

LSL Property Services/Acadata

Scotland

House Price Index

NOVEMBER 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 15TH JANUARY 2014



Scottish house prices up by £2,146 in November – highest monthly rise since June 2007

- **Over three quarters of Scottish regions see price rises in November**
- **Average prices in Aberdeen City set another record high**

House Price	Index	Monthly Change %	Annual Change %
£146,238	198.3	1.5	2.6

Donald MacLellan, Chairman of Walker Fraser Steele Chartered Surveyors, part of LSL Property Services, comments: “The property market in Scotland is powering ahead like a freight train. Price rises of £2,146 in November reflect the largest increase in a single month since June 2007, when prices were up by 1.7%. This is down to the vast influx of first-time buyers, who have stirred up activity from the lower realms of the housing market, accelerating the rate of recovery. Such momentum means there’s cause for renewed optimism in 2014, as the Scottish property market shows that it’s making solid progress on all fronts. Prices have picked up at a healthy pace across the country and sales are rising swiftly, as mortgage conditions continue to improve.

“Strong demand has been pivotal in improving the outlook for the Scottish housing market as confidence has been growing exponentially in the past six months. With lending levels following suit, there are sure signs the Scottish property market is on the fast track to full health. More than three quarters of the country saw price rises in November, showing the recovery has now become nationwide.

“In particular, the journey for first-time buyers is drastically better than a year ago, reinforced by Government schemes such as Help to Buy. While an enticing circle of mortgage products, low interest rates and higher LTV mortgages have propelled the market to another level, with sales volumes from June to November 2013 up by 22%. The rise in first-time buyers has been key as activity from this end of the market has reverberated higher up.

“However, beneath the surface it’s also clear the number of homes on sale falls far short of the level needed to meet demand, which is resulting in climbing house prices. The blatant imbalance between the lack of housing supply and the pent-up demand needs to be tackled to allow the market to continue to recover at a sustainable rate.

“Many buyers are understandably unclear over which direction the economy will take over the coming twelve months, with some opting to sit tight in the meantime. The withdrawal of the Funding for Lending scheme is in part responsible for this air of uncertainty. While another obstacle may be the referendum this year on Scottish independence, which could cause a slowdown as potential buyers delay their home purchase in order to await the outcome.”

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 November 2012 – November 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
November	2012	£142,525	193.2	-0.1	-3.7
December	2012	£141,559	191.9	-0.7	-4.2
January	2013	£142,234	192.8	0.5	-2.7
February	2013	£143,365	194.4	0.8	-1.6
March	2013	£144,035	195.3	0.5	-1.0
April	2013	£143,871	195.1	-0.1	-1.4
May	2013	£143,855	195.0	0.0	-1.2
June	2013	£143,223	194.2	-0.4	-1.6
July	2013	£143,654	194.8	0.3	-1.0
August	2013	£143,307	194.3	-0.2	-0.3
September	2013	£144,297	195.6	0.7	0.5
October	2013	£144,092	195.4	-0.1	1.0
November	2013	£146,238	198.3	1.5	2.6

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

The average house price in Scotland rose by £2,146, or 1.5%, in November on a seasonally adjusted basis, and now stands at £146,238. This is the largest increase in a single month since June 2007, when prices rose by 1.7%. This surge in the average price arises from increasing demand over the last six months, which however has not been matched by a similar increase in supply - the result is strong competition for the properties which are put up for sale.

According to RICS Scotland's Director Sarah Speirs, this imbalance between the supply and demand for properties is likely to persist over the coming year: "We expect all areas of the country to see prices increase ... this is largely down to the fact that buyer numbers considerably outweigh the amount of homes on the market. While the number of new homes being built is now on the rise, it still won't be anywhere near enough to meet demand, and we expect the problem of insufficient supply of housing stock to be the main driver behind price increases over the next twelve months."

On an annual basis, average house prices in November 2013 have risen by £3,713, or 2.6%. This is the largest annual increase since three years ago, when annual prices in November 2010 were rising by 2.9% as the market came out of the recession caused by the credit crisis: prices had then fallen to a low point of £140,396 in April 2009. Average house prices are now back to where they were in April 2007, pre the recession, but are still 7% below the peak price of £156,967 reached in May 2008.

