

LSL Property Services/Acadata

Scotland

House Price Index

MARCH 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 14TH MAY 2014

Scottish housing recovery stronger than in North of England

- Scottish house prices only 2.4% below April 2008 peak, compared to 8.1% in North of England
- Average prices in Scotland up £6,435 in a year – highest annual rise since October 2010
- House prices set a new record in Aberdeen City, up 17.1% over the last 12 months
- Q1 2014 sales up 25% compared to Q1 2013 fuelled by home movers and increased supply

House Price	Index	Monthly Change %	Annual Change %
£161,873	203.0	0.7	4.1

Donald MacLellan, Chairman of Walker Fraser Steele Chartered Surveyors, part of LSL Property Services, comments: “For households all across Scotland, there is light at the end of the tunnel. The average price in Scotland is now only 2.4% (£3,900) below its pre-recession April 2008 peak. The recovery in Scotland has now taken a stronger grip than in the northern most regions of England. Just south of the border lies a reminder of the challenging road back from the depths of the recession, with the average price in the North of England still lingering 8.1% below its 2007/2008 pre-crisis peak. As the independence vote looms on the near horizon and the debates become more ferocious, it will be interesting to note if this has any impact on current trends.

“The Help to Buy scheme and buoyant demand from first-time buyers have been the catalysts spurring the Scottish market on. Sustained growth is bedding down across the country, and on an annual basis average property prices have risen in 66% of all areas of Scotland. The flagship success story is Aberdeen City, where average house prices reached a new record of £219,117 in March 2014, after 17.1% annual growth. The revived confidence at the bottom of the property ladder is rising through the rungs, emboldening home movers to take the plunge after years of hesitation. The highest increase in sales has been in classic family semi-detached homes, increasing by 28%. As activity levels strengthen throughout the price ranges, overall sales in Scotland are up 25% in the first three months of 2014 compared to the same period last year.

“Housebuilding initiatives and replenished supply are also greasing the wheels on the highway of recovery. New waterside developments and a fresh wave of housing stock in Inverclyde have helped raise average house prices in the area by 19.6% over the past year, the highest annual growth experienced in Scotland.

“However, there remains a note of caution and the recovery still requires nurturing. There are corners of the country where the ‘feel-good’ factor has yet to be seen. In Midlothian, average house prices have dropped 10.8% annually and two of Scotland’s seven cities suffered monthly house price falls in March 2014. By keeping interest rates at a historic low, the Bank of England is maintaining the steady cost of borrowing and supporting housing market growth. But whether the uncertain fiscal impact of an independent Scotland will have ramifications for the wider recovery remains to be seen.”

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 March 2013 – March 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
March	2013	£155,438	195.3	0.2	-1.0
April	2013	£155,843	195.0	0.3	-1.2
May	2013	£155,977	195.0	0.1	-0.7
June	2013	£155,146	194.1	-0.5	-1.3
July	2013	£154,988	194.8	-0.1	-1.0
August	2013	£154,445	194.4	-0.4	-0.4
September	2013	£155,031	195.7	0.4	0.1
October	2013	£155,172	195.4	0.1	0.6
November	2013	£157,724	198.3	1.6	2.3
December	2013	£158,589	198.9	0.5	3.1
January	2014	£160,308	201.1	1.1	4.0
February	2014	£160,690	201.5	0.2	3.6
March	2014	£161,873	203.0	0.7	4.1

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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 £1,183 in March, or 0.7%. This is the seventh successive month that house prices have risen in Scotland, with the gain being the third largest since February 2010. We should perhaps emphasise that our data are seasonally adjusted, and that March has the most significant seasonal factor of any month in the year. In other words, house prices in Scotland are traditionally at their lowest in March and will then start to rise, reaching a seasonal peak in July. By seasonally adjusting the figures, we remove these long term patterns in order to discern the current trends. If we removed the seasonal factors from our data, the average price of a home would be approximately £4,750 lower than we currently report.

On an annual basis, which is less affected by seasonal factors since we compare the same two months in a year, house prices have increased by £6,435 or 4.1%. This percentage increase is 2.6% above March's 12 month CPIH of 1.5%, giving home owners a 'feel-good' factor as their pre-eminent asset rises in value in real terms. However, as we show on page 4, the gains seen in property prices will still very much depend on the particular location of the property concerned. This month's annual increase in prices is the highest since October 2010, when the market was recovering from the 2009 housing crisis. Average house prices are now £12,200, or 8%, above the bottom of the last trough which occurred in March 2009, exactly five years ago.

