

LSL Property Services/Acadametrics  
Scotland

# House Price Index

FEBRUARY 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 17TH APRIL 2013

## House prices rise for the second month in succession

- Biggest monthly increase of £1,676 seen since June 2007
- Three-monthly sales up 6% on previous year

House Price	Index	Monthly Change %	Annual Change %
£143,536	194.6	1.2	-1.5

**Richard Sexton, director of e.surv chartered surveyors, part of LSL, comments:** “Despite difficult mortgage lending conditions and economic uncertainty, the housing market in Scotland is starting to turn a corner. House prices climbed £1,676 in February, house sales are 6% higher this year and mortgage availability has improved. The lack of supply in properties in Scotland has effectively boosted competition between new and previous buyers, leading to higher prices for well positioned properties.

“Two consecutive months of rising house prices suggests the market is well set on the road to recovery in 2013. But several big roadblocks still remain. House prices are £2,181 lower than they were last year and mortgage lending criteria are tight, which are alienating a vast range of potential buyers from the property market. The Funding for Lending scheme has improved market confidence as it has allowed lenders to reduce mortgage rates and lower interest rates, but borrowers’ personal finances are under withering fire from inflation so they are struggling to put together a deposit. It’s proving to be a real effort for those suffering under the impact of inflation and public spending cuts in Scotland, which are threatening people’s dreams of home ownership.

“At a local level prices are much more varied, and highlight the endemic weakness that still remains in the market. In February prices increased in 17 out of the 32 local authority areas suggesting, on a regional level, the rate of growth in the housing market is flat compared to the wider UK housing market.

“More attention must be focused on improving the opportunities for first-time buyers. To its credit, the Government at least recognized this in the Budget. It will be a real turning point if the latest two schemes under the Help to Buy plans prove to support a significant portion of first time buyers that don’t have the help of the bank of Mum and Dad. The lower tier of the market requires a real boost in mortgage finance and this will help support housing demand in the long term. This year all eyes will be glued to the Scottish Parliament’s response to these schemes and to what extent they may have the power to strengthen the property market.”

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 February 2012 – February 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
<b>February</b>	<b>2012</b>	£145,717	197.6	-0.1	-1.7
<b>March</b>	<b>2012</b>	£145,872	197.8	0.1	-1.3
<b>April</b>	<b>2012</b>	£146,266	198.3	0.3	-0.6
<b>May</b>	<b>2012</b>	£146,031	198.0	-0.2	-0.7
<b>June</b>	<b>2012</b>	£146,048	198.0	0.0	-0.1
<b>July</b>	<b>2012</b>	£145,594	197.4	-0.3	-0.5
<b>August</b>	<b>2012</b>	£143,907	195.1	-1.2	-2.1
<b>September</b>	<b>2012</b>	£143,448	194.5	-0.3	-2.9
<b>October</b>	<b>2012</b>	£142,278	192.9	-0.8	-3.7
<b>November</b>	<b>2012</b>	£141,905	192.4	-0.3	-3.8
<b>December</b>	<b>2012</b>	£140,831	190.9	-0.8	-4.2
<b>January</b>	<b>2013</b>	£141,860	192.3	0.7	-2.8
<b>February</b>	<b>2013</b>	£143,536	194.6	1.2	-1.5

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

The LSL/Acadametrics HPI shows an increase of £1,676, or 1.2% in the average price paid for a house in Scotland in February, compared to January. This is the largest increase in house prices seen in a single month since June 2007, prior to the onset of the credit crisis and subsequent funding restrictions. It is also the second month in succession in which we have seen relatively high increases in house prices, with January up 0.7%. So why are these price rises occurring at the beginning of 2013? Before answering the question, a word of caution is required; January and February are traditionally the quietest months of the year for property transactions, so the average prices are based on a low number of sales. It should also be noted that the increase in prices during the month has not been universal across the whole of Scotland, as is shown in Table 2 below. The reason for this, according to the estate agents, is that the supply of properties coming onto the market in recent months has been restricted. This has led to competition among new and previous buyers, resulting in higher prices being paid for well positioned properties. Thus the upward pressure on house prices over the last few months has been caused by a shortage in the supply of suitable properties.

