

LSL Property Services/Acadametrics
Scotland

House Price Index

JULY 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 18TH SEPTEMBER 2013



Scottish house sales at highest level for five years

- Sales in July 27% higher than in June
- First-time buyers account for the majority of increase in sales
- Prices are up 0.3% in July – first increase in four months

House Price	Index	Monthly Change %	Annual Change %
£143,574	194.7	0.3	-1.1

Richard Sexton, director of e.surv chartered surveyors, part of LSL Property Services, comments: “House prices haven’t been increasing in Scotland anything like as quickly as they have in England. But they did rise for the first time in four months in July, which could be the start of a prolonged period of house price increases. Sales have been increasing, and confidence is gradually seeping back into the market. First-time buyer lending in Scotland was at its highest since 2008 in the second quarter of the year, which has driven sales up to their highest level in five years. Sales are up 27% compared to June, and first-time buyers are accounting for a much higher proportion of sales than they have done previously. The improvement is down to a significant increase in the availability of high loan-to-value mortgages. Banks are much more willing to extend an olive branch to borrowers with small deposits, which has opened the door to thousands of buyers who were previously locked out of the housing market.

“And the improvement looks as though it should be long-lived. The economy is brightening by the day, and confidence is spreading quickly. Further growth in the market is expected to continue as new buyers are keen to enter the market and potential sellers will start to put their homes up for sale to benefit from rising prices. The surge in activity from the bottom end of the market has sparked a revival in the rest of the market. It’s up to the Scottish government to continue to help first-time buyers as they are the key to healthy, long term recovery.”

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 July 2012 – July 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
July	2012	£145,110	196.7	-0.3	-0.6
August	2012	£143,708	194.8	-1.0	-2.1
September	2012	£143,602	194.7	-0.1	-2.9
October	2012	£142,703	193.5	-0.6	-3.7
November	2012	£142,521	193.2	-0.1	-3.7
December	2012	£141,533	191.9	-0.7	-4.2
January	2013	£142,216	192.8	0.5	-2.7
February	2013	£143,345	194.4	0.8	-1.6
March	2013	£144,024	195.3	0.5	-1.0
April	2013	£143,882	195.1	-0.1	-1.4
May	2013	£143,814	195.0	0.0	-1.3
June	2013	£143,171	194.1	-0.4	-1.6
July	2013	£143,574	194.7	0.3	-1.1

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

The most significant factor in the Scotland housing market in July was the increase in the number of properties sold. The Registers of Scotland advises that there were a total of 8,833 property transactions in July; this represents an increase of 1,873 properties, or 27%, over the number sold in June. Ordinarily we would expect the market to experience an increase of 7% in the number of homes sold in July compared to June - more houses are sold in the peak summer months than at any other time of year - so the increase of 27% in July this year is exceptional. On an annual basis the increase in houses sold in July 2013 compared to July 2012 was 21%.

Much of this increase in activity is by first time buyers. According to the CML (Council of Mortgage Lenders) "First-time buyers in Scotland took out 6,500 loans in the second quarter of 2013, up 33% over the same period last year and the largest total in a single quarter since mid-2008". The CML added that "Alongside first-time buyers, lending to home movers increased in the second quarter of 2013 in Scotland. There were 8,100 loans advanced to home movers this quarter which was up by 5% on the second quarter of 2012". This indicates that first time buyers represented 45% of all sales in Scotland in the second quarter of 2013, up from the long term average of 38% of all sales.

Why is this increase in sales happening now? Clearly momentum has been building both within the economy and the housing market, albeit from a low base. Headlines such as that in the Sunday Times (8/9/13) - We have Lift-Off! - are symptomatic of the upturn in confidence and activity. Though real wages have not risen, a combination of low interest rates, tax benefits, more mortgage availability and competitive product pricing - reflecting the impact of the Funding for Lending Scheme and other initiatives - have together encouraged more activity. With signs of an entrenched economic upturn it is not surprising that first time buyers have been quick to enter the market, no doubt hoping to benefit from further recovery. Transaction numbers are up, but they are still low by historical standards. This suggests that we will see further increases in activity as more buyers are tempted into the market and sellers begin to put their homes up for sale to take advantage of rising prices.

We include a table of transactions by Local Authority area on page 6.

