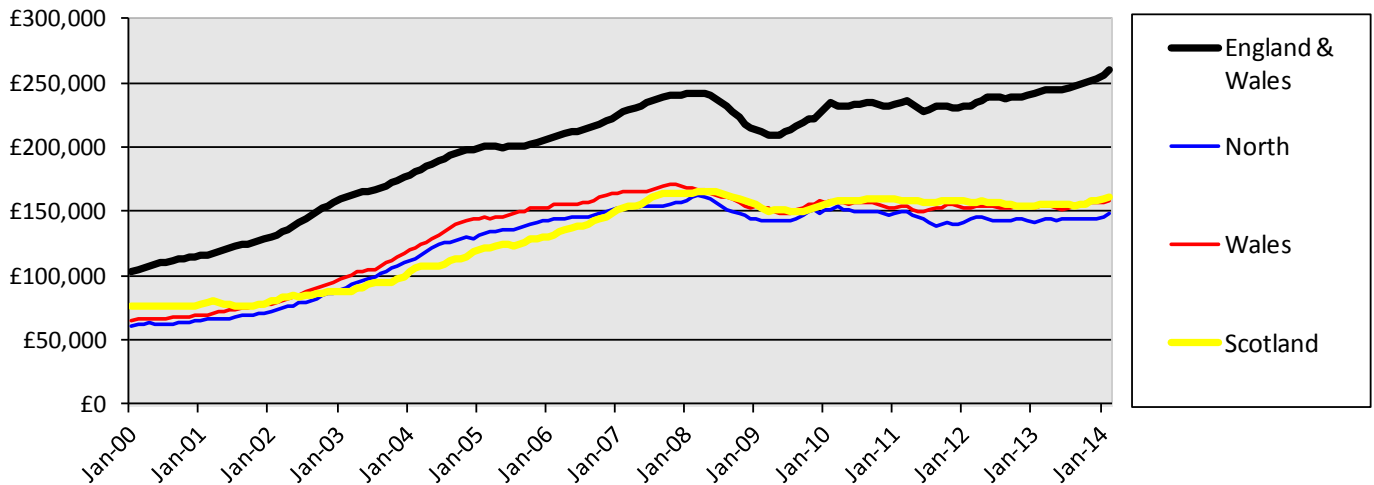


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - February 2014 [link to source Excel](#)

Annual % change in Average House Prices

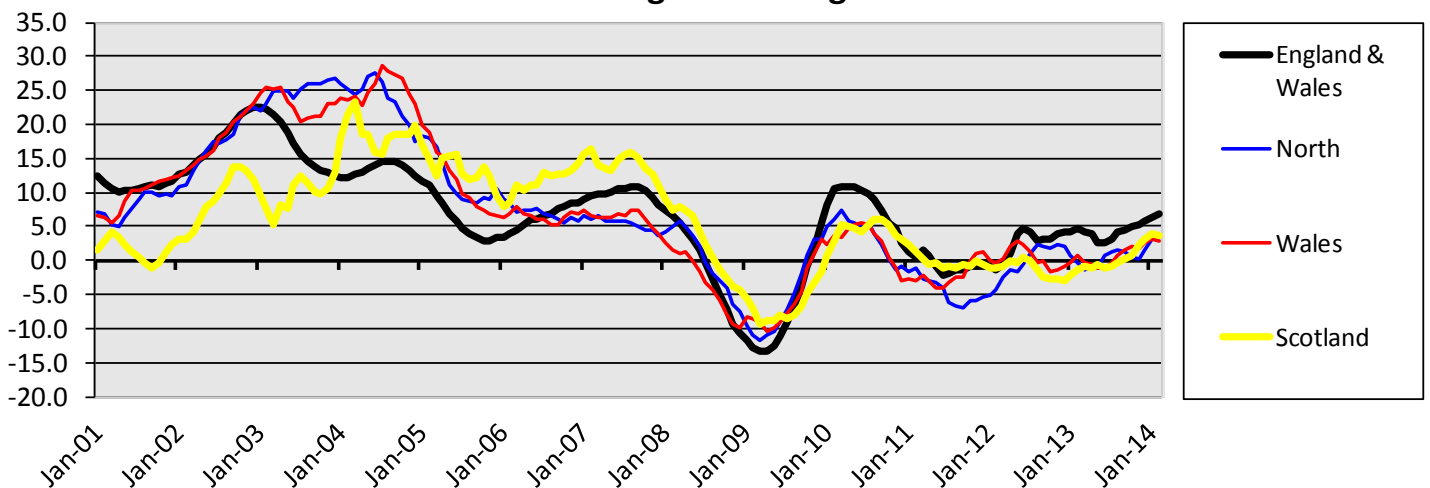


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – February 2014 [link to source Excel](#)

