

LSL Property Services/Acadametrics
Scotland

House Price Index

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Scottish house prices rise for the second successive month as recovery continues

- House sales 12% higher in first four months of 2012 compared to 2011
- Prices recover to same level as 5 years ago
- Strong annual price rises in Aberdeen and Edinburgh

House Price	Index	Monthly Change %	Annual Change %
£146,309	198.4	0.3	-0.6

Richard Sexton, director of e.surv chartered surveyors, part of LSL, comments: “The housing market is coping admirably with the treacherous economic conditions swirling around it. Prices have risen for the second month in a row, suggesting the market may have turned a corner following a difficult winter period when prices fell for four consecutive months.

“‘Cautious optimism’ describes the prospects for the market over the coming months. Demand for moving home is still strong, despite buyers having to piece together the big deposits needed to access affordable mortgages. Plenty of buyers are sick of being stuck in expensive rental accommodation. Rather than line the pockets of landlords, many of them have decided to roll up their sleeves and find a deposit.

“But it was a lack of mortgages, rather than weak demand, which has paralysed the market in the past and dragged down prices. That’s why all eyes will be on the economy and the eurozone. Borrowers will be hoping banks show enough resilience to resist the effects of a gridlocked economy and the deteriorating situation in the eurozone. The prospects for the housing market will be inextricably linked to decisions made in Berlin, Madrid and Athens. If investor confidence in the euro disintegrates completely, and Greece makes a messy exit from the single currency, it could restrict banks’ ability to grant mortgages, particularly to first time buyers.

“On a regional basis, prices are much more varied. Edinburgh and Aberdeen have seen hefty price increases compared to April last year whilst, on the flip side, homeowners in Glasgow and Ayrshire have seen great chunks chiselled off the value of their homes during the same period. A word of warning: despite prices increasing nationally, 18 of the 32 local authorities in Scotland have seen house values fall over the last year. Some areas have struggled more than others with the effects of the downturn and public sector austerity. Local economies are still reeling from the effects of high unemployment and weak private sector investment. This has pushed down house prices well below the national average.”

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 2011 - April 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
May	2011	£147,007	199.3	-0.1	-1.2
June	2011	£146,174	198.2	-0.6	-1.7
July	2011	£146,396	198.5	0.2	-1.6
August	2011	£146,914	199.2	0.4	-1.8
September	2011	£147,727	200.3	0.6	-1.4
October	2011	£147,706	200.3	0.0	-1.3
November	2011	£147,476	200.0	-0.2	-0.7
December	2011	£147,051	199.4	-0.3	-1.0
January	2012	£145,823	197.7	-0.8	-1.9
February	2012	£145,676	197.5	-0.1	-1.7
March	2012	£145,818	197.7	0.1	-1.4
April	2012	£146,309	198.4	0.3	-0.6

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

In April, the average price paid for a house in Scotland rose by 0.3%. Over the last year we have seen five months in which prices have risen, six months in which they have fallen and one month when prices remained static. On an annual basis prices are -0.6% lower than April 2011, but are almost identical to July 2011. To all intents and purposes one can conclude that prices over the last year have been stable, with minor oscillations taking place on a monthly basis.

Figure 1 below extends the analysis of house prices back to January 2007. As one can see over this five year period there was an initial climb in prices to a double peak, with the first peak occurring in November 2007 and the second slightly higher peak taking place in May 2008, when the average house price in Scotland reached a record £157,023. This was then followed by an eleven month decline, with the lowest price of £140,485 occurring in April 2009. At that date, the peak to trough decline had reached 10.5%. Over the next seventeen months, prices climbed to reach a mini-peak in September 2010, just £130 short of £150,000. From this mini-peak onward the average house price in Scotland has remained in a range of £145,000 - £150,000, with prices over the last twelve months being towards the bottom end of this banding.

