

LSL Property Services/Acadametrics
Scotland

House Price Index

MAY 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 17TH JULY 2013



House prices up £2,283 since December 2012

- Sales to May this year 4.4% higher than last year
- House prices in Aberdeen hit a record high in May

House Price	Index	Monthly Change %	Annual Change %
£143,809	195.0	-0.1	-1.3

Alan Penman of Walker Fraser Steele, part of LSL Property Services, comments: “Scottish house prices have dipped slightly in the last two months. But compared to the beginning of the year, the outlook is distinctly sunnier. The average house is worth almost £2,300 more than in December. Prices haven’t increased as quickly north of the border compared with England, but the increases there are being driven mostly by London.

“Sales are improving, and mortgages are more readily available. But there is still a long way to go. First-time buyer numbers are less than half of what they were before the 2008 downturn, and banks are still reluctant to lend en masse to high LTV borrowers. The finances of many borrowers simply don’t hold up to the strain of saving for a large deposit. Inflation remains high. Wage growth remains weak. Many borrowers require additional help to put enough money away for a deposit.

“When demand slows, house prices follow. Demand has been dampened by inaccessible mortgage criteria. But there are some hotspots, which have seen house prices rise, against the general trend. These areas are mortgage micro-climates, with job opportunities and better wages sustaining individual growth in their region. Aberdeen City is one such success story. Prices in Aberdeen rose 5% in the last month, to a record high of £194,202. Glasgow and Edinburgh, too, have seen price surges.

“Increased first-time buyers will transform the future market. In the first quarter of 2013, loans to first-time buyers were 10% higher than this time last year. At the moment, this improvement is focused in the cities, where the majority of first-time buyers are based. As government schemes like Help to Buy and Funding for Lending continue to encourage new first-time buyers to the market by supporting their efforts to secure finance, this should grow in impact. High demand for Scottish rental property will continue to feed demand for property too.”

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 May 2012 – May 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
May	2012	£145,647	197.5	-0.2	-0.7
June	2012	£145,516	197.3	-0.1	-0.1
July	2012	£145,111	196.7	-0.3	-0.6
August	2012	£143,714	194.9	-1.0	-2.1
September	2012	£143,608	194.7	-0.1	-2.9
October	2012	£142,701	193.5	-0.6	-3.7
November	2012	£142,516	193.2	-0.1	-3.7
December	2012	£141,526	191.9	-0.7	-4.2
January	2013	£142,208	192.8	0.5	-2.7
February	2013	£143,379	194.4	0.8	-1.6
March	2013	£144,057	195.3	0.5	-1.0
April	2013	£143,905	195.1	-0.1	-1.4
May	2013	£143,809	195.0	-0.1	-1.3

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

The LSL/Acadametrics HPI shows a small decrease of £96, or 0.1%, in the average price paid for a house in Scotland in May, compared to April on a seasonally adjusted basis. This is the second month in succession that there has been a minor fall in house prices, but overall this year prices are up by £2,283, or 1.6%, from December 2012.

Figure 1 below shows the average house price in Scotland for the period May 2012 to May 2013, again on a seasonally adjusted basis, together with a trend line over the twelve months. We see that the year can be split into three distinct periods. The first is one of a relatively small but almost constant decline in prices from May 2012 to the end of the year, with falls ranging between -0.1% and -1.0% per month. The second, from January 2013 to March 2013, shows an upturn in prices of 1.8% over this three month period. Finally we have two months of almost static prices, with the average house price falling by £250 over the period. Prices in May 2013 are above the trend line, illustrating the gains that have been made since the start of this year.