Scotland is not alone in seeing house prices rebound during the latter part of 2013. In November 2013 all other regions in Great Britain were also recording a positive movement in house prices over the year, with average price growth in England & Wales standing at 4.8% including Greater London, or 3.4% excluding Greater London. There were three regions in Great Britain with annual house price growth lower than in Scotland, being Wales and Yorkshire & Humber, both at 2.0%, and the North at 0.9%.

The main driver for the increase in housing demand over the last six months has been the first time buyer. The mortgage companies eased their constraints on lending to this sector of the market, offering more competitively priced products with lower deposit requirements. This was assisted by the Bank of England's Funding for Lending Scheme (FLS), latterly replaced by the Help to Buy (Scotland) scheme. The increase in the number of first time buyers, which the CML estimated as being 32% during Q3 2013 compared to the previous year, has had a knock-on effect throughout the rest of the market. With interest rates at an all-time low, this has produced an increase in housing transactions across all sectors, with sales volumes for the six months June – November 2013 up 22% on the same period in 2012.

Figure 1 gives a quick sense of how prices evolved in Scotland during 2013. As can be seen, the period started with an initial fall of close to £1,000 in December 2012, followed by a period of recovery up to May 2013. The market then fluctuated at a level below the trend line for the next five months, followed by the considerable uptick in prices in November 2013. The decline after May 2013 coincided with the expansion of sales to first time buyers. This is no coincidence, as the average price of £97,000 paid by first time buyers was lower than the average price for the market as a whole. The increase in sales to this sector thus caused the overall average price to fall.

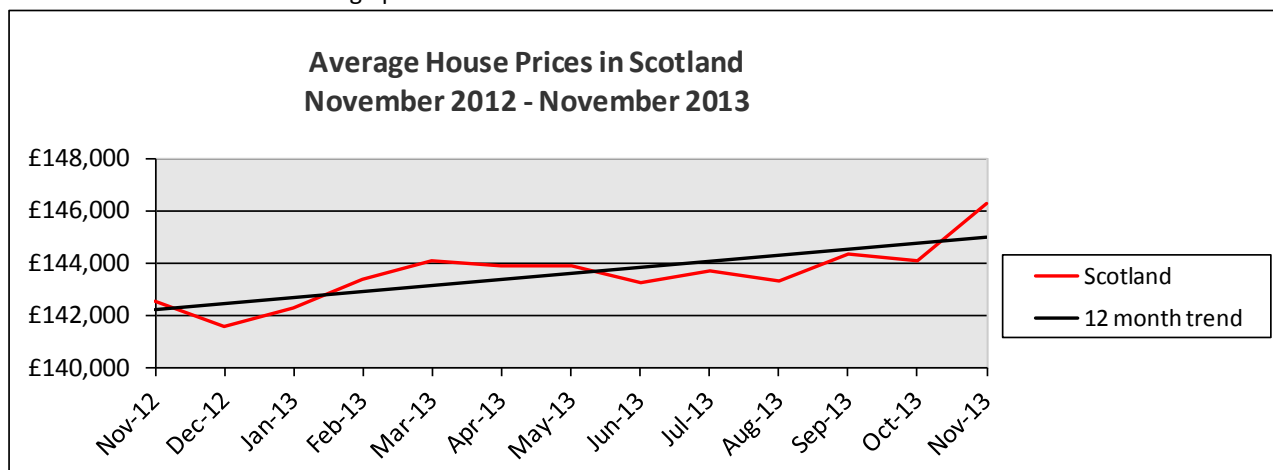


Figure 1. Average house prices in Scotland, November 2012 – November 2013

[link to source Excel](#)

What next for Scotland's housing market? There are a number of unknowns which make any predictions fraught with difficulty. Clearly RICS believes that demand will continue to gather momentum, which is unlikely to be met in the short term by the supply of additional homes, thus resulting in house prices continuing to climb. Against this is a possible rise in interest rates, which many economists believe will happen sooner rather than later, and which is likely to dampen the current high demand for properties when it does take place. Finally, there is the uncertainty of the outcome of the referendum on independence from the United Kingdom, which may possibly cause some to delay the purchase of a home until the result is known. It should prove to be a fascinating year in which to observe trends.

