

LSL Property Services/Acadametrics
Scotland

House Price Index

MARCH 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 16TH MAY 2012



Glut of first time buyers pushes housing transactions up 15% in March

- First time buyers rush to beat the March stamp duty deadline
- Increased activity pushes average house price up £792

House Price	Index	Monthly Change %	Annual Change %
£146,633	198.8	0.5	-1.2

Gordon Fowles, regional managing director of Your Move, an estate agency chain that is part of LSL, comments: “The end of the stamp duty holiday for new buyers sparked a glut of last-minute-merchant activity from first-timers rushing to beat the deadline, and prices rose for the second successive month as a result.

“That so many first time buyers were able to piece together a deposit in the midst of economic downturn is testament to the strong underlying demand from buyers desperate to get onto the property ladder. Despite having to cross a relatively high threshold to get a mortgage, there is still strong appetite from buyers who are anxious to avoid remaining stuck in expensive rental accommodation that can be a black-hole for personal finances.

“But that doesn’t hide the fact March’s surge in first time buyer activity was a one-off caused by the stamp duty rush. Banks and building societies are having to contend with increasing funding costs imposed by the problems in the financial markets, and will be forced to scale back their lending to borrowers with low deposits. As a result, activity levels in the early summer will fall back to the suppressed levels we’ve become accustomed to. The prospects for the housing market over the coming months will be tightly bound to the fallout from the European financial crisis, which could hamper banks and building societies’ ability to satisfy the high demand for mortgages.

“The positive headline figure for March does camouflage regional volatility of prices. Local house prices have had mixed fortunes: only 15 of the 32 local authorities in Scotland have seen house values rise over the last year. Both Glasgow and Edinburgh metropolitan areas have seen prices fall by 1.9% in the last year, despite a wave of activity from buy-to-let landlords looking to snap up flats to use for rental accommodation. On a local level, the fortunes of house prices are heavily dependent on the performance of their immediate economies, particularly the impact of public sector austerity and the threat of unemployment.”

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 April 2011 - March 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
April	2011	£147,876	200.5	-0.4	-1.3
May	2011	£147,506	200.0	-0.3	-1.2
June	2011	£145,678	197.5	-1.2	-1.8
July	2011	£145,906	197.8	0.2	-1.7
August	2011	£146,450	198.6	0.4	-1.9
September	2011	£147,621	200.2	0.8	-1.4
October	2011	£147,552	200.1	0.0	-1.3
November	2011	£147,280	199.7	-0.2	-0.7
December	2011	£146,944	199.2	-0.2	-1.0
January	2012	£145,633	197.5	-0.9	-1.9
February	2012	£145,841	197.7	0.1	-1.7
March	2012	£146,633	198.8	0.5	-1.2

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

A sharp increase in property sales to first-time buyers was a prime feature of the market in March. First-time buyers rushed to take advantage of the Stamp Duty Land Tax (SDLT) holiday on properties costing between £125,000 and £250,000; a concession which ended on 24th March 2012. Residential property sales rose by 21%, compared with sales in February; this was 15% above trend. Whilst much of this increase can be ascribed to first-time buyers, the buy-to-let sector of the market also showed increasing strength. Flats are a popular choice for both first time buyers and buy-to-let landlords. Thus sales of flats rose by 8% during the first three months of the year, compared with sales in the last three months of 2011, calculated on a seasonally adjusted basis. By contrast, activity in property types which tend to be associated with second generation movers (detached and semi-detached homes) witnessed no similar increase. Edinburgh and Glasgow account for approximately 45% of all flat sales in Scotland. This was reflected in rises in the sale of flats over the last year in both cities; of 13% and 8% respectively. On a seasonally adjusted basis, too, in both cities sales of flats in Q1/12 rose by more than in the rest of the country.

