

LSL Property Services/Acadata

Scotland

House Price Index

JUNE 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 13TH AUGUST 2014



Annual house price growth hits four-year high – yet still only a third of pre-crisis rate

- Scottish house prices rise £8,890 (5.7%) in a year – outpacing most areas of UK
- Home sales up 15% in June, back on course after spring lull
- But activity and price growth driven primarily by Edinburgh and Glasgow
- Average prices still 0.9% off pre-crisis peak, and half of Scotland saw prices drop in June

House Price	Index	Monthly Change %	Annual Change %
£164,105	214.9	1.1	5.7

Gordon Fowles, regional managing director of Your Move, an estate agency chain that is part of LSL, comments: “On the home straight to polling day, the Scottish housing market is fighting fit ahead of the independence battle, and showing the highest annual growth in four years. Average property prices have risen £8,890 (or 5.7%) in the last twelve months, the biggest rise we’ve experienced since September 2010. This is stronger than the annual rises in the North of England, the Midlands and Wales. While the majority of regions across England and Wales are witnessing price falls, the Scottish market is moving the other way. In Aberdeenshire, prices climbed to a new high of £228,802 last month. Overall, average house prices in Scotland are now only 0.9% below their May 2008 peak, and this gap is narrowing. Many households are feeling the weight lift off their shoulders, as consumer confidence in the economic recovery mounts.

“The housing market may have been temporarily subdued in the immediate clamour surrounding the MMR regulatory changes, but activity is again apparent, and sales rose 15% in June, up 26% on the previous year. This is a step in the right direction, but there is plenty of gas still left in the tank. In the first six months of this year, property transactions totalled 42,200, which is just half of the volume in 2007/08.

“In reality, it’s a tale of two cities that is really leading the narrative. A quarter of all house sales across Scotland in June were in Glasgow and Edinburgh, pushing average property prices in these cities up 4.5% and 4.2% respectively over the course of the month. Flourishing first-time buyer demand has also played a significant role to date. Overall in Scotland, sales of flats have increased the most in the first half of 2014 – increasing 28% on the same six months of last year. However, now that the Help to Buy scheme has suspended its funding, it remains to be seen whether the activity emanating from the bottom rungs of the property ladder will be dampened.

“The Scottish housing market may appear sturdy, but there are many changes on the horizon to weather. The annual growth we’re experiencing currently is still only a third of the 16.0% pace recorded in August 2007 before the financial crisis. In June, average property prices dipped in half of all the local authority areas across Scotland, as the market attunes to calmer growth. It may be on the track, but the housing recovery still requires careful steering to navigate upcoming obstacles and to ensure that the benefits are felt equally across the country.”

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 June 2013 – June 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
June	2013	£155,212	203.3	-0.1	-1.4
July	2013	£155,627	203.8	0.3	-1.0
August	2013	£155,288	203.4	-0.2	-0.4
September	2013	£155,641	203.8	0.2	0.2
October	2013	£155,919	204.2	0.2	0.7
November	2013	£157,838	206.7	1.2	2.3
December	2013	£158,397	207.5	0.4	3.1
January	2014	£159,633	209.1	0.8	3.9
February	2014	£160,067	209.6	0.3	3.5
March	2014	£160,914	210.7	0.5	3.9
April	2014	£161,423	211.4	0.3	4.1
May	2014	£162,303	212.6	0.5	4.4
June	2014	£164,105	214.9	1.1	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 £1,800 in June, or 1.1%. This is the tenth 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. The monthly gain of 1.1% is also the second highest rise in prices in a month since July 2007, the highest having been in November 2013 at 1.2%.

On an annual basis, house prices have increased by £8,890 or 5.7%. This percentage increase is the highest since September 2010, but is still approximately only a third of the 16.0% recorded in August 2007 during the last housing boom. As we show on page 4, positive annual house price movements are currently being experienced in 29 of the 32 local authority areas, giving an indication of the extent to which house price increases are being seen across almost 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 until June of this year, when they have once again risen at a higher than average rate.