Figure 1 gives a quick sense of how prices have evolved over the last twelve months. The black line shows the trend in average house prices over the period, with the red line indicating the actual movement on a monthly basis. The year started with a gentle upward price movement to May 2013, followed by a subsequent fall over the summer months: this fall coincided with an expansion of sales in the first time buyer market, which had the effect of lowering average prices. From September onwards, the increased activity by first time buyers had a knock-on effect further up the property chain, with home movers also increasing in numbers. This resulted in larger price movements being seen from November 2013 through to March 2014. At £161,873 the average house price in Scotland is now only £3,900, or 2.4%, from its peak which occurred in April 2008.

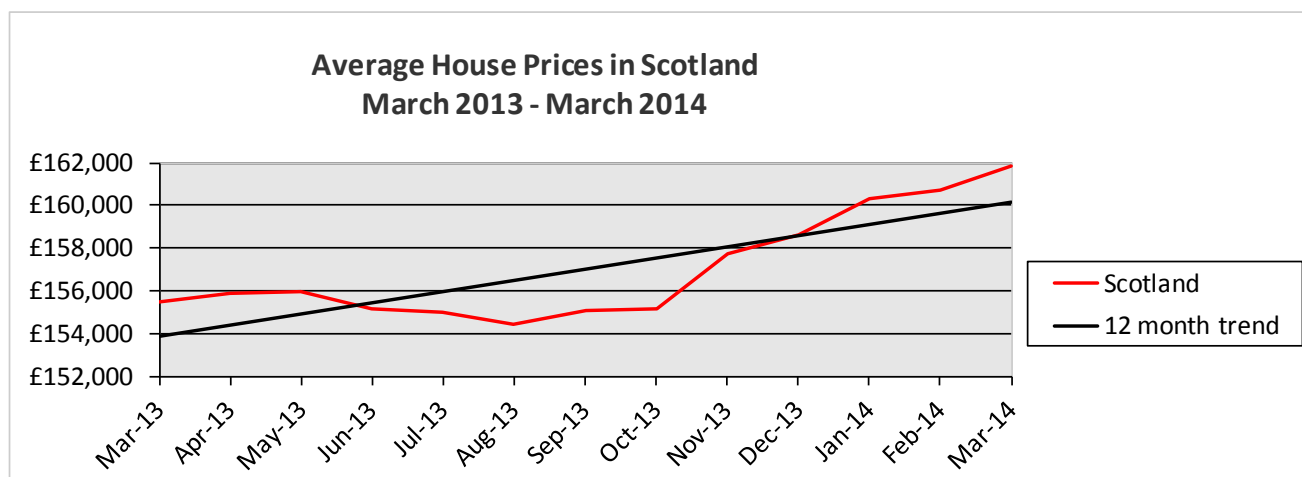


Figure 1. The average house price in Scotland, March 2013 – March 2014.

[link to source Excel](#)

One of the measures which the Bank of England has been following as an indication of the state of the housing market in the UK is the extent to which prices have returned to the peak levels seen in the 2007/2008 housing boom. In Greater London, for example, 31 of the 33 London boroughs have seen a new peak price above the 2007 levels over the last 12 months. This figure diminishes to 23 unitary authority areas in England & Wales outside London which have set new record prices in the last twelve months. Of these 23 areas, 18 are based in the South East region, 2 in the South West, 2 in Wales and 1 in the West Midlands. In Scotland only Aberdeen City has set a new peak price, although nationally, as stated above, the average house price is only 2.4% from its peak. That figure compares with the North and North West of England being 8.1% and 7.2% from their respective peaks, perhaps suggesting that the recovery of the housing market in Scotland is more entrenched than in the northern most regions of England.

The UK government has in the recent past indicated that there was little to worry about in terms of the growing pressures in the housing market, making much of the fact that outside London and parts of the South East it remained muted. However, as the BoE now argues and as we show here, prices and activity are on the rise in many local authority areas. The overall temperature of the market is rising.