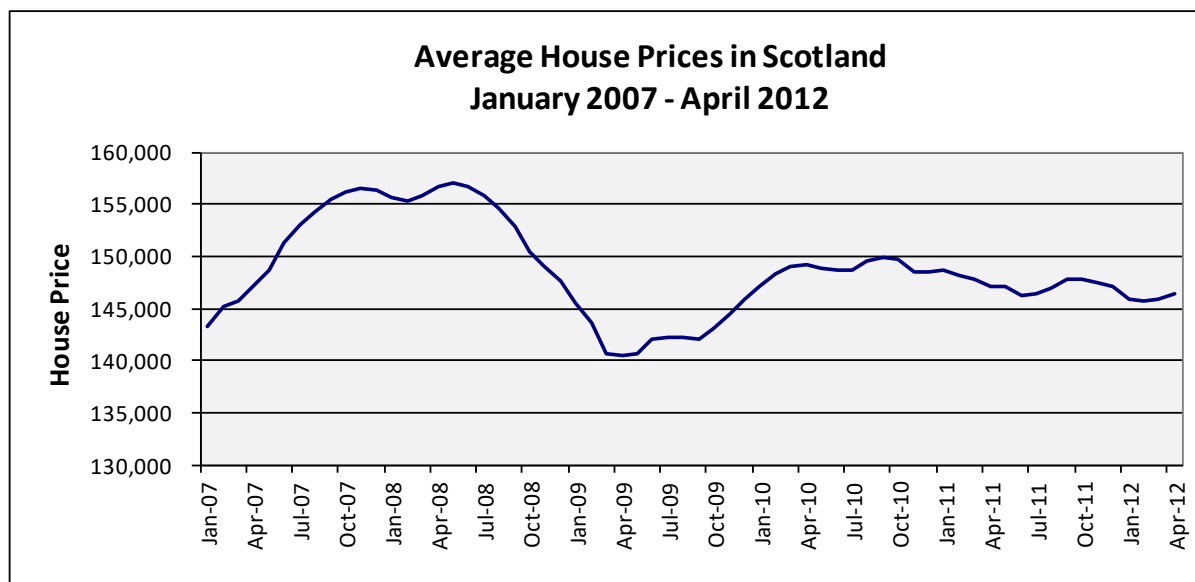


Figure 1. Average house prices in Scotland, January 2007 – April 2012

[link to source Excel](#)

In Scotland, the first time that average house prices reached the current level of £146,300 was during April 2007, with prices ending that month at £147,100. 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.

We continue our five year analysis over the page, looking at how house prices have changed in each local authority area. What becomes readily apparent is that, although prices might be almost identical over this period in Scotland as a whole, at the local authority area level there have been dramatic movements in prices, from +57% in the Orkney Islands to -13.7% in North Ayrshire.

Table 2. Housing Transactions in Scotland by property type, Q1 2007 and Q1 2012.

[link to source Excel](#)

	Detached	Semi Detached	Terraced	Flats	Total
Q1 2007	6,272	5,178	7,216	13,112	31,778
Q1 2012	2,553	2,268	2,681	4,600	12,102
% change	-59%	-56%	-63%	-65%	-62%

The other significant change that has taken place between 2007 and 2012 is the fall in the number of properties being sold. Table 2 above shows that housing transactions have fallen by -62% between Q1 2007 and Q1 2012, with flats being the hardest hit sector, down some -65% by volume. The reduction in properties sold reflects the difficulties faced by potential purchasers in being able to raise the required deposit to purchase a property, plus a reluctance to commit to the acquisition of a major asset in the current economic climate.



Table 3. Average House Prices in Scotland, by local authority area, comparing April 2007 with April 2012 [link to source Excel](#)

AVERAGE HOUSE PRICES IN SCOTLAND BY LOCAL AUTHORITY AREAS

(Mix adjusted)

