

LSL Property Services/Acadametrics  
Scotland  
**House Price Index**

JUNE 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 14TH AUGUST 2013



**Scottish house prices up £1,648 since December 2012**

- Sales in Q2 2013 are 7.7% higher than last year
- First-time buyers accounting for a larger percentage of sales

| House Price | Index | Monthly Change % | Annual Change % |
|-------------|-------|------------------|-----------------|
| £143,181    | 194.1 | -0.4             | -1.6            |

**Richard Sexton, director of e.surv chartered surveyors, part of LSL Property Services, comments:** “Scottish house prices have taken a gentle tumble in the past three months – the latest figures show prices fell by £627 in June compared to May. But the housing market is bearing up well in a sea of adversity. Prices are down slightly month-on-month, yet they are higher than they were at the start of the year.

“There are some green shoots of recovery, with house sales 7.7% higher in Q2 this year than the equivalent period last year. The rise in sales is powered by increased sales to first-time buyers. But homeowners and prospective buyers are wise to be cautiously optimistic. Although the availability of mortgages is noticeably better, sales levels in the first half of 2013 are still low in contrast to 2007 (only 48% of that level). Sadly there’s still an unhealthy dependency on wealthier borrowers and landlords when looking closely at sales levels.

“Without doubt, the main barrier to a full recovery in the housing market is mortgage lending, which is still low compared to its pre-financial crisis levels. The high cost of rented accommodation is a drain on personal finances, but plenty of first-time buyers have decided to bite the bullet and start saving up for the large deposit needed for a mortgage. Now the economy has crawled out of the badlands, the banking sector is improving rapidly too. Lending, particularly to buyers with small deposits, has been boosted thanks to the support of the Funding for Lending and Help to Buy initiatives.

“More first-time buyer activity is needed to ensure the housing market fully rehabilitates. There is volatility in Scottish house prices depending on the distribution of the majority of first time buyers, with cities such as Glasgow and Sterling seeing significant rising prices in June. More remote parts, such as Orkney and Falkirk, are experiencing the largest monthly falls in prices. The government must continue to support first-time buyers, if the market is successfully to inch its way towards a more sustained recovery. As the economy expands and employment improves, the property market too will perk up.”

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 June 2012 – June 2013

[link to source Excel](#)

|           |      | House Price | Index | Monthly Change % | Annual Change % |
|-----------|------|-------------|-------|------------------|-----------------|
| June      | 2012 | £145,524    | 197.3 | -0.1             | -0.1            |
| July      | 2012 | £145,114    | 196.8 | -0.3             | -0.6            |
| August    | 2012 | £143,713    | 194.9 | -1.0             | -2.1            |
| September | 2012 | £143,607    | 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 | £142,214    | 192.8 | 0.5              | -2.7            |
| February  | 2013 | £143,349    | 194.4 | 0.8              | -1.6            |
| March     | 2013 | £144,019    | 195.3 | 0.5              | -1.0            |
| April     | 2013 | £143,874    | 195.1 | -0.1             | -1.4            |
| May       | 2013 | £143,808    | 195.0 | 0.0              | -1.3            |
| June      | 2013 | £143,181    | 194.1 | -0.4             | -1.6            |

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## Press Contacts:

Melanie Cowell, LSL Property Services  
David Pickles, Acadametrics  
Flora Spens, Wriglesworth PR

01904 715 326  
020 8392 9082  
020 7427 1416

[melanie.cowell@lsps.co.uk](mailto:melanie.cowell@lsps.co.uk)  
[david.pickles@acadametrics.co.uk](mailto:david.pickles@acadametrics.co.uk)  
[f.spens@wriglesworth.com](mailto:f.spens@wriglesworth.com)



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

The LSL/Acadametrics HPI shows a decrease of £627, or 0.4%, in the average price paid for a house in Scotland in June, compared to May on a seasonally adjusted basis. This is the third month in succession that there has been a minor fall in house prices, but overall this year prices are up by £1,648, or 1.2%, from December 2012.

Figure 1 below shows the average house price in Scotland for the period June 2012 to June 2013, again on a seasonally adjusted basis, together with a trend line over the twelve months. This trend line shows a fall of £1,000 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 June 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 three months of gentle decline, with the average house price down by £840 over the period.