House prices analysis



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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Mar-13	Feb-14	Mar-14	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	222,762	229,211	230,420	0.5%	3.4%
2	4	East Renfrewshire	206,260	214,797	223,065	3.8%	8.1%
3	3	East Dunbartonshire	210,872	215,058	220,565	2.6%	4.6%
4	6	Aberdeen City	187,069	211,572	219,117	3.6%	17.1%
5	2	Aberdeenshire	211,012	216,215	219,038	1.3%	3.8%
6	5	East Lothian	194,407	205,757	207,136	0.7%	6.5%
7	8	Stirling	183,286	192,143	195,013	1.5%	6.4%
8	9	Perth & Kinross	176,153	191,138	185,803	-2.8%	5.5%
9	11	Scottish Borders	157,198	168,997	172,483	2.1%	9.7%
10	7	Midlothian	185,448	171,170	165,450	-3.3%	-10.8%
11	10	Highland	157,633	159,706	161,363	1.0%	2.4%
12	13	Moray	146,134	150,728	151,702	0.6%	3.8%
13	18	Angus	133,576	146,333	146,206	-0.1%	9.5%
14	16	Fife	138,793	140,745	143,557	2.0%	3.4%
15	14	South Ayrshire	144,884	142,761	141,582	-0.8%	-2.3%
16	12	Argyll & Bute	151,107	139,648	138,577	-0.8%	-8.3%
17	15	West Lothian	141,106	135,575	138,515	2.2%	-1.8%
18	19	South Lanarkshire	128,620	136,555	135,691	-0.6%	5.5%
19	21	Dundee City	124,187	129,532	131,447	1.5%	5.8%
20	30	Inverclyde	109,018	122,161	130,343	6.7%	19.6%
21	17	Dumfries & Galloway	138,442	128,601	129,369	0.6%	-6.6%
22	22	Glasgow City	123,262	132,666	128,414	-3.2%	4.2%
23	27	Shetland Islands	114,026	126,321	127,121	0.6%	11.5%
24	28	West Dunbartonshire	112,394	121,952	124,701	2.3%	11.0%
25	25	Renfrewshire	115,881	119,213	122,107	2.4%	5.4%
26	20	Falkirk	125,484	120,480	120,724	0.2%	-3.8%
27	23	Clackmannanshire	122,038	119,522	119,120	-0.3%	-2.4%
28	24	Orkney Islands	116,165	107,935	112,975	4.7%	-2.7%
29	32	North Ayrshire	105,383	107,167	111,043	3.6%	5.4%
30	29	North Lanarkshire	112,175	110,460	110,696	0.2%	-1.3%
31	26	East Ayrshire	115,119	110,565	110,174	-0.4%	-4.3%
32	31	Eilean Siar	108,936	95,409	102,690	7.6%	-5.7%
		All Scotland	155,438	160,690	161,873	0.7%	4.1%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for March 2013, February 2014 and March 2014. Overall in March 2014, prices continued to rise by 0.7% in the month, although prices fell in 9 of the 32 Local Authority Areas (some 28%), on a seasonally adjusted basis. This is, however, ten areas fewer with price falls than last month, suggesting a more widespread recovery taking place in the market.

On an annual basis, prices have risen in 21 of the 32 local authority areas, which although two less than last month, still represents 66% of all areas in Scotland. Looking at the annual price changes, we can note that prices have risen by more than March's CPIH of 1.5% in all 21 of the local authority areas which have a positive movement in prices over the year. An observable feature of the above table is the concentration of areas with negative house price movements at the bottom of the listing. As the table is ranked by the average house price relating to a Local Authority Area, this shows that it is the areas with the lowest valued houses that are experiencing the fall in prices, with the reverse also being true; that the areas with high value properties are in general seeing prices rise. As mentioned last month, a similar trend is currently found across the unitary authority areas in England & Wales.

For the second month running, the area with the highest annual increase in prices is Inverclyde, where prices have risen by 19.6% over the year. There have been a number of new waterside properties coming onto the market in Inverclyde which has helped raise average prices in the area. Inverclyde is followed by Aberdeen City, where prices over the year have increased by 17.1%. The average price of a property in Aberdeen City now stands at £219,117 which sets a new peak for the area. Aberdeen City is the only local authority area in Scotland which has a new peak price this year, although perhaps not surprisingly Aberdeenshire is only 0.9% from its peak, so could well be setting a new record price in the next few months.