RANK BY PRICE	PRIOR 5 YR RANK	LOCAL AUTHORITY AREA	Apr-07	Apr-12	% Change
1	2	Edinburgh, City of	205,653	217,255	5.6%
2	3	East Lothian	203,895	198,800	-2.5%
3	5	Aberdeenshire	170,682	198,059	16.0%
4	1	East Renfrewshire	205,897	192,309	-6.6%
5	8	Aberdeen City	162,857	182,794	12.2%
6	4	East Dunbartonshire	179,850	180,203	0.2%
7	6	Perth & Kinross	168,926	172,220	1.9%
8	7	Stirling	164,981	166,504	0.9%
9	30	Orkney Islands	102,147	160,051	56.7%
10	10	Midlothian	155,615	159,953	2.8%
11	9	Scottish Borders	158,106	153,544	-2.9%
12	12	Highland	150,838	148,659	-1.4%
13	11	Argyll & Bute	153,737	144,797	-5.8%
14	20	Moray	131,869	139,324	5.7%
15	13	West Lothian	143,568	139,019	-3.2%
16	17	Dumfries & Galloway	132,401	136,268	2.9%
17	14	South Ayrshire	140,952	135,643	-3.8%
18	19	Angus	132,050	128,702	-2.5%
19	21	Fife	130,715	127,597	-2.4%
20	15	Glasgow City	136,197	127,023	-6.7%
21	22	Dundee City	124,942	126,251	1.0%
22	31	Shetland Islands	99,941	123,763	23.8%
23	16	South Lanarkshire	133,033	122,580	-7.9%
24	18	Clackmannanshire	132,074	119,193	-9.8%
25	25	Falkirk	120,486	117,784	-2.2%
26	24	Renfrewshire	120,826	115,723	-4.2%
27	29	West Dunbartonshire	106,230	113,328	6.7%
28	23	Inverclyde	124,259	111,983	-9.9%
29	32	Eilean Siar	88,305	105,610	19.6%
30	27	East Ayrshire	116,199	101,234	-12.9%
31	26	North Ayrshire	116,947	100,934	-13.7%
32	28	North Lanarkshire	109,985	97,091	-11.7%
		All Scotland	147,101	146,309	-0.5%

Table 3 shows the average house price by local authority area in Scotland in April 2007 and April 2012, and the percentage change in these prices over this period. Although, on average, prices have fallen over the five years by -0.5% in Scotland as a whole, in individual areas we can see a range of price movements from +56.7% in the Orkney Islands to -13.7% in North Ayrshire. House prices over the five years have increased in 14 of the 32 local authority areas. With RPI increasing by 18% over this five year period, only in the three Island groups - the Orkneys, the Shetlands and Eilean Siar - have house prices shown positive growth when expressed in real terms.

If we exclude the three Island groups from our analysis, it is in Aberdeenshire and Aberdeen City that we see the largest increase in house prices, over the five years, up 16.0% and 12.2% respectively. Additionally we can observe a trend, also witnessed in England; that it is the areas which have the highest average house prices that have experienced the highest percentage price growth over the five years, with the opposite also applying. The top quartile of local authority areas by average house price have seen an increase of 3.9% in prices over the five years; the second quartile have seen prices fall by -0.1%; in the third quartile prices have fallen by -4.6% whilst, in the bottom quartile, prices are down by -6.9%.

