

LSL Property Services/Acadametrics  
Scotland

# House Price Index

JANUARY 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 13TH MARCH 2013



## House prices rise in January by £1,028 following six months of falls

- Average house price £4,014 lower than a year ago
- Sales fall in January by more than twice the usual seasonal rate

House Price	Index	Monthly Change %	Annual Change %
£141,866	192.3	0.7	-2.8

**Gordon Fowlis, regional managing director of Your Move, an estate agency chain that is part of LSL, comments:** “Six consecutive months of falling house prices in the second half of 2012 threatened to drag the Scottish housing market back into the depths it fell to after the 2008 financial crisis. Prices have fallen over £4,000 in the last year – and by much more if you take inflation into account. Thankfully, a £1,000 rise in prices during January has put the brakes on the slide, at least for now.

“The crux of the problem is weak mortgage lending. Demand for mortgages is falling, and the supply of them remains painfully tight. Personal finances have been eroded by inflation and savings are crumbling away like weathered rock. Second steppers in particular are content to sit tight and wait until the market begins to recover. And Scotland is more exposed to public sector cuts than England and Wales, which is stymieing demand in comparison to south of the border.

“On top of that, criteria on mortgages are strict, which is slamming the door on lots of would-be buyers. Although the Funding for Lending scheme has helped reduce rates and encouraged banks to introduce a wider range of mortgages, borrowers still have to cross a high threshold in order to access them. This is proving difficult while their personal finances are being so savagely attacked.

“There are bright spots amid the gloom. First-time buyers – historically the fulcrum of a healthy housing market – are finding it easier to get mortgages thanks to a wider choice of products: first-time buyer numbers reached their biggest annual figure in four years over the last 12 months. If that improvement can be sustained throughout 2013 the housing market should begin to gradually recover. And despite the economic travails, underlying demand remains relatively strong, which should help support house prices in the long term.”

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 January 2012 – January 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
January	2012	£145,880	197.8	-0.8	-1.9
February	2012	£145,716	197.6	-0.1	-1.7
March	2012	£145,872	197.8	0.1	-1.3
April	2012	£146,266	198.3	0.3	-0.6
May	2012	£146,031	198.0	-0.2	-0.7
June	2012	£146,048	198.0	0.0	-0.1
July	2012	£145,592	197.4	-0.3	-0.5
August	2012	£143,898	195.1	-1.2	-2.1
September	2012	£143,439	194.5	-0.3	-2.9
October	2012	£142,272	192.9	-0.8	-3.7
November	2012	£141,931	192.4	-0.2	-3.8
December	2012	£140,838	191.0	-0.8	-4.2
January	2013	£141,866	192.3	0.7	-2.8

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



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

The LSL/Acadametrics HPI shows an increase of £1,028, or 0.7% in the average price paid for a house in Scotland in January, compared to December. This increase in the monthly rate reverses the trend of declining prices recorded over the previous six months, but is at odds with the figures produced by Registers of Scotland (RoS). These show a substantial fall of 6.0% in prices during the month, so some explanation is required.

Firstly, our average house prices are smoothed over three months to remove some of the spikes that occur in the recording of such averages. In this case, RoS had recorded a 4.5% increase in house prices in December, which made the fall of 6.0% in January look more serious than perhaps was merited, with a net fall of only 1.5% over the two months. Secondly we seasonally adjust our figures, whereas RoS do not. Typically, house prices in Scotland fall by 2.75% in January compared to December, and we therefore make an adjustment for this seasonal factor. This allows us to highlight the underlying trend in the price movement, disregarding what we consider to be standard price changes for the time of year. It can therefore be seen that the net fall of 1.5% over December and January is actually a smaller fall than is usually observed in Scotland in January. Finally, we mix adjust our prices to remove the possibility that the sale of more detached homes on a percentage basis in one month compared to another will distort the average price for that particular month. As a result of these refinements we conclude that the underlying trend in house prices was an increase of 0.7% over the month, compared to the 6.0% fall recorded by RoS.