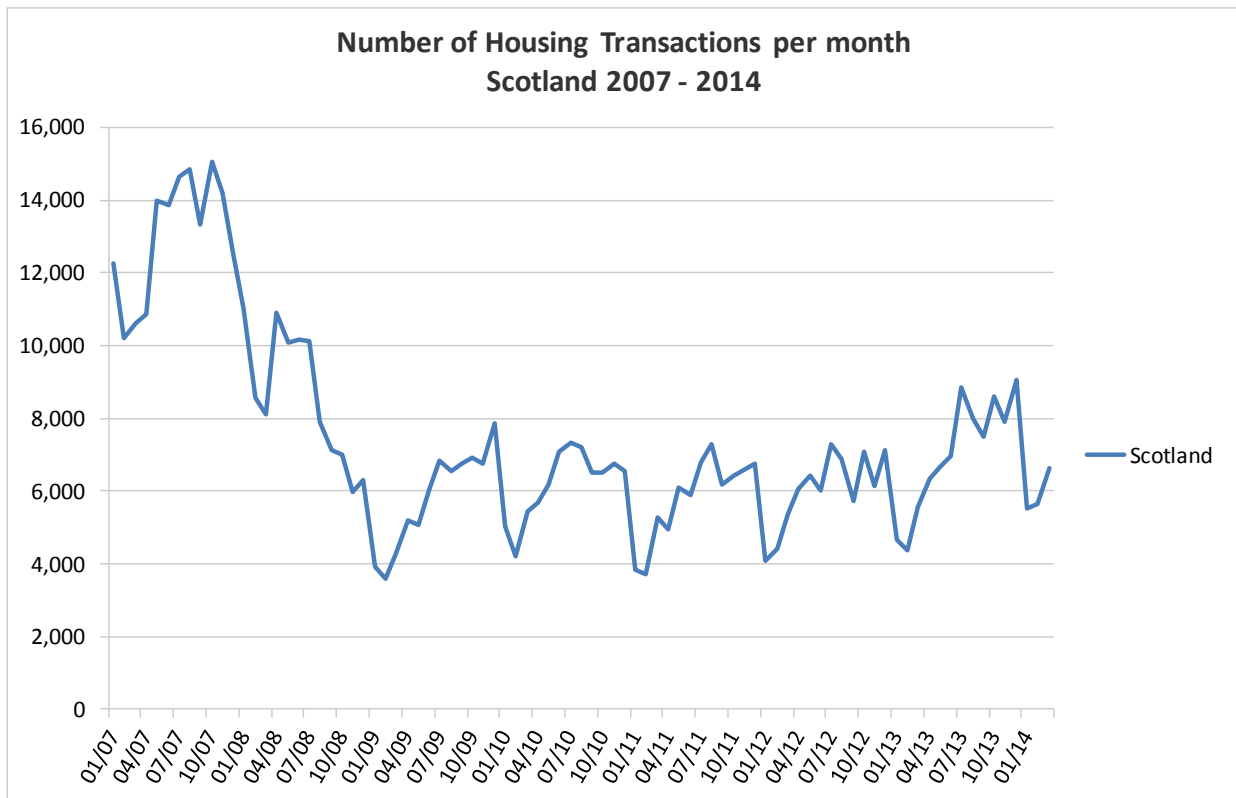


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2014 (not seasonally adjusted) [link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to March 2014, without seasonal adjustment. The graph demonstrates that there has been an upturn in housing transactions in the second half of 2013, with the number of properties sold in each month since June 2013 exceeding that of the equivalent period in the preceding four years. Although there has been a fall in transactions in the first three months of 2014 from December 2013 levels, this is a seasonal feature of the housing market. It can be seen from the graph that sales at the bottom of the trough in the early part of 2014 were significantly higher than the troughs of the preceding five years. Taking the first three months of 2014, sales are up 32% over the same three months in those previous five years. In an average year, based on data from the last eleven years, sales in March increase by 7% over February levels. This year sales are up by 17% in March compared to February, indicating the continuing strength of the current market.

Looking at the change in the number of transactions in Q1 2014 compared to Q1 2013, there has been an overall increase of 25% in the number of properties sold. All local authority areas showed an increase in property transactions over the period. The largest increase at local authority level occurred in Moray, where sales increased by 61%, with a particularly strong performance in the sale of detached properties; these doubled in the number sold over the year. Moray was followed by West Lothian, up 54%, with a near doubling of the number of flats sold in the area. The area on the mainland with the lowest increase in sales was Dumfries & Galloway, where transactions were only 4% higher than the previous year, with larger properties taking a fall in terms of the numbers sold.

The area with the largest increase in the absolute number of sales, as opposed to the percentage increase, in Q1 2014 compared to the previous year, was Glasgow, where an additional 397 properties were sold in 2014: of these, 296 were flats. Glasgow was marginally ahead of Edinburgh's increase of 364 properties sold in the quarter, of which 237 were flats.

Analysing the change in buying patterns of property types over this same time period, we find that semi-detached properties saw the highest increase in sales, up 28%, followed by flats up 25%, then detached properties up 24% and finally terraces which increased by 23%. The ascendancy of the semi-detached property in the sales figures is of particular interest, as it suggests that home movers have strengthened in numbers, with first time buyers being less dominant this year compared to last.



