

LSL Property Services/Acadata Scotland House Price Index

APRIL 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 18TH JUNE 2014



prices rise for eighth consecutive month, longest growth run in 4 years

- Average prices up £6,250 or 4% during the year, 2.4% higher than rate of inflation
- Sales up 24% in past 3 months compared to 2013, driven by first-time buyer demand
- New peak price reached in East Renfrewshire, after 15% annual growth

House Price	Index	Monthly Change %	Annual Change %
£161,402	211.4	0.3	4.0

Richard Sexton, director of e.surv chartered surveyors, part of LSL Property Services, comments: “April marks the eighth successive month that house prices have risen in Scotland, the longest run of monthly gains witnessed for four years. Average house prices have climbed £6,250 (or 4.0%) annually as the recovery builds in strength. This is more than just numbers on a page – the new stability is translating into a tangible ‘feel-good’ factor for millions of homeowners, buoying consumer confidence and anticipation of future price gains. In April, annual house price growth was 2.4% higher than the annual CPIH inflation rate, representing rising home value in real terms. One thing that could potentially upset the apple cart is the independence vote, having passed the 100-day milestone, kick-starting the countdown. While the Yes and No campaigns debate which outcome will leave households financially better off, many are already feeling the purse strings loosen.

“The starting gun may have gone off for the official campaign period, but the forthcoming Independence referendum has not prompted potential home buyers into delaying their purchase decisions. Activity is permeating the Scottish housing market, with overall house sales up 24% over the three months to April 2014 compared to the same time last year. Any uncertainty surrounding the fiscal, taxation or currency implications of an independent Scotland have not dented the confidence of homebuyers – in fact areas such as Stirling have seen sales soar by 52% over the last twelve months. The steep increase in the sale of properties during March and April is 10% above the usual seasonal trend. While transactions may be starting to cool south of the border, there are no indications of a sales slowdown in Scotland.

“First-time buyers remain a crucial lynchpin in the Scottish housing market recovery; driving activity from the bottom up. Last month’s announcement of further investment in the Help to Buy scheme will allow thousands more to climb onto the housing ladder and keep the foot on the pedal. House building and revived supply are providing additional impetus for growth. In East Renfrewshire a wave of luxury housing developments has helped fuel an annual price rise of 15.1%, reaching a new record of £236,463 – catapulting this to the top spot as the most expensive area to buy in Scotland.”

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 April 2013 – April 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
April	2013	£155,148	203.2	0.2	-1.2
May	2013	£155,544	203.7	0.3	-0.7
June	2013	£155,394	203.5	-0.1	-1.3
July	2013	£155,636	203.8	0.2	-1.0
August	2013	£155,317	203.4	-0.2	-0.4
September	2013	£155,637	203.8	0.2	0.2
October	2013	£155,910	204.2	0.2	0.7
November	2013	£157,802	206.7	1.2	2.3
December	2013	£158,388	207.4	0.4	3.1
January	2014	£159,650	209.1	0.8	4.0
February	2014	£160,091	209.7	0.3	3.5
March	2014	£160,900	210.7	0.5	3.9
April	2014	£161,402	211.4	0.3	4.0

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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 £500 in April, or 0.3%. This is the eighth successive month that house prices have risen in Scotland, which is the longest run of positive monthly gains since September 2009 – April 2010, when prices were on the rebound from the 2008/2009 housing crisis.

On an annual basis, house prices have increased by £6,250 or 4.0%. This percentage increase is 2.4% above April’s annual consumer price inflation rate, using the CPIH index of 1.6%, which includes housing costs, giving home owners a ‘feel-good’ factor as their pre-eminent asset continues to rise 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.

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 gentle fluctuations in price movements to October 2013, when the market appears to have shifted up a gear with a rise of 1.2% in November 2013; prices subsequently tracked the trend line, showing an increase of 0.4% per month. We should perhaps advise that this month we have recalculated our seasonal adjustment factors, which is a process that we undertake each year. This has marginally altered our historic average price data.