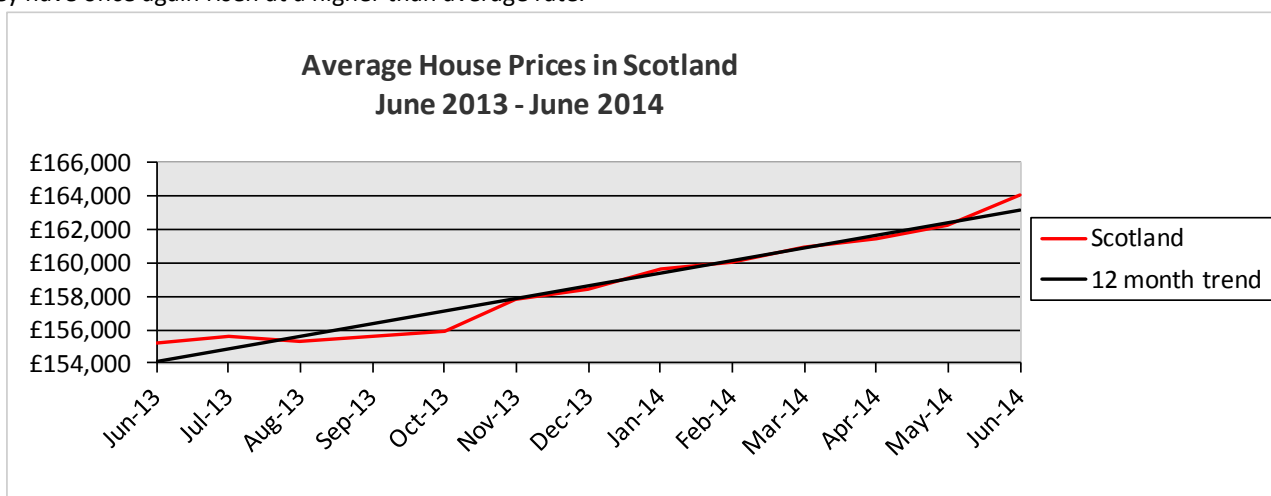


Figure 1. The average house price in Scotland, June 2013 – June 2014.

[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 East Anglia (5.9%), the South West (6.5%), the South East (8.4%) and last but by no means least, Greater London (19.0%). However, most regions across England are now beginning to see falling prices, with only Greater London, the South East and Wales seeing an increase in the annual rate of house price inflation. The acceleration in Scotland’s house price growth is therefore going against the pattern observed in most other areas of Great Britain.

One of the interesting aspects of the June housing market (see Table 2 on the next page) is the increase in average prices over the month observed in both Glasgow and Edinburgh, up 4.5% and 4.2% respectively. These two cities accounted for 25% of all housing transactions in Scotland in June, with sales in both locations being a major component of the national 1.1% increase in average prices seen in the month. So why did prices rise in both cities in June? The statistics show that there were substantial increases in the number of properties changing hands. Compared to May, 130 more flats were sold in Edinburgh in June and in Glasgow 60 more flats and 30 more terraces. In both cities, this increase in demand raised the average prices paid for flats, by £20k in Edinburgh and by £15k in Glasgow. Last month, we stated that the new MMR rules introduced at the end of April had slowed down the number of mortgage approvals being granted in May. It would appear that the problems involved in processing new mortgage applications under the MMR rules were resolved during May, with the housing market recovering rapidly since then.

The market in Scotland is currently looking robust. The number of housing transactions that have taken place in each of the eleven months 5August 2013 – June 2014 have been higher than the same months in the previous five years, with the first six months of 2014 seeing a 25% increase in sales over the first six months of 2013. There were positive house price movements over the year at an average rate of 5.7% in 29 of the 32 local authority areas, some 3.9% higher than June’s CPIH of 1.8%. Hence most home owners will have a feel good factor, in the knowledge that their asset is growing at a faster rate than inflation. Average house prices are still 0.9% below the peak seen in May 2008, but the gap between the peak and current prices is continuing to narrow. It will be fascinating to observe how the next six months of 2014 play out.

