

LSL Property Services/Acadata

Scotland

House Price Index

JULY 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 17TH SEPTEMBER 2014



House sales reach six-year high, but slowing supply on the horizon

- **Monthly house price growth slows to 0.2%, as over half of Scotland see prices drop in July**
- **Home values still 0.6% off 2008 peak, while sales remain 30% lower than pre-crisis levels**
- **But first-time buyer activity fuels new record prices in Aberdeenshire and Edinburgh**

House Price	Index	Monthly Change %	Annual Change %
£164,483	215.4	0.2	5.7

Gordon Fowlis, regional managing director of Your Move, comments: “You can’t walk down the street without feeling the force of the independence debate. But on the surface, July’s figures point to a strangely serene Scottish housing market that was not yet expecting such a close-fought storm.

“A favourable lending environment boosted demand over the summer. There were 9,285 transactions in July, climbing 5% up from June to reach the highest monthly total since July 2008. And this propelled prices to new peaks in July in some of Scotland’s centres of employment. Aberdeenshire and Edinburgh have seen transactions soar 20% and 25% respectively over the past year. But on the other side of the coin, uncertainty is leaving its trace – and squeezing supply has seen slower overall transactions growth compared to last year.

“Higher up the chain any prospective sellers with the luxury of time are hanging on to see which way the tide turns before they put their home on the market. However, depending on the outcome of the referendum this could reverse rapidly. There is a chance of a mass take-off and sale of investments, which would disrupt house prices in the short-term. Scotland’s housing market recovery is still in the delicate stages of rehabilitation, and the number of completed sales in the last twelve months still only represents 70% of the average over the period 2004-2007. Ambiguity surrounding Scotland’s future isn’t helping. We are in the throes of the longest period of sustained monthly house price growth since February 2007, but only time will tell whether this recovery will be derailed.

“A Yes vote would usher in a further sixteen months of uncertainty. A Scotland outside the UK would open the floodgates to the real questions of currency, exchange rates, mortgage risk, and property taxation. Many mortgage holders could see their LTV shoot up as the implications of borrowing from a bank in a foreign country are unmasked. A No vote doesn’t guarantee clarity either – but the mist of ambiguity would clear sooner.

“Whichever way the chips fall on Friday morning, two million unhappy people will wake up in a divided Scotland, with a rift carved through society. This division will not easily be overcome, and it is the job of businesses to keep calm and carry on as usual. In the aftermath of the biggest decision Scotland will ever have to make, everybody will benefit from swift answers to our questions – regardless of the final word from the ballot boxes.”

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 July 2013 – July 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
July	2013	£155,627	203.8	0.3	-1.0
August	2013	£155,288	203.4	-0.2	-0.4
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	£158,386	207.4	0.3	3.1
January	2014	£159,622	209.1	0.8	3.9
February	2014	£160,065	209.6	0.3	3.5
March	2014	£160,905	210.7	0.5	3.8
April	2014	£161,412	211.4	0.3	4.1
May	2014	£162,292	212.6	0.5	4.4
June	2014	£164,107	214.9	1.1	5.8
July	2014	£164,483	215.4	0.2	5.7

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

Average house prices in Scotland rose on a seasonally adjusted basis by £375 in July, or 0.2%. This is the eleventh successive month that house prices have risen in Scotland, and is the longest run of monthly gains since the succession of nineteen positive months from August 2005 – February 2007, some nine years ago.

On an annual basis, house prices have increased by £8,856 or 5.7%. This percentage increase is marginally lower than last month by 0.1%, but not too much significance should be read into this slight fall. As we show on page 4, positive annual house price movements are currently being experienced in 30 of the 32 local authority areas, which is one more authority than last month, and is an indication of the extent to which house price increases are being seen across all of Scotland.

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; prices have subsequently tracked the trend line on a near straight-line basis since then, with an average 0.5% increase per month over the last six months.