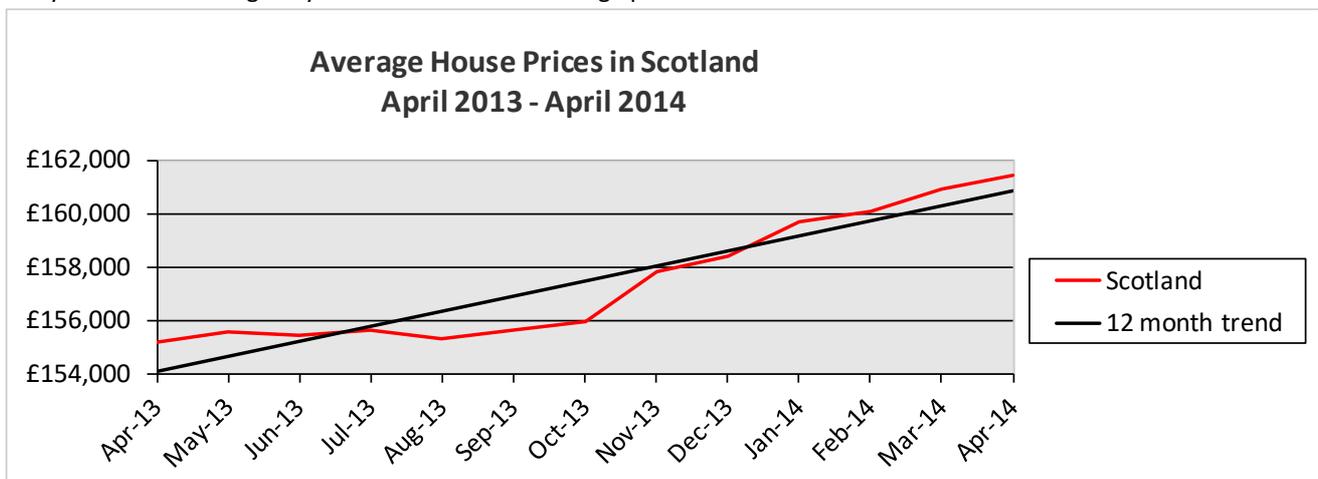


Figure 1. The average house price in Scotland, April 2013 – April 2014.

[link to source Excel](#)

Placing Scotland’s 4.0% annual increase in house prices in a UK context, the rate is higher than the price rises seen in the North West (3.1%), Yorkshire and Humberside (3.1%) and Wales (3.2%). However, it is below East Anglia (4.5%), the North (4.6%), the East and West Midlands (5.3%), the South West (5.4%), the South East (6.7%) and last, but by no means least, Greater London (13.3%). The problem with having house prices rising at a rate of 13.3% in London is that the UK government, and/or the Bank of England, may feel forced to introduce measures to curb housing demand, even if house price inflation in the other regions of the UK do not warrant such measures.

Looking at housing transactions, which we discuss in more detail on page 5, we note that in Scotland, transactions have increased by 24% over the period February 2014 – April 2014, compared to the same three months in 2013. In England & Wales over the same period, transactions have increased by 35%, although early indications suggest that there has been a moderation in the number of properties sold in England & Wales during May, compared to the previous year. First time buyers in both Scotland and England have played a key role in maintaining the growth of transactions in their respective property markets. Currently, there are plenty of distractions which might, perhaps inadvertently, result in a reduction in sales over the summer months. For starters we have the Football World Cup, followed by the Commonwealth Games in Glasgow, and the various Homecoming Scotland festivals. The Ryder Cup is in September and also in that month the Independence referendum. There was a 17% fall in housing transactions in Scotland in September 2012, the month after the London Olympics, compared with a typical fall of 7% during September due to seasonal factors. It would not therefore be surprising to see similar declines in transaction numbers this year, given the prominence of the planned events.

Our expectation for future house price movements in Scotland is very much dependent on the future course of interest rates and the lending criteria set by the Bank of England. Gauging what might happen over the next few months in terms of any interventions the Bank of England might make in the housing market is difficult. What we do know is that the committee charged with considering what to do is the Financial Policy Committee (FPC) and that it meets on 17th June. Any decisions will probably be made public on that day or shortly thereafter; however the minutes of its meeting are not out until 1st July and the Financial Stability Report which will provide the detailed analysis will be published on the 26th June. The next meeting of the MPC, which sets interest rates, will be held on 10th July. We await these events with keen interest.