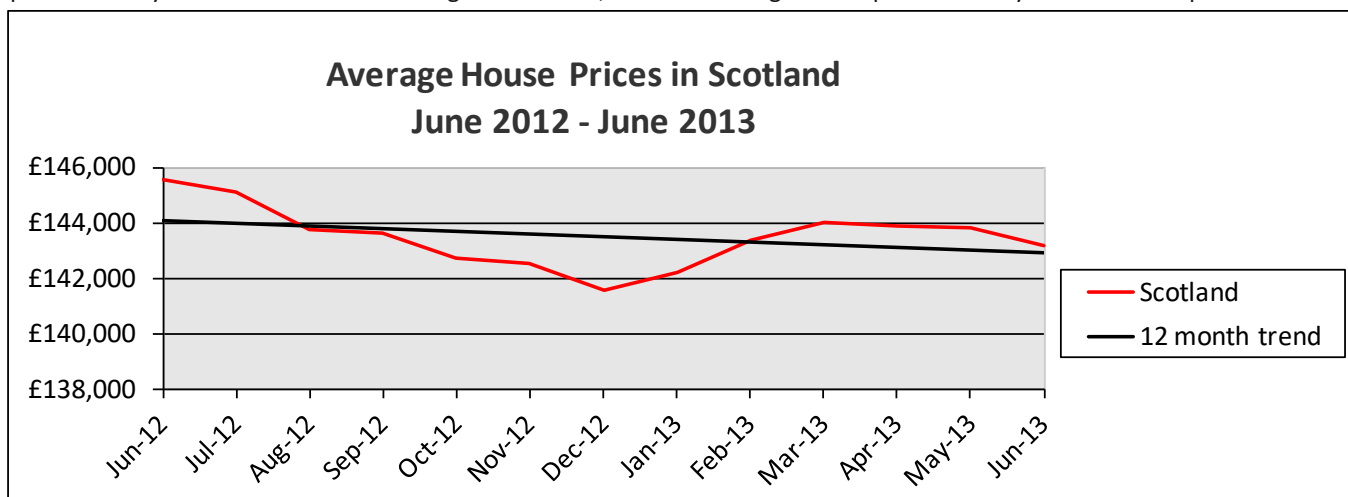


Figure 1. Average house prices in Scotland, June 2012 – June 2013

[link to source Excel](#)

On an annual basis, as indicated by the trend line above, house prices continue to fall, with the annual rate showing a decrease of -1.6% over the year. House prices in Scotland are seasonally at their highest in July, being typically 4% above the average for the year. However, we report our figures with seasonal adjustment, so these patterns of summer purchasing are removed from the prices shown here.

Although house prices are down by 1.6% over the year, transaction numbers increased by 7.7% between Q2 2012 and Q2 2013, suggesting an improvement in consumer confidence in the housing market during the first half of 2013. The main reason for this increase in demand has been the easing of credit conditions, enabling more potential purchasers to obtain a mortgage. The mortgage lenders have been assisted by the Bank of England's Funding for Lending scheme, which has resulted in more competitive products being offered in the market place. This is especially true of lending to first time buyers. As we reported last month, approximately half the rise in sales to date in 2013 compared to 2012 is the result of an increase in activity by first time buyers. The CML reported that "In the first quarter of 2013, a total of 4,500 loans were advanced to first-time buyers in Scotland. This represented a 10% increase on the first quarter of 2012 when there were 4,100 loans." In discussing the UK housing market, the CML additionally advised that "First-time buyers accounted for 45% of all loans for house purchase in May 2013, similar to the levels of the previous few months but considerably higher than the 38% seen on average since 2007."

The increase in demand for properties by first time buyers and the minor decline in house prices are almost certainly linked. Taking Glasgow as an example, we find that the sale of flats has increased by an additional 219 units, or +19%, between Q2 2012 and Q2 2013. At the same time over this same period the price of flats in Glasgow has fallen by 4.5%. This can be explained by the likelihood that first time buyers will be considering the purchase of properties near the lower end of the pricing spectrum. This in turn will have the effect of lowering the average price of the properties purchased, while at the same time increasing the numbers being sold.

Overall we are seeing an increase in consumer confidence as the economy begins to expand. This, together with a slight easing in the restrictions in obtaining mortgage finance, is increasing demand for housing, especially among first time buyers. As a consequence, the number of housing transactions is increasing over 2012 levels. We expect these trends to continue over the summer months. However, we should perhaps remind ourselves that, as Figure 2 below demonstrates, transaction levels during the first half of 2013 are still running at only 48% of the level seen in 2007, which was not in itself considered to be an exceptional year. The market still has a long way to go before we can talk of a full recovery.

# House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing June 2012 and May 2013 with June 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 | Jun-12         | May-13         | Jun-13         | % Monthly Change | % Annual Change |
|---------------|---------------|----------------------|----------------|----------------|----------------|------------------|-----------------|
| 1             | 1             | Edinburgh, City of   | 220,718        | 210,047        | 213,309        | 1.6%             | -3.4%           |
| 2             | 4             | Aberdeenshire        | 194,808        