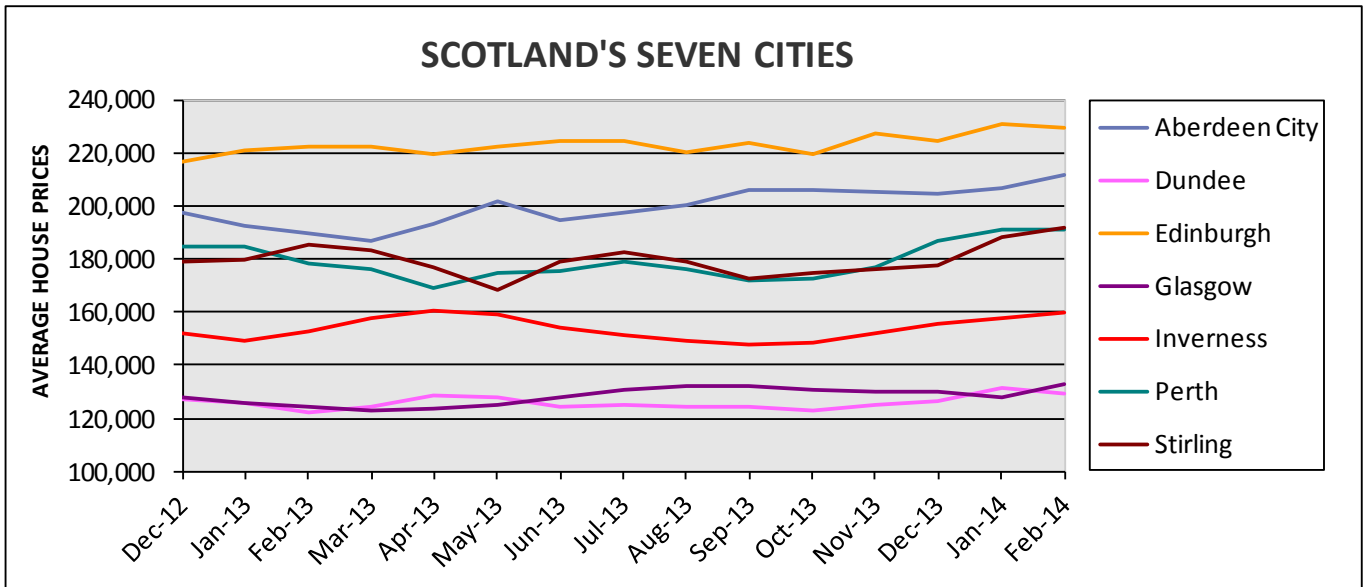


Figure 7. Average house prices for Scotland's seven cities from December 2012 – February 2014 [link to source Excel](#)

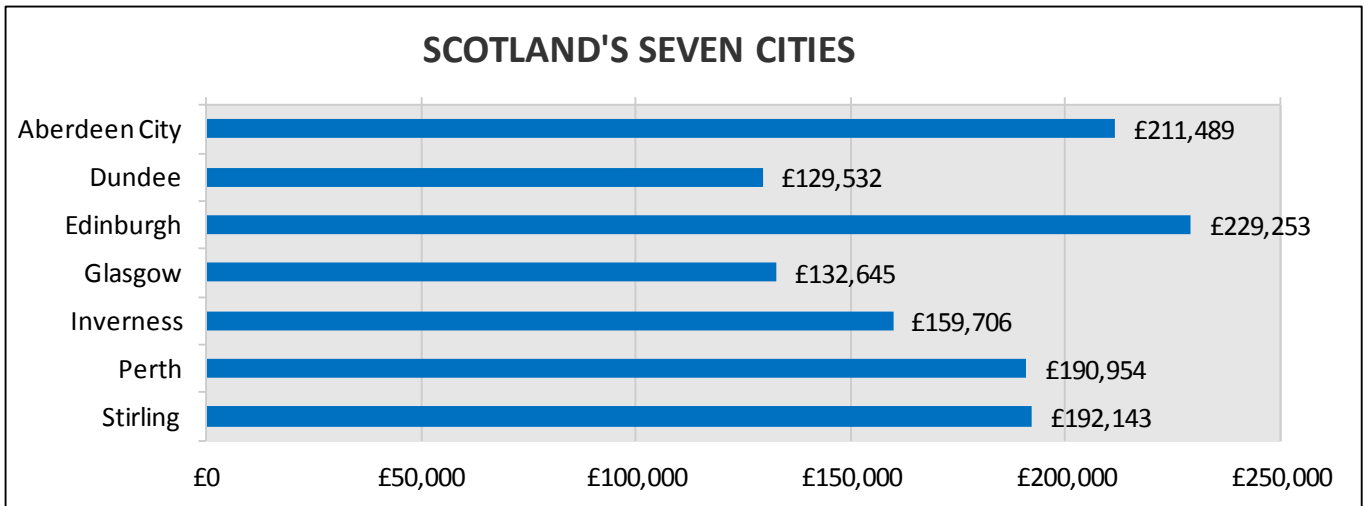


Figure 8. Average house prices for Scotland's seven cities February 2014 [link to source Excel](#)



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 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