House prices analysis



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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Apr-13	Mar-14	Apr-14	% Monthly Change	% Annual Change
1	4	East Renfrewshire	205,525	221,624	236,463	6.7%	15.1%
2	1	Edinburgh, City of	218,889	229,098	225,207	-1.7%	2.9%
3	3	East Dunbartonshire	207,960	219,796	220,985	0.5%	6.3%
4	2	Aberdeenshire	214,572	217,687	219,075	0.6%	2.1%
5	5	Aberdeen City	192,631	217,890	215,062	-1.3%	11.6%
6	6	East Lothian	192,537	205,841	212,133	3.1%	10.2%
7	9	Perth & Kinross	168,137	184,670	187,726	1.7%	11.7%
8	8	Stirling	175,895	193,831	185,286	-4.4%	5.3%
9	11	Scottish Borders	152,041	171,436	167,509	-2.3%	10.2%
10	7	Midlothian	186,519	164,631	165,850	0.7%	-11.1%
11	10	Highland	160,112	160,364	164,028	2.3%	2.4%
12	12	Argyll & Bute	151,101	137,704	149,561	8.6%	-1.0%
13	13	Moray	147,445	150,805	149,315	-1.0%	1.3%
14	14	South Ayrshire	145,289	140,682	144,440	2.7%	-0.6%
15	15	Angus	144,777	145,316	143,196	-1.5%	-1.1%
16	18	Fife	134,555	142,631	142,779	0.1%	6.1%
17	25	Shetland Islands	118,346	126,306	141,964	12.4%	20.0%
18	16	West Lothian	141,840	137,652	141,570	2.8%	-0.2%
19	17	South Lanarkshire	134,559	134,855	133,439	-1.1%	-0.8%
20	29	Inverclyde	109,818	129,223	129,551	0.3%	18.0%
21	22	Glasgow City	122,836	127,617	129,225	1.3%	5.2%
22	20	Dundee City	128,191	130,658	128,769	-1.4%	0.5%
23	24	Orkney Islands	120,672	112,237	127,980	14.0%	6.1%
24	19	Dumfries & Galloway	128,654	128,576	126,262	-1.8%	-1.9%
25	23	Clackmannanshire	121,133	118,358	124,832	5.5%	3.1%
26	26	Renfrewshire	117,405	121,349	122,455	0.9%	4.3%
27	21	Falkirk	122,919	119,975	121,793	1.5%	-0.9%
28	30	West Dunbartonshire	109,573	123,953	115,978	-6.4%	5.8%
29	32	North Ayrshire	107,277	110,341	115,473	4.7%	7.6%
30	28	North Lanarkshire	110,652	109,995	113,612	3.3%	2.7%
31	27	East Ayrshire	112,171	109,564	100,537	-8.2%	-10.4%
32	31	Eilean Siar	108,361	102,056	100,328	-1.7%	-7.4%
		All Scotland	155,148	160,900	161,402	0.3%	4.0%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for April 2013, March 2014 and April 2014. Overall in April 2014, prices continued to rise by 0.3% in the month, although prices fell in 12 of the 32 Local Authority Areas (last month 9), on a seasonally adjusted basis. Looking at the change in prices in the month, the local authority area on the Scottish mainland with the highest increase in prices in April 2014 was Argyll & Bute, up 8.6%. Here the most popular property type is the detached house, with detached properties in April selling for an average of £223k, up £48k on three months earlier.

On an annual basis, prices have risen in 22 of the 32 local authority areas, which is one more area than last month and represents 69% of all local authority areas in Scotland. For the third month running, the area with the highest annual increase in prices is Inverclyde, where prices have risen by 18.0% over the year. In second place in terms of both annual and monthly house price growth is East Renfrewshire, up 15.1% on the year and 6.7% during the month. In April 2014 some 31 flats were sold in East Renfrewshire at an average price of £223k, of which 7 were located in the Sandringham Court development in Newton Mearns, where 2 penthouse suites changed hands for £550k a piece. (Coincidentally, the average price of a flat in East Renfrewshire, at £223k, exactly matches the average price of a detached house in Argyll & Bute). The increase in values in East Renfrewshire this month place the area at the top of our league table for all local authority areas in Scotland when ranked by average house prices, up from fourth position in January.

East Renfrewshire is also one of the two local authority areas to set a new peak average price this month at £236k, the other being the Shetland Islands at £142k – although with only a small number of sales each month (29 in April), the average house price in the Shetland Islands tends to be somewhat volatile by nature.