House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing November 2012 and October 2013 with November 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	Nov-12	Oct-13	Nov-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	208,651	210,013	215,779	2.7%	3.4%
2	4	Aberdeenshire	196,397	204,134	209,601	2.7%	6.7%
3	3	East Renfrewshire	198,458	195,372	204,708	4.8%	3.1%
4	2	East Lothian	200,573	199,580	204,647	2.5%	2.0%
5	7	Aberdeen City	176,318	195,088	195,740	0.3%	11.0%
6	5	East Dunbartonshire	182,627	182,789	188,329	3.0%	3.1%
7	8	Perth & Kinross	169,700	162,851	167,149	2.6%	-1.5%
8	6	Stirling	177,858	164,439	164,239	-0.1%	-7.7%
9	9	Scottish Borders	154,040	166,497	163,503	-1.8%	6.1%
10	11	Midlothian	144,534	148,019	149,856	1.2%	3.7%
11	12	Argyll & Bute	143,409	135,314	147,806	9.2%	3.1%
12	10	Highland	148,856	144,256	147,369	2.2%	-1.0%
13	13	South Ayrshire	136,409	136,065	137,214	0.8%	0.6%
14	16	West Lothian	129,775	133,102	136,405	2.5%	5.1%
15	22	Shetland Islands	122,006	134,668	136,147	1.1%	11.6%
16	14	Angus	134,025	129,130	134,773	4.4%	0.6%
17	15	Moray	129,969	128,812	132,783	3.1%	2.2%
18	17	Dumfries & Galloway	128,605	126,589	128,573	1.6%	0.0%
19	19	Glasgow City	125,358	128,335	127,233	-0.9%	1.5%
20	23	Fife	121,643	125,985	125,051	-0.7%	2.8%
21	18	Orkney Islands	125,664	124,755	124,064	-0.6%	-1.3%
22	21	Dundee City	122,080	121,116	123,514	2.0%	1.2%
23	24	Clackmannanshire	120,125	129,630	121,399	-6.3%	1.1%
24	25	South Lanarkshire	116,608	116,503	118,527	1.7%	1.6%
25	26	Falkirk	108,927	109,635	112,688	2.8%	3.5%
26	20	Inverclyde	123,469	107,895	109,380	1.4%	-11.4%
27	27	West Dunbartonshire	101,388	103,772	105,427	1.6%	4.0%
28	29	Renfrewshire	100,975	103,412	104,926	1.5%	3.9%
29	31	North Ayrshire	98,551	101,450	101,398	-0.1%	2.9%
30	28	East Ayrshire	101,083	98,865	101,020	2.2%	-0.1%
31	30	North Lanarkshire	99,461	97,824	98,597	0.8%	-0.9%
32	32	Eilean Siar	95,288	97,362	97,864	0.5%	2.7%
		All Scotland	142,525	144,092	146,238	1.5%	2.6%

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for November 2012, October 2013 and November 2013, together with the rates of change over the last month and year. In November, monthly prices rose in 25 of the 32 Local Authority Areas (some 78% of all areas), on a seasonally adjusted basis. This is five more areas than last month and indicates that the bounce in prices during the month was experienced across more than three-quarters of Scotland's local authority districts. On an annual basis, prices have risen in 24 of the 32 local authority areas, which is ten more areas than two months previously. This demonstrates the current upward pressure on house prices as demand for properties continues to increase. Many agents are reporting a lack of new instructions to sell, which, along with an increase in demand from first time buyers, is beginning to push up the prices of those properties which are put on the market.

Looking first at the monthly rate of change from October 2013 to November 2013, the biggest increase in prices among the Local Authority Areas was in Argyll & Bute, up 9.2%, where the average price of detached houses has risen by around £50k, and assisted by the sale of some expensive properties in Oban and Lochgilphead. The second largest increase in prices during the month was in East Renfrewshire, up by 4.8%, where the average price of semi-detached properties has risen by £60k.

Turning to the annual change in house prices, the highest movement on the mainland was in Aberdeen City, up 11.0% on the year. Here, the sale of flats has seen 35% growth over the last six months compared to twelve months earlier, resulting in prices for such properties rising by an average £27k. For the third successive month, average house prices in Aberdeen City have set a new record level at £195,740. However, this is the only Local Authority Area in Scotland with record prices, with most other areas seeing discounts of over 5% from their previous peaks, except for Aberdeenshire and the Shetland Islands which are 0.5% and 0.1% off their respective highs.