Buyers might note that March is potentially the best month of the year in which to purchase a home in Scotland. This is because, on a non-seasonally adjusted basis, March house prices are typically some 5% below trend; the lowest of any month in the year. Conversely, in July, prices are typically 4% above trend. At first glance, there might appear to be conflict between the Registers of Scotland (RoS) results and the LSL Acadametrics index, although both use all private property transactions that take place in Scotland as source data. RoS reported that prices fell by -2.6% in March; but this was on a non-seasonally adjusted basis. LSL/Acadametrics seeks to identify the underlying trends in average house prices and consequently employs seasonally adjusted figures which report what is not normal for the time of the year. Our report that prices in March increased by 0.5% reflects the fact that prices did fall in March, but by 0.5% less than is usual for the month. This is not necessarily in conflict with the RoS report of a -2.6% fall.

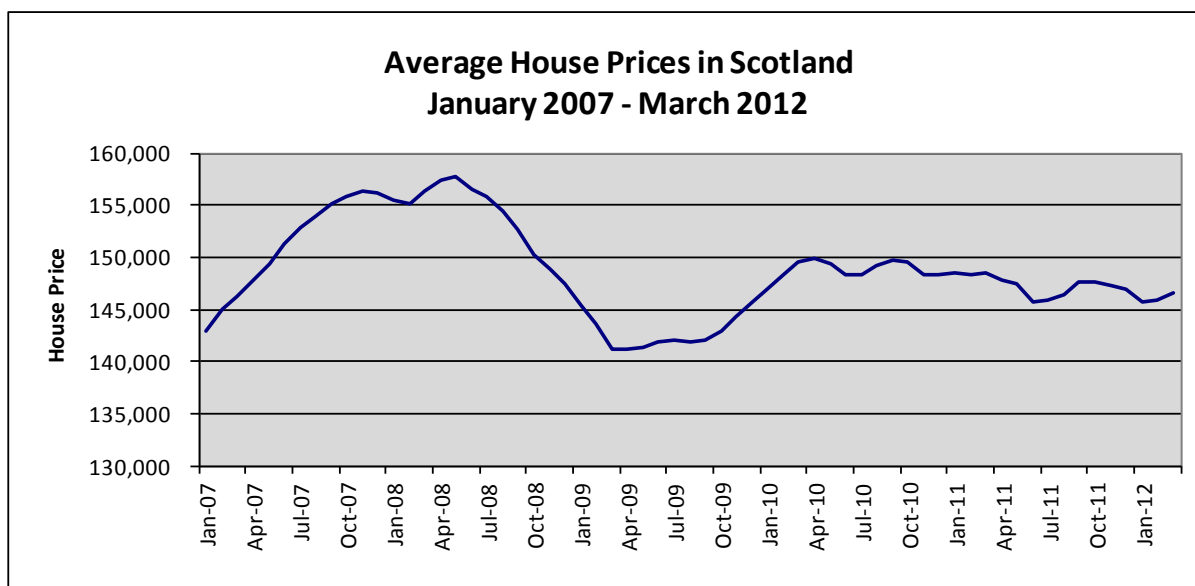


Figure 1. Average house prices in Scotland, January 2007 – Mar 2012 [link to source Excel](#)

As Figure 1 highlights, there has been relatively little movement in nominal house prices in Scotland over the last two years, when compared to the change in prices that took place over the period 2007 to 2009, with prices remaining in the £145,000-£150,000 band for the last 28 months. One can discern a trend of a slow decline in prices since April 2010, with March 2012 being -2.1% lower than the April peak. The slow decline of -2.1% over the last 23 months can be contrasted with the steep -10.5% fall in prices from peak to trough, over the 11 month period May 2008 to April 2009, during the last housing recession. The first time that average house prices reached £146,000 in Scotland was in March 2007. Hence, nominal prices are now back to where they were almost exactly five years ago, although RPI has increased by 18% over this same period.