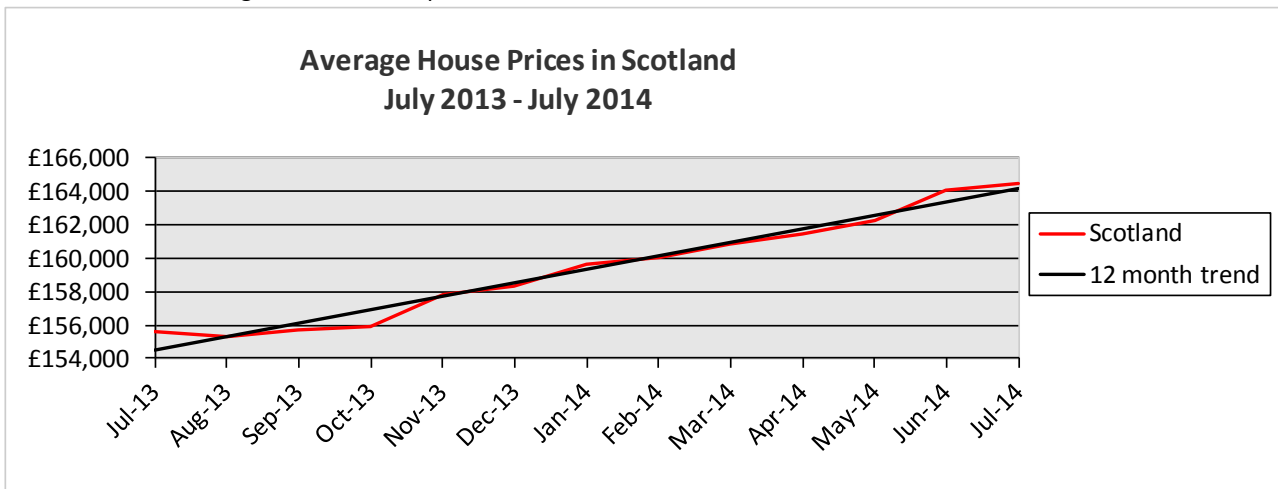


Figure 1. The average house price in Scotland, July 2013 – July 2014.

[link to source Excel](#)

Placing Scotland’s 5.7% annual increase in house prices in a UK context, the rate is higher than the rises currently seen in Wales, the Midlands and the North of England, but is below those seen in the South West (5.9%), East Anglia (6.5%), the South East (9.4%) and lastly Greater London (20.6%). However, most regions across England are now beginning to see falling prices, with only Greater London, the South East and East Anglia seeing an increase in the annual rate of house price inflation. The marginal fall in Scotland’s rate of house price inflation therefore mirrors what is happening in the remainder of the UK housing market if one excludes London, the South East and East Anglia from the statistics.

The number of housing transactions in Scotland continues to expand, with sales in July totalling 9,285, which is 5% higher than in both June 2014 and July 2013. It is the highest number of sales in a single month since July 2008, six years ago. During the last 12 months, there have been 92,500 properties sold. This is the highest 12 month total since 2008, although this level is only 70% of the average for the period 2004 – 2007. One can perhaps conclude from this that the market is in recovery mode from the 2008 housing crisis, but that it still has considerable potential for further expansion.

In terms of average house prices, the Scottish market is currently £1,032, or 0.6%, below the peak price set in May 2008. It is likely that a new peak for the Scottish market will be established over the next few months. In July, two local authority areas have established new peak prices, being Aberdeenshire and Edinburgh. Demand for properties in both areas has been strong, with transactions over the last year in Edinburgh and Aberdeenshire being up 25% and 20% respectively. Edinburgh in particular has benefited from first time buyer activity, with the sale of flats in the capital over the last year increasing by 31%. Edinburgh accounts for approximately 25% of all flats sold in Scotland.

It will be fascinating to see how the housing market performs over the next few months. The referendum is without doubt creating a degree of uncertainty in people’s minds, and uncertainty tends to imply that individuals will be somewhat reluctant to enter into long term commitments, such as buying a property. However, the housing statistics for July show no evidence that the forthcoming referendum has started to take a toll. Transactions in July were the highest for six years and prices continued to rise. In Aberdeen, a new upmarket development saw the sale in July of five apartments in the city centre, all with a price tag in excess of £1 million. Confidence does not therefore appear to be eroding. We will be monitoring next month’s statistics with extra diligence.