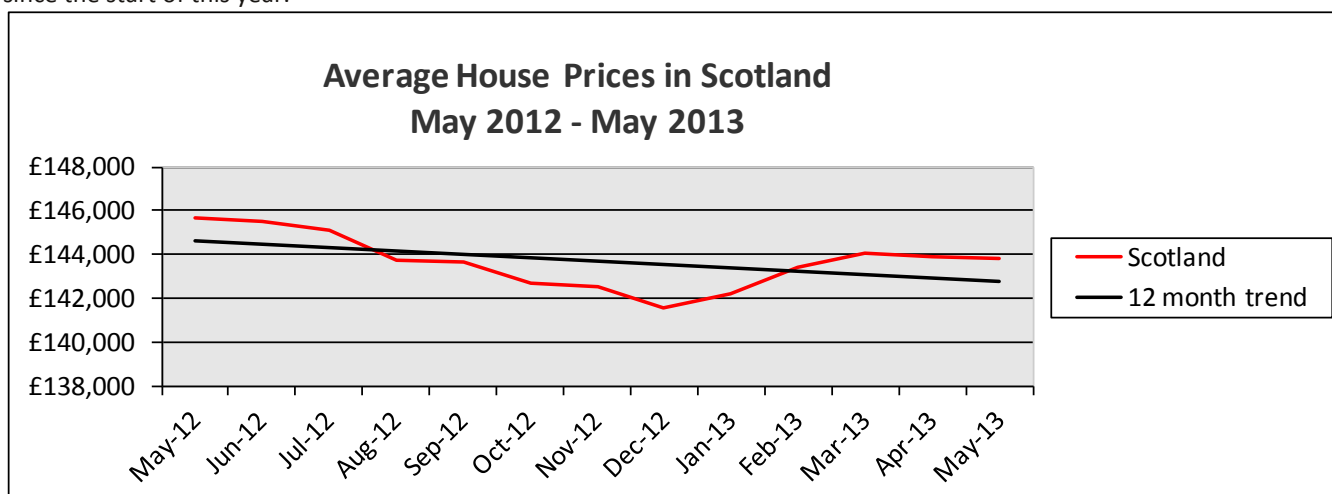


Figure 1. Average house prices in Scotland, May 2012 – May 2013

[link to source Excel](#)

On an annual basis, as indicated by the trend line above, house prices continue to decline, with the annual rate showing a fall of -1.3% over the year. We anticipate a small rise in prices over the coming summer months, as most estate agents are reporting an increase in demand for properties. This reflects a slight easing in the difficulties that buyers have been experiencing in obtaining mortgage finance.

In England & Wales all Regions reported a fall in the average annual rate of house price change between April and May 2013. The positive change in the annual rate in Scotland goes against this trend, albeit by the smallest of amounts at +0.1%. Despite the fall in house prices across the regions of England & Wales, there does appear to be generally more optimism. The main house price indices are now all pointing towards continued house price inflation, and a slow but steady improvement in the housing markets across the UK. This mimics the generally more confident views of the economy that have emerged in recent months. Mortgage lending has been boosted by a range of government initiatives, and we are finally seeing house builders moving to increase output. We anticipate that this optimism will also manifest itself north of the border, and foresee buoyant statistics for the Scotland housing market in August of this year. This is when the price falls of August 2012 will drop out of the annual calculations.

In Scotland over the year, and based on a three month average, semi-detached properties and flats declined in price by 1%, while terraced property prices have remained constant; in the same period, detached properties have seen prices rise by 1%. These price changes are at the national level. At the more local level we see far greater movement in individual prices. Looking at detached properties, the highest price rises have been in Angus, up 19.5% over the year. For semi-detached properties both Angus and Dundee City have seen prices rise by a significant 16% and 10%, although the largest increase was recorded in Clackmannanshire at 19%. For terraces the highest price rises have been in Aberdeen City, up 11%, while for flats the largest increase was in East Dunbartonshire, up 16%.

Last month we discussed peak average house prices and stated that Aberdeen City was close to breaking its previous record level. We can indeed advise that this month Aberdeen City has surpassed its previous house price peak of £186,917, recorded in December 2012. The current average price is now £194,202, up 5% on the month; this is the only Local Authority Area in Scotland to have set a new peak price over the last year. Apart from Aberdeen City, the area closest to its peak price is Angus, where currently prices are £2,850, or 2%, from the peak of £143,478 established in June 2008.

House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing May 2012 and April 2013 with May 2013 [link to source Excel](#)