Table 2. Average House Prices in Scotland, by local authority area, comparing March 2011 with March 2012

[link to source Excel](#)

AVERAGE HOUSE PRICES IN SCOTLAND BY LOCAL AUTHORITY AREAS (Mix adjusted)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Mar-11	Mar-12	% Change
1	1	Edinburgh, City of	214,385	210,346	-1.9%
2	2	East Renfrewshire	202,128	203,287	0.6%
3	5	Aberdeenshire	189,969	203,130	6.9%
4	6	East Lothian	184,103	196,986	7.0%
5	7	Aberdeen City	181,313	183,082	1.0%
6	3	East Dunbartonshire	198,177	178,825	-9.8%
7	4	Perth & Kinross	191,456	172,900	-9.7%
8	8	Stirling	167,769	172,400	2.8%
9	12	Midlothian	153,719	163,668	6.5%
10	9	Scottish Borders	165,512	156,794	-5.3%
11	24	Orkney Islands	123,955	155,264	25.3%
12	10	Highland	157,611	150,021	-4.8%
13	11	Argyll & Bute	155,045	144,348	-6.9%
14	14	West Lothian	138,266	138,794	0.4%
15	15	Moray	137,082	138,366	0.9%
16	13	Dumfries & Galloway	142,582	136,770	-4.1%
17	18	South Ayrshire	130,629	133,984	2.6%
18	20	Angus	129,174	128,415	-0.6%
19	17	Fife	131,886	127,971	-3.0%
20	19	Glasgow City	129,693	127,262	-1.9%
21	23	South Lanarkshire	125,789	126,391	0.5%
22	22	Dundee City	126,152	124,603	-1.2%
23	21	Clackmannanshire	128,959	119,186	-7.6%
24	26	Falkirk	113,502	118,027	4.0%
25	31	West Dunbartonshire	99,326	117,975	18.8%
26	16	Inverclyde	133,660	115,092	-13.9%
27	25	Shetland Islands	116,339	115,021	-1.1%
28	27	Renfrewshire	111,323	112,213	0.8%
29	28	East Ayrshire	108,547	105,872	-2.5%
30	30	North Ayrshire	105,022	101,299	-3.5%
31	29	North Lanarkshire	107,149	101,028	-5.7%
32	32	Eilean Siar	96,955	97,055	0.1%
		All Scotland	148,439	146,633	-1.2%

Table 2 shows the average house price by Local Authority area in Scotland. Although on average prices have fallen over the year by -1.2% in Scotland as a whole, in individual areas we can see a range of price changes from +25.3% in the Orkney Islands to -13.9% in Inverclyde. House prices over the year have increased in 15 of the 32 local authority areas. Last month the equivalent figure was 11, indicating a small upward movement in prices in many areas, but with local exceptions.

In terms of the league table rankings by price, the highest mover over the year, up thirteen places, has been the Orkney Islands, where prices of detached and semi-detached properties have soared, followed by West Dunbartonshire up six places and Midlothian up three places, both having seen an increase in the average price of terraces. The largest faller over the year is Inverclyde, down ten places due to lower prices being achieved on detached properties, and East Dunbartonshire, Perth & Kinross and Dumfries & Galloway, each down three places, due to lower average prices being achieved on terraced and detached properties.