Turning now to house price movements; the LSL/Acadametrics HPI shows an increase of £400, or 0.3%, in the average price paid for a house in Scotland in July, compared to June on a seasonally adjusted basis. This is the first time in the last four months that average prices have risen. Although there has been a considerable increase in activity in the market, especially by first time buyers, this has been at the lower end of the property price bands and has not consequently increased the average property price. However, first time buyers have made the market more liquid, thus allowing second time and other home movers to trade up and to take advantage of the historically low interest rates. We therefore anticipate that there will be a slow increase in prices over the forthcoming months.



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

[link to source Excel](#)

Figure 1 above shows the average house price in Scotland for the period July 2012 to July 2013, again on a seasonally adjusted basis, together with a trend line over the twelve months. This trend line shows a very minor decline in the average price of a house over the twelve month period. We see that the year can be split into three distinct periods. The first is one of a small but almost constant decline in prices from July 2012 to the end of the year, with falls ranging between -0.1% and -1.0% per month. The second, from January 2013 to March 2013, shows an upturn in prices of 1.8% over this three month period. Finally we have four months of near constant prices, with the average house price down by £300 over this period.

House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing July 2012 and June 2013 with July 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	Jul-12	Jun-13	Jul-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	223,719	213,309	215,615	1.1%	-3.6%
2	4	Aberdeenshire	194,292	201,479	199,870	-0.8%	2.9%
3	3	East Renfrewshire	205,303	197,668	199,453	0.9%	-2.8%
4	2	East Lothian	206,880	192,201	198,697	3.4%	-4.0%
5	5	Aberdeen City	177,511	187,201	188,412	0.6%	6.1%
6	6	East Dunbartonshire	176,321	188,584	188,315	-0.1%	6.8%
7	7	Stirling	171,760	166,465	167,825	0.8%	-2.3%
8	9	Perth & Kinross	161,550	159,729	164,141	2.8%	1.6%
9	8	Midlothian	168,969	149,869	149,122	-0.5%	-11.7%
10	10	Scottish Borders	150,701	149,745	146,904	-1.9%	-2.5%
11	11	Highland	150,627	146,676	145,904	-0.5%	-3.1%
12	12	Argyll & Bute	142,163	144,497	138,374	-4.2%	-2.7%
13	15	Moray	135,529	139,408	137,759	-1.2%	1.6%
14	19	Angus	130,798	141,517	132,235	-6.6%	1.1%
15	14	West Lothian	137,060	131,749	131,896	0.1%	-3.8%
16	17	South Ayrshire	131,845	131,281	128,145	-2.4%	-2.8%
17	16	Dumfries & Galloway	134,544	126,004	128,031	1.6%	-4.8%
18	20	Fife	130,026	124,357	127,409	2.5%	-2.0%
19	21	Glasgow City	123,561	124,306	127,280	2.4%	3.0%
20	25	Orkney Islands	114,742	124,451	123,210	-1.0%	7.4%
21	22	Dundee City	118,913	120,326	120,697	0.3%	1.5%
22	13	Clackmannanshire	141,284	113,881	116,931	2.7%	-17.2%
23	18	Shetland Islands	131,376	109,032	116,346	6.7%	-11.4%
24	23	South Lanarkshire	117,095	117,651	115,071	-2.2%	-1.7%
25	24	Inverclyde	116,709	112,154	112,710	0.5%	-3.4%
26	26	Falkirk	109,570	106,825	107,041	0.2%	-2.3%
27	30	North Ayrshire	100,371	104,824	102,952	-1.8%	2.6%
28	31	West Dunbartonshire	100,226	102,311	100,925	-1.4%	0.7%
29	29	Renfrewshire	102,852	103,085	99,781	-3.2%	-3.0%
30	32	North Lanarkshire	98,170	97,457	97,155	-0.3%	-1.0%
31	27	East Ayrshire	104,379	95,530	95,373	-0.2%	-8.6%
32	28	Eilean Siar	103,058	99,353	92,502	-6.9%	-10.2%
		All Scotland	145,110	143,171	143,574	0.3%	-1.1%

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for July 2012, June 2013 and July 2013, together with the rates of change over the last month and year. In July, monthly prices fell in 17 of the 32 Local Authority Areas, on a seasonally adjusted basis. Last month the equivalent figure was a fall in 23 Local Authority Areas, indicating that prices have started to recover in July across half of Scotland. On an annual basis, prices are still below last year's levels in 21 Local Authority Areas, which is four fewer areas than last month. However, as we pointed out in our analysis on page 3, the increase in activity by first time buyers is likely to lower rather than raise the average house price.