House prices analysis



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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Jul-13	Jun-14	Jul-14	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	225,794	239,658	242,806	1.3%	7.5%
2	2	Aberdeenshire	213,711	228,802	230,293	0.7%	7.8%
3	3	East Renfrewshire	211,189	230,741	220,564	-4.4%	4.4%
4	6	Aberdeen City	198,645	207,174	217,678	5.1%	9.6%
5	5	East Lothian	202,795	216,688	216,483	-0.1%	6.7%
6	4	East Dunbartonshire	207,700	222,245	212,079	-4.6%	2.1%
7	7	Stirling	183,327	184,115	190,756	3.6%	4.1%
8	8	Perth & Kinross	180,087	186,058	183,058	-1.6%	1.6%
9	10	Scottish Borders	154,002	172,642	173,506	0.5%	12.7%
10	9	Midlothian	165,906	167,617	162,760	-2.9%	-1.9%
11	11	Highland	152,336	162,791	159,169	-2.2%	4.5%
12	14	South Ayrshire	140,513	151,548	152,017	0.3%	8.2%
13	12	Argyll & Bute	145,950	158,898	150,503	-5.3%	3.1%
14	13	Moray	144,224	145,304	146,896	1.1%	1.9%
15	16	Angus	137,021	146,641	145,894	-0.5%	6.5%
16	15	West Lothian	138,202	145,460	143,537	-1.3%	3.9%
17	17	Fife	132,907	138,732	137,151	-1.1%	3.2%
18	22	South Lanarkshire	125,198	133,363	136,381	2.3%	8.9%
19	19	Glasgow City	131,093	130,952	132,911	1.5%	1.4%
20	18	Dumfries & Galloway	131,864	133,551	132,262	-1.0%	0.3%
21	20	Orkney Islands	128,398	136,572	129,666	-5.1%	1.0%
22	28	Renfrewshire	110,163	128,267	129,009	0.6%	17.1%
23	25	Falkirk	116,077	128,169	128,214	0.0%	10.5%
24	23	Inverclyde	120,045	127,727	127,633	-0.1%	6.3%
25	26	Shetland Islands	112,899	144,895	125,366	-13.5%	11.0%
26	21	Dundee City	125,402	128,402	124,694	-2.9%	-0.6%
27	24	Clackmannanshire	118,972	124,258	123,555	-0.6%	3.9%
28	27	West Dunbartonshire	110,487	116,555	119,522	2.5%	8.2%
29	30	North Lanarkshire	108,131	114,909	112,949	-1.7%	4.5%
30	31	East Ayrshire	105,128	111,404	112,694	1.2%	7.2%
31	29	North Ayrshire	109,598	111,814	110,381	-1.3%	0.7%
32	32	Eilean Siar	96,041	102,228	103,995	1.7%	8.3%
		All Scotland	155,627	164,107	164,483	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 July 2013, June 2014 and July 2014. Overall in July 2014, prices continued to rise by 0.2% in the month, although prices fell in 18 of the 32 Local Authority Areas (last month 16), on a seasonally adjusted basis. Looking at the change in prices in the month, Aberdeen City saw the highest rise in prices at 5.1%. The month's figures for Aberdeen City were boosted by the sale of eight properties all with a price tag in excess of £1 million. Of these, five were based in Oakhill Grange, being part of a new development complex in the West End of Aberdeen. The area with the largest fall in prices was the Shetland Islands, with average prices down 13.5%, but small transaction numbers on the Islands tend to make average prices particularly volatile.

On an annual basis, prices have risen in 30 of the 32 local authority areas, which is one more than last month, and represents 94% of all local authority areas in Scotland. Thus house prices are moving upwards across most of Scotland, with only Midlothian and Dundee City seeing average prices fall over the year. The area on the mainland with the highest increase in average house prices is Renfrewshire, where prices have risen by 17.1% during the year. 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.

This month, Edinburgh joins Aberdeenshire as one of the two local authority areas where average house prices are at their peak. In Edinburgh, 3 flats and 4 detached properties were sold for prices in excess of £1 million over the last three months, which will have helped raise average prices in the city. In Aberdeenshire, detached homes are the most popular property type, with average prices rising from £260k to £280k over the last year. It is interesting to note that it is the two areas with the most expensive average house prices in Scotland that are recording peak prices, while the area furthest off its peak, by £41k, is North Ayrshire, which is ranked second from bottom in terms of its average price.