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

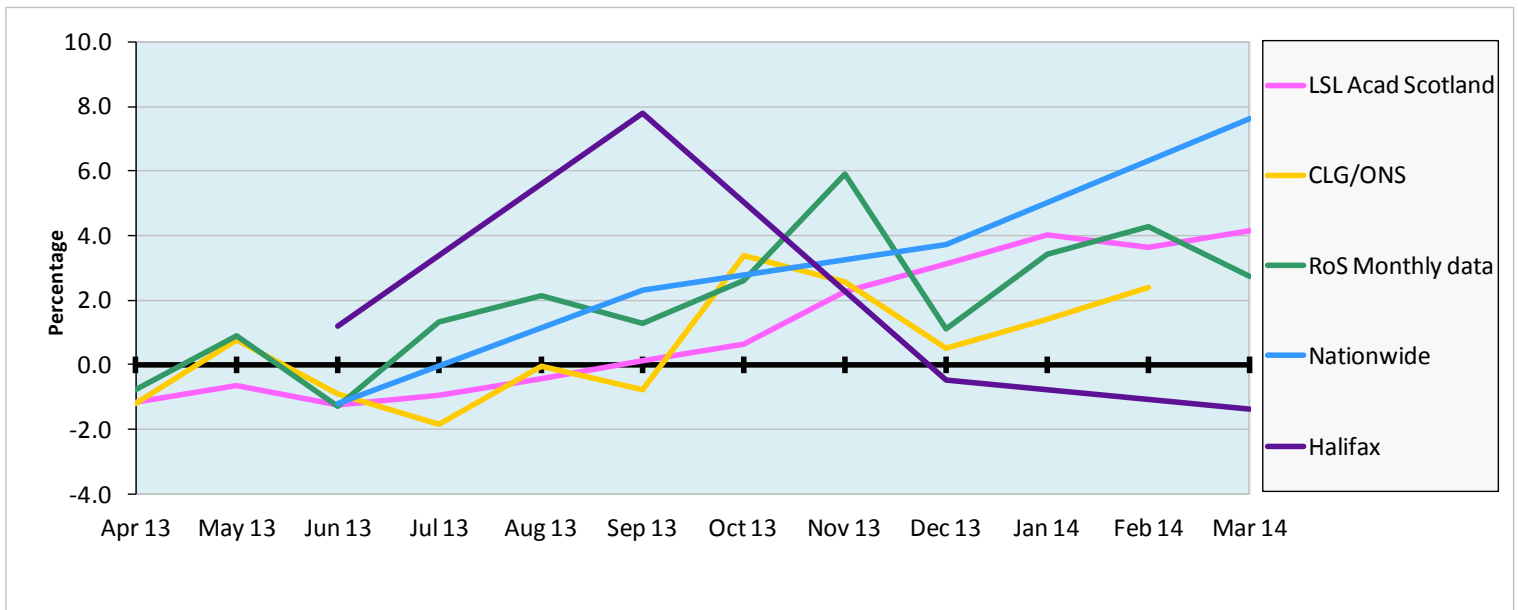


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

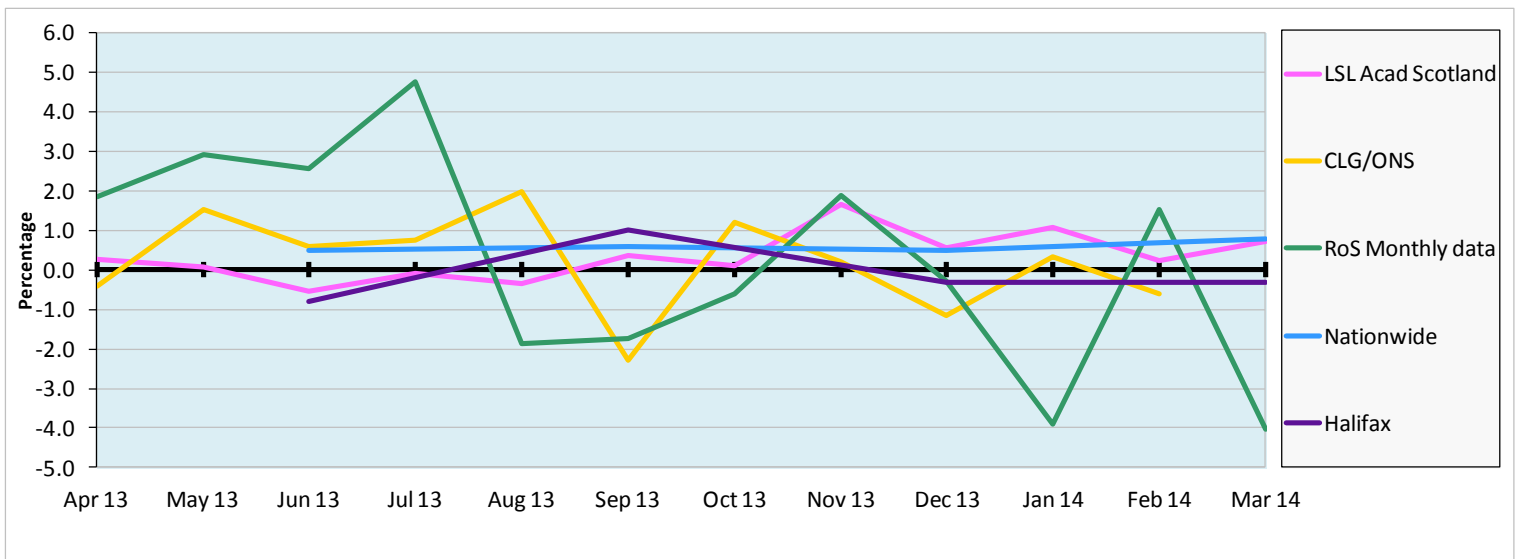