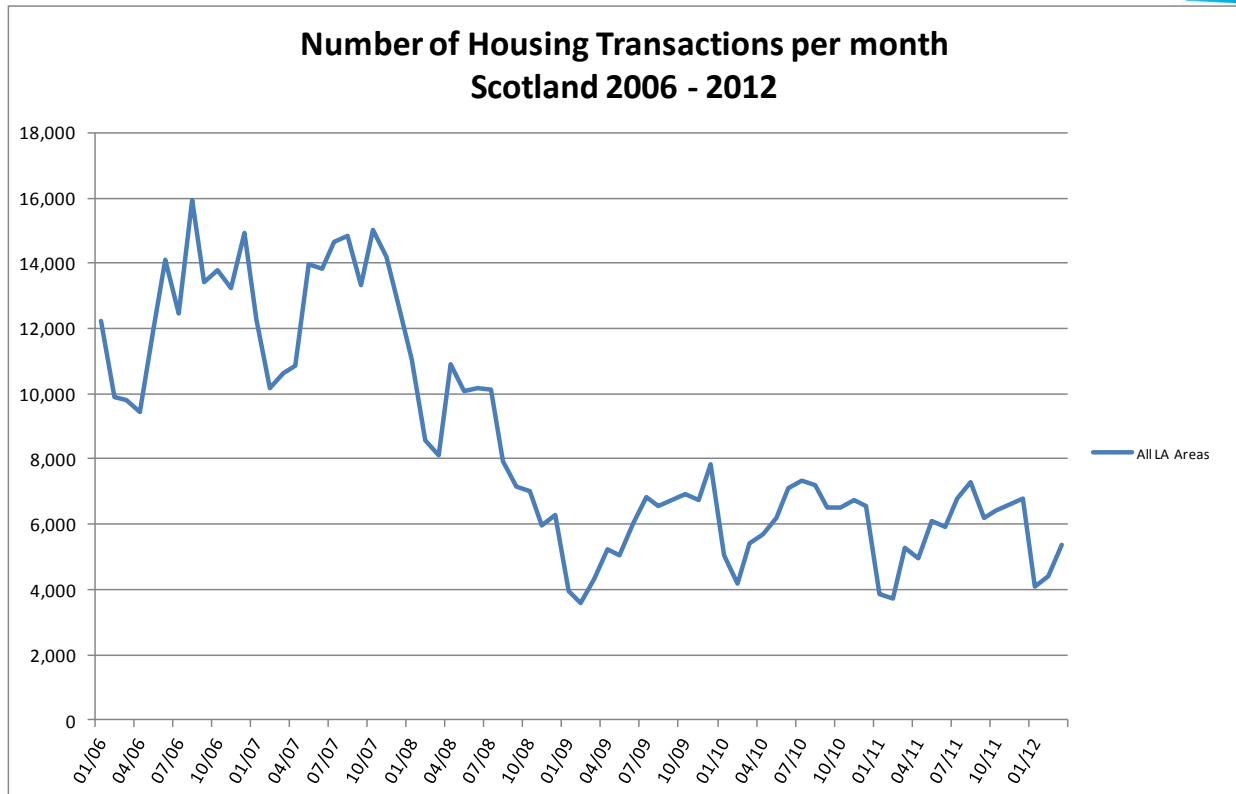


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

The above graph shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2006 to March 2012, without seasonal adjustment. Traditionally we can expect to observe an increase of 5% in the number of transactions from February to March. This year the increase has been 21%, which we ascribe to the activity of first time buyers taking advantage of the stamp duty tax holiday, plus a revival in the buy to let sector of the market. Although a 15% above average increase in the number of properties sold sounds extraordinary, one should remember that this percentage increase is from a low base, and in round numbers equates to some additional 650 properties. We expect this increase in activity to be a 'one-off' feature of the market relating to stamp duty changes, so next month we anticipate a return to more normal transaction levels.

The other noticeable feature of the graph is the extent to which transactions have fallen over the three year period 2009 - 2011, when compared with 2006 - 2007. The main cause of this decline is the difficulty experienced by borrowers in obtaining mortgage finance, given the higher levels of deposits and credit ratings now required by the lenders.