Housing transactions



In Scotland, the housing statistics for the last eleven years show that the largest numbers of property transactions in a single month take place in July and August, with July perhaps being the slightly favoured month. This year looks as though it will follow this historic seasonal pattern. The number of transactions in July 2014 recorded by the Registers of Scotland was 9,285, up 5% on June 2014 and also up 5% on July 2013. This is the highest number of transactions in a single month since July 2008.

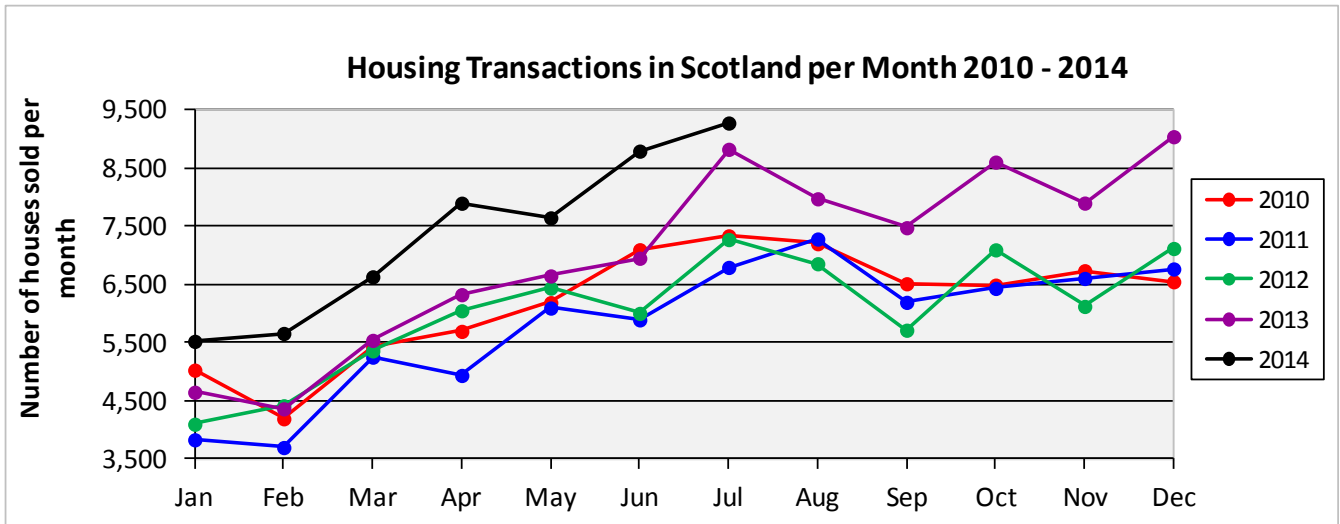


Figure 2. The number of housing transactions by month in Scotland, 2010 - 2014 (not seasonally adjusted)

[link to source Excel](#)

Source: Registers of Scotland

Figure 2 above shows a five year history of the number of housing transactions in Scotland, covering the period January 2010 – July 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, perhaps reflecting a slowdown in the current market.

The CML has recently published its analysis of the number of loans taken out for house purchase in Scotland during the second quarter of 2014, compared to the second quarter of 2013. The CML data show that the number of loans made to first time buyers over this period increased by 23% compared to the previous year, totalling some 7,500. Similarly, the number of loans made to home movers increased by 17% over this period, totalling some 8,600. Thus first time buyers represent 47% of those taking out loans to purchase a property in the Scottish housing market. This statistic gives a real sense of the importance of the first time buyer to the recovery in the market that has taken place over the last year.

Other interesting statistics quoted by the CML in its recent analysis of the loan market is that the average loan size for first time buyers in Q2 2014 was £95,000, up by £5,000 over Q1 2014. Similarly the average loan size for home movers in Q2 2014 was £128,600, up by £8,100 over Q1 2014. Thus loan sizes have increased by 6% & 7% respectively during the year, which is much in line with the house price increase of 5.7% that we are currently reporting.

Taking the last three months, May – July 2014, there have been 25,750 transactions in Scotland, which is a 15% increase over the same three months in 2013. Analysing this increase by property type we find flat sales have increased the most, up 22%, followed by detached sales up 18%, then terraced sales up 14% and lastly semi-detached sales up 12%. The predominance of flat sales is a consequence of first time buyer activity, flats being the property type of choice for this sector of the market.