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

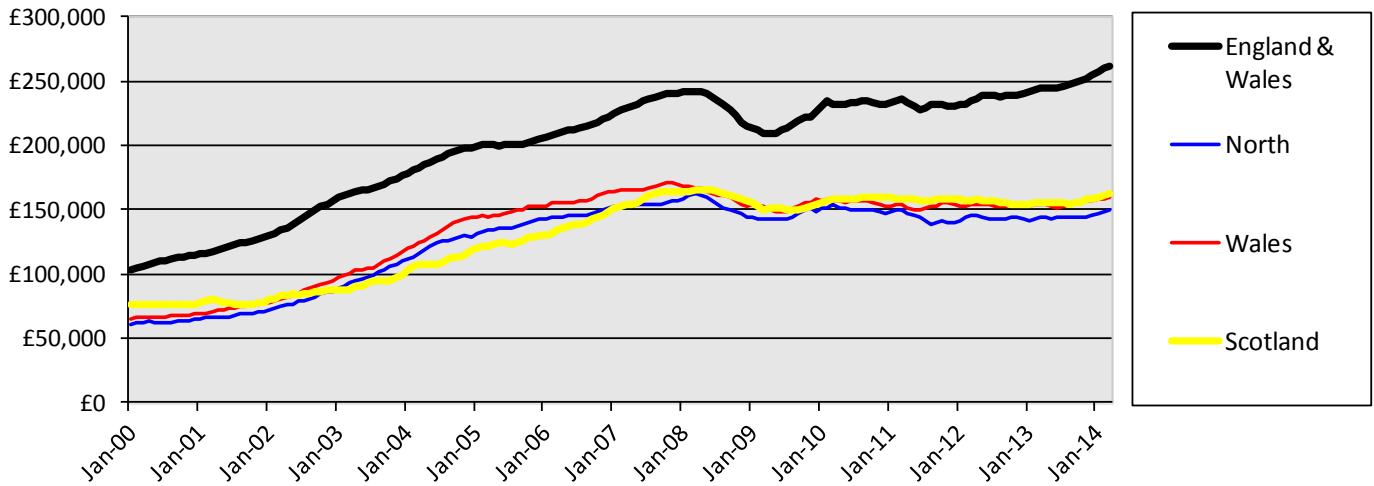


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - March 2014 [link to source Excel](#)