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

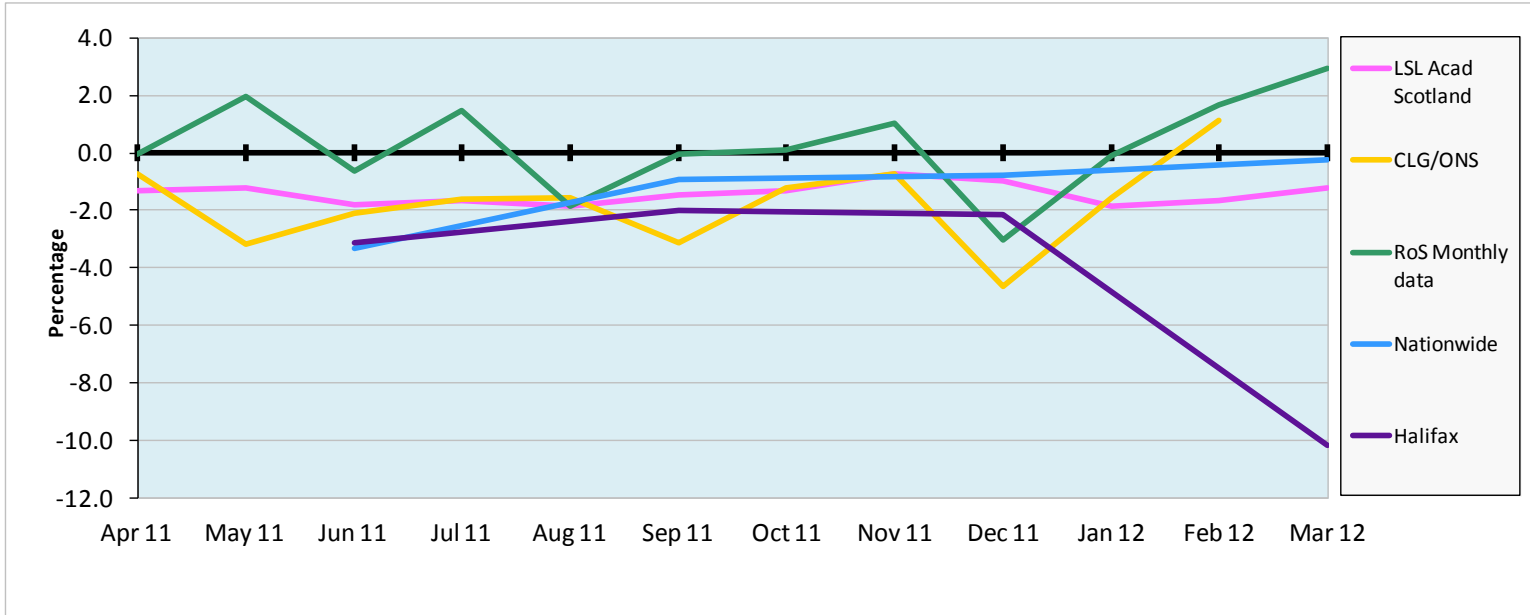


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

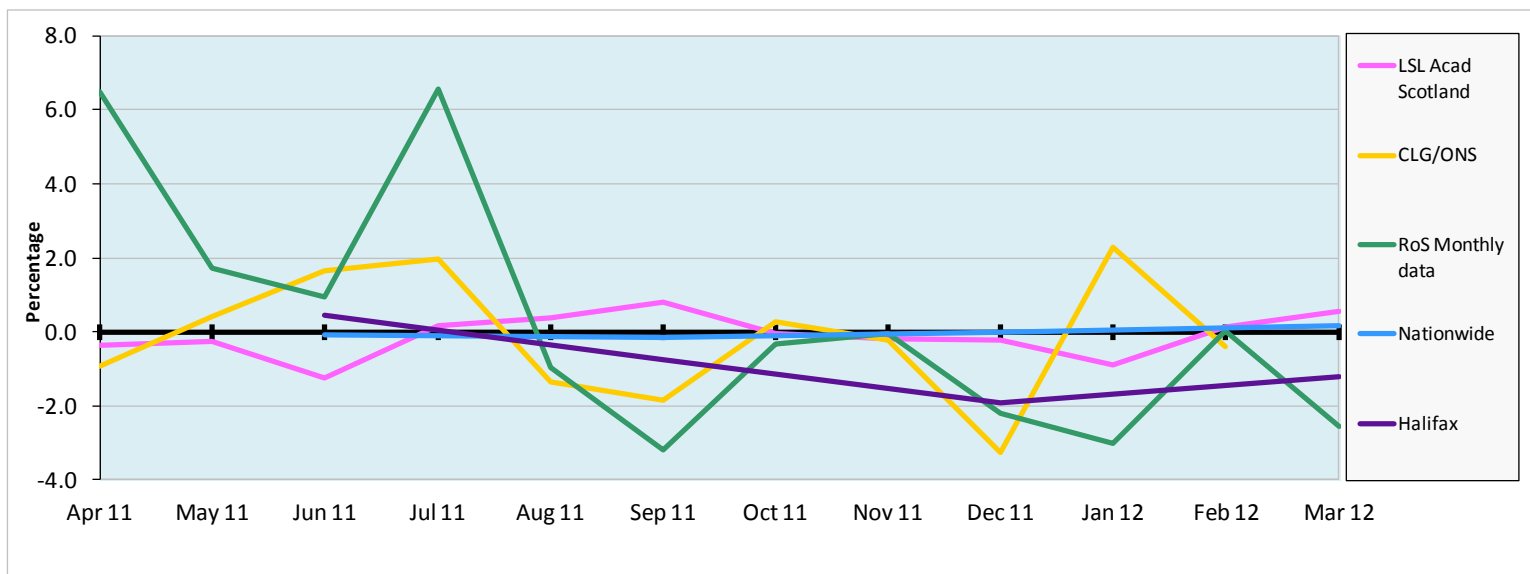


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

The above charts compare the main indices provided for Scotland and the RoS arithmetic average prices. It should be noted that Halifax and Nationwide provide prices for the Scottish market only on a quarterly basis and we have charted these by interpolating on a straight line basis.