Figure 1 below shows the average house price in Scotland for the period February 2012 to February 2013, 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 relative stability in prices from February to June 2012, followed by an almost constant decline from July 2012 to the end of the year, with the recent upturn in 2013 moving prices back above the trend line to September 2012 levels.

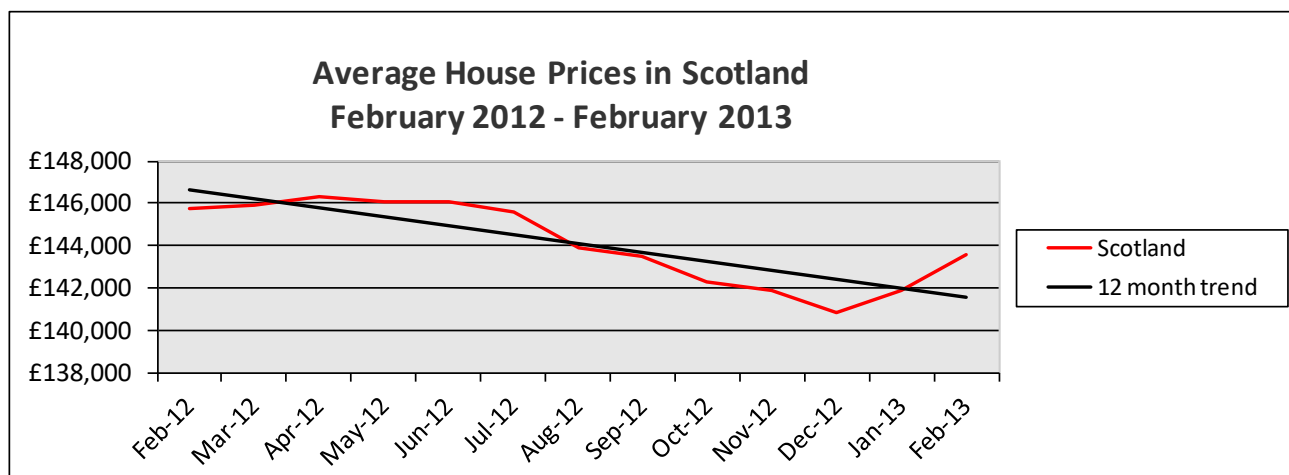


Figure 1. Average house prices in Scotland, February 2012 – February 2013

[link to source Excel](#)

On an annual basis, as indicated by the trend line above, house prices continue to fall, albeit at a slowing rate. This month the annual change in average prices is -1.5%, compared with an annual decline of -4.2% as recorded in December 2012. However, this 1.5% fall in average prices is still considerably larger than any decline recorded for the nine regions in England & Wales, with the most significant fall being seen in the North; here prices have fallen by 1.0% on an annual basis.

Over the year, based on a three month average, we have seen detached properties decline in price by 3%, and semi-detached properties by 2%; flats have lost 1% in value, whilst the prices of terraced properties remain unchanged. As we discussed last month, the smaller price falls in the terraced and flat sectors of the market are a consequence of the rise in demand by first time buyers, where activity levels have increased by 13% compared to the previous year. This same sector of the market is also being targeted by the buy-to-let landlord. It is therefore not surprising that it is these two sectors of the property market which have supported the largest rise in house prices in the individual Local Authority Areas. We discuss this on page 4.

Where next for the property market? A general expectation exists that there will be a ‘gradual strengthening’ in the market, as argued by the Institute of Fiscal Studies (IFS) in its Green Budget report. The Bank of England’s Credit Conditions surveys support that view. In addition, the combination of continued support through the Funding for Lending scheme, along with the easing of liquidity requirements has given new momentum to the market. This has been supplemented in the 2013 Budget by the announcement of two schemes under the Help to Buy banner – firstly, a £3.5 billion government equity loan scheme aimed at boosting the sale of newly built homes with a value up to £600,000. And from 2014, a £12 billion mortgage guarantee scheme aimed at underwriting some £130 billion of mortgages over a three year period. It will be interesting to learn the extent to which these schemes will be supported by the Scottish Parliament.