Looking at individual Local Authority areas over the period May – July 2014, compared to the same three months in 2013, 29 of the 32 authorities saw increases in the numbers of properties sold. The three areas where sales diminished were East Renfrewshire -9%, Aberdeen City -3%, and Dumfries & Galloway -2%. On the mainland, Moray has seen the highest increase in property transactions over the period, up by 39%, with detached and semi-detached houses seeing the largest increase in sales. Moray is followed by West Lothian, seeing an increase of 33% in the number of transactions over this same period. In West Lothian detached homes are the most popular property type, and these saw an increase of 37% in the numbers sold.

In May 2014, Edinburgh and Glasgow together accounted for 24% of all property transactions in Scotland and 47% of all flat sales. The number of transactions in Edinburgh was marginally ahead of Glasgow in July, and this was true for all property types except semi-detached homes, where Glasgow had the higher figure.



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

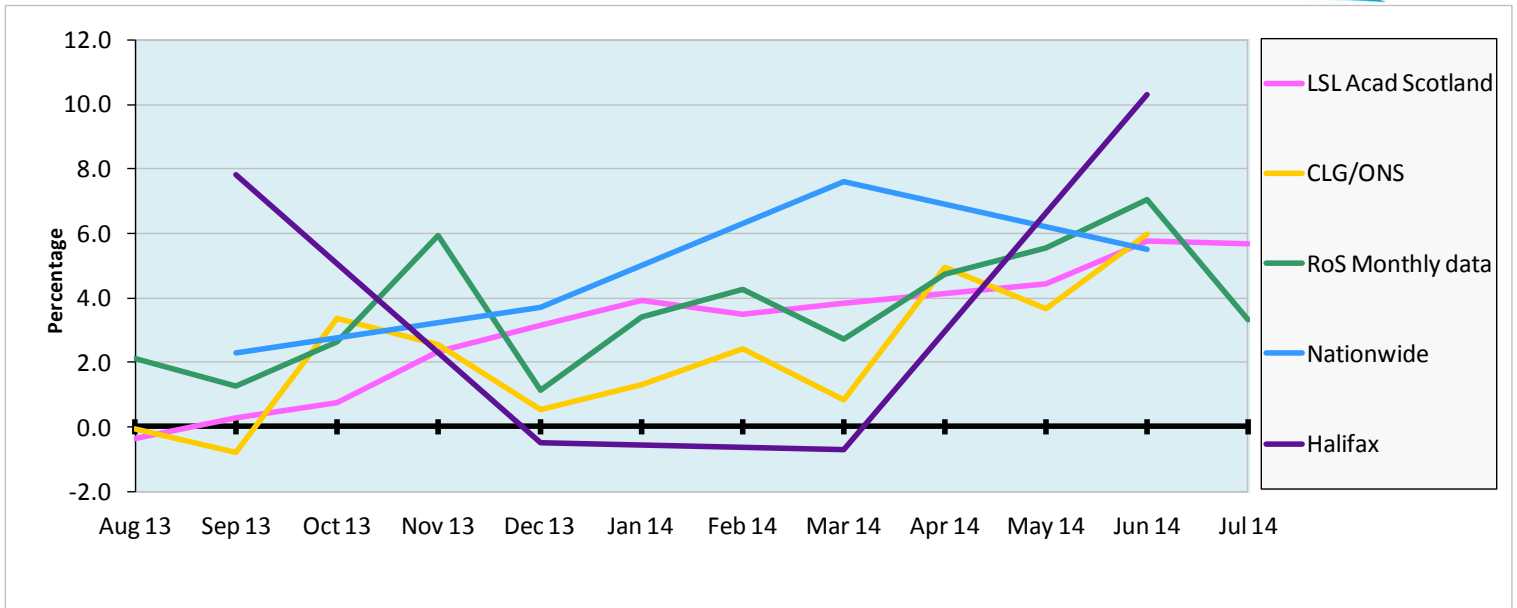


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

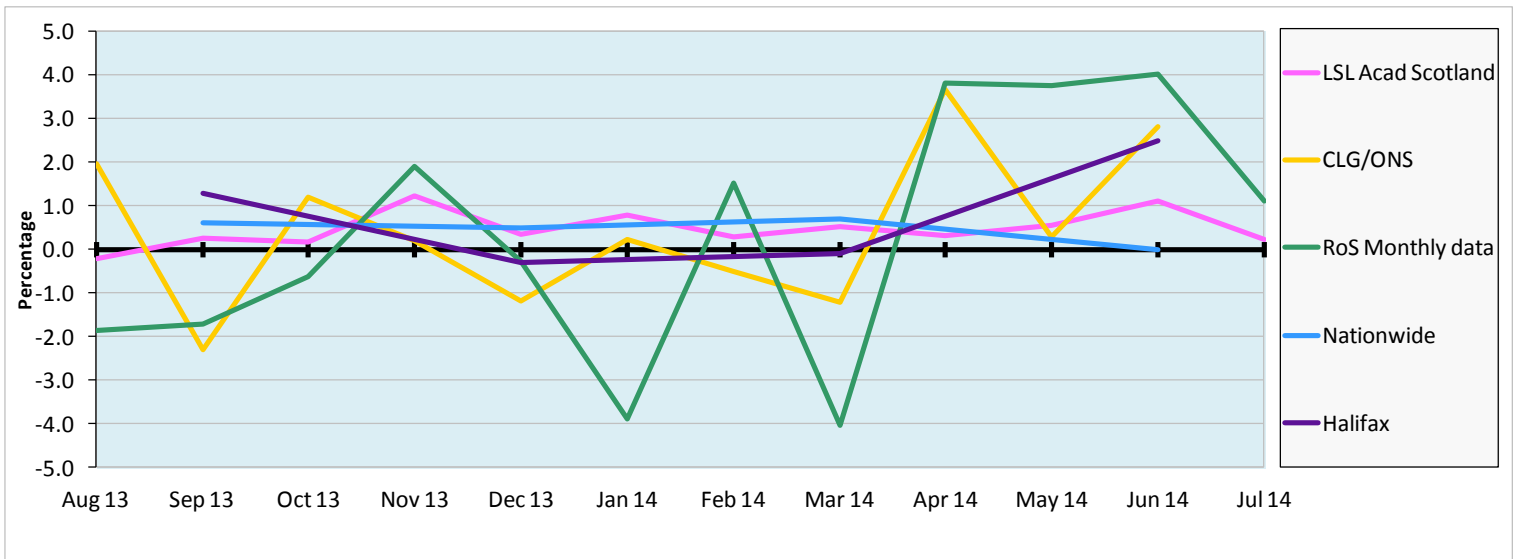


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

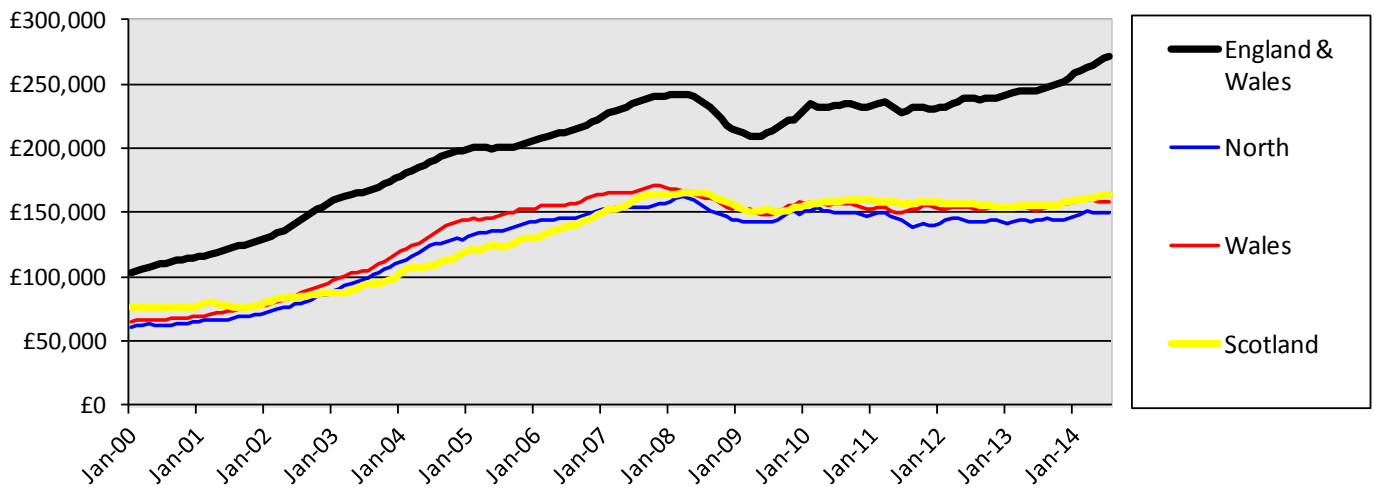


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - July 2014 [link to source Excel](#)