AVERAGE HOUSE PRICES IN SCOTLAND BY LOCAL AUTHORITY AREAS

(Mix adjusted)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	May-12	Apr-13	May-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	217,048	206,521	210,047	1.7%	-3.2%
2	2	Aberdeenshire	198,963	204,745	204,922	0.1%	3.0%
3	4	East Renfrewshire	193,532	197,141	197,811	0.3%	2.2%
4	6	Aberdeen City	177,641	184,937	194,202	5.0%	9.3%
5	5	East Dunbartonshire	179,804	190,782	189,017	-0.9%	5.1%
6	3	East Lothian	198,748	188,036	188,437	0.2%	-5.2%
7	9	Perth & Kinross	161,697	159,092	161,444	1.5%	-0.2%
8	8	Stirling	168,599	171,038	157,961	-7.6%	-6.3%
9	7	Midlothian	171,032	157,653	156,762	-0.6%	-8.3%
10	11	Highland	149,059	154,900	152,632	-1.5%	2.4%
11	10	Scottish Borders	152,958	146,305	150,298	2.7%	-1.7%
12	12	Argyll & Bute	146,201	144,450	145,615	0.8%	-0.4%
13	17	Moray	135,606	139,997	141,478	1.1%	4.3%
14	23	Angus	124,894	140,308	140,629	0.2%	12.6%
15	15	West Lothian	137,802	137,977	132,536	-3.9%	-3.8%
16	13	Orkney Islands	140,630	121,534	131,810	8.5%	-6.3%
17	16	South Ayrshire	137,554	135,122	130,656	-3.3%	-5.0%
18	14	Dumfries & Galloway	138,999	125,471	127,671	1.8%	-8.1%
19	20	Fife	128,994	127,831	125,983	-1.4%	-2.3%
20	21	Dundee City	128,033	125,288	124,056	-1.0%	-3.1%
21	22	Glasgow City	125,454	120,239	121,414	1.0%	-3.2%
22	24	South Lanarkshire	117,729	123,674	118,508	-4.2%	0.7%
23	19	Clackmannanshire	129,002	119,143	116,955	-1.8%	-9.3%
24	18	Shetland Islands	131,780	120,080	115,173	-4.1%	-12.6%
25	26	Falkirk	115,995	114,884	111,848	-2.6%	-3.6%
26	25	Inverclyde	117,113	103,446	109,675	6.0%	-6.4%
27	27	Renfrewshire	114,393	107,570	105,521	-1.9%	-7.8%
28	31	North Ayrshire	101,682	100,169	105,193	5.0%	3.5%
29	30	Eilean Siar	104,820	106,522	101,219	-5.0%	-3.4%
30	28	West Dunbartonshire	108,663	99,319	101,035	1.7%	-7.0%
31	32	North Lanarkshire	97,689	100,607	98,747	-1.8%	1.1%
32	29	East Ayrshire	104,846	103,048	93,518	-9.2%	-10.8%
		All Scotland	145,647	143,905	143,809	-0.1%	-1.3%

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for May 2012, April 2013 and May 2013, together with the rates of change over the last month and year. In May, monthly prices increased in exactly half of the 32 Local Authority Areas, on a seasonally adjusted basis. On an annual basis, prices are still below last year's levels in 22 Local Authority Areas, which is five more areas than last month, suggesting that the fall in house prices is almost universal across the country.

Looking first at the monthly rate of change from April 2013 to May 2013, the biggest increase in prices among the Local Authority Areas was in the Orkney Islands, up 8.5%. However, prices in the Orkneys are more volatile than in most areas due to the relatively small number of transactions that take place on the Islands each month. On the Scottish mainland, the highest increase in prices was seen in Inverclyde, up 6.0%, a result of the sale of some 33 'high-value' flats during the month. This was followed by a 5.0% increase in Aberdeen City, with all property types seeing an increase in prices, but especially detached properties which increased by an average £22 k over the month. Next to Edinburgh, Aberdeen City has the highest average price for detached properties of all the Local Authority areas in Scotland. The area with the largest fall in prices over the month was East Ayrshire, where the average price of a detached house dropped by £11 k to £162 k, which is half the cost of an average detached property in Aberdeen City.

Turning to the annual change in average house prices, the highest movement in prices on the mainland was seen in Angus, up 12.6% on the year – there was a £15 k increase in semi-detached prices over the year. Angus shows the largest movement up the rankings of Local Authority areas by average house price over the year. It has gained 9 places in our league table over the last twelve months and is now in 14th position.