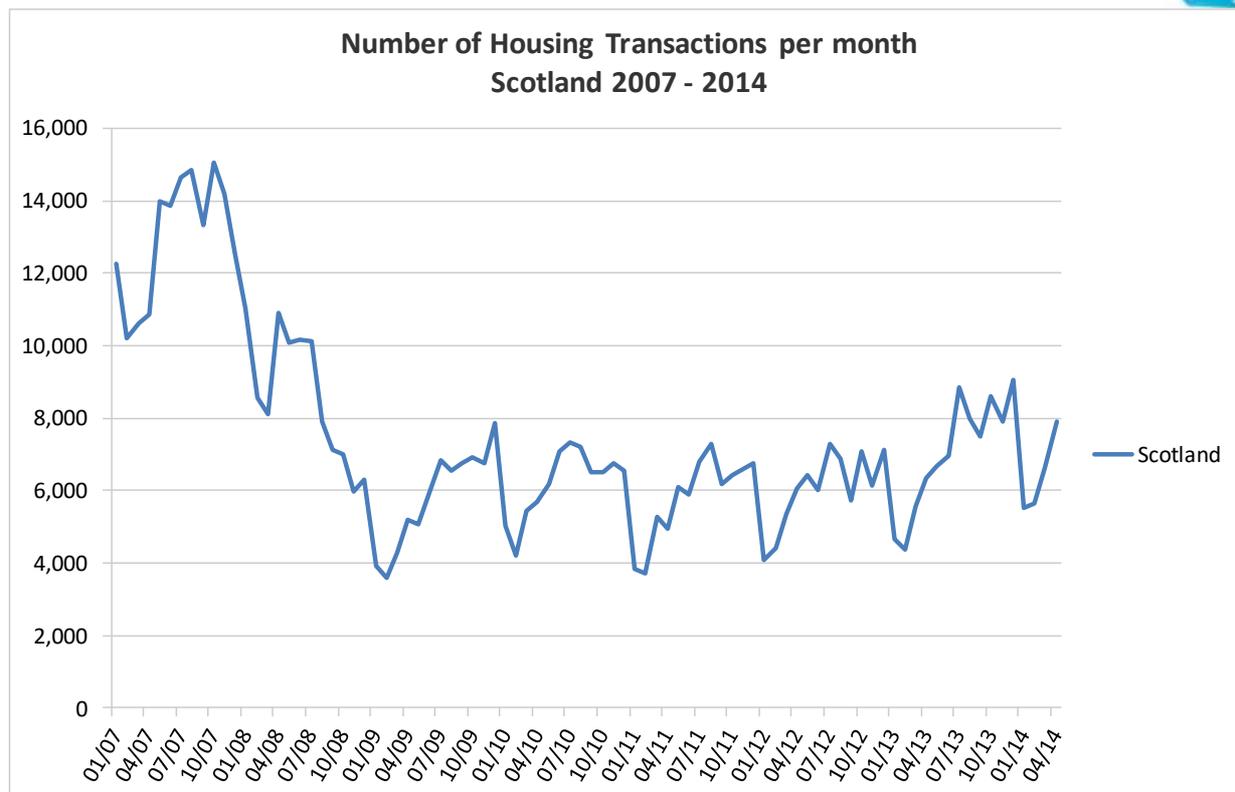


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2014 (not seasonally adjusted)

[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 April 2014, without seasonal adjustment. The graph demonstrates the strong growth that occurred in the number of properties sold in both March and April 2014, compared to January and February of this year, and with the same two months in the previous five years. Transactions in March and April 2014 increased by 17% and 19% over their respective previous months, which compares with an average growth of 7% and 10% for these two months, based on figures for the last 12 years. The increase in the sale of properties in March and April 2014 was therefore some 10% higher than the seasonal trend.

CML Scotland recently reported on the number of housing loans taken out in Scotland during the first quarter of 2014, advising that the number of loans totalled 12,300 during the period, which was 23% up on the same period in 2013. During this same period the Registers of Scotland (RoS) recorded a total of 17,836 property sales, suggesting that cash sales in Scotland are currently running at 31% of total sales, a figure not too dissimilar from that seen in England & Wales.