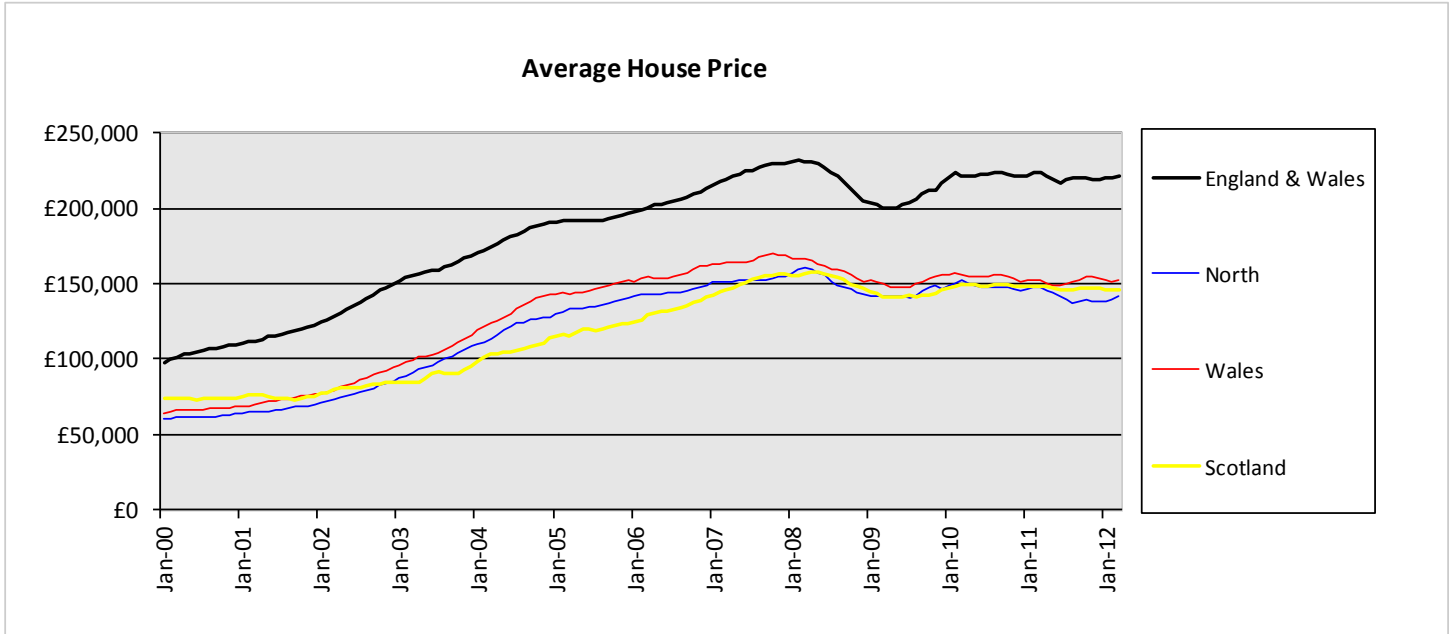


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period Jan 2000 - Mar 2012 [link to source Excel](#)