Figure 1 below shows the seasonally adjusted average house price in Scotland for the period January 2012 to January 2013, together with a trend line over the twelve months. We see that the year can be split into two halves. Following an initial fall in January, there was a period of relative stability in prices over the first six months to June 2012; this was followed by an almost constant decline from July 2012 to the end of the year, with the small upturn in January starting 2013 on a rising trajectory.

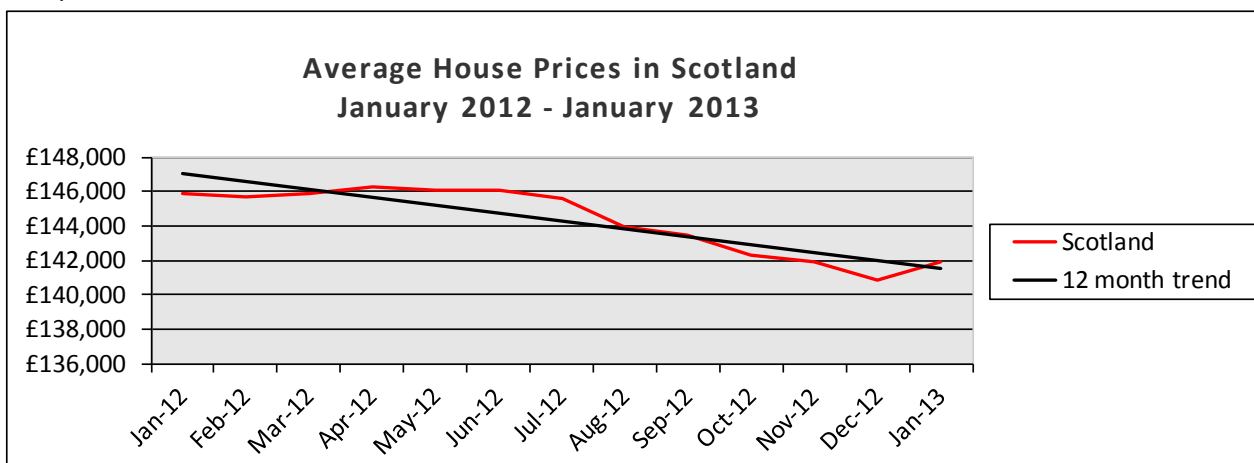


Figure 1. Average house prices in Scotland, January 2012 – January 2013

[link to source Excel](#)

The rise in prices seen in January has marginally arrested the annual rate of decline of 4.2% recorded in December, leaving prices down 2.8% over the year between January 2012 and January 2013. However, this 2.8% fall in average prices is still considerably larger than any decline recorded for the nine regions in England & Wales, with the most significant fall being seen in Wales; here prices have fallen by 0.6% on an annual basis.

Over the year, based on a three month average, we have seen semi-detached properties decline in price by 3%, and detached properties by 2%, with flats and terraces losing the least in value with a decline of 1% each. The smaller price falls in the terraced and flat sectors of the market are perhaps a consequence of the rise in demand by first time buyers, where activity levels have increased by 13% compared to the previous year, as discussed on page 5. This same sector of the market is also being targeted by the buy-to-let landlord, with the resultant competition maintaining prices at the lower end of the property ladder.

Where next for the property market? As stated above, the underlying trend in house prices was showing an increase in January, even if the actual prices being obtained by the vendors continued to decline. There does appear to be a slight easing in the conditions being imposed by the mortgage lenders, at least to first time buyers, which has resulted in increasing numbers of aspiring home owners coming to the market. Much will now depend on consumer confidence and employment prospects with the March budget indicating where the UK government sees the economy heading.