# House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing February 2012 and January 2013 with February 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	Feb-12	Jan-13	Feb-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	210,600	207,498	209,872	1.1%	-0.3%
2	2	Aberdeenshire	197,410	195,707	199,762	2.1%	1.2%
3	3	East Renfrewshire	197,068	198,475	194,063	-2.2%	-1.5%
4	4	East Lothian	183,119	185,705	191,599	3.2%	4.6%
5	5	East Dunbartonshire	183,079	181,671	191,529	5.4%	4.6%
6	6	Aberdeen City	182,180	182,769	179,796	-1.6%	-1.3%
7	7	Stirling	174,507	168,131	178,002	5.9%	2.0%
8	8	Perth & Kinross	172,836	168,008	164,699	-2.0%	-4.7%
9	9	Midlothian	162,440	144,820	152,466	5.3%	-6.1%
10	11	Scottish Borders	151,496	152,842	150,528	-1.5%	-0.6%
11	12	Highland	148,109	144,911	149,664	3.3%	1.0%
12	13	Argyll & Bute	142,148	143,691	141,850	-1.3%	-0.2%
13	15	Moray	134,269	137,677	138,897	0.9%	3.4%
14	14	West Lothian	139,866	130,635	135,895	4.0%	-2.8%
15	18	Dumfries & Galloway	130,697	134,320	133,521	-0.6%	2.2%
16	16	South Ayrshire	132,796	129,817	131,762	1.5%	-0.8%
17	17	Angus	132,631	134,020	130,183	-2.9%	-1.8%
18	20	Fife	126,791	125,959	130,165	3.3%	2.7%
19	21	Glasgow City	126,186	120,940	120,364	-0.5%	-4.6%
20	19	South Lanarkshire	127,970	113,692	119,290	4.9%	-6.8%
21	23	Dundee City	118,173	122,067	118,641	-2.8%	0.4%
22	24	Clackmannanshire	117,199	116,968	118,413	1.2%	1.0%
23	22	Falkirk	121,729	115,112	116,231	1.0%	-4.5%
24	25	Shetland Islands	116,450	118,553	114,544	-3.4%	-1.6%
25	10	Orkney Islands	151,840	119,659	112,193	-6.2%	-26.1%
26	30	East Ayrshire	105,484	101,742	110,191	8.3%	4.5%
27	28	Renfrewshire	110,309	105,816	107,602	1.7%	-2.5%
28	32	Eilean Siar	95,404	102,575	101,876	-0.7%	6.8%
29	31	North Lanarkshire	101,672	98,063	101,196	3.2%	-0.5%
30	26	West Dunbartonshire	116,337	103,683	101,158	-2.4%	-13.0%
31	27	North Ayrshire	112,585	100,291	98,157	-2.1%	-12.8%
32	29	Inverclyde	105,763	103,699	96,916	-6.5%	-8.4%
		<b>All Scotland</b>	<b>145,717</b>	<b>141,860</b>	<b>143,536</b>	<b>1.2%</b>	<b>-1.5%</b>

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for February 2012, January 2013 and February 2013, together with the rates of change over the last month and year. In February, monthly prices increased in 17 of the 32 Local Authority Areas. However, on an annual basis prices are still below last year's levels in 20 Local Authority Areas, compared to 22 last month.

Looking first at the rate of change from January 2013 to February 2013, the biggest increase in monthly house prices among the Local Authority Areas was in East Ayrshire, up 8.3%, followed by a 5.9% increase in Stirling. In East Ayrshire, the largest increase was seen in the price of flats, up on average by 24% and in terraced properties, up on average by 22%; however, these figures are based on relatively low volumes. Stirling also saw substantial price rises in these two property types, up by 16% and 14% respectively. The area with the largest fall in prices over the month was Inverclyde, where the majority of properties sold were flats. This month Inverclyde has fallen to bottom position in our league table of average property values by Local Authority Area. Turning to the annual change in average house prices, the highest movement in prices on the mainland was seen in East Lothian and East Dunbartonshire, both up 4.6% on the year. There has been a relatively large increase in the price of terraced properties and flats in these two areas, which tend to be popular types for first time buyers and buy-to-let landlords.