CML has split the number of loans taken out for house purchase during Q1 2014 between first time buyers and home movers, with the totals amounting to 5,900 and 6,400 loans respectively. Thus first time buyers currently represent some 48% of the new loans market in Scotland – compared to 42% for the UK market as a whole. First time buyers and home movers in Scotland both increased in numbers during Q1 2014 compared to Q1 2013, by a respective 31% and 16%. The figures highlight the importance of first time buyers to the current market.

The latest data that we have from RoS is slightly more up-to-date than those published by the CML, so we can advance the figures by one month and compare the period Feb 2014 to April 2014 with the same three months in 2013. Property sales over this timescale are up 24% year on year, indicating that there has been no shortage of sales in 2014, despite some concerns that the forthcoming Scottish Independence referendum might cause potential home buyers to delay their purchase decision. All local authority areas on the mainland showed an increase in property transactions over this period, although amongst the Islands the Orkneys saw a minor fall in sales. The largest increase in sales at local authority level occurred in Stirling, up by 52%, with a particularly strong performance in the sale of terraced properties; these nearly doubled in the number sold over the year. Stirling was followed by West Lothian, up 51%, also with a doubling of the number of terraces sold. The area on the mainland with the lowest increase in sales was East Dunbartonshire, where transactions were only 4% higher than the previous year, with semi-detached properties taking a fall in terms of the numbers sold.