Looking first at the monthly rate of change from June 2013 to July 2013, the biggest increase in prices among the Local Authority Areas was in the Shetland Islands, up 6.7%; however transactions on the Islands are low resulting in volatile average prices when expressed in percentage terms. On the mainland, the highest increase was in East Lothian, up 3.4% over the month. Here there was a significant increase in July in the average price of semi-detached properties, up £31k. Semi-detached properties are almost certainly not the preserve of first time buyers, so the figures would not have been affected by their purchasing activities. East Lothian was followed by Perth & Kinross, up 2.8% on the month, where the main rise in average prices was seen in terraced properties, up by £30k.

Turning to the annual change in average house prices, the highest movement in prices on the mainland was in East Dunbartonshire, up 6.8% on the year - here there was a £31k increase in the prices of flats and a £15k increase in terraces over the 12 months. These two property types are favoured by first time buyers, so it would appear that their increase in activity has had an affect on average house prices in the area. The area on the mainland with the largest fall in house prices over the year is Clackmannanshire, where average prices have fallen by 17.2%. However, transaction numbers in Clackmannanshire are low, again causing volatility in the statistics.

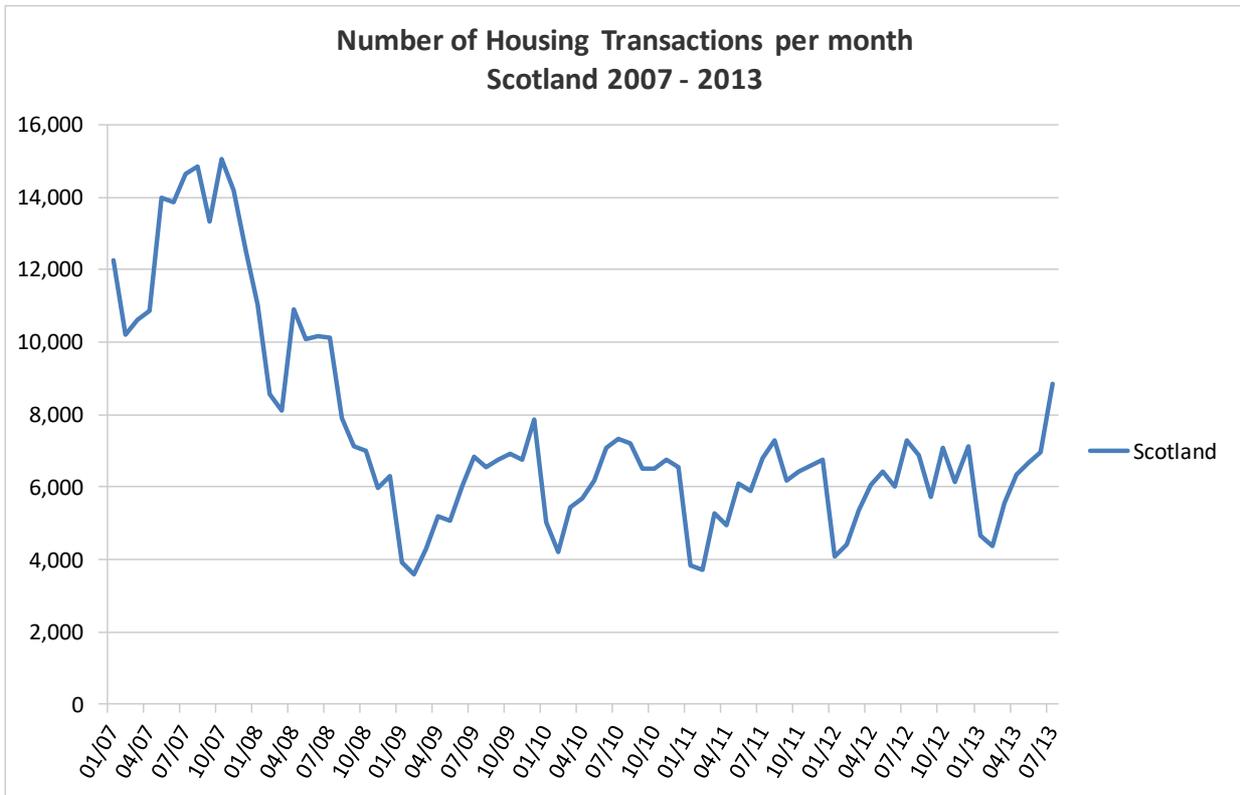


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2013 (not seasonally adjusted) [link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to July 2013, without seasonal adjustment. Sales in July 2013 clearly stand out as being ‘exceptional’ with 8,833 properties sold in the month. This is the highest number of sales in a single month since July 2008, some five years ago, when 10,124 sales were recorded. Prior to the banking credit crunch of 2007/2008, the average number of properties sold in Scotland in the month of July was 13,000, so the 2013 figure represents two thirds of the pre-banking crisis levels.