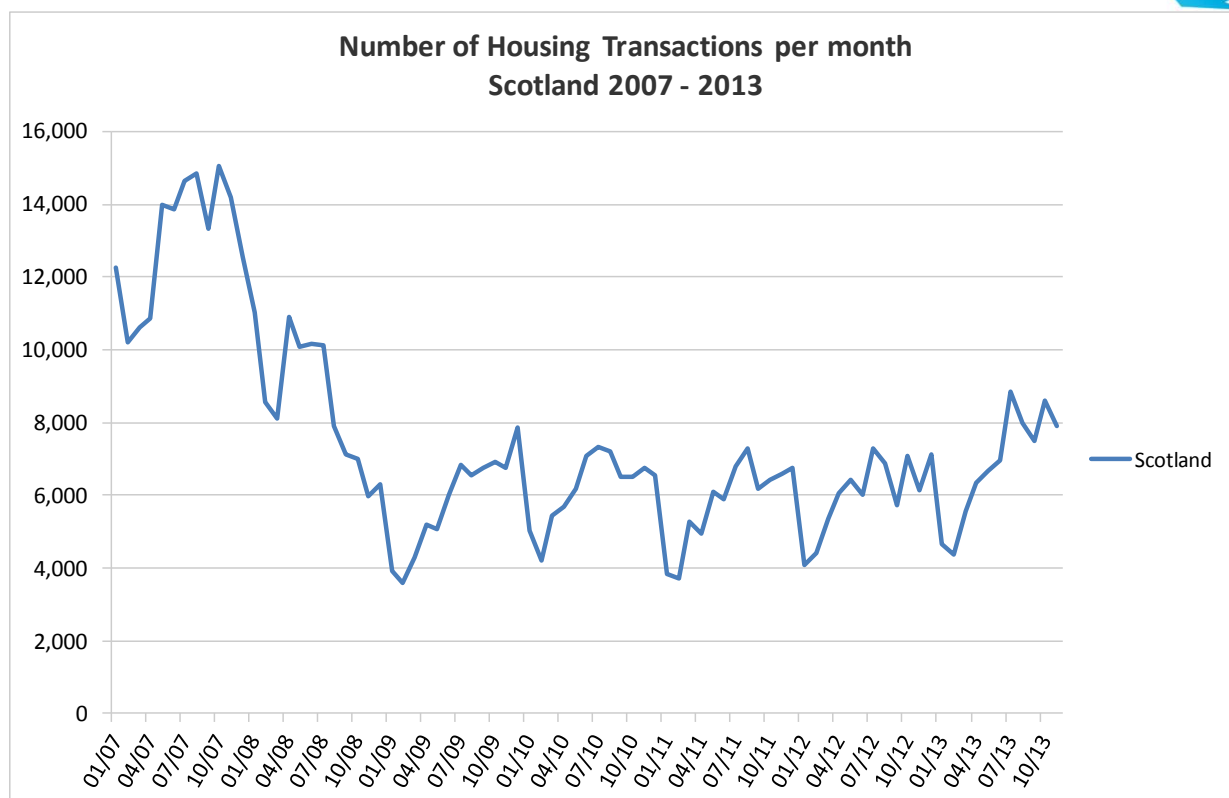


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2013 (not seasonally adjusted)

[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 November 2013, 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 exceeding that of the equivalent period in the preceding four years. However transactions in November 2013 fell by 8% compared to October 2013, although we should recall that October 2013 was a particularly busy month, which would have been difficult to match in even the most benign of circumstances. Perhaps a more relevant statistic is to compare November 2013 with the same month in 2012, which shows an increase in sales of 29%, but here we have the problem that November 2012 was a particularly weak month. Safer then to look at the figures for the last six months, i.e. June to November 2013 and compare these to the same six months in 2012, showing that sales are up by 22% over the period. This represents a significant recovery in the housing market during the second half of 2013, albeit, as the graph shows, transactions are still at a considerably reduced level when compared to the number of properties sold in 2007 (down some 47%).