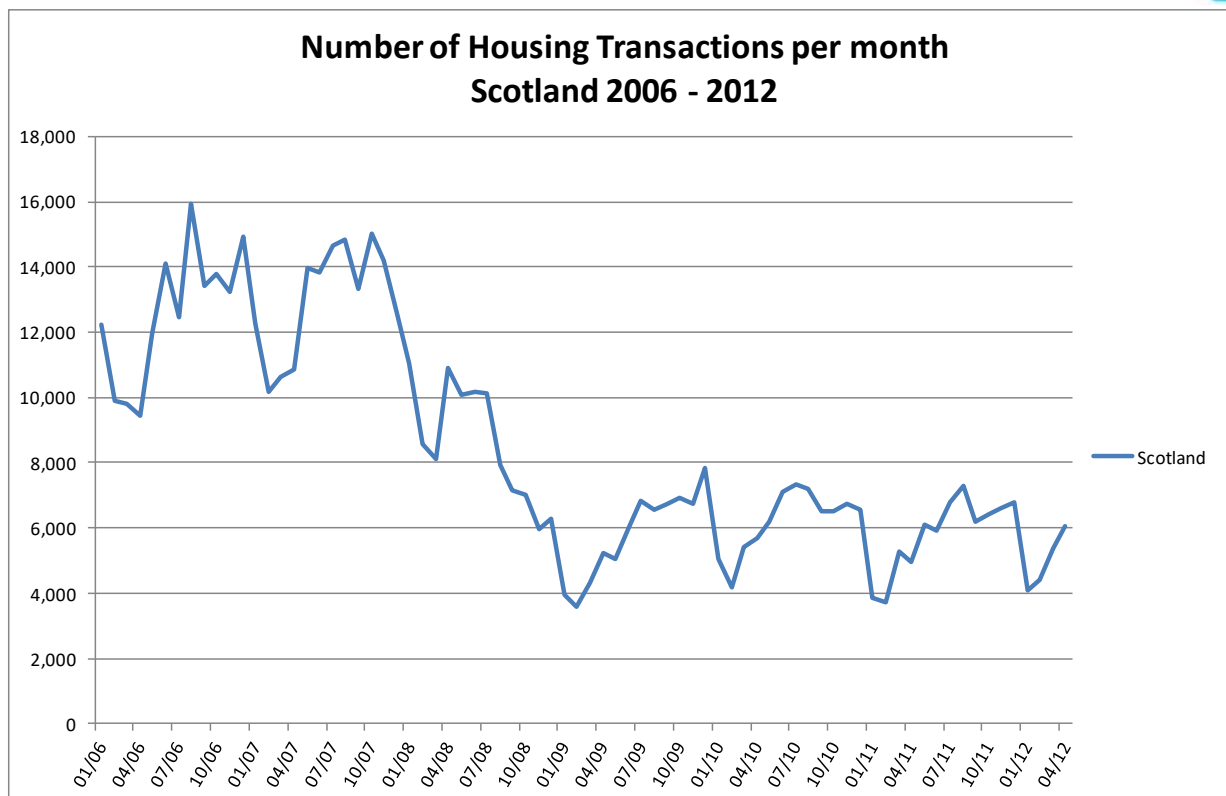


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2012 (not seasonally adjusted)

[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 April 2012, without seasonal adjustment. Traditionally, we can expect an increase of 8% in the number of transactions from March to April. This year, the increase has been 13%, which is the second month in succession that we have seen transaction levels above expectations. So far this year, Jan - Apr 2012, transactions are 12% up on the same four months in 2011. Whereas in March we saw an increase in the number of flats and terraces being sold, which we ascribed to activity by first time buyers in beating the stamp duty tax deadline, in April sales of flats have fallen away, to be replaced by increased activity in the detached, up 21%, and terraced, up 19%, sectors of the market. There does not appear to be any systematic geographical pattern to the increase in the sale of detached properties, so we assume the market is mostly comprised of second generation movers, taking advantage of low interest rates to upgrade their homes. The increase in the purchase of terraced properties has been in part driven by an increase in activity in the buy to let sector of the market.