Housing transactions

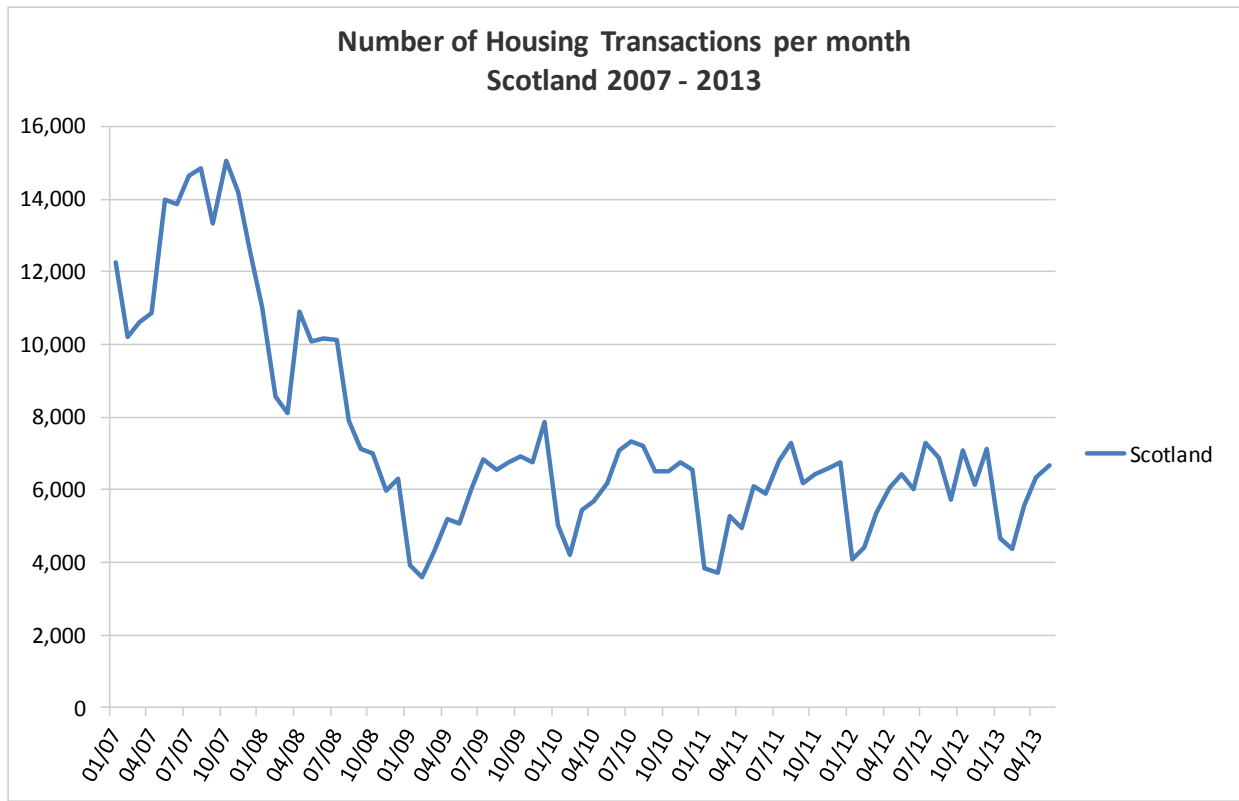


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2013 (not seasonally adjusted)

[link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to May 2013, without seasonal adjustment. There is a bias towards the summer months in the purchase of homes, with May typically seeing an increase in sales of 13% over April levels. This year there has been an increase of 5% in sales volumes over April, which is lower than we would normally expect. However, sales in April were more buoyant than usual, which has resulted in a lower percentage increase in sales in May. For the period from January to the end of May 2013, transaction levels are running 4.4% ahead of the same five months in 2012.

Approximately half the rise in sales to date in 2013 compared to 2012 is the result of an increase in activity by first time buyers. The CML reports that “In the first quarter of 2013, a total of 4,500 loans were advanced to first-time buyers in Scotland. This represented a 10% increase on the first quarter of 2012 when there were 4,100 loans”. There has also been a pick-up in activity by buy-to-let landlords, with rentals in most areas of Scotland remaining strong.

Given the increase in activity by first time buyers, it is perhaps not surprising that the property type with the highest increase in transactions in the first five months of 2013 compared to the same period in 2012 is terraces, up 10%. In quantum terms, the largest increase in terraces over this period was seen in Glasgow, up by 44 properties, or 12%, compared to the same period in 2012. In percentage terms the highest increase in the number of terraced properties sold was in Perth & Kinross, up 38%, or 38 properties, followed by Dundee city, up 30%, or 39 properties.

The second largest increase in 2013 by property type, compared to the same period in 2012, was detached houses, up by 7%, or 270 properties. Here the largest quantum increase in detached sales was seen in Aberdeenshire, up by 91 properties, followed by the Highlands up by an extra 63 sales on 2012 levels, an 18% increase.