Much of the increase in transactions during the second half of 2013 is from first time buyer activity. The CML (Council of Mortgage Lenders) reports that the number of loans taken out by first time buyers during the third quarter of 2013 was up 32% compared to the third quarter of 2012, being some additional 1,600 property sales. Activity by first time buyers is also having an influence further up the property chains, such that the CML reports that the number of loans taken up by home movers in the third quarter of 2013 increased by 16% compared to the third quarter in 2012.

Analysing the change in transactions by property type between June and November 2013 with the same six months in 2012, we find that of the overall increase of 22% in sales, flats have seen the highest rise in numbers sold (up 27%), followed by detached properties (up 24%), semi-detached properties (up 20%) and finally terraces (up 17%). The increase in the sale of flats is indicative of the first time buyer activity, being their main property type of choice, with the increase in the sale of detached homes suggesting that the more mature movers in the property market are also becoming more active.

The highest percentage increase in the sale of properties on the mainland in the six month period June – November 2013 compared to the same six months in 2012 was in Midlothian, up by an overall 40%. Here the sale of semi-detached homes increased by 57 properties (up 70%), reflecting a trend - also seen in England & Wales - of a recovery in the purchase of such property types, which had been languishing some twelve months earlier. Midlothian was followed by Angus, up by an overall 36%, where the sale of semi-detached properties has also shown a significant advance (up 42%).