Annual % change in Average House Prices

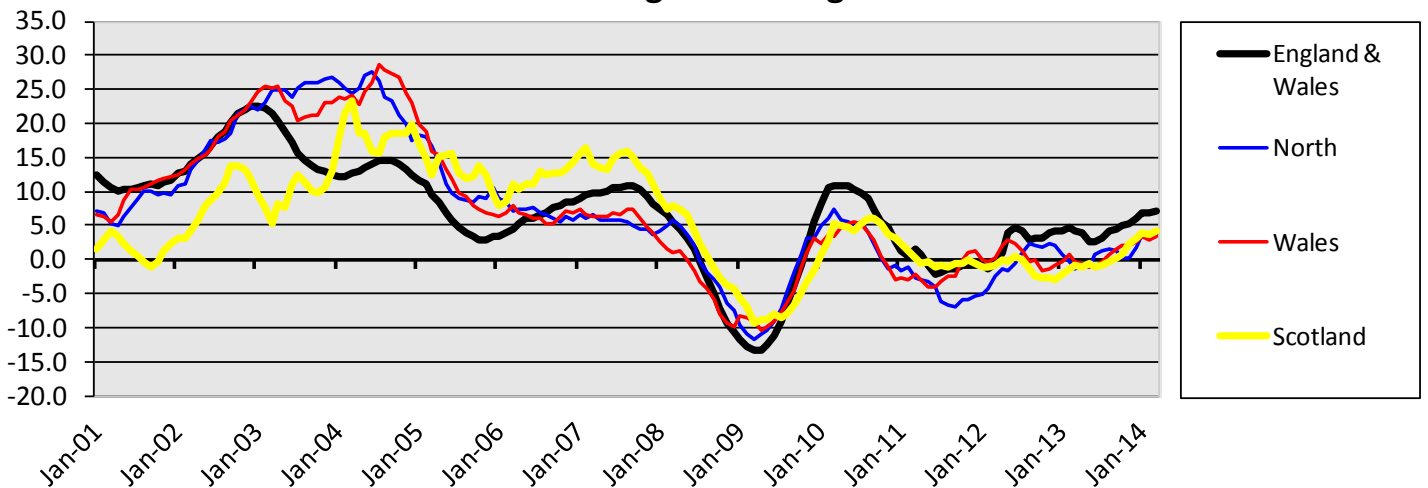


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – March 2014 [link to source Excel](#)

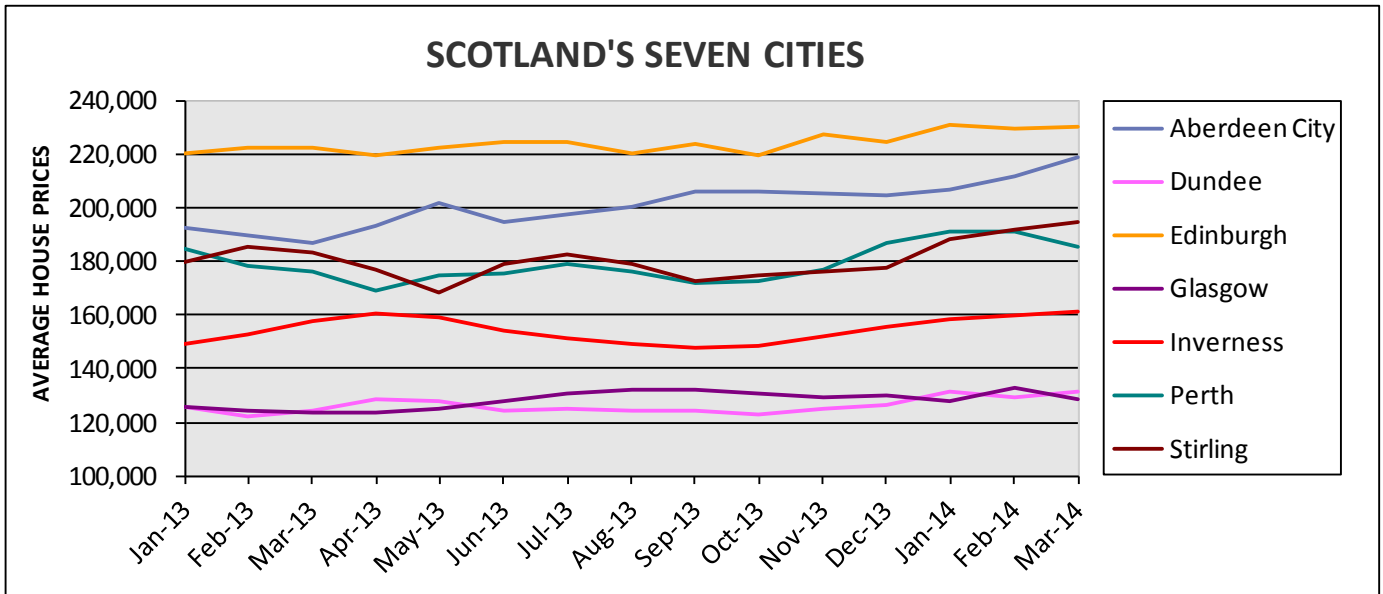


Figure 7. Average house prices for Scotland's seven cities from January 2013 – March 2014

[link to source Excel](#)