# House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing January 2012 with January 2013

[link to source Excel](#)

## AVERAGE HOUSE PRICES IN SCOTLAND BY LOCAL AUTHORITY AREAS

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA			% Change
			Jan-12	Jan-13	
1	1	Edinburgh, City of	208,890	207,280	-0.8%
2	3	East Renfrewshire	194,742	198,443	1.9%
3	2	Aberdeenshire	198,137	195,707	-1.2%
4	5	East Lothian	184,177	185,705	0.8%
5	6	Aberdeen City	180,773	182,769	1.1%
6	4	East Dunbartonshire	185,964	181,400	-2.5%
7	7	Stirling	173,170	168,131	-2.9%
8	8	Perth & Kinross	167,057	168,008	0.6%
9	9	Scottish Borders	155,622	152,842	-1.8%
10	11	Highland	149,952	144,911	-3.4%
11	10	Midlothian	153,875	144,820	-5.9%
12	12	Argyll & Bute	139,018	143,691	3.4%
13	17	Moray	130,733	137,677	5.3%
14	16	Dumfries & Galloway	131,712	134,320	2.0%
15	18	Angus	130,438	134,020	2.7%
16	13	West Lothian	136,111	130,583	-4.1%
17	15	South Ayrshire	134,194	129,817	-3.3%
18	20	Fife	127,403	125,959	-1.1%
19	26	Dundee City	117,214	122,067	4.1%
20	19	Glasgow City	129,826	120,940	-6.8%
21	14	Orkney Islands	135,005	119,659	-11.4%
22	22	Shetland Islands	124,468	118,559	-4.7%
23	23	Clackmannanshire	123,684	116,968	-5.4%
24	24	Falkirk	119,710	116,272	-2.9%
25	21	South Lanarkshire	126,283	113,692	-10.0%
26	28	Renfrewshire	112,631	105,816	-6.1%
27	30	Inverclyde	107,899	103,699	-3.9%
28	25	West Dunbartonshire	118,080	103,683	-12.2%
29	32	Eilean Siar	96,046	102,575	6.8%
30	29	East Ayrshire	108,809	101,737	-6.5%
31	27	North Ayrshire	115,168	100,291	-12.9%
32	31	North Lanarkshire	103,305	98,063	-5.1%
		<b>All Scotland</b>	145,880	141,866	-2.8%

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for January 2012 and January 2013, together with the rate of change over the year. This month house prices have fallen in 22 of the 32 Local Authority Areas compared to 23 last month. This small improvement supports the view that there has been a minor increase in prices across the country as a whole, despite the headline figure based on the national statistic, which shows a continuing decline in the average house price.

The highest increase in annual house prices among the Local Authority Areas was in Eilean Siar, up 6.8%. However, due to the low volume of transactions in this area, average house prices tend to be more volatile, compared to the more densely populated areas of Scotland. The authority with the second highest increase in house prices was Moray, up 5.3%, with increased numbers of house sales in the area being seen across the whole property spectrum. Moray was also the Local Authority area with the second highest movement in the rankings, based on average prices, up some four places over the year. However, it is Dundee City that has moved the most in the rankings, up 7 places in the property league table; it also lies in third position in terms of price increase over the year.

The area with the largest decline in prices over the 12 months was North Ayrshire, down 12.9%, followed by West Dunbartonshire, down 12.2%.