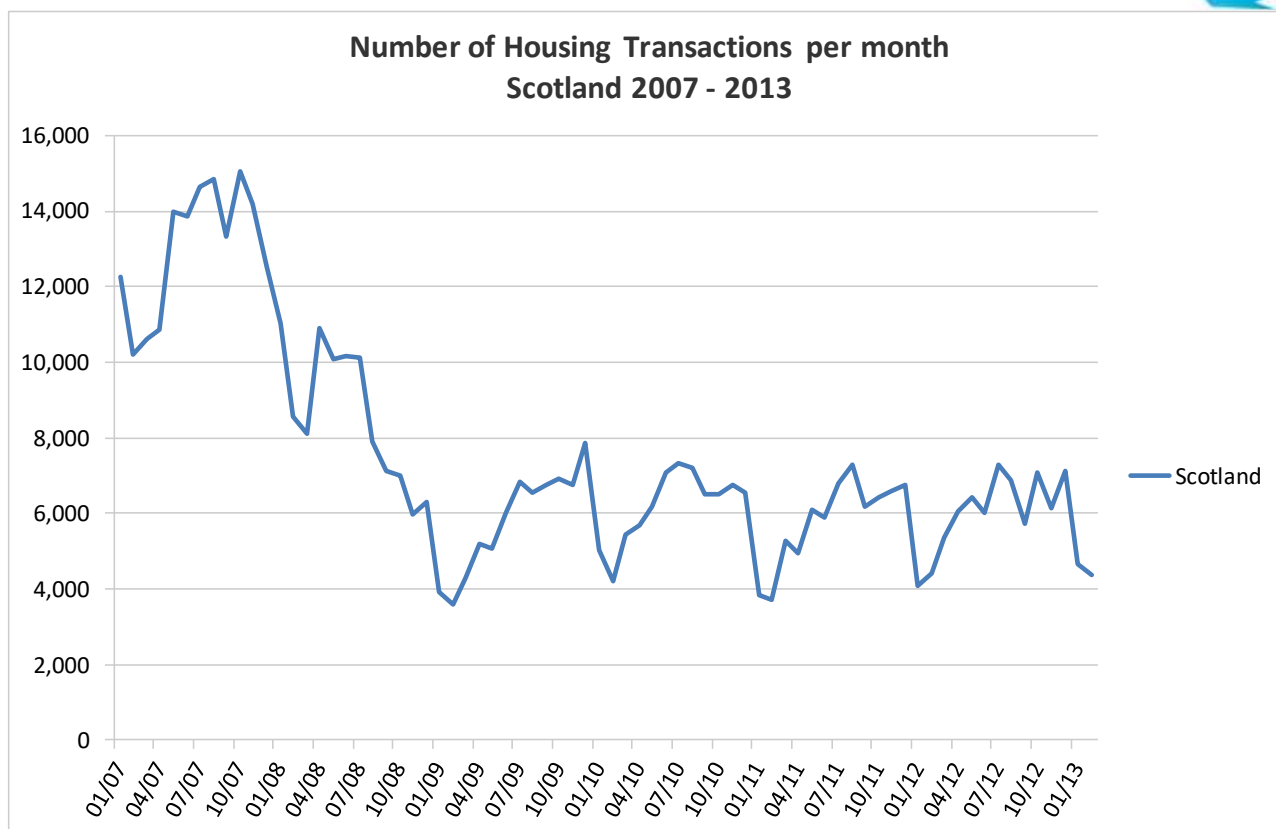


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2013 (not seasonally adjusted)

[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 February 2013, without seasonal adjustment. February is traditionally the quietest month of the year for housing transactions, which tend to fall by 11% compared to January. This is mainly the result of there being fewer working days in February compared to January, with low levels of housing activity during the late winter months. The dip in sales in January of each year, even during the ‘boom’ years, is readily apparent in the graph above. A further dip in transaction numbers in February can also usually be seen, before sales start to rebound during the spring months.

This year the fall in February transactions over January was less than the ‘norm’ at 6%, compared to the average of 11%, although February 2013 sales were 1% lower than February 2012. Transactions over the last three months, December 2012 to February 2013, are 6% higher than the equivalent period twelve months earlier, at 16,152 properties. This does suggest that the slow improvement in the mortgage markets is beginning to have a positive affect on the number of homes being sold in Scotland, with the financing institutions currently offering more competitively priced products than a year ago.