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

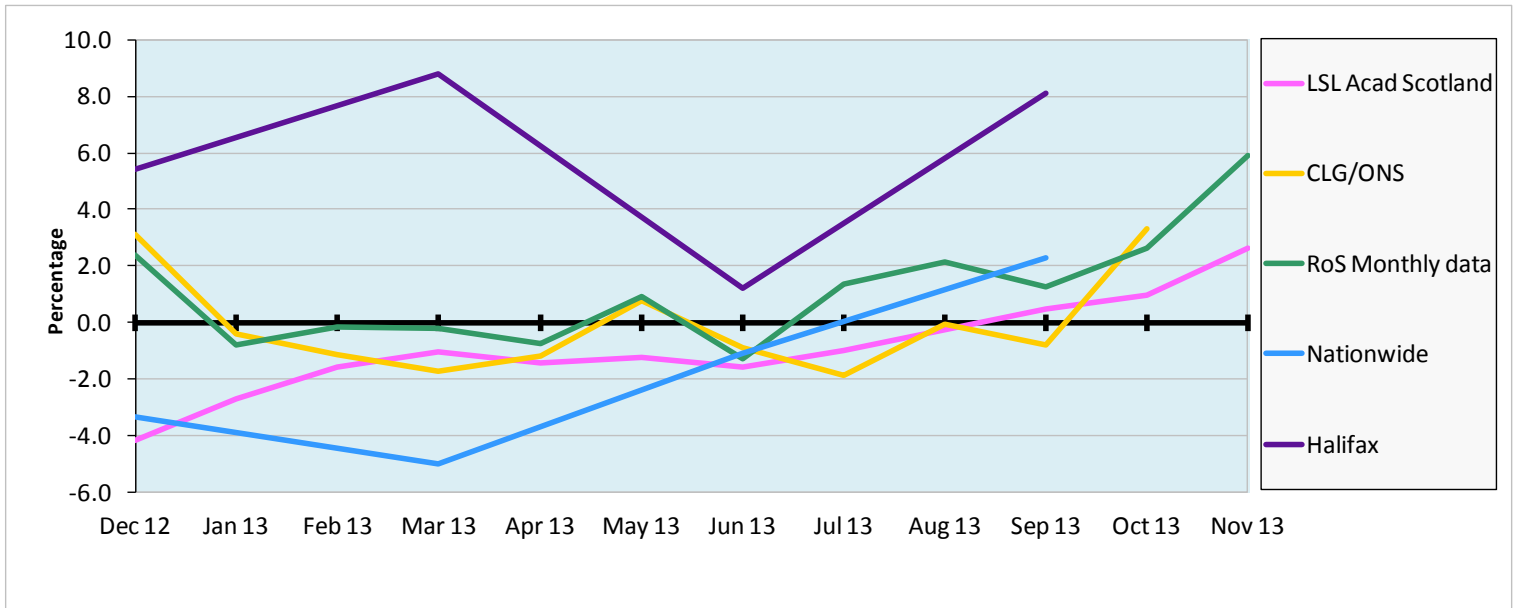


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

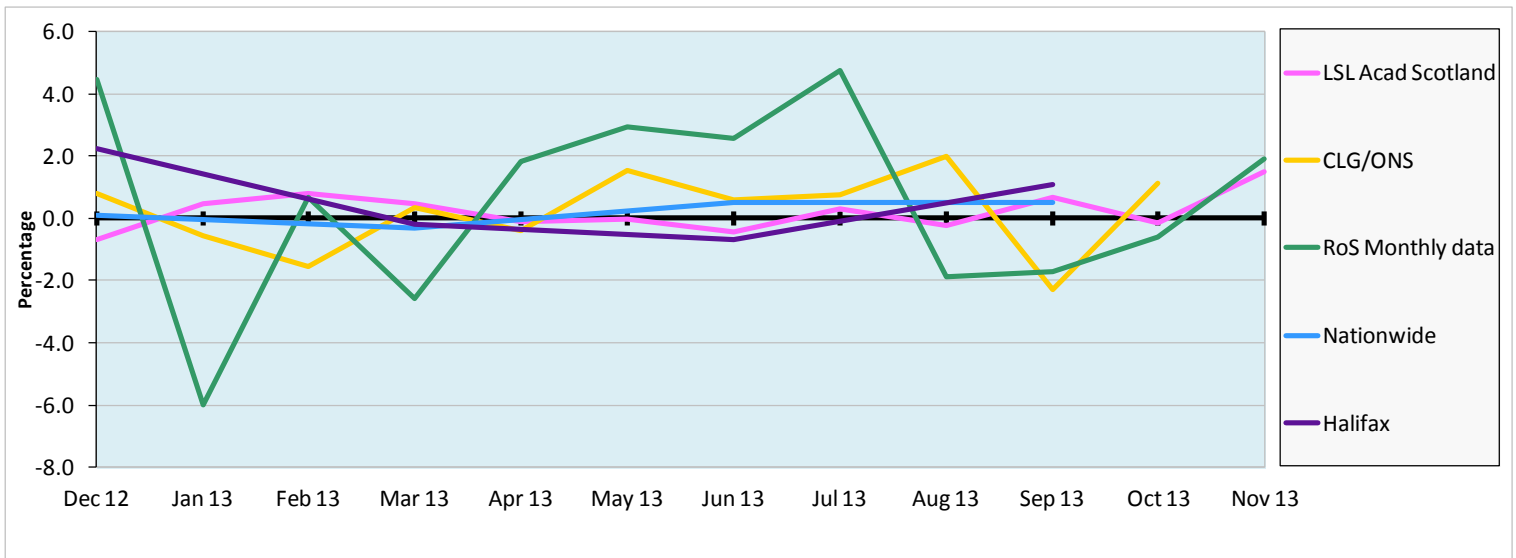


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

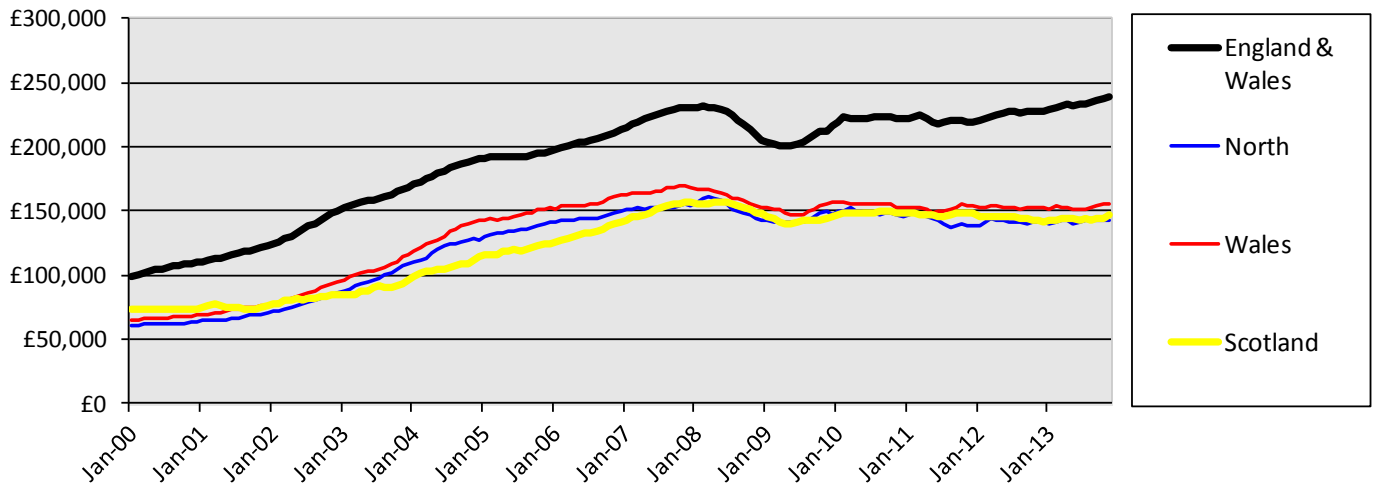