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

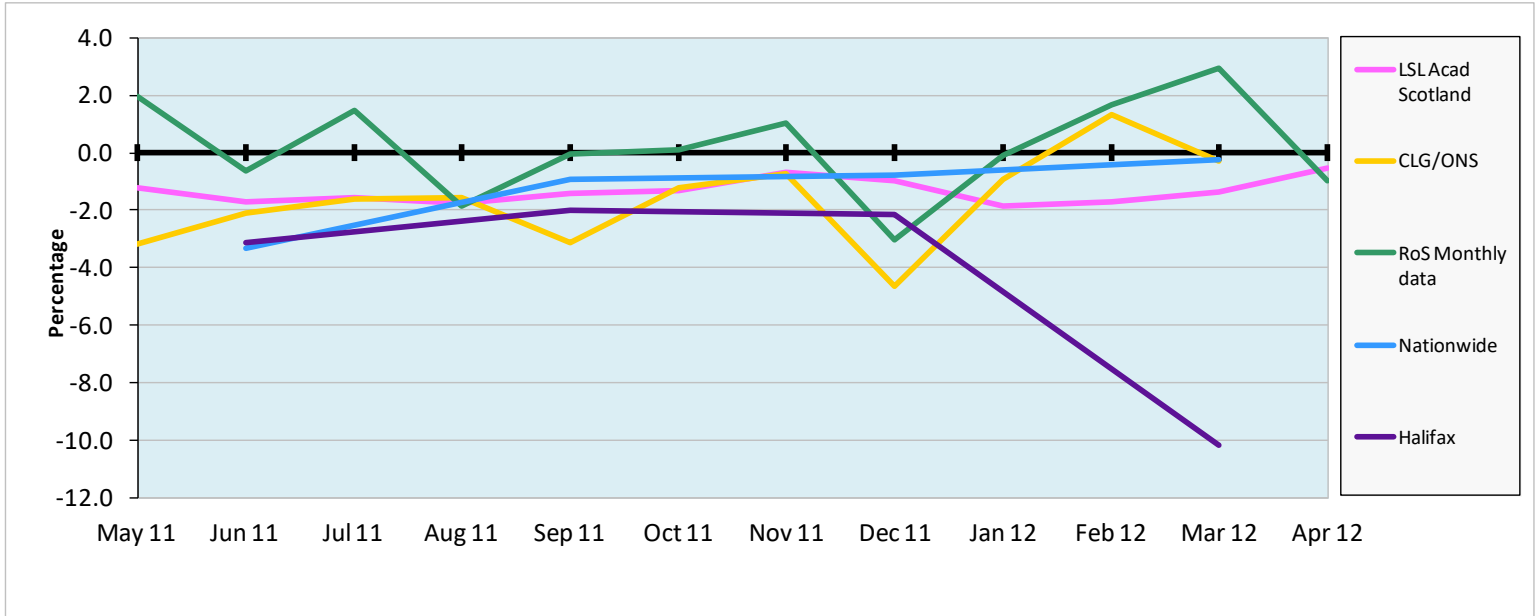


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

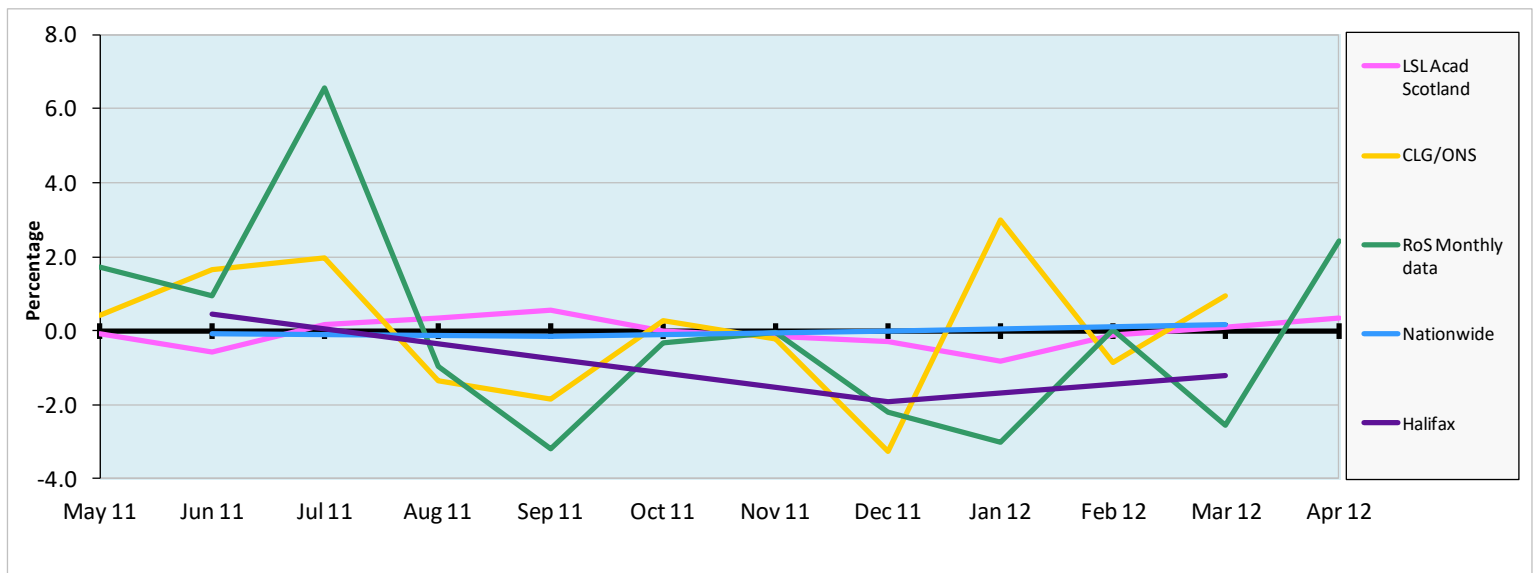


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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.