Comparing the three month period December 2012 to February 2013 with the three months December 2011 to February 2012, there has been a 9% increase in the number of terraced properties sold, and an 8% increase in detached transactions. Sales of flats increased by 7%, while semi-detached property volumes were up by 5%.

In quantum terms the area with the highest increase in terraced sales over the three month period December 2012 to February 2013 was Fife, compared with the same three months the previous year; here there was an increase of 44 terraced properties sold, up some 17%. This was followed by West Lothian, up by 38 terraced sales, or 34%. The area with the largest increase in the sale of detached properties was also Fife, where sales increased by 48 units over the three months, up some 21%. This was followed by the Highlands, where an extra 43 detached properties were purchased, also up 21% on the same three months last year. The largest increase in flat sales took place in Edinburgh, where an additional 238 units, or 25% were sold compared to the same three months of the previous year. Edinburgh accounted for two-thirds of the additional flat sales seen in Scotland over this period. The largest increase in the sale of semi-detached properties took place in Falkirk, up 38 units, or 58% on the same three months one year earlier, followed by North Ayrshire where an extra 28 semi-detached homes were 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. 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

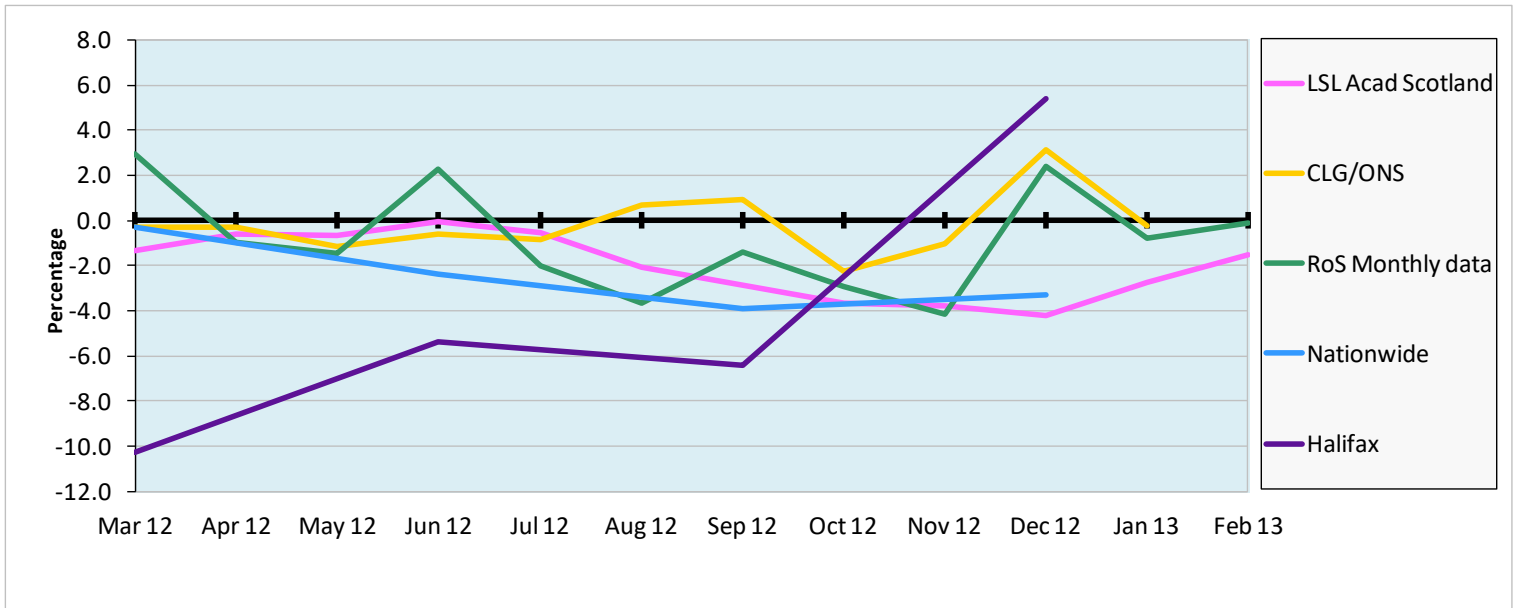


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

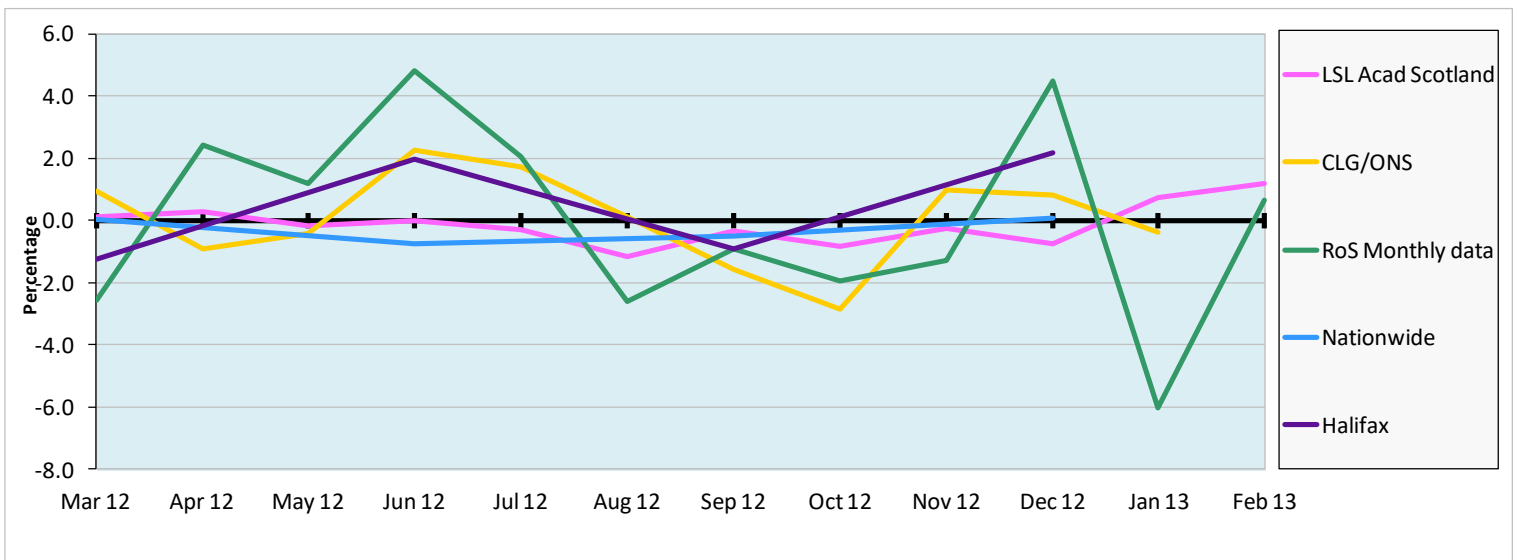


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

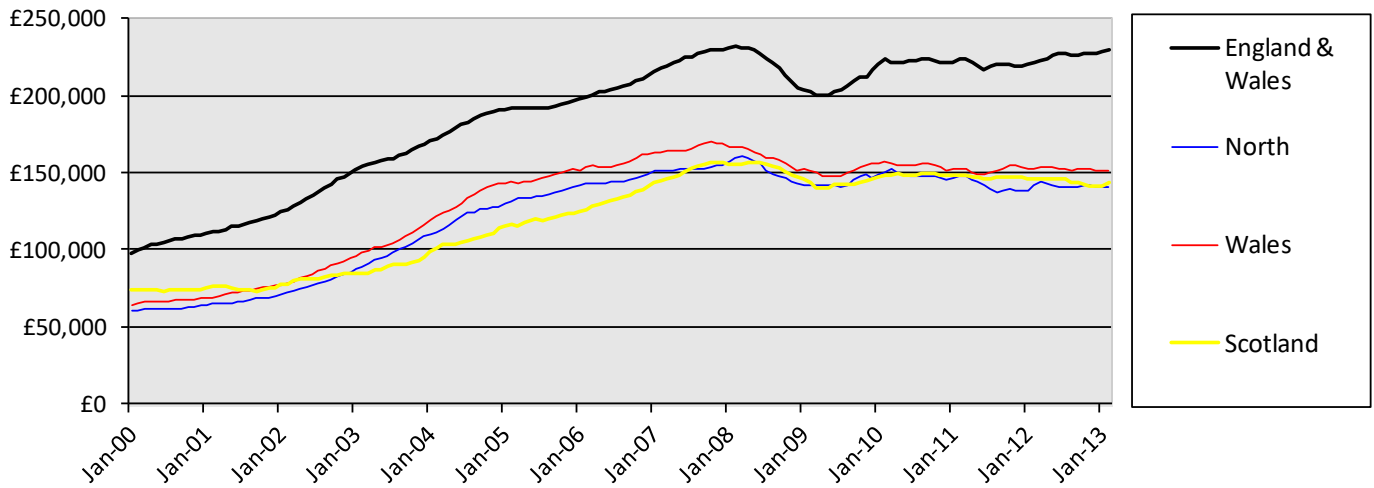


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - February 2013 [link to source Excel](#)

## Annual % change in Average House Prices

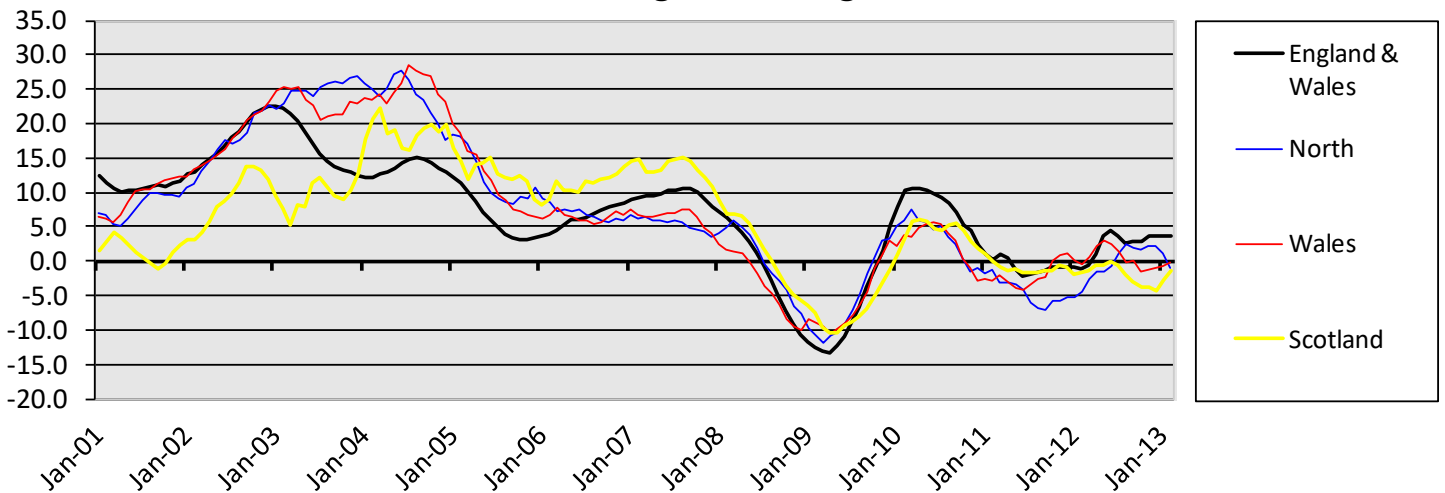


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – February 2013 [link to source Excel](#)