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - November 2013 [link to source Excel](#)

Annual % change in Average House Prices

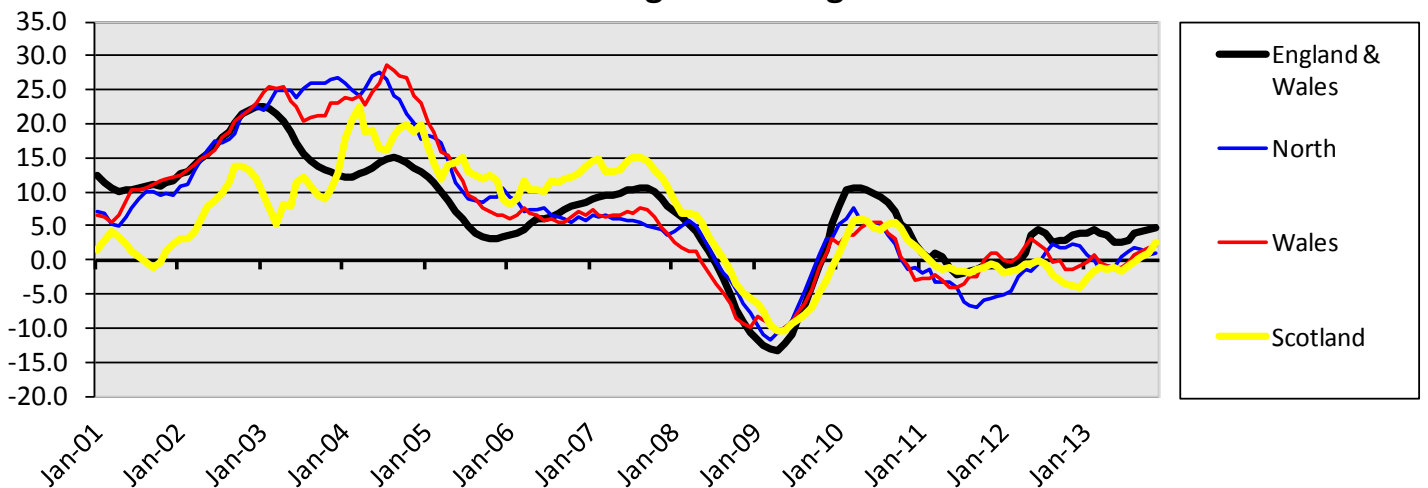


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – November 2013 [link to source Excel](#)