Annual % change in Average House Prices

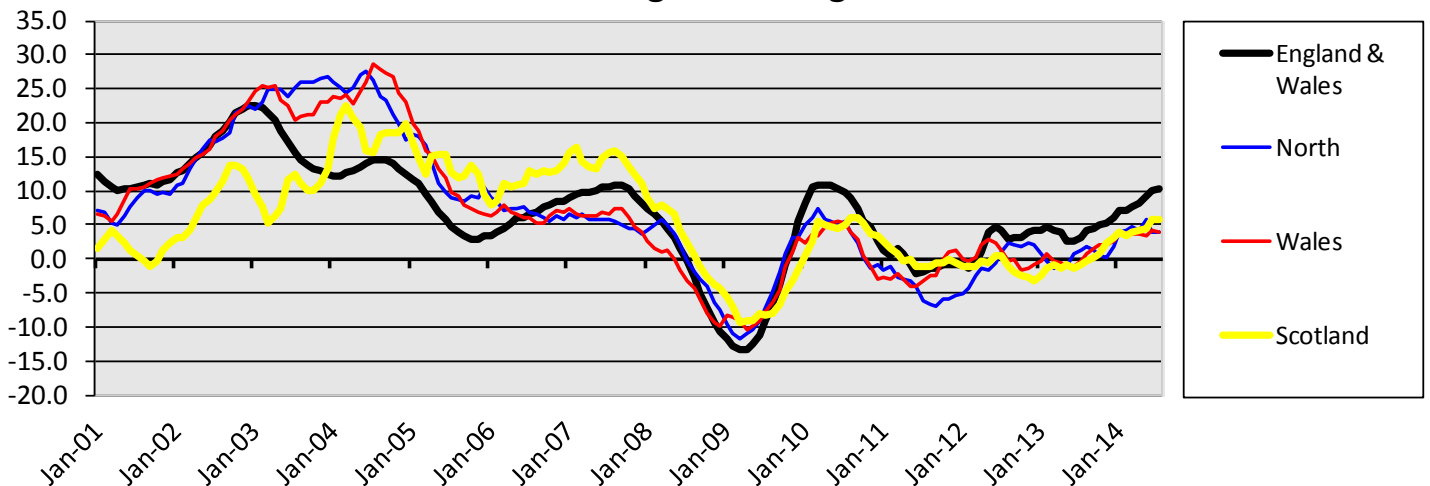


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – July 2014 [link to source Excel](#)