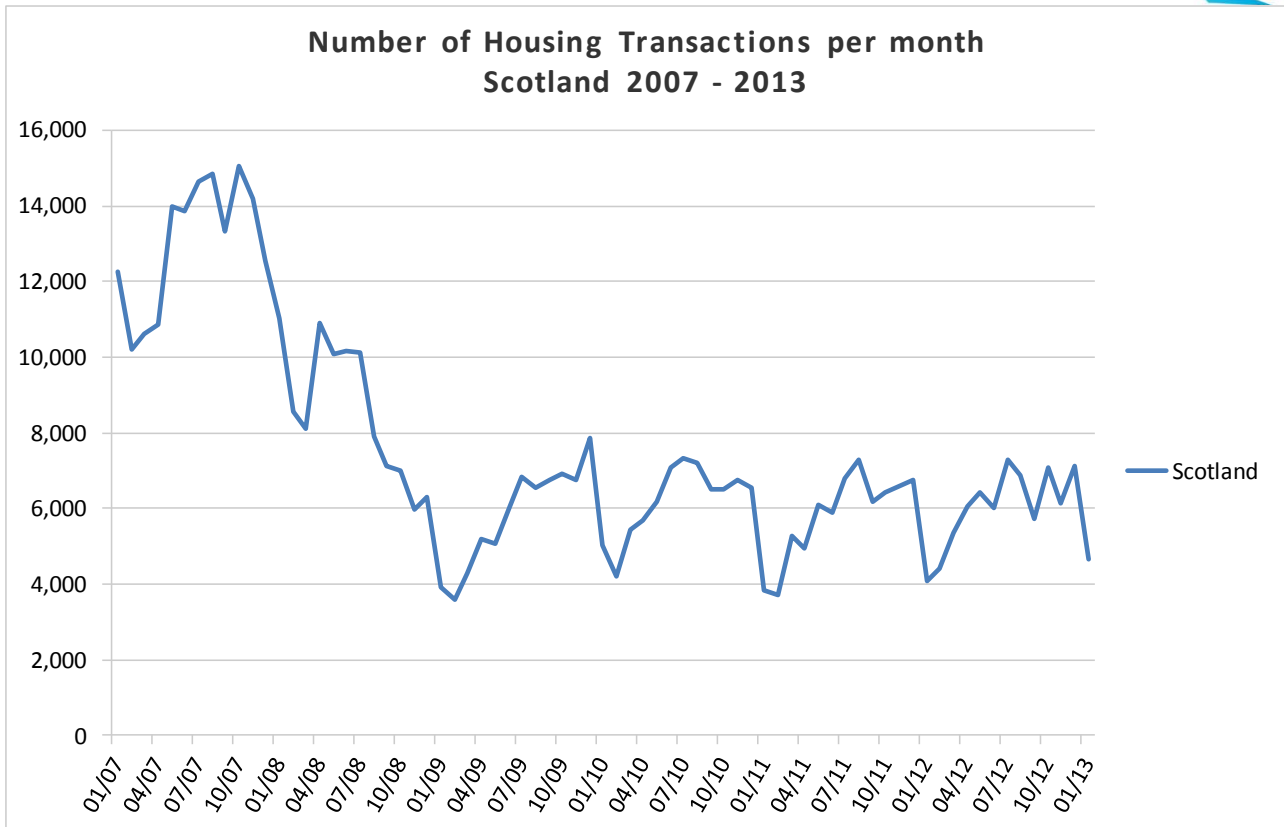


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2013 (not seasonally adjusted)

[link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to January 2013, without seasonal adjustment. On average, housing transactions fall by 18% in January compared to December. This is the result of less housing activity over the Christmas period, with a consequent fall in completions the following month. In the graph above the dip in sales in January of each year is readily apparent. A further dip in transaction numbers in February can also usually be seen, before sales start to rebound during the spring months.

This year the fall in January transactions over December was much higher at 35%, compared to the average 18%, but this had more to do with December sales being exceptionally buoyant, rather than some unexplained reduction in demand at the beginning of the year. In fact the level of transactions in January 2013 was 7% higher than in January 2012, which is encouraging, even if it is too early to extrapolate this positive start to the remainder of the year.

One of the features of the 2012 market, reported by the CML, is that the number of first time buyers in Scotland rose to the highest annual figure in four years. A total of 19,000 first time buyers became homeowners in 2012, which was a 13% increase compared to 2011. This 13% increase contrasts with the 4% increase in transactions observed across the Scottish housing market as a whole. Given that the financing institutions are currently offering more competitively priced products than a year ago, there is no reason to believe that the momentum generated by first time buyers will diminish in 2013.

Comparing the three month period November 2012 to January 2013 with the three months November 2011 to January 2012, there has been a 2% increase in transactions, with sales of flats increasing by 4%, semi-detached by 3%, detached by 2% and terraced properties by 1%. This average increase in the sale of flats is very much in line with our previous comments about first time buyers, who tend to favour such property types.