House prices analysis



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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Jun-13	May-14	Jun-14	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	224,469	230,044	239,659	4.2%	6.8%
2	4	East Renfrewshire	208,756	232,255	230,741	-0.7%	10.5%
3	2	Aberdeenshire	214,652	224,803	228,802	1.8%	6.6%
4	3	East Dunbartonshire	210,121	226,587	222,245	-1.9%	5.8%
5	5	East Lothian	198,095	215,783	217,102	0.6%	9.6%
6	6	Aberdeen City	195,283	209,898	207,141	-1.3%	6.1%
7	8	Perth & Kinross	175,992	183,777	186,058	1.2%	5.7%
8	7	Stirling	179,219	183,888	184,115	0.1%	2.7%
9	10	Scottish Borders	155,901	175,035	172,642	-1.4%	10.7%
10	9	Midlothian	169,792	164,624	167,617	1.8%	-1.3%
11	11	Highland	154,482	163,530	162,791	-0.5%	5.4%
12	12	Argyll & Bute	153,306	160,393	158,898	-0.9%	3.6%
13	14	South Ayrshire	141,015	148,315	151,548	2.2%	7.5%
14	15	Angus	140,513	146,837	146,641	-0.1%	4.4%
15	16	West Lothian	136,558	146,321	145,460	-0.6%	6.5%
16	13	Moray	147,371	145,324	145,429	0.1%	-1.3%
17	29	Shetland Islands	111,455	147,940	144,896	-2.1%	30.0%
18	18	Fife	129,873	141,594	138,719	-2.0%	6.8%
19	21	Orkney Islands	126,711	130,953	136,572	4.3%	7.8%
20	19	Dumfries & Galloway	128,743	131,528	133,551	1.5%	3.7%
21	17	South Lanarkshire	130,180	130,263	133,392	2.4%	2.5%
22	20	Glasgow City	127,952	125,270	130,872	4.5%	2.3%
23	22	Dundee City	124,419	129,940	128,402	-1.2%	3.2%
24	26	Renfrewshire	114,248	123,294	128,221	4.0%	12.2%
25	25	Falkirk	116,272	127,484	128,102	0.5%	10.2%
26	23	Inverclyde	119,353	129,155	127,727	-1.1%	7.0%
27	24	Clackmannanshire	116,397	129,232	124,258	-3.8%	6.8%
28	28	West Dunbartonshire	111,455	118,464	116,555	-1.6%	4.6%
29	30	North Lanarkshire	107,946	114,851	114,915	0.1%	6.5%
30	27	North Ayrshire	111,603	114,020	111,814	-1.9%	0.2%
31	32	East Ayrshire	103,023	105,898	111,404	5.2%	8.1%
32	31	Eilean Siar	103,082	105,941	102,222	-3.5%	-0.8%
		All Scotland	155,212	162,303	164,105	1.1%	5.7%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for June 2013, May 2014 and June 2014. Overall in June 2014, prices continued to rise by 1.1% in the month, although prices fell in 16 of the 32 Local Authority Areas (last month 11), on a seasonally adjusted basis. Looking at the change in prices in the month, Glasgow and Edinburgh were ranked second and fourth in terms of percentage price increases; given that these two cities between them accounted for 25% of all house sales in Scotland in June, one can understand why the overall increase in the average price in Scotland is the second highest in a month since July 2007 – the two areas with the highest number of sales were among the areas with the highest increase in prices. For the record, the local authority area with the highest increase in prices in the month was East Ayrshire, up 5.2%, where the prices of detached and semi-detached homes proved to be particularly strong.

On an annual basis, prices have risen in 29 of the 32 local authority areas, which is one more than last month, and represents 91% of all local authority areas in Scotland. Thus house prices are moving upwards across most of Scotland, with only Midlothian, Moray and Eilean Siar 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 12.2% during the year, with East Renfrewshire at 10.5% being ranked in third place. Semi-detached homes have been selling in increasing numbers in Renfrewshire, which has assisted the area to its prime position in the annual price growth league, with prices of semis rising from £125k to £140k over the last year.

This month Aberdeenshire is the sole local authority area where average house prices are at their peak. In Aberdeenshire, detached homes are the most popular property type with average prices rising from £260k to £275k over the last year. All property types in Aberdeenshire have seen increases in their average price over the previous twelve months, resulting in the authority's current status of having a new average peak price at £228,802.