# Scotland's seven cities

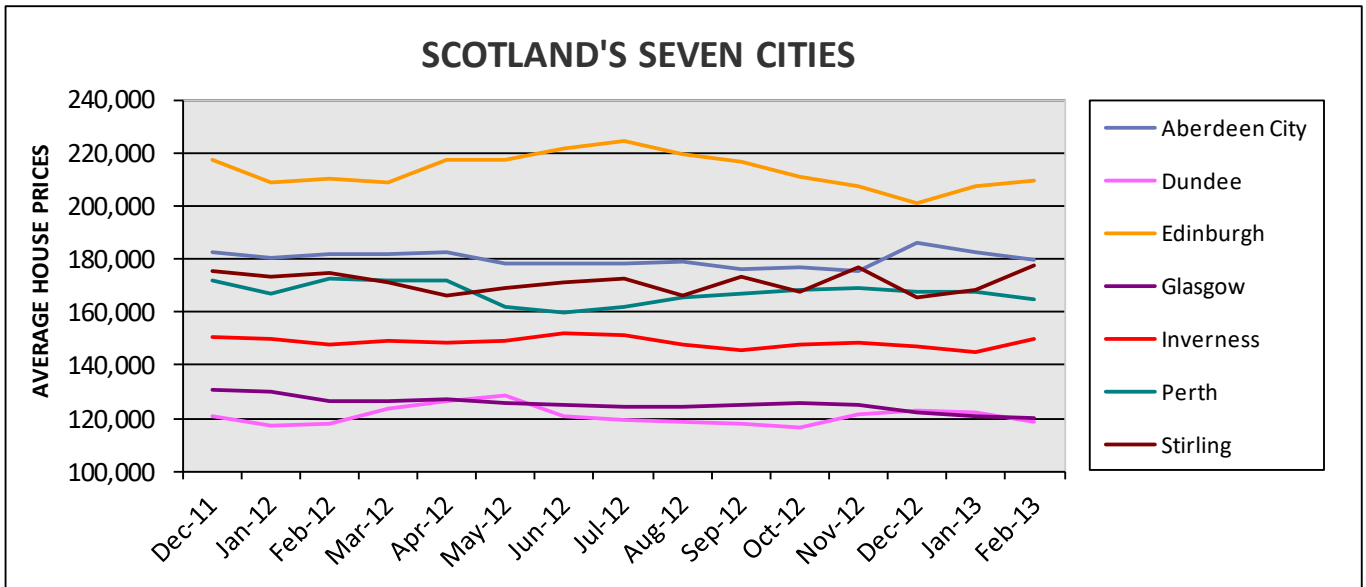


Figure 7. Average house prices for Scotland's seven cities from December 2011 – February 2013 [link to source Excel](#)

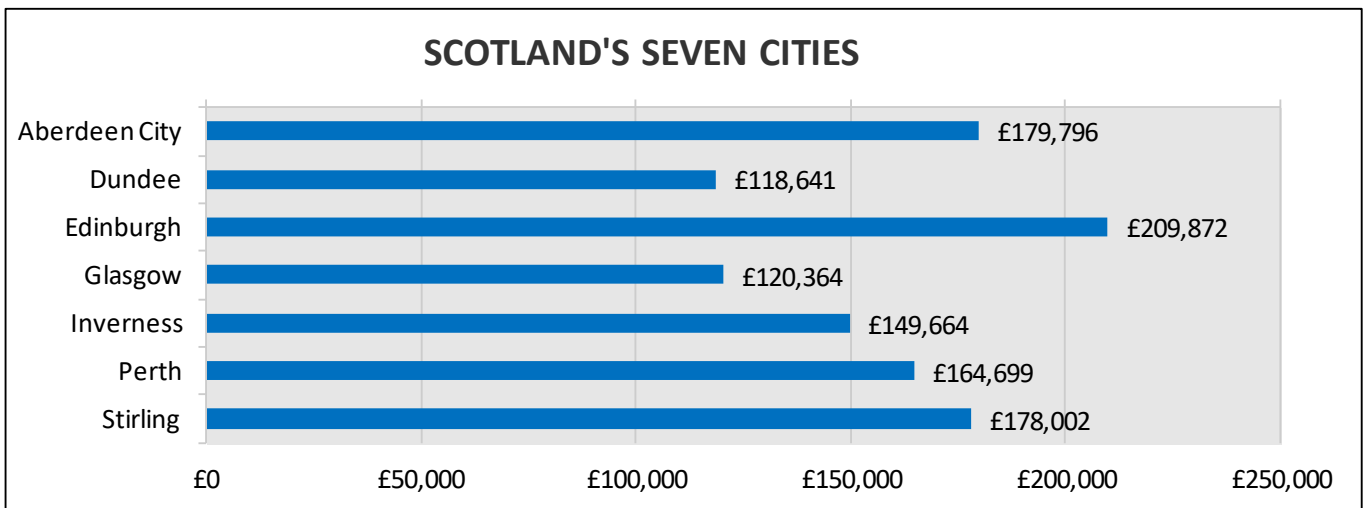


Figure 8. Average house prices for Scotland's seven cities February 2013 [link to source Excel](#)



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 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.