In quantum terms the area with the highest increase in flat sales over the three month period November 2012 to January 2013 was Edinburgh, compared with the same three months the previous year; here there was an increase of 160 units, up some 15%. This was followed by Glasgow, up by 90 unit sales, or 8%. The area with the largest increase in the sale of semi-detached properties was Aberdeenshire, where sales increased by 30 units over the year, up some 16%. Terraces saw the largest increase in sales in West Lothian, up by 55 properties, or 50% compared to the previous year, followed by Fife and Dundee City, up 30 extra properties in each locality. Fife also witnessed the largest increase in the sale of detached properties, up by an extra 40 properties sold, or 15% of that market.





## 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

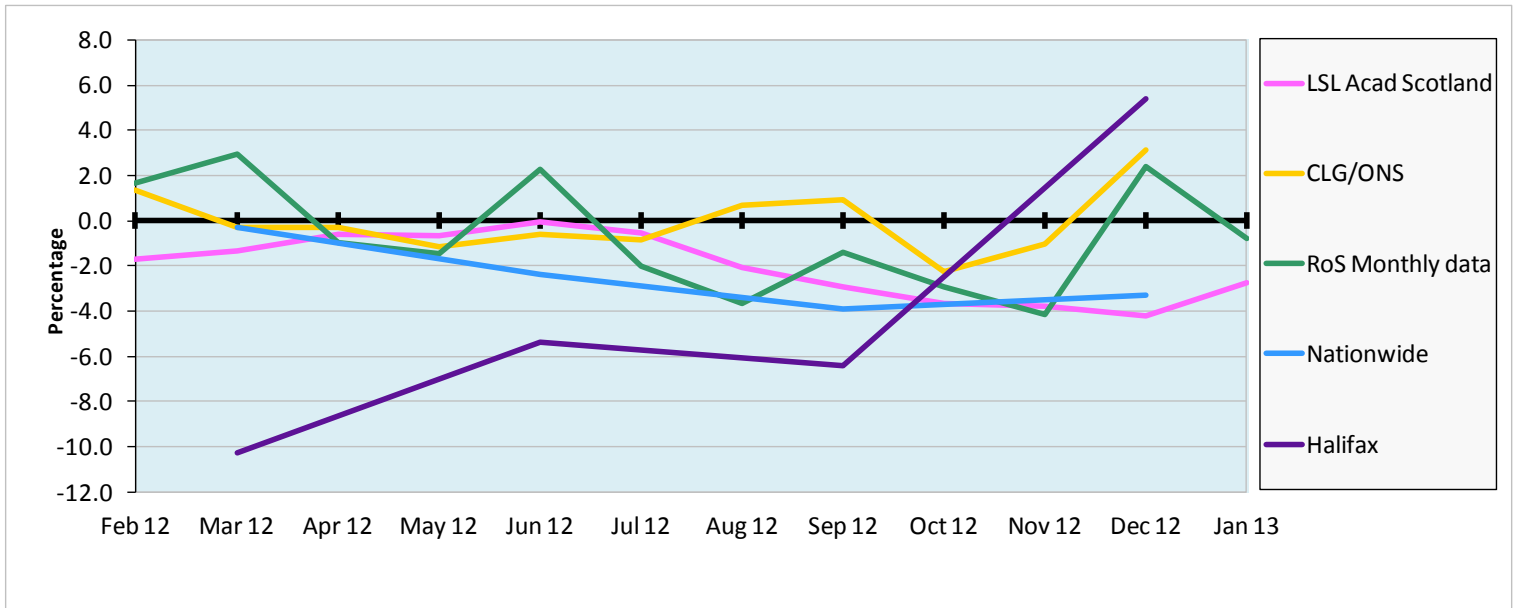


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

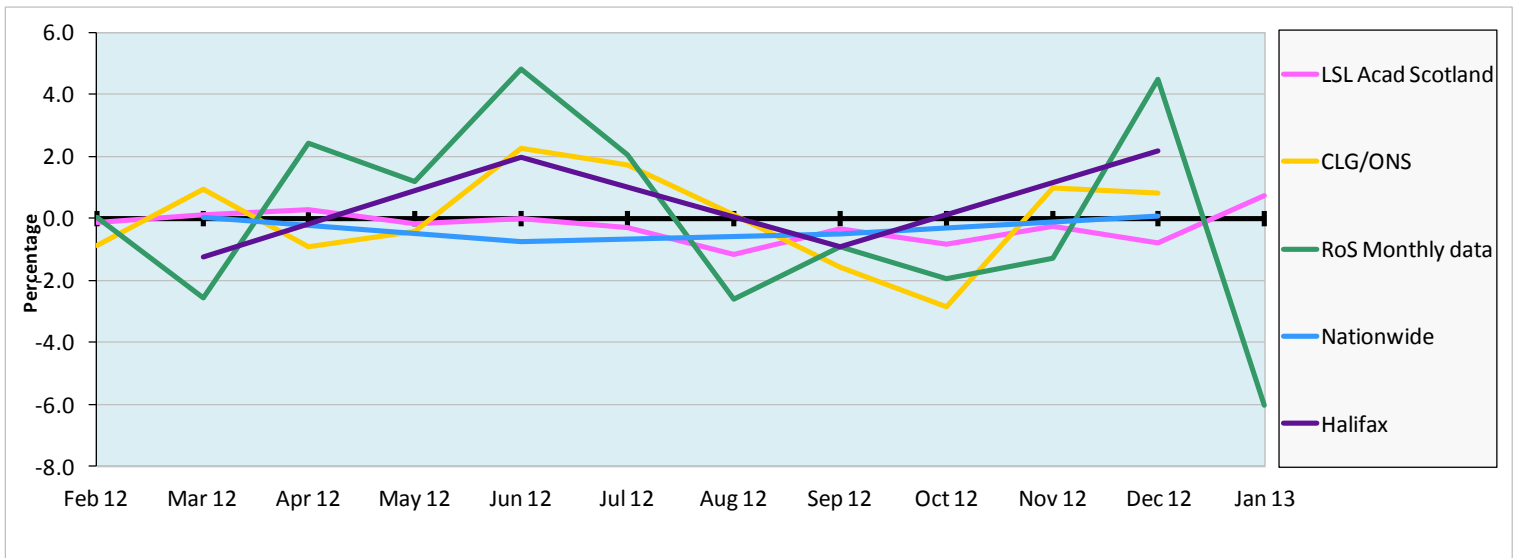


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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.

# Comparisons with Scotland



**Average House Price**

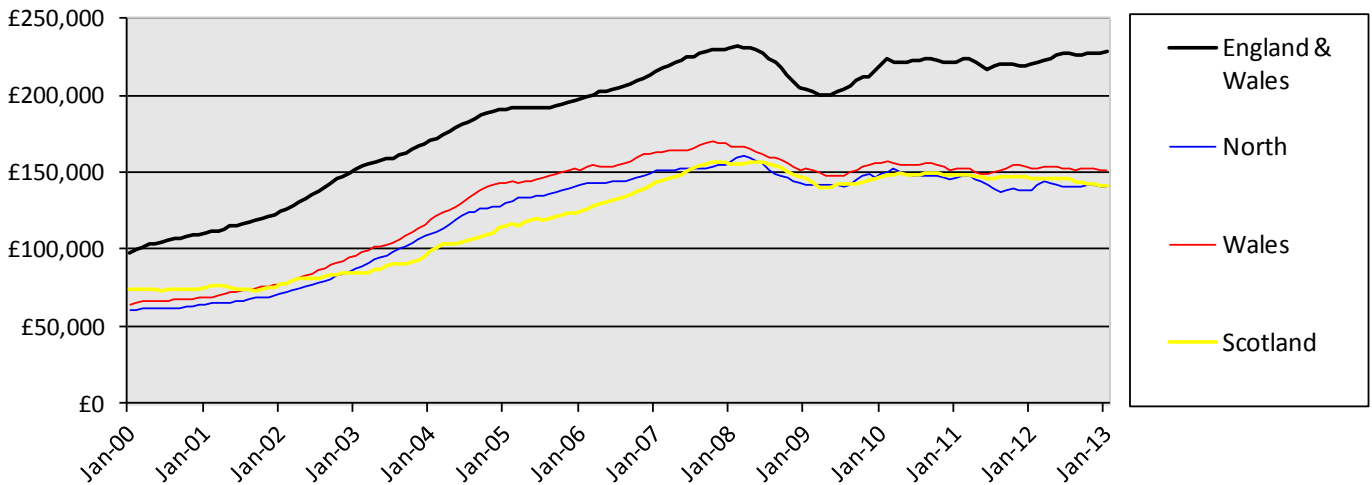


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - January 2013 [link to source Excel](#)