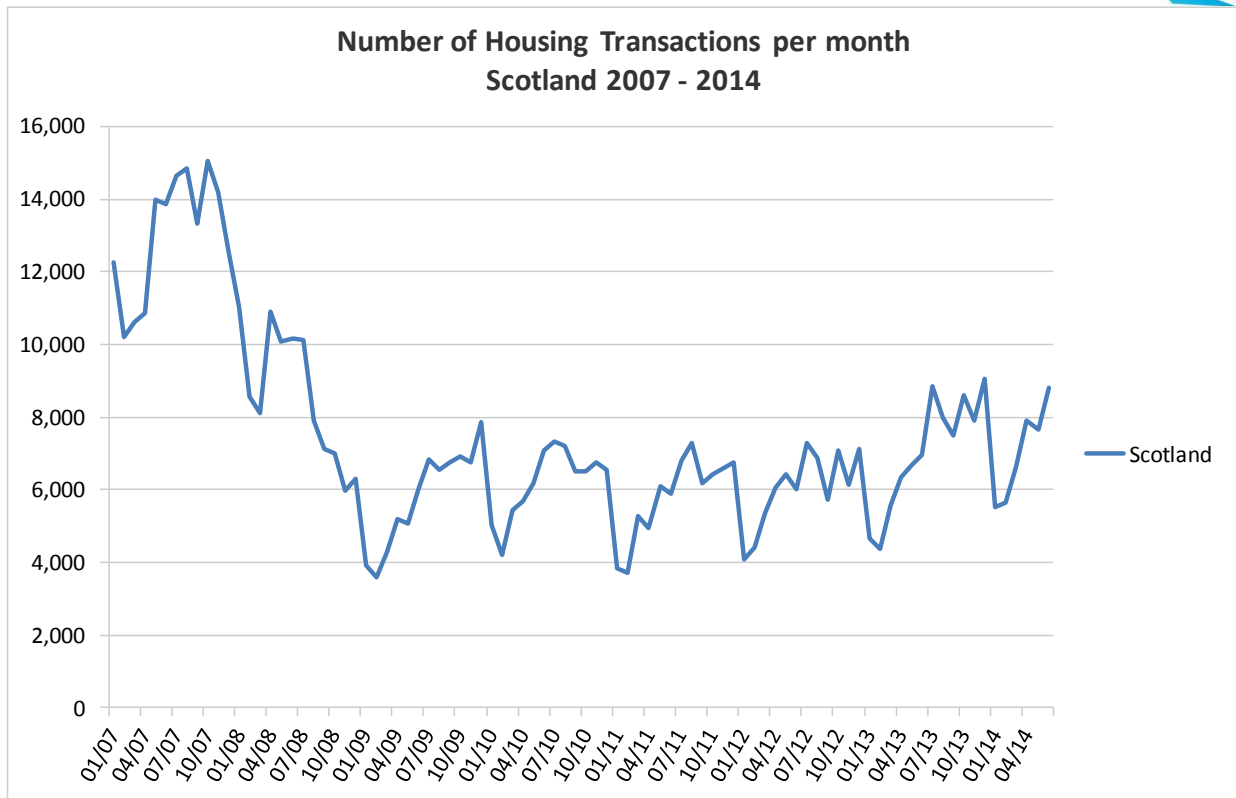


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2014 (not seasonally adjusted)

[link to source Excel](#)

There was a small dip in sales in May 2014, as is evident in the above graph, possibly caused by the introduction of the new MMR rules slowing down mortgage applications as new vetting systems were introduced. However, this was not repeated in June, with the market returning to a more positive position. There were 8,802 property transactions recorded by the Registers of Scotland (RoS) in June, which was 15% above May 2014 sales and 26% above those in June 2013, one year earlier. In the first six months of 2014 there have been 42,200 transactions in Scotland, which is up by a third on the average number of sales in the first six months of the last five years, 2009 – 2013. The market in 2014 is therefore continuing to show increasing momentum in property transactions.

Comparing the first six months of 2014 with the similar period in 2013, overall property sales increased by 25%, with the sale of flats increasing by 28%, followed by detached properties, up 26%, semi-detached properties up 24% and finally terraced properties up by 23%. The predominance of the sale of flats over the period reflects the importance of the first time buyer to Scotland’s housing market, as flats tend to be the property type of choice for this class of buyer.