There is a bias towards the summer months in the purchase of homes, with July typically seeing an increase in sales of 7% over June levels. The increase of 27% in July 2013 compared to June 2013 is therefore 20% above the norm. The annual change in the number of properties sold from July 2012 to July 2013 is in line with this monthly increase at 21%. As we discussed on page three above, the main driving force in this increase in sales is activity by first time buyers. This group appears to have been tempted by the current low interest rates and easing of LTV restrictions imposed by the lending institutions, plus general optimism that the economy is on an upward path.

Will this increase in sales be maintained over the remainder of the year? In Scotland, August is usually the month in which the highest number of transactions takes place. If the current momentum in sales is to continue then we should expect to see a marginal increase in transactions in August. Additionally, a high level of sales at the bottom end of the property ladder will create a fly-wheel effect, with sales further up the property chain also increasing over the following months as second time and other home movers look to purchase their next home. We await the August figures with keen interest.

On the next page we have produced a Table to show the increase in property sales from June 2013 to July 2013, by Local Authority area.

Housing transactions



Table 3. The number of properties sold in Scotland by Local Authority Area, June & July 2013

[link to source Excel](#)

Number of Transactions in Month				
Local Authority Area	Jun-13	Jul-13	change	% change
Aberdeen City	506	578	72	14%
Aberdeenshire	419	547	128	31%
Angus	168	153	-15	-9%
Argyll & Bute	133	133	0	0%
Clackmannanshire	68	82	14	21%
Dumfries & Galloway	164	210	46	28%
Dundee City	180	232	52	29%
East Ayrshire	121	165	44	36%
East Dunbartonshire	158	174	16	10%
East Lothian	139	185	46	33%
East Renfrewshire	124	217	93	75%
Edinburgh, City of	789	1,040	251	32%
Eilean Siar	12	16	4	33%
Falkirk	198	234	36	18%
Fife	481	583	102	21%
Glasgow City	730	975	245	34%
Highland	258	375	117	45%
Inverclyde	80	100	20	25%
Midlothian	112	138	26	23%
Moray	107	146	39	36%
North Ayrshire	154	187	33	21%
North Lanarkshire	329	417	88	27%
Orkney Islands	17	31	14	82%
Perth & Kinross	184	215	31	17%
Renfrewshire	217	273	56	26%
Scottish Borders	154	149	-5	-3%
Shetland Islands	21	26	5	24%
South Ayrshire	142	202	60	42%
South Lanarkshire	399	506	107	27%
Stirling	109	140	31	28%
West Dunbartonshire	81	134	53	65%
West Lothian	176	250	74	42%
Unallocated	30	20	-10	-33%
All Scotland	6,960	8,833	1,873	27%

Source: Registers of Scotland

The area with the highest absolute increase in sales from June 2013 to July 2013 was Edinburgh with 251 more properties sold, closely followed by Glasgow where there were an additional 245 sales. In percentage terms, looking at the Mainland, the highest increase in sales was seen in East Renfrewshire up 75% over the month, followed by West Dunbartonshire, up by 65%.

There were only two areas showing a decline in sales over the period from June to July 2013, being Angus and the Scottish Borders, down 9% and 3% respectively.