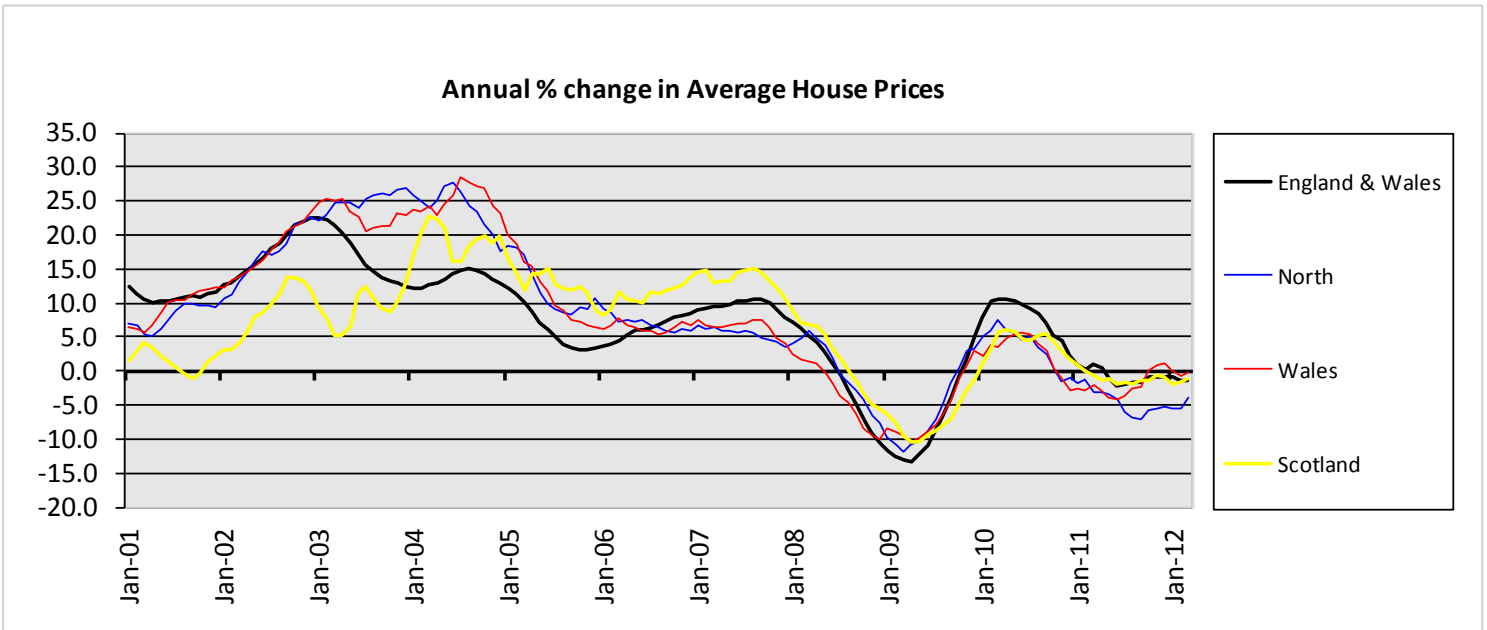


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period Jan 2001 - Mar 2012 [link to source Excel](#)