Over the same six month time period, compared to the previous year, transactions increased in all 32 local authority areas in Scotland. The local authority area with the highest increase in sales was Moray, up 51% over the previous year, with the sale of semi-detached and detached properties increasing in numbers by 56% and 55% respectively. As mentioned on the previous page, Moray was one of only three local authorities that have seen prices fall over the last year, perhaps following the laws of supply and demand, where lower prices equate to an increase in sales. Moray is followed by East Lothian, where sales increased by 47% over the first half of 2014, compared to the same six months in 2013. In East Lothian, the largest increases in sales were seen in detached and flatted properties, up 56% and 54% respectively. The local authority area with the lowest increase in sales over the first six months of 2014, compared to the same period in 2013, was perhaps surprisingly Aberdeen City, showing only a 1% increase in sales. The reason for the surprise is that as recently as March 2014 Aberdeen City was setting a new record average price for the area, which one might have thought reflected strong demand for homes from potential purchasers. However, a scarcity of available properties applies, resulting in high prices, but a low number of sales.

Traditionally in Scotland, July is associated with the highest number of property sales of any month in the year. It will be interesting to observe whether this will be the case in 2014, or whether the staging of the Commonwealth Games, and/or the impending referendum will have had a negative influence on the number of property transactions this July.



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

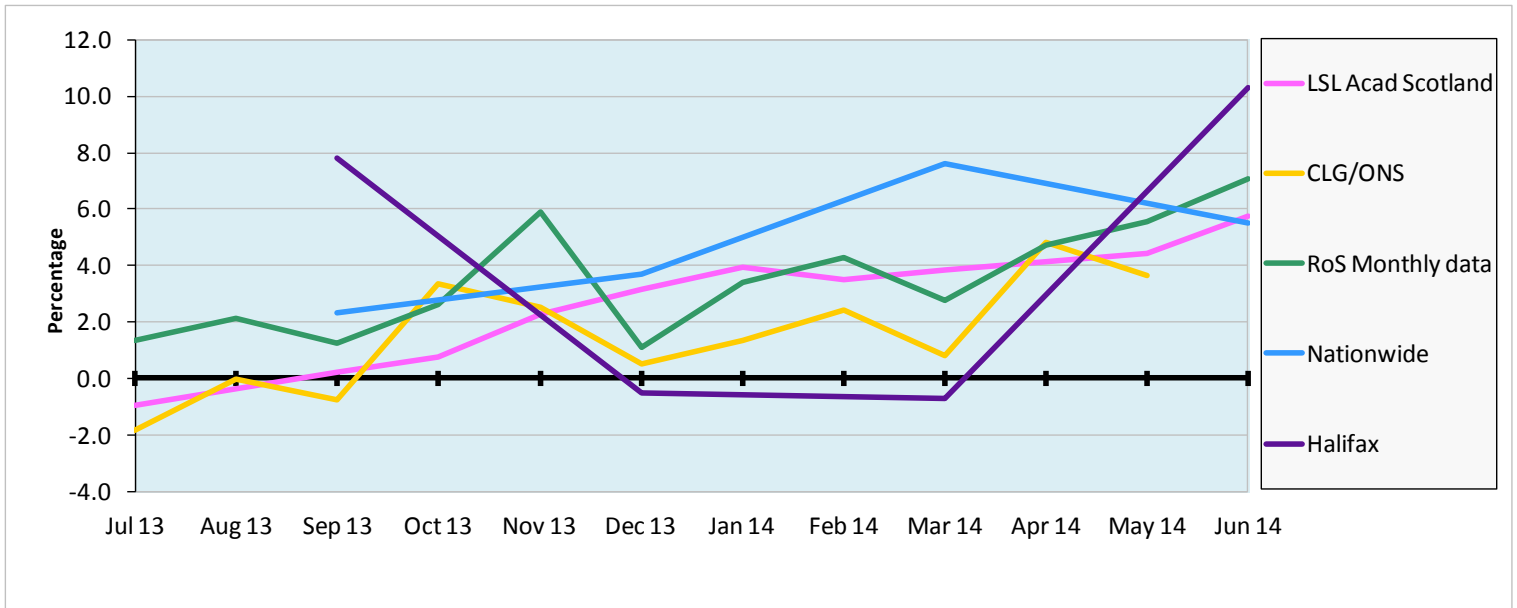


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

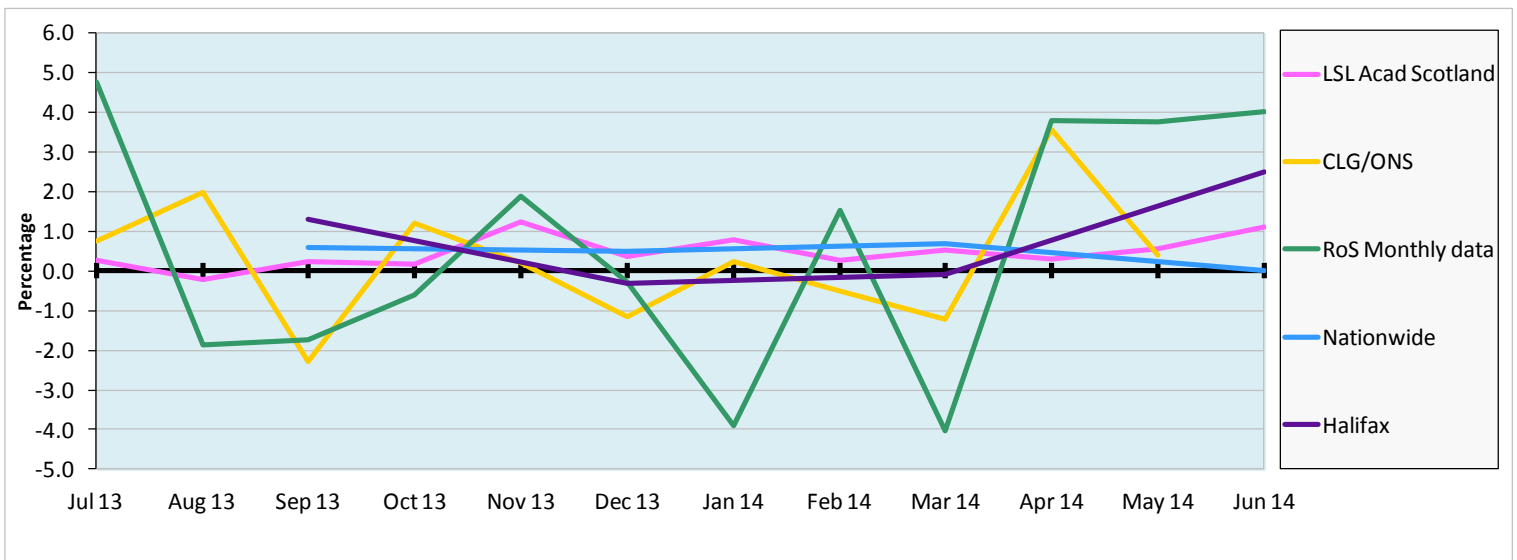


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

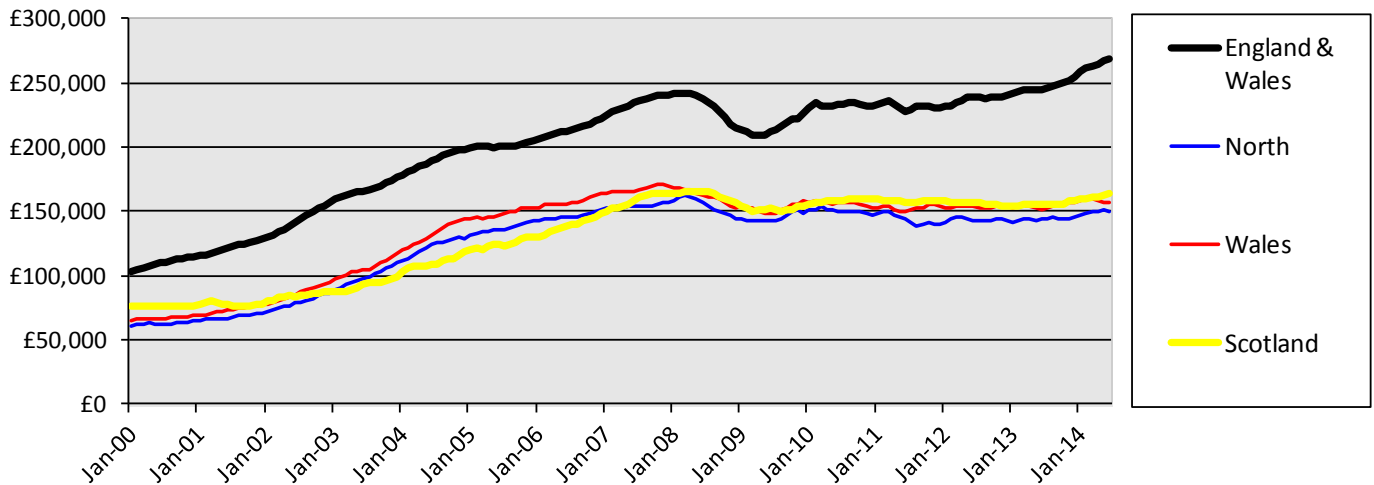


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - June 2014 [link to source Excel](#)

Annual % change in Average House Prices

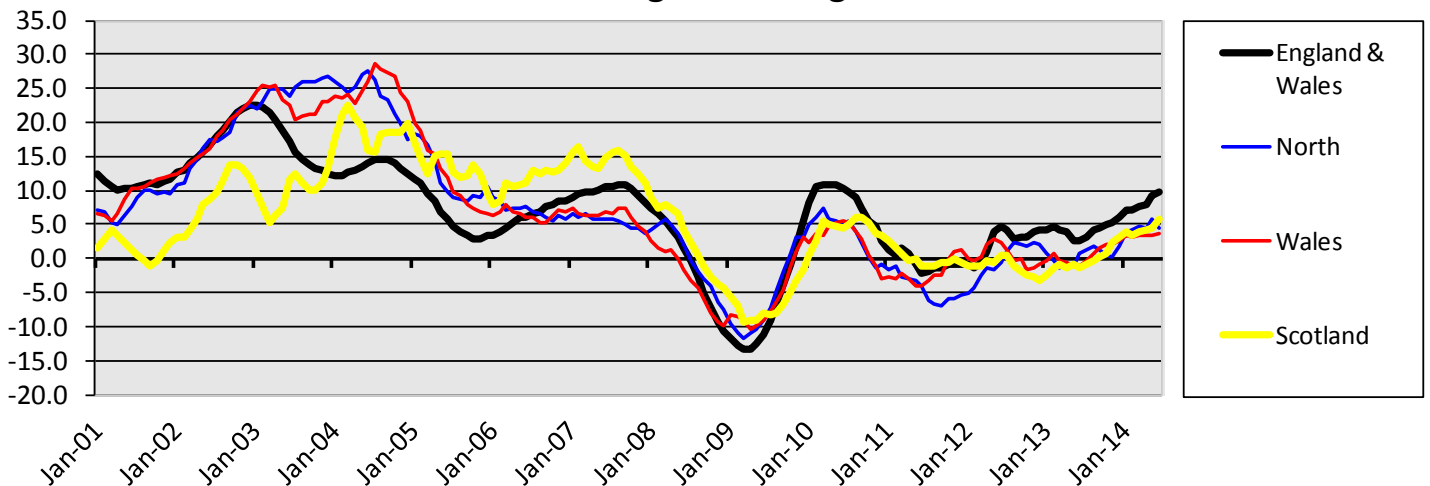


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – June 2014 [link to source Excel](#)