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

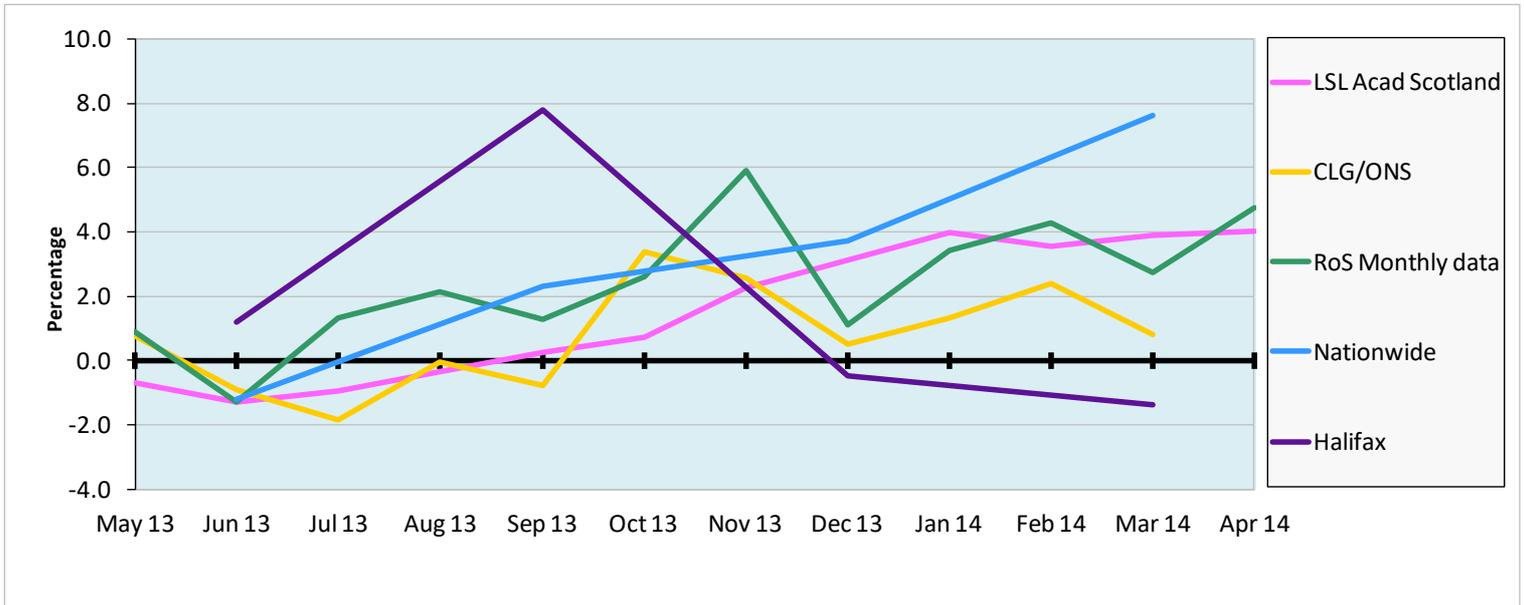


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

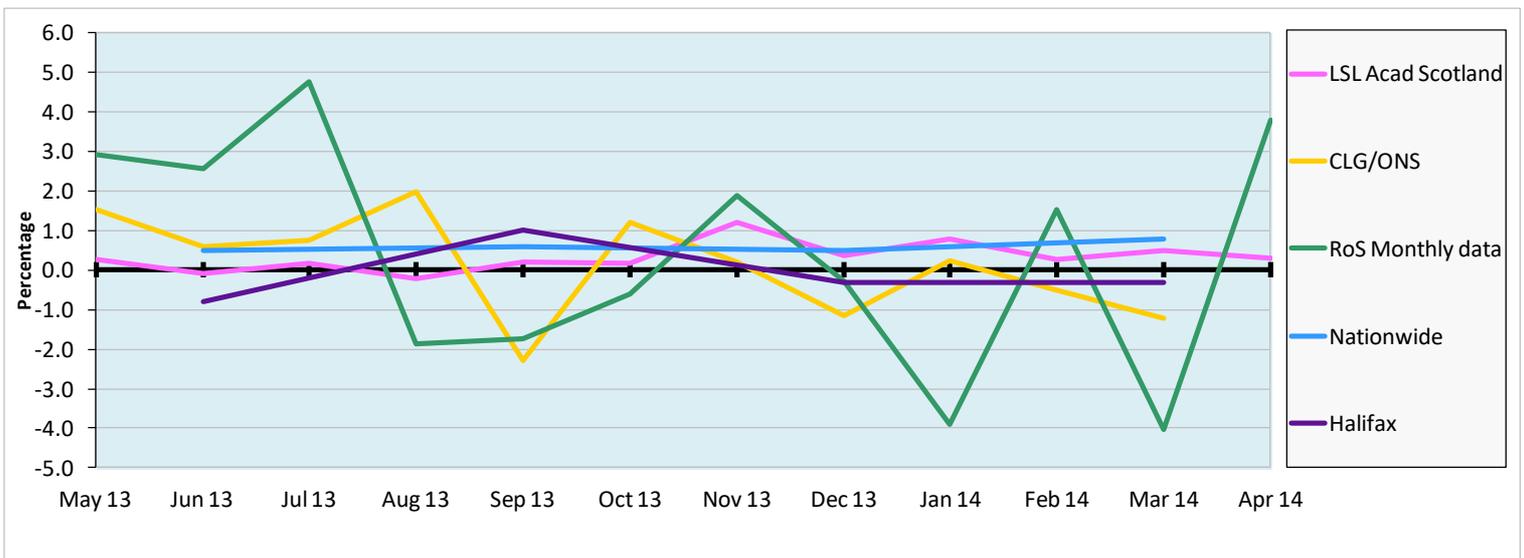


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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.