As with house prices, property sales have increased in the first five months of 2013 in the majority of Local Authority areas, compared to the same period a year earlier, with 25 of the 32 authority areas witnessing rises in transaction levels. The largest percentage increase was in Midlothian where transactions have increased by 48% over 2012 - this was across all property types, but especially detached houses, which have seen a doubling in the number of properties sold. Midlothian is followed by East Dunbartonshire, up 19% in sales volumes, with the largest increases taking place in the sale of detached homes. The area with the highest increase in the sale of flats is Edinburgh, with an additional 228 units being sold compared to the previous year. This increase in the sale of flats in Edinburgh represents 60% of the additional 390 flats sold in Scotland in the first five months of 2013, compared to a year earlier.



NOTES

1. LSL Acad Scotland HPI is a price series as opposed to a value series and is the only house price index for Scotland to use:
 - the actual prices at which every residential property in Scotland was transacted, including prices for properties bought with cash, using the data provided by Registers of Scotland as opposed to valuation estimates or asking prices
 - the price of every single relevant transaction, as opposed to prices based upon samples
2. the current month LSL Acad Scotland HPI is not forecast, unlike the LSL Acad E&W HPI, and the first release of the Scotland results lag the first release of those for England & Wales by one month
3. whilst the LSL Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months' prices, the LSL Acad Scotland HPI average reflects the average price at the month of the index and the prior two months' prices and is ascribed to the month of the index i.e. it is "end month smoothed" (ems) and not "centre month smoothed" (cms) as applied to the LSL Acad E&W HPI. Since we provide only a national England & Wales average price in our current month LSL Acad E&W HPI and prices at region and lower levels are lagged one month, this procedure means that the LSL Acad Scotland HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales, Wales and the regions.
4. all LSL Acad Scotland HPI results are subject to change following receipt of updated data from Registers of Scotland
5. Acadametrics is an independent privately owned consultancy working with Dr Stephen Satchell, Economics Fellow Trinity College Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.