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

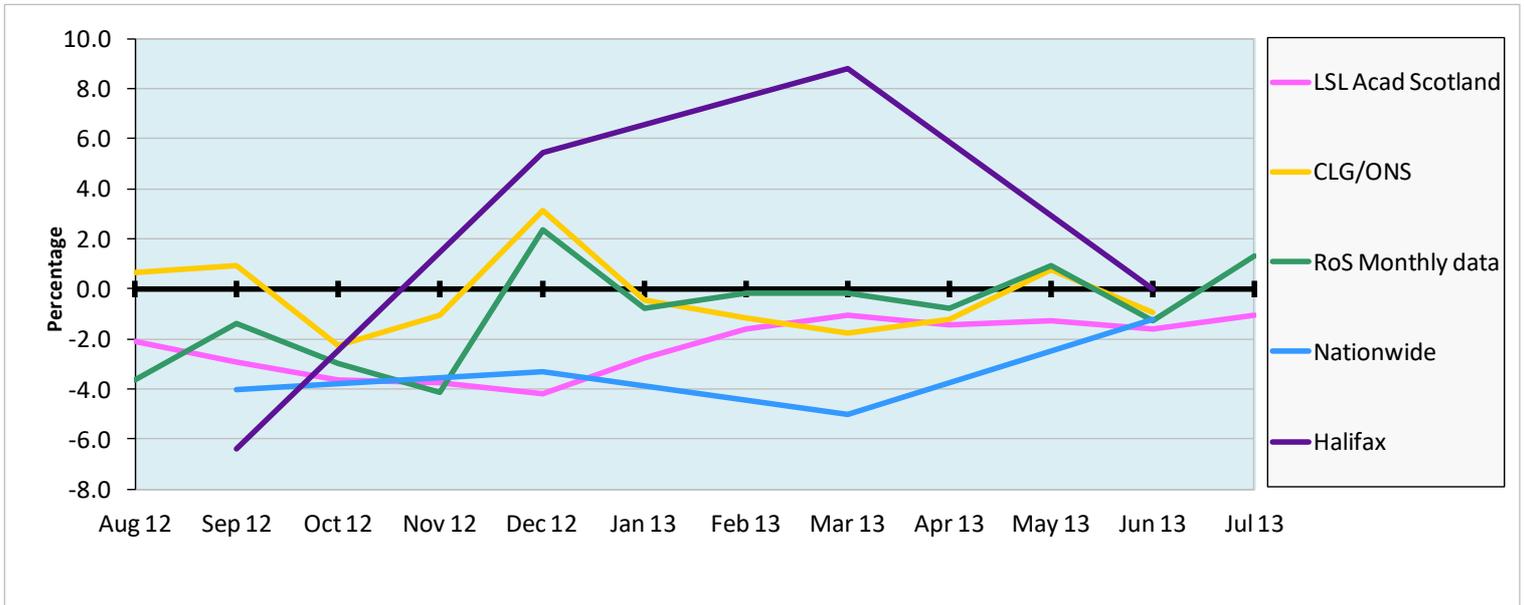


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

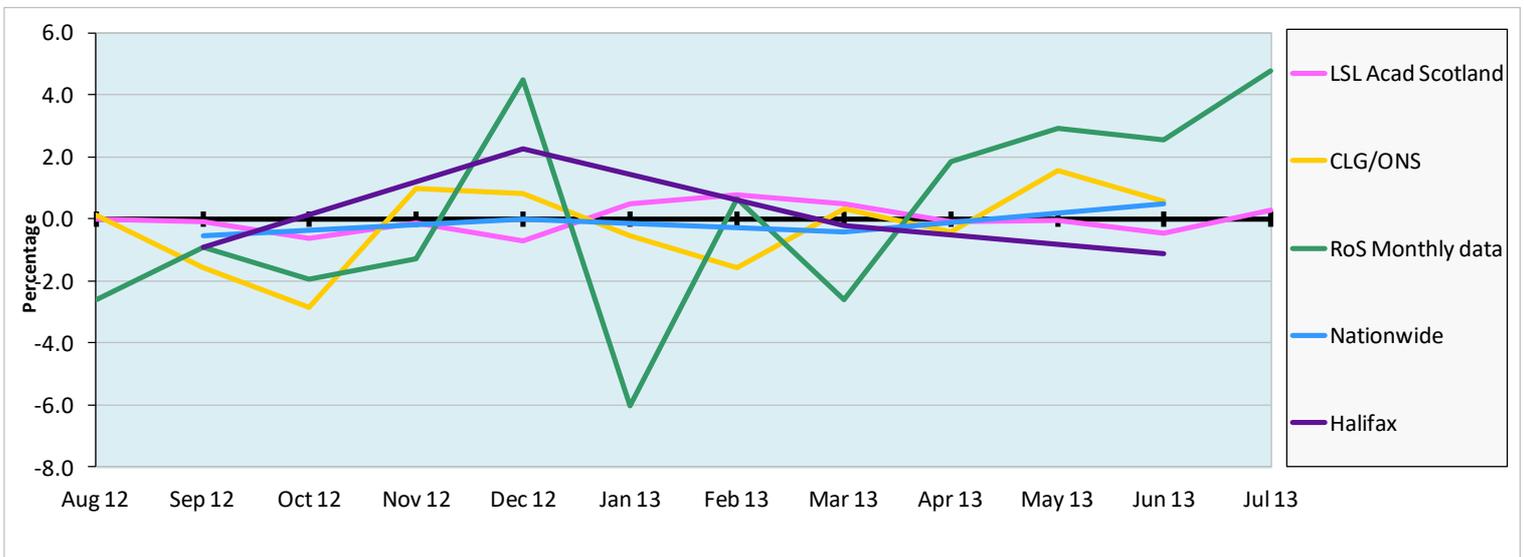