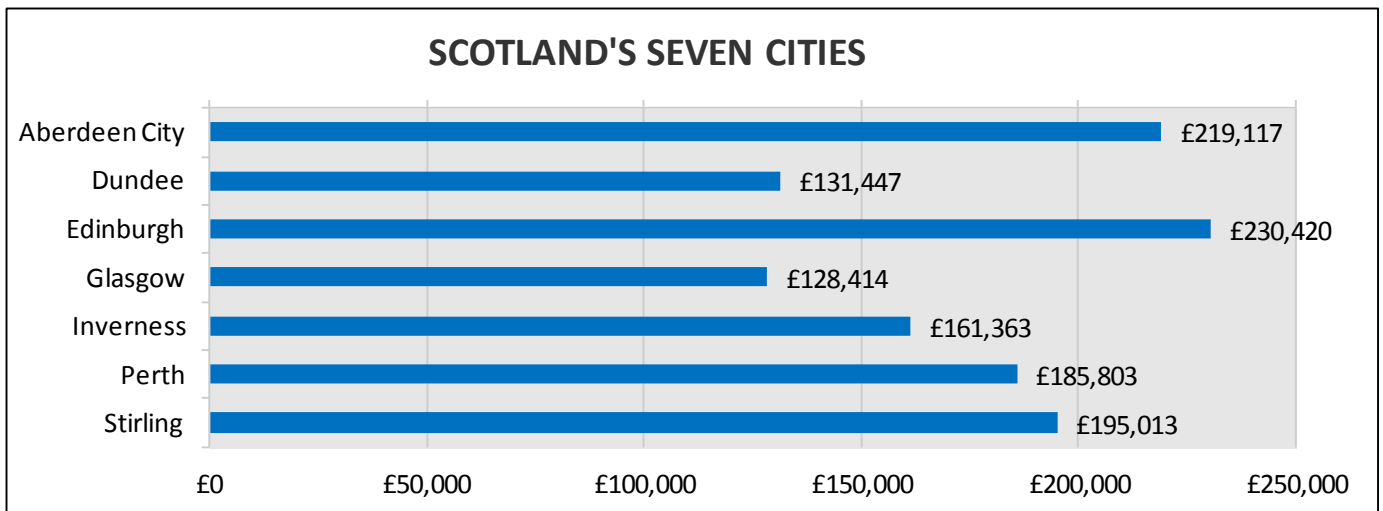


Figure 8. Average house prices for Scotland's seven cities March 2014

[link to source Excel](#)



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

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

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

- we provide only a current month average price for England & Wales as a whole in our LSL Acad E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 98% of the transaction for the current month and c.99% for the prior month

Hence, a smoothed average price using three months data ascribed to the index month (ems) for LSL Acad Scotland HPI provides the equivalent price, to all intents and purposes, to the centre month smoothed (cms) price at region/county level, lagged by one month, as provided by the LSL Acad E&W HPI. Our intention is to align the procedure for LSL Scotland HPI with that used for LSL Acad E&W HPI, as soon as the necessary data may be available. Meanwhile, an ems procedure allows the Scotland prices to be placed alongside the contemporaneous prices for E&W as a whole and for Wales as a whole, and those for the E & W regions for comparison purposes.

4. LSL Acad E&W HPI provides prices from January 2000. RoS national data were available only from January 2001 and the constituents of RoS data changed between then and April 2003, showing a significant step change in prices between March and April. ONS HPI quarterly data were used to construct LSL Acad Scotland HPI from January 2000 to April 2001 with straight line interpolations used to construct prices by month. Data for 11 local authorities were unavailable for the period January 2001 to April 2003 and were constructed by back-casting. The underlying data by property type, for months when no sales of a particular property type in a particular area were reported, were in-filled using the same procedure used in LSL Acad E&W and, by Eurostat, in preparing seasonal data.

5. Note that LSL Acad Scotland HPI is unable to identify different prices according to e.g. numbers of bedrooms; the lender hedonic indices and the ONS mix adjusted HPI do so. RoS data, and hence LSL Acad Scotland HPI, exclude commercial and thus auction sales, and do not reflect repossession prices on the grounds that such prices do not reflect those between a willing buyer and a willing seller.

6. LSL Acad Scotland HPI is prepared from RoS data using a methodology designed to provide a “true measure of house price inflation”; Acadata does not guarantee the accuracy of the LSL Acad Scotland HPI results and neither LSL nor Acadata shall be liable for any loss or damage, whatsoever, consequential upon any error, incorrect description of or inadequacy in the data; persons using the data do so entirely at their own risk; LSL Acad Scotland HPI is freely provided for publication with due attribution to Acadata. Permission is required for any commercial use of the data.

7. The monthly, smoothed, average RoS prices at local authority level provided at property type, which underlie LSL Acad Scotland HPI, together with historic data, can be purchased from Acadata.

8. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acad E&W HPI was published, it was prepared by Acadametrics as was the LSL Acad Scotland HPI. Acadametrics then changed its name to Acadata to reflect its new focus entirely upon house price indices and data following its agreement to sell its 50% holding in MIAC Acadametrics to MIAC Analytics over a 4 year period.



LSL PROPERTY SERVICES PLC

LSL is one of the leading residential property services companies in the UK and provides a broad range of services to a wide range of customers including mortgage lenders together with buyers and sellers of residential properties.

LSL's operations cover four key areas; surveying; estate agency; corporate services; financial services.

Surveying

LSL's [surveying](#) business operates under 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