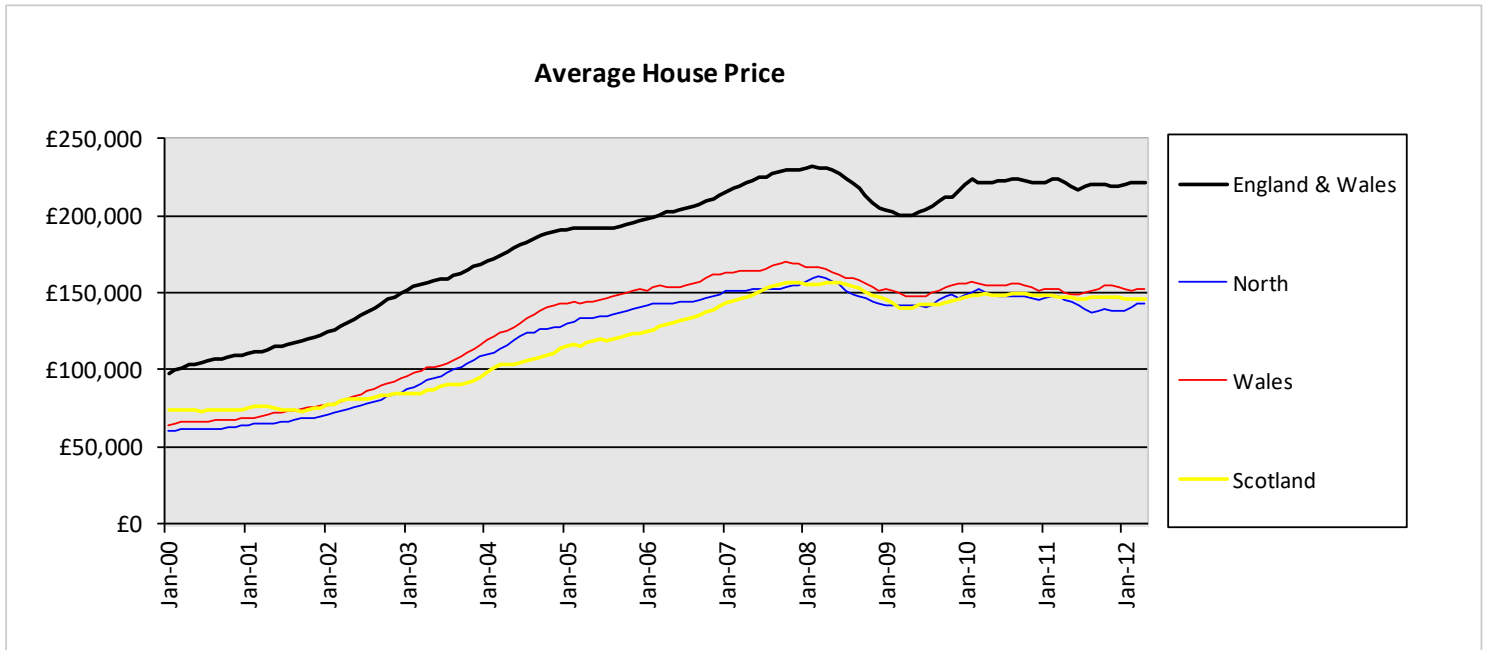


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period Jan 2000 - Apr 2012 [link to source Excel](#)