Comparisons with Scotland



Average House Price

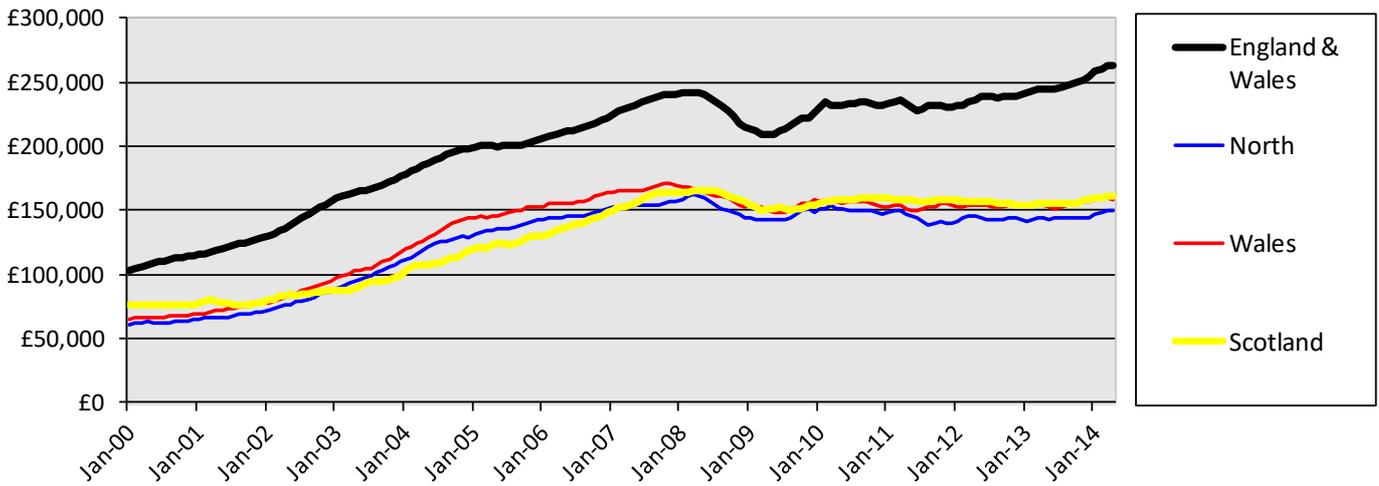


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - April 2014 [link to source Excel](#)

Annual % change in Average House Prices

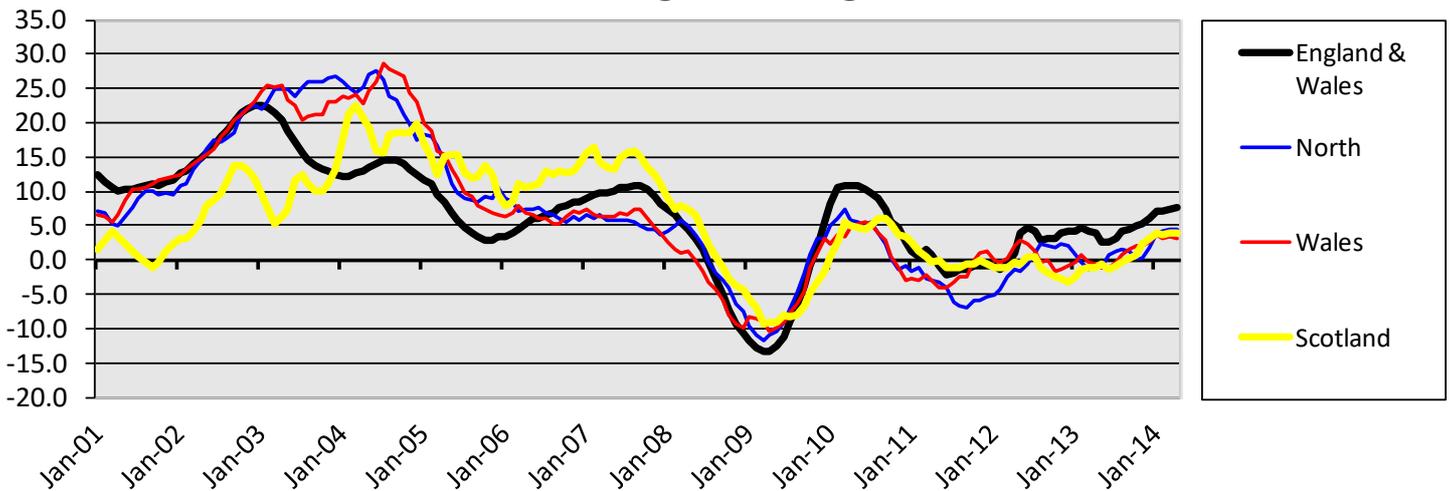


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – April 2014 [link to source Excel](#)