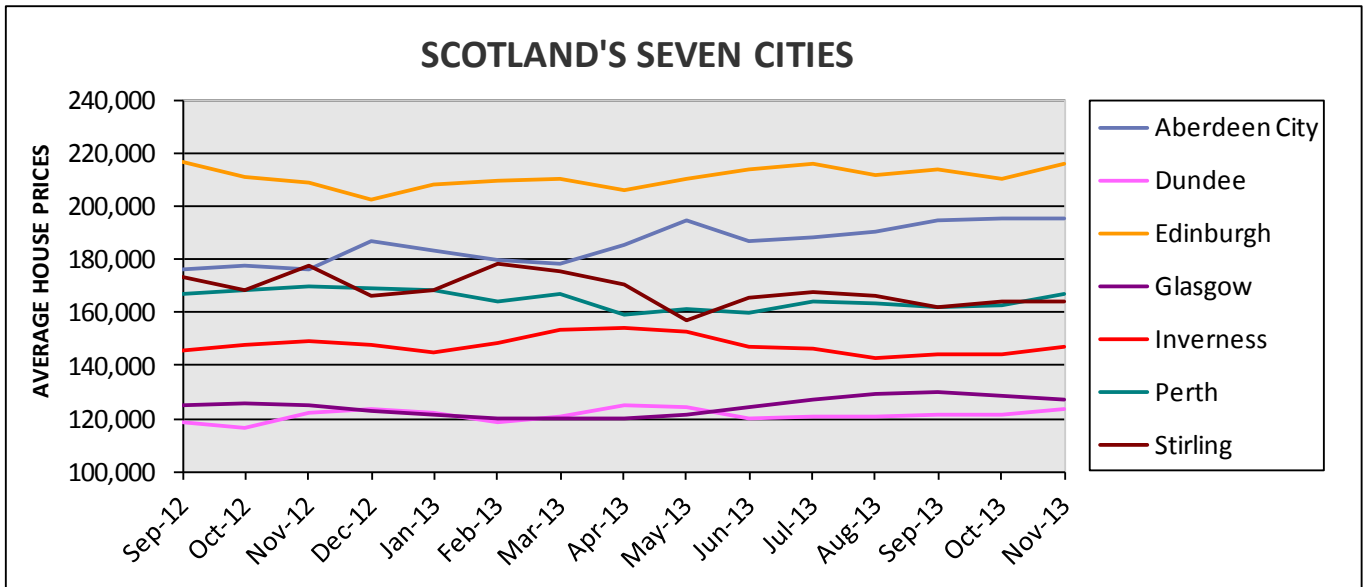


Figure 7. Average house prices for Scotland's seven cities from September 2012 – November 2013 [link to source Excel](#)

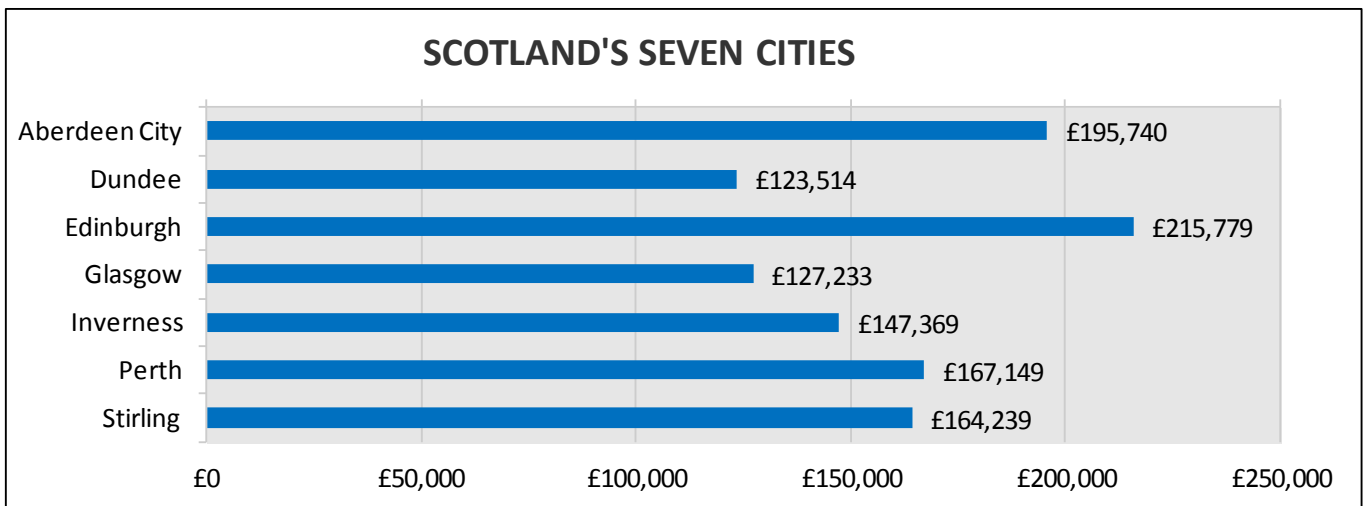


Figure 8. Average house prices for Scotland's seven cities November 2013 [link to source Excel](#)



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 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 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