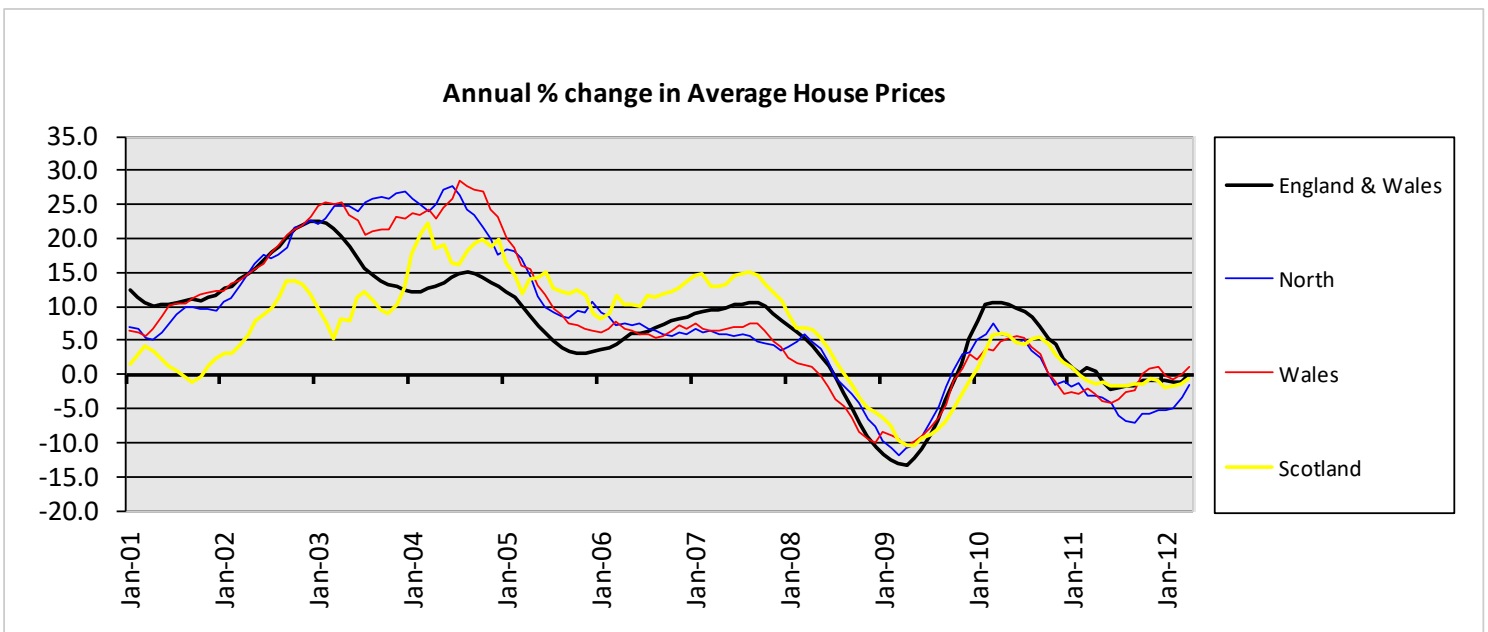


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period Jan 2001 - Apr 2012 [link to source Excel](#)