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

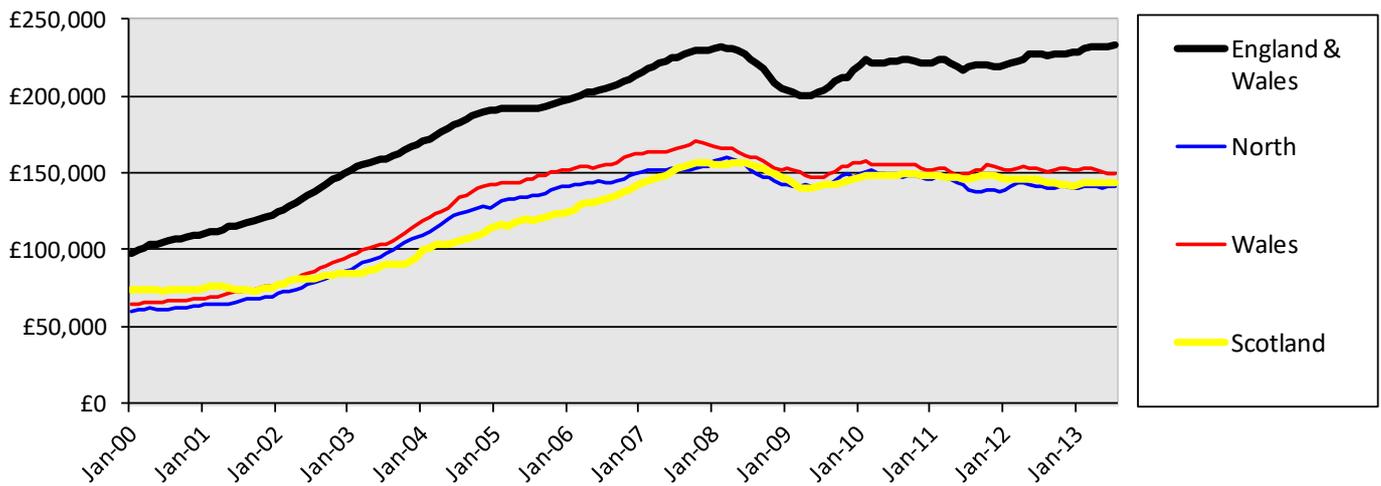


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - July 2013 [link to source Excel](#)