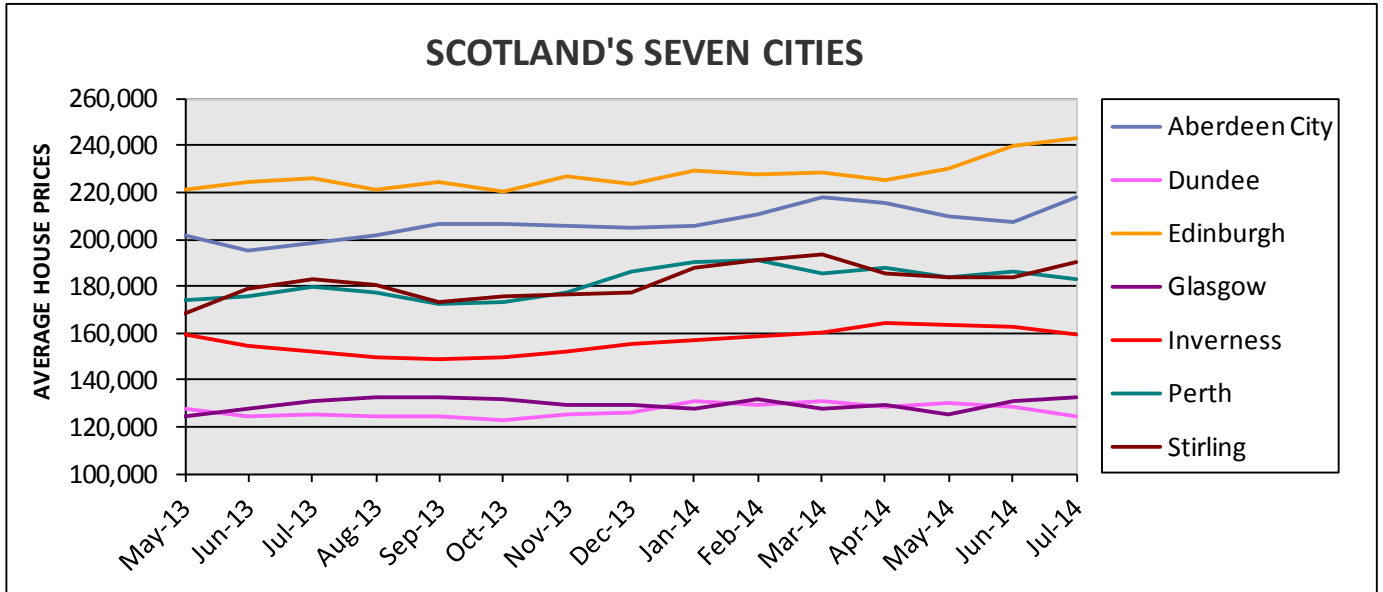


Figure 7. Average house prices for Scotland's seven cities from May 2013 – July 2014 [link to source Excel](#)

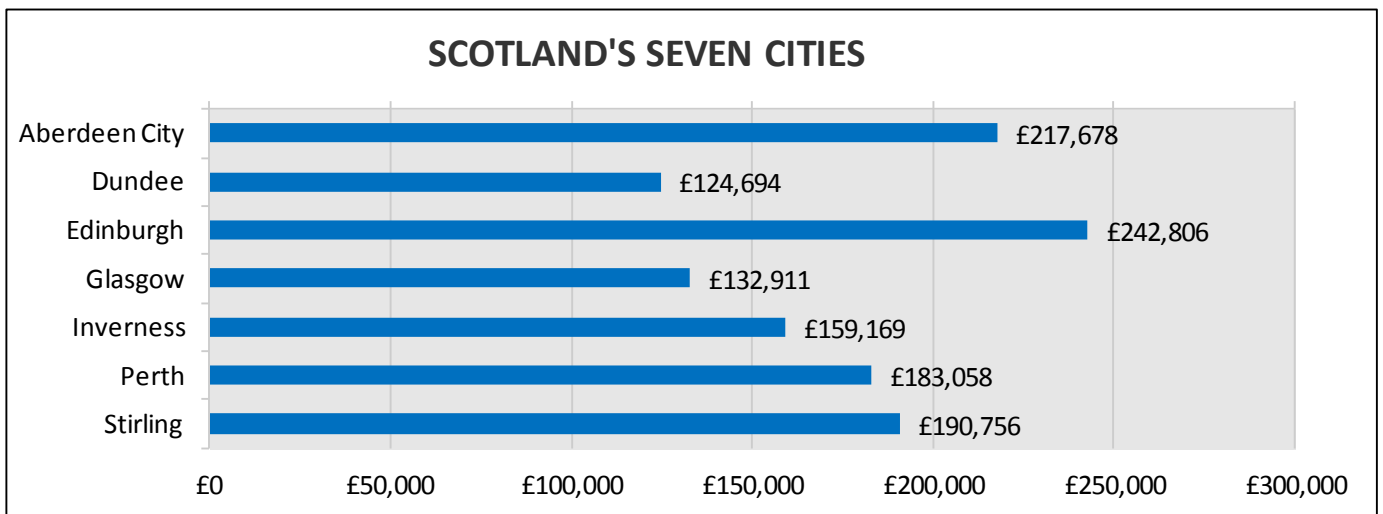


Figure 8. Average house prices for Scotland's seven cities July 2014 [link to source Excel](#)



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 monthHence, 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