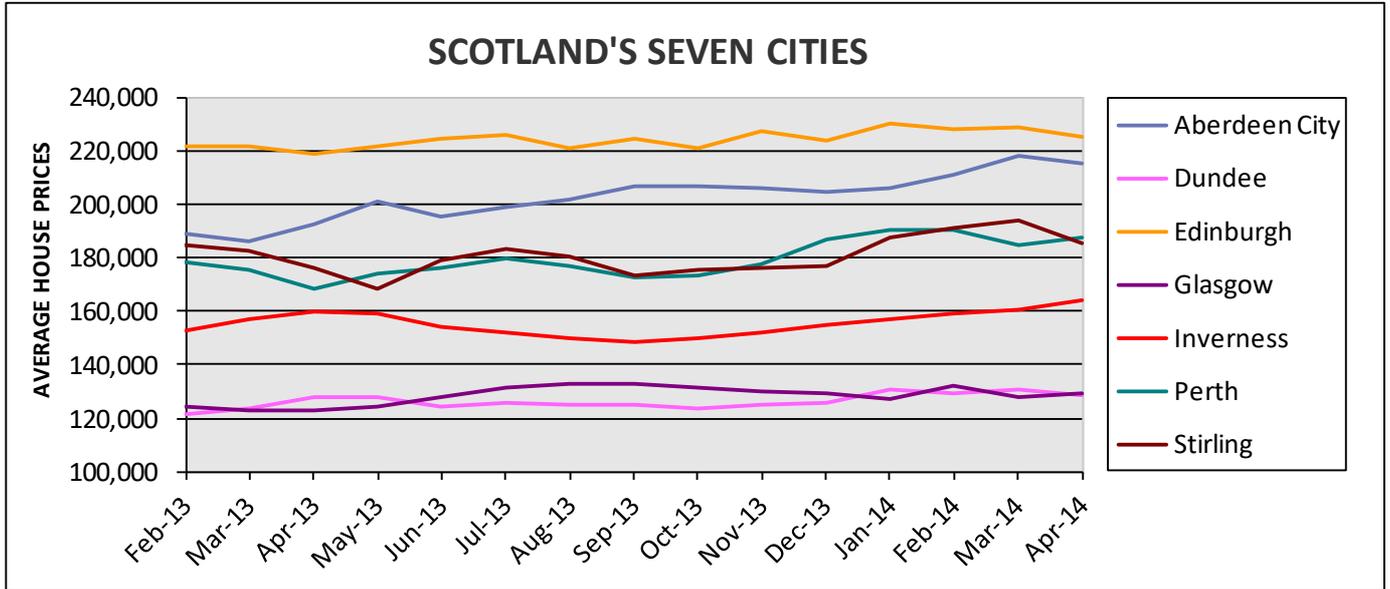


Figure 7. Average house prices for Scotland's seven cities from February 2013 – April 2014

[link to source Excel](#)

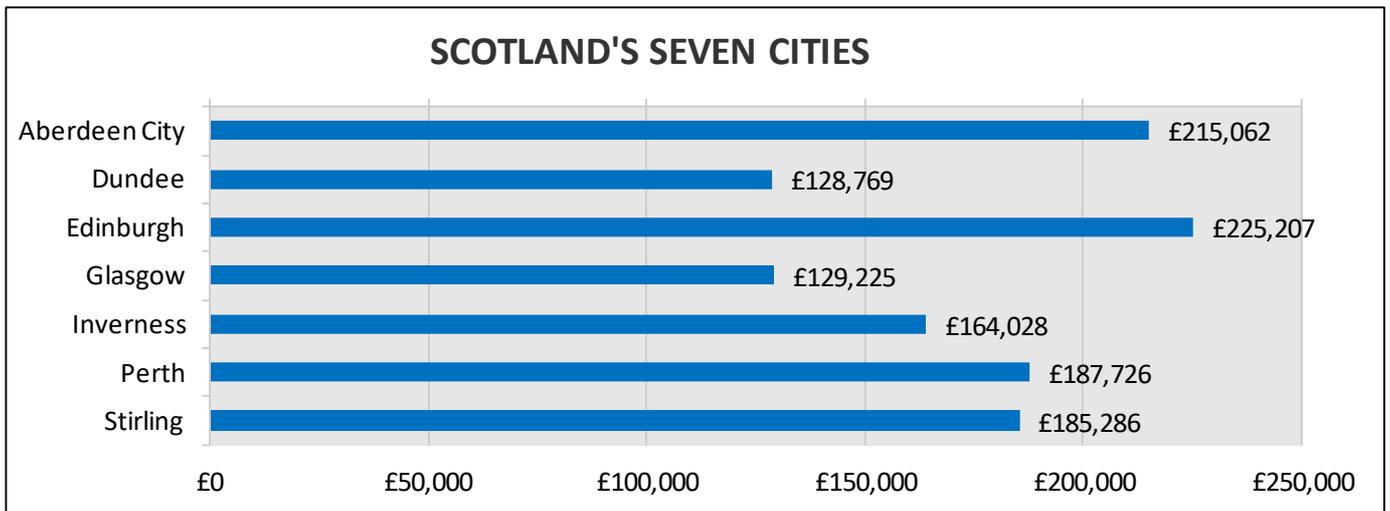


Figure 8. Average house prices for Scotland's seven cities April 2014

[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.