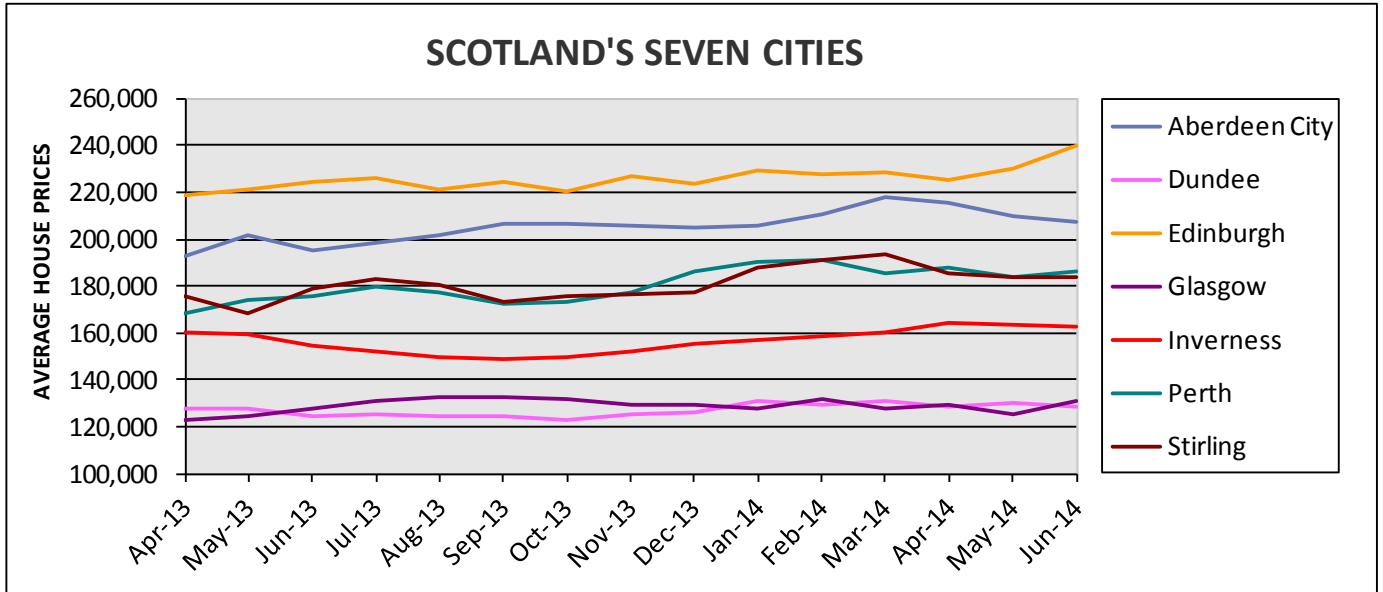


Figure 7. Average house prices for Scotland's seven cities from April 2013 – June 2014 [link to source Excel](#)

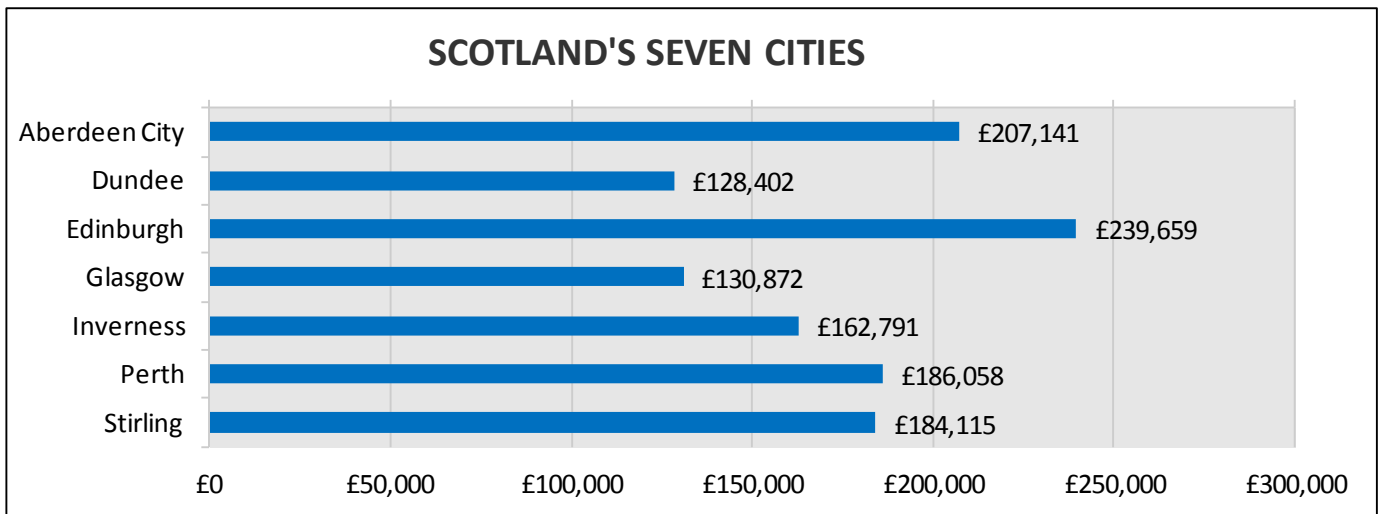


Figure 8. Average house prices for Scotland's seven cities June 2014 [link to source Excel](#)



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