Comparison of indices and RoS average prices

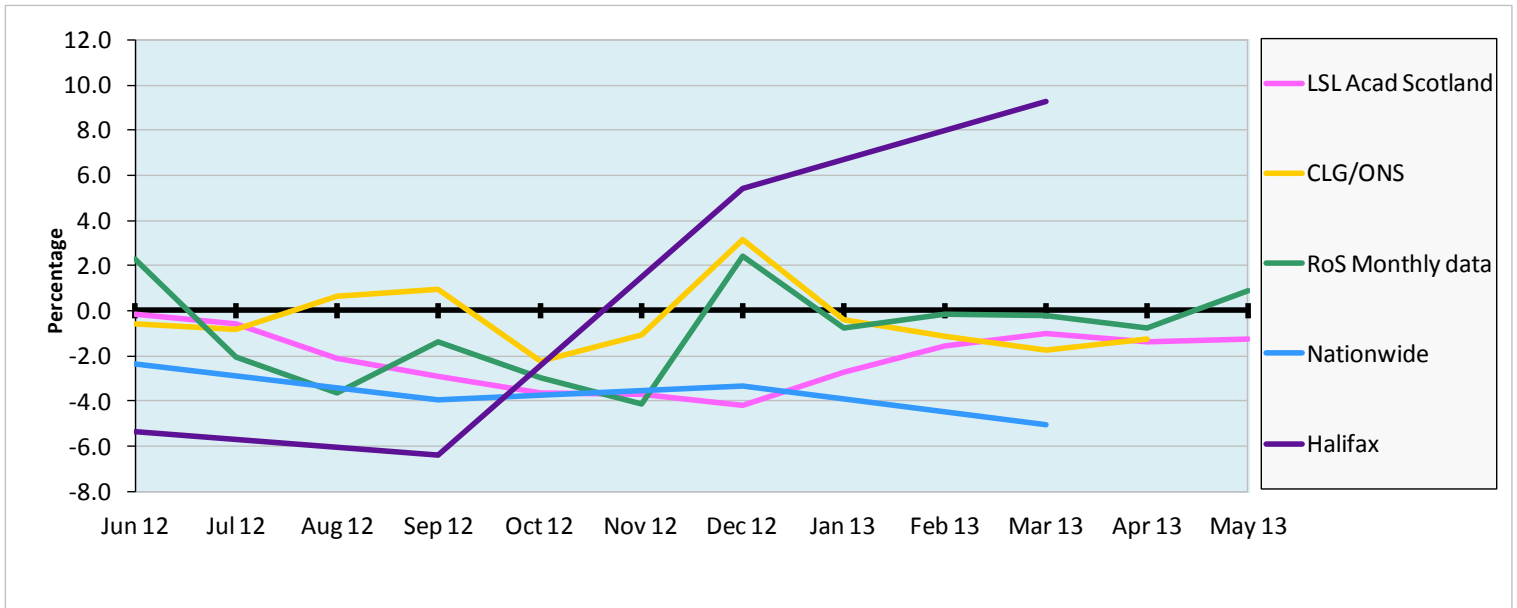


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

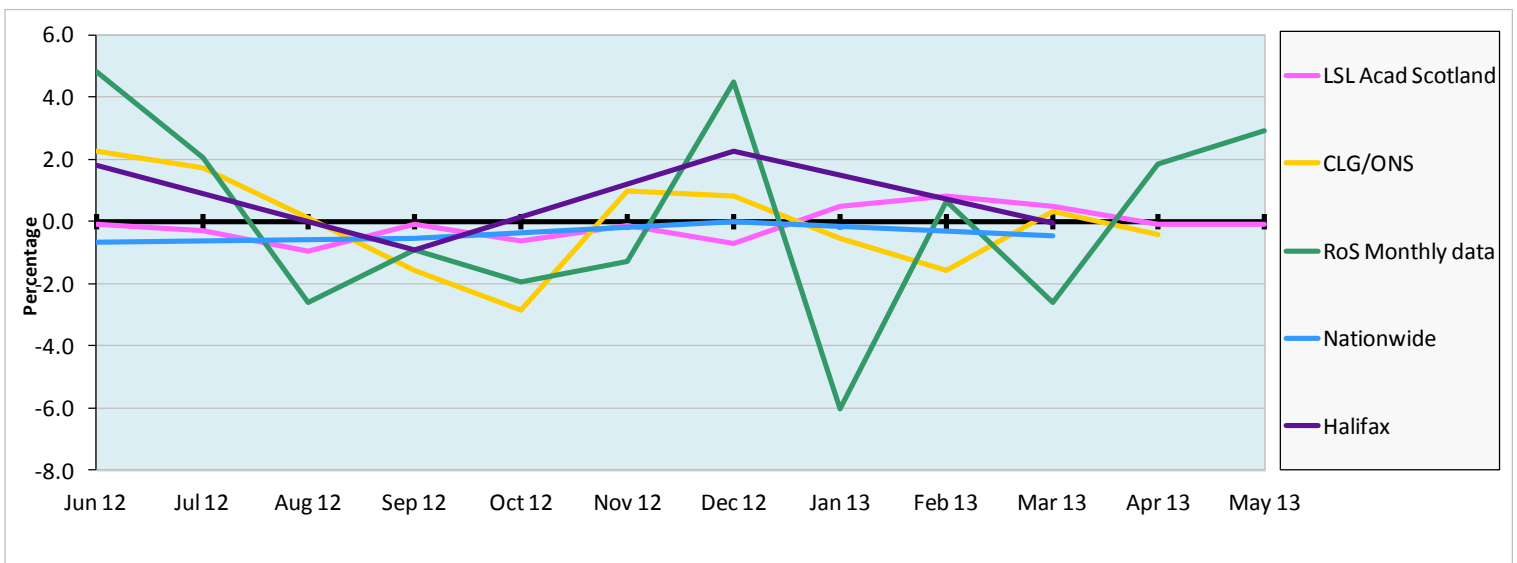


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

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



Average House Price