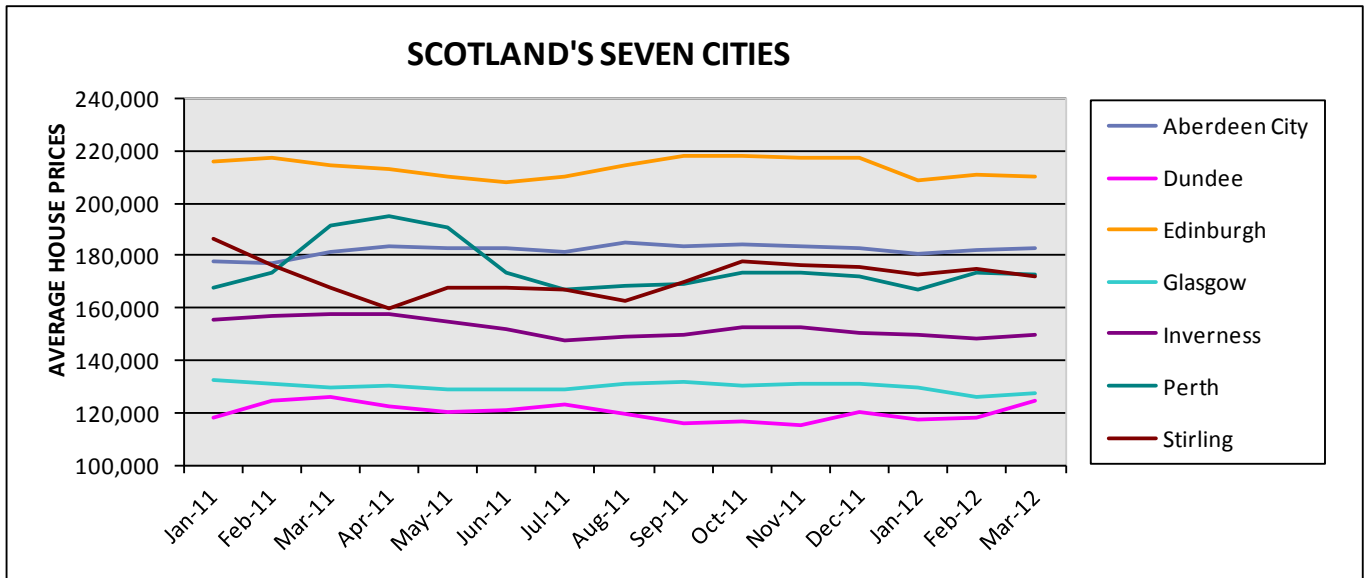


Figure 7. Average house prices for Scotland's seven cities from January 2011 – March 2012 [link to source Excel](#)

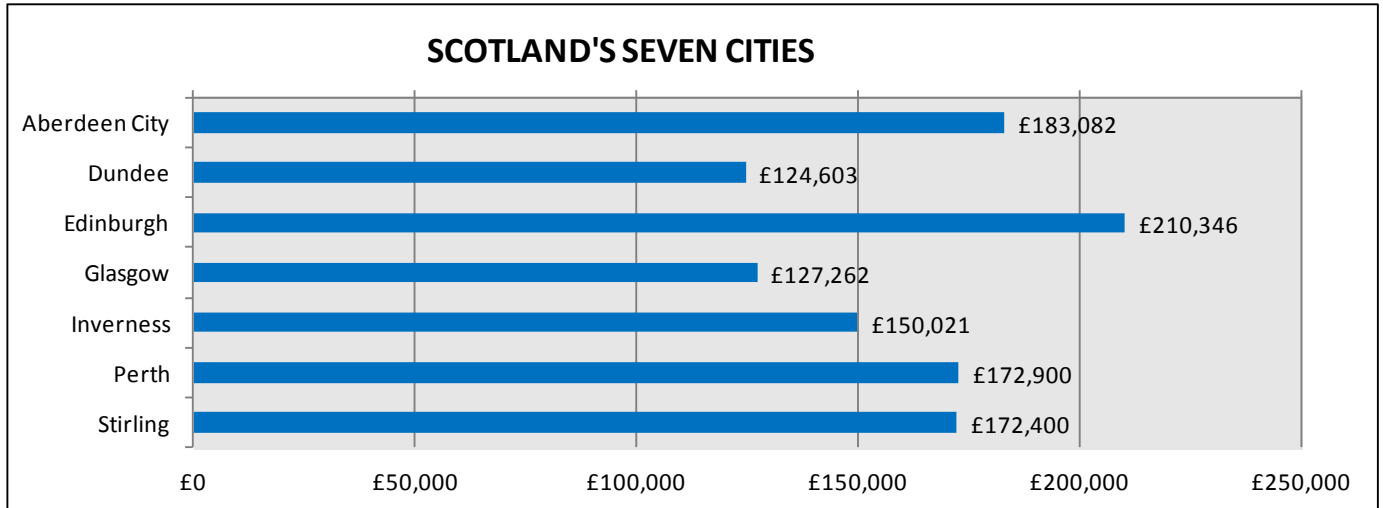


Figure 8. Average house prices for Scotland's seven cities March 2012 [link to source Excel](#)



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

2. most indices employ data available to the provider as a result of its business; index methodologies are designed to exploit the advantages and overcome the disadvantages of each particular dataset; a valuation series (whether the values are professionally estimated at e.g. time of mortgage offer or by an estate agent) is not the same as a price series; a price series, such as LSL Acad Scotland HPI or 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