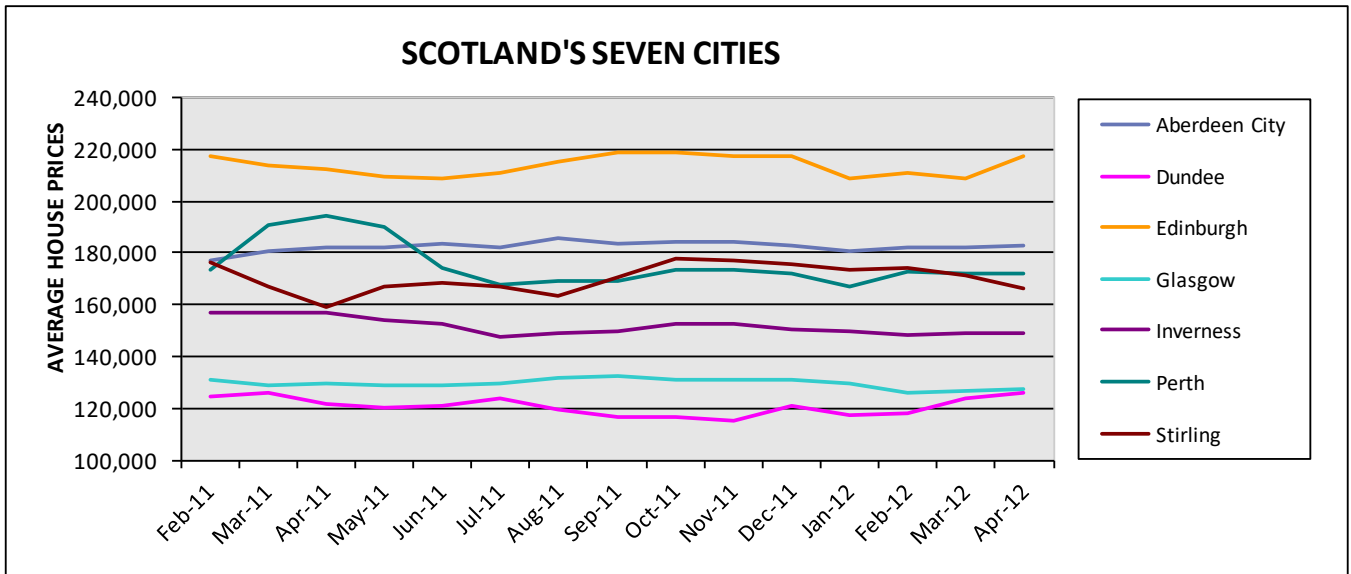


Figure 7. Average house prices for Scotland's seven cities from February 2011 – April 2012

[link to source Excel](#)

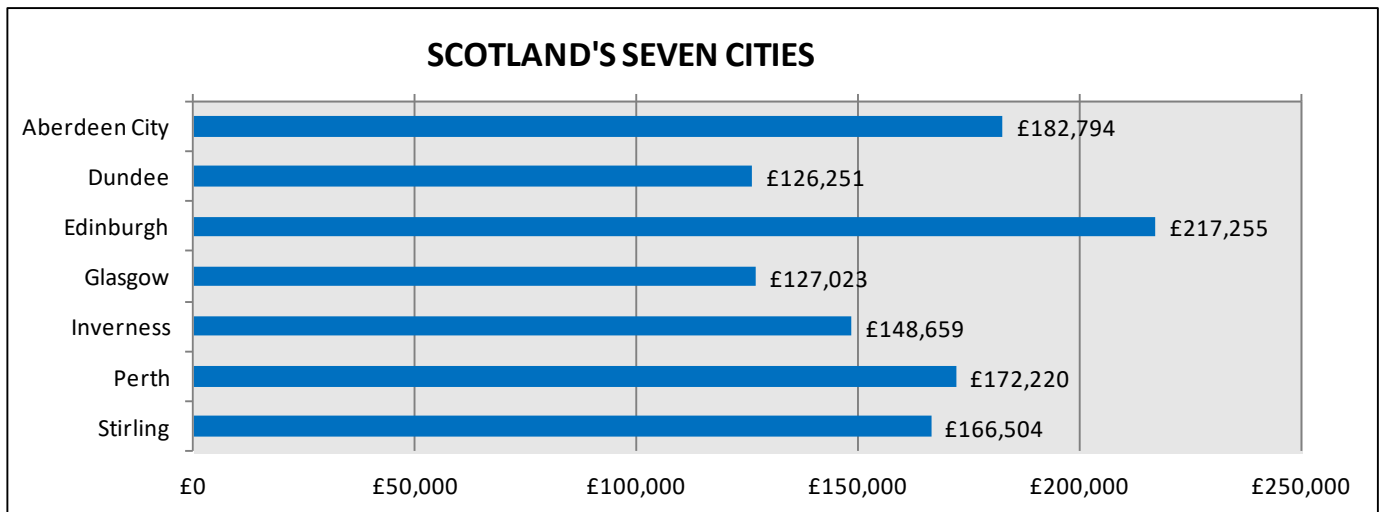


Figure 8. Average house prices for Scotland's seven cities April 2012

[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.