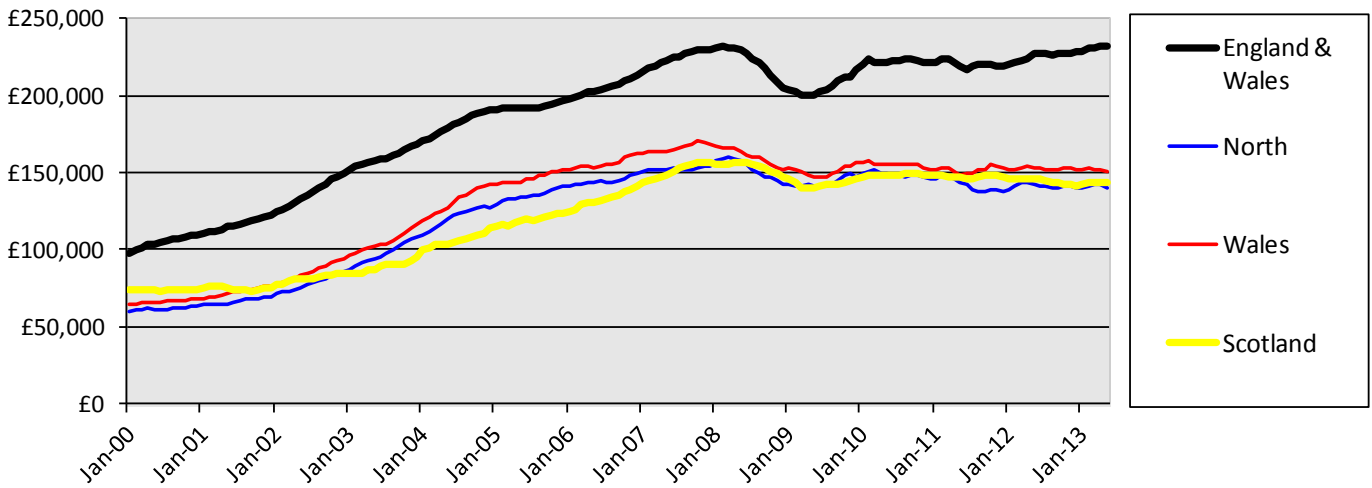


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - May 2013 [link to source Excel](#)

Annual % change in Average House Prices

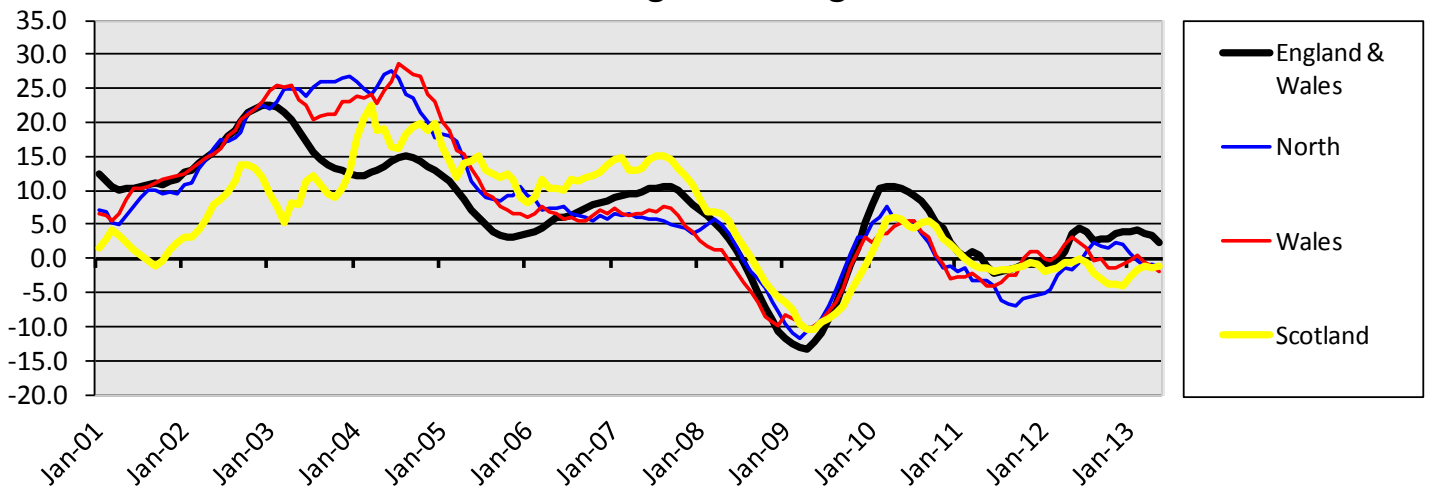


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 - May 2013 [link to source Excel](#)