**Annual % change in Average House Prices**

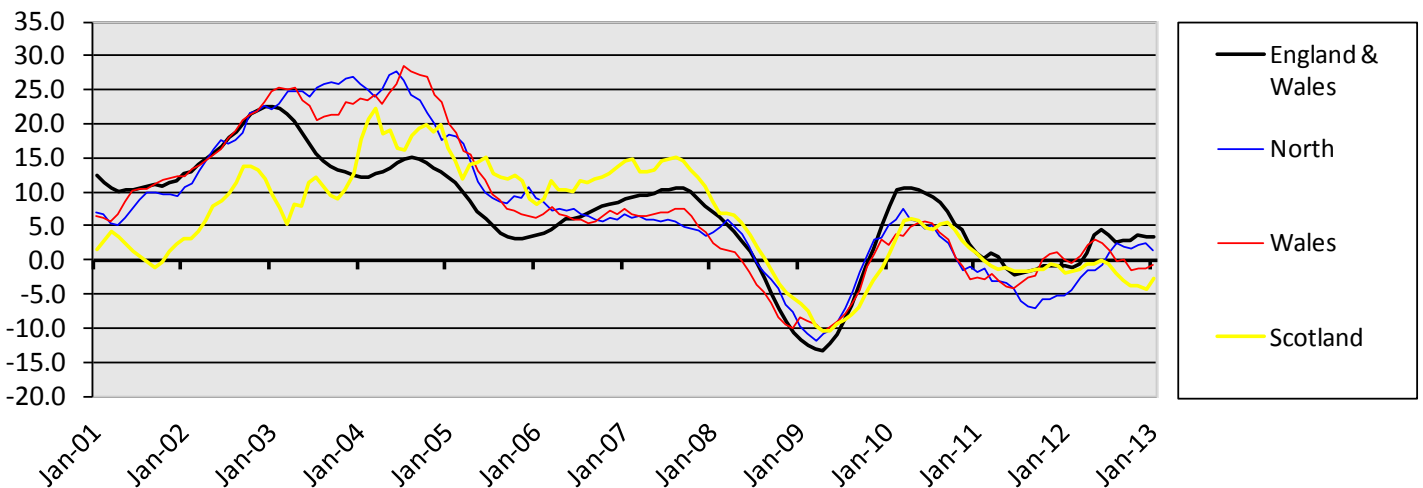


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – January 2013 [link to source Excel](#)