Annual % change in Average House Prices

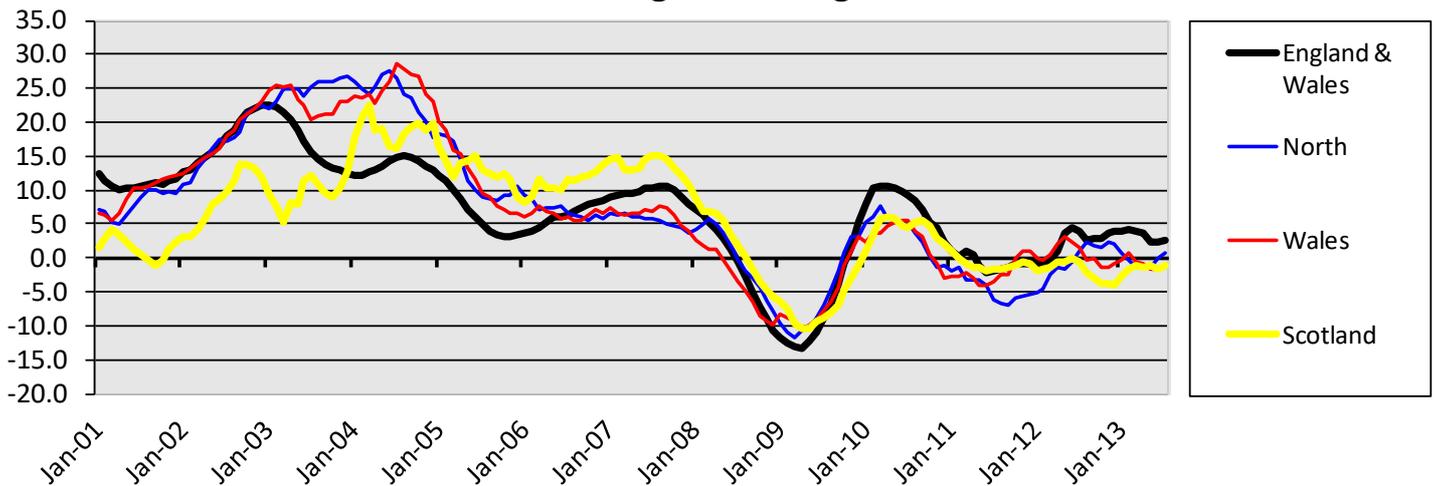


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – July 2013 [link to source Excel](#)

Scotland's seven cities

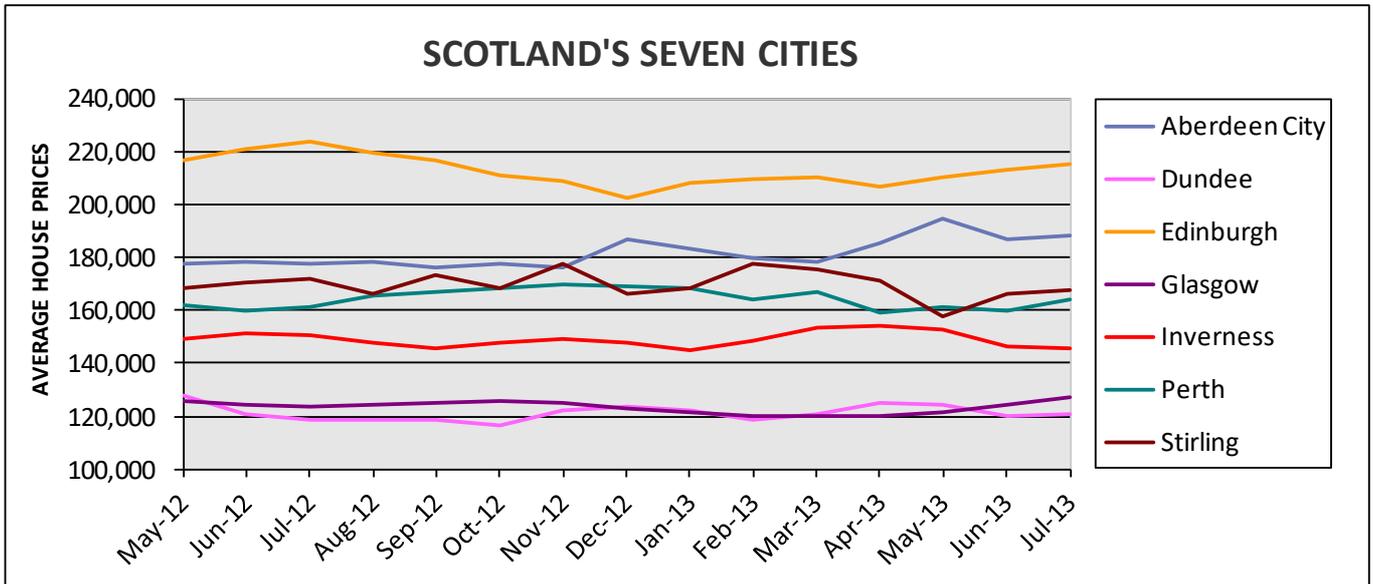


Figure 7. Average house prices for Scotland's seven cities from May 2012 – July 2013

[link to source Excel](#)