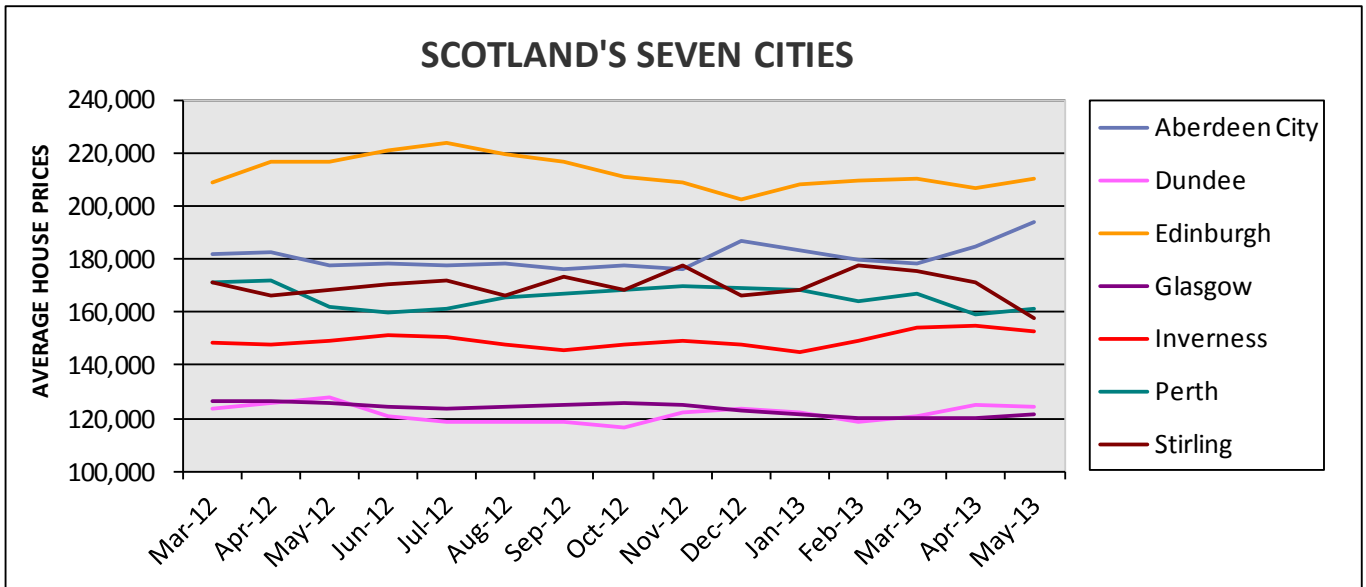


Figure 7. Average house prices for Scotland's seven cities from March 2012 – May 2013

[link to source Excel](#)

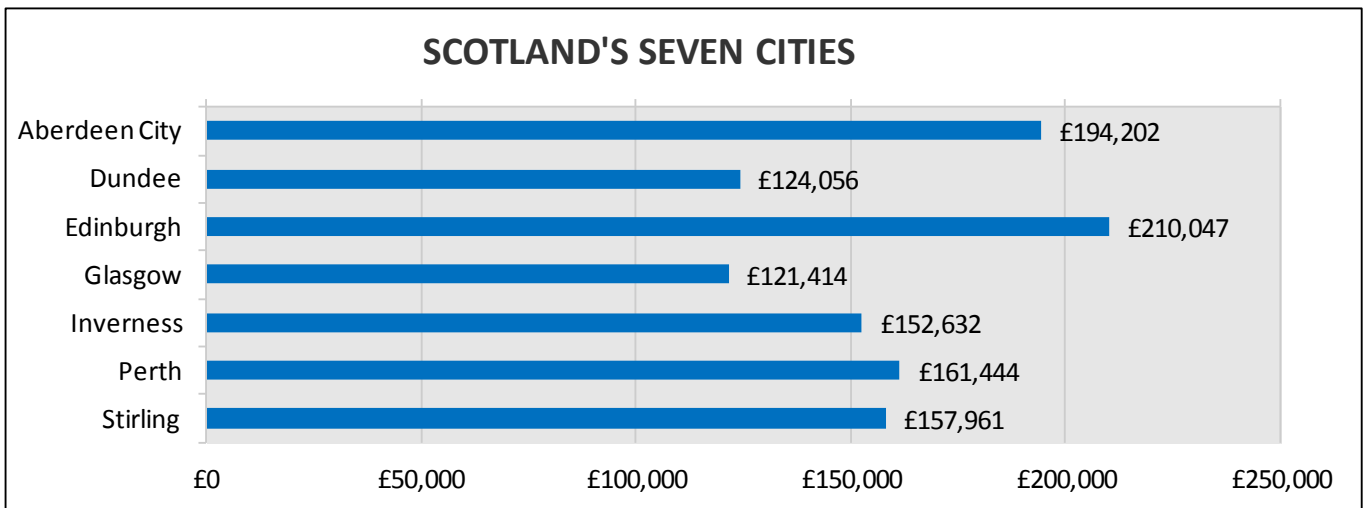


Figure 8. Average house prices for Scotland's seven cities May 2013

[link to source Excel](#)



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

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

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

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