# Scotland's seven cities

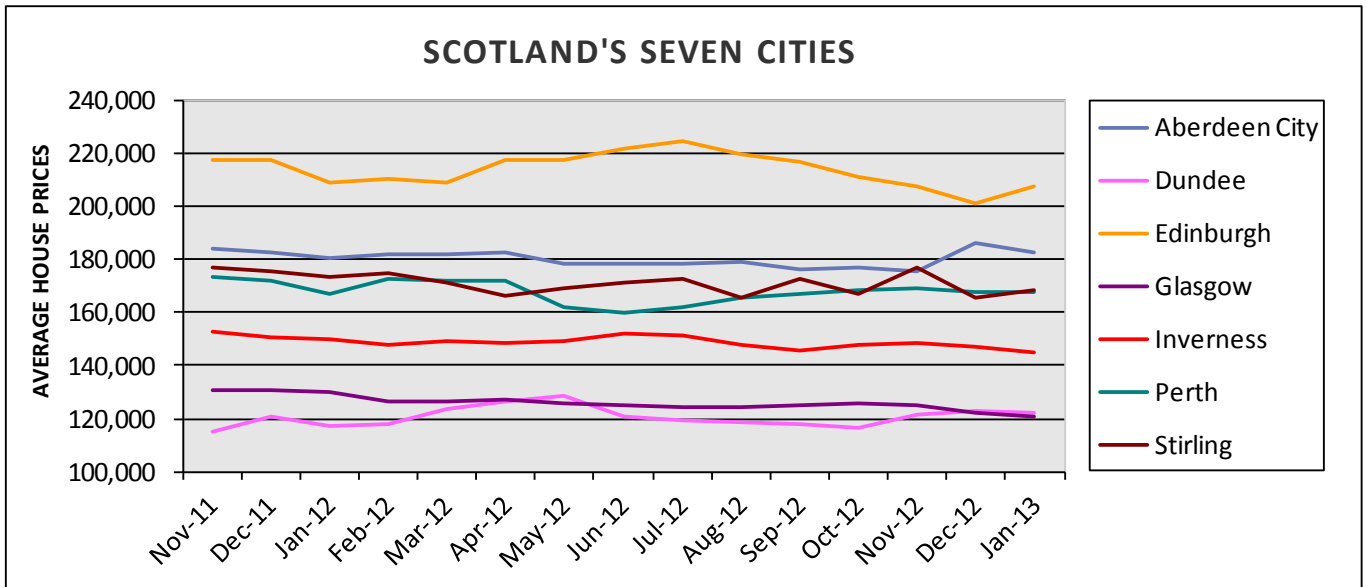


Figure 7. Average house prices for Scotland's seven cities from November 2011 – January 2013 [link to source Excel](#)

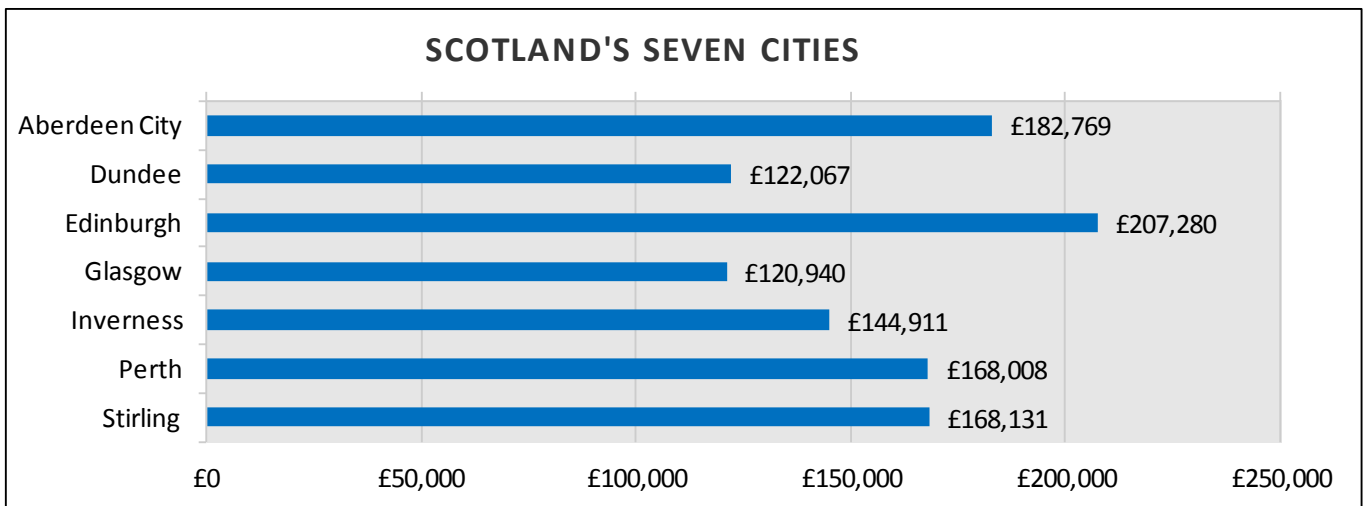


Figure 8. Average house prices for Scotland's seven cities January 2013 [link to source Excel](#)



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

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

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

- we provide only a current month average price for England & Wales as a whole, in our LSL Acad E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 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 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)