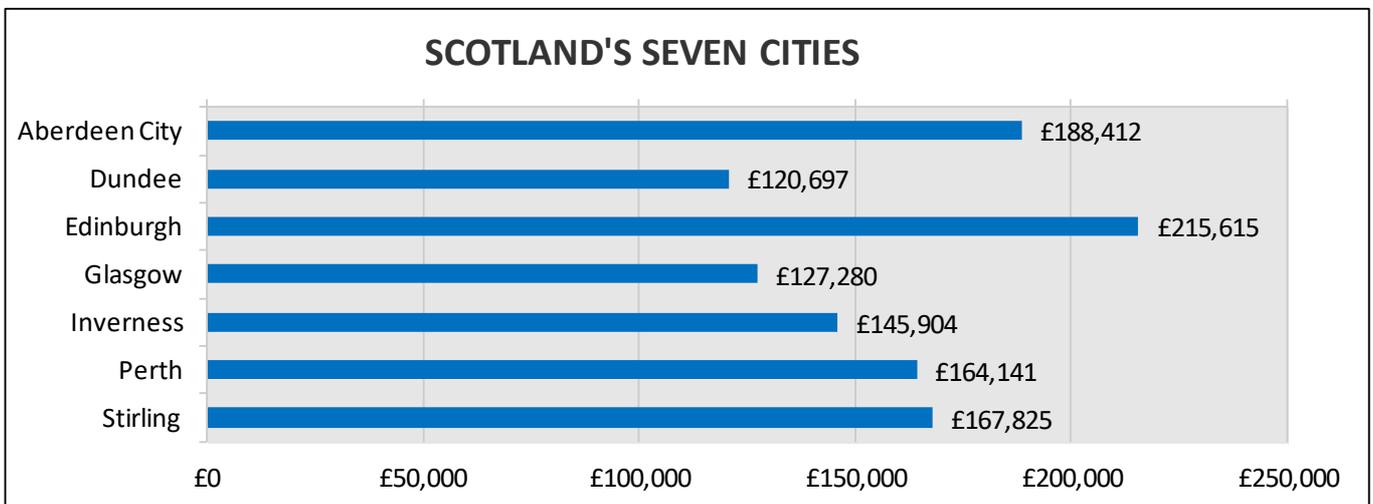


Figure 8. Average house prices for Scotland's seven cities July 2013

[link to source Excel](#)



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

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

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

- we provide only a current month average price for England & Wales as a whole, in our LSL Acad E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 98% of the transaction for the current month and c.99% for the prior month

Hence, a smoothed average price using three months data ascribed to the index month (ems) for LSL Acad Scotland HPI provides the equivalent price, to all intents and purposes, to the price at region/county level, lagged by one month, provided by a centre month smoothing (cms) process, as used for LSL Acad E&W HPI. Our intention is to align the procedure for LSL Acad Scotland HPI with that used for LSL Acad E&W HPI, as soon as the necessary data may be available. Meanwhile, an ems procedure allows the Scotland prices to be placed alongside the contemporaneous prices for E&W as a whole and for Wales, as a whole, and those for the E & W regions for comparison purposes.

4. LSL Acad E&W HPI provides prices from January 2000. RoS national data were available only from January 2001 and the constituents of RoS data changed between then and April 2003, showing a significant step change in prices between March and April. CLG/ONS quarterly data were used to construct LSL Acad Scotland HPI from January 2000 to April 2001 with straight line interpolations used to construct prices by month. Data for 11 local authorities were unavailable for the period January 2001 to April 2003 and were constructed by back-casting. The underlying data by property type, for months when no sales of a particular property type, in a particular area, were reported were in-filled using the same procedure used in LSL Acad E&W and, by Eurostat, in preparing seasonal data.

5. note that LSL Acad Scotland HPI is unable to distinguish between 3, 4 or 5 bedroom houses or between those with 2, 1 or even no bathroom; the lender hedonic indices and the CLG/ONS mix adjusted index do so. RoS data and, hence, LSL Acad Scotland HPI exclude commercial and, thus, auction sales and do not reflect repossession prices on the grounds that such prices do not reflect those between a willing buyer and a willing seller.

6. LSL Acad Scotland HPI is prepared from RoS data using a methodology designed to provide a “true measure of house price inflation”; Acadametrics does not guarantee the accuracy of the LSL Acad Scotland HPI results and neither LSL nor Acadametrics shall be liable for any loss or damage, whatsoever, consequential upon any error, incorrect description of or inadequacy in the data; persons using the data do so entirely at their own risk; LSL Acad Scotland HPI is freely provided for publication with due attribution to Acadametrics. Permission is required for any commercial use of the data.

7. the monthly, smoothed, average RoS prices at local authority level provided at property type, which underlie LSL Acad Scotland HPI, together with historic data can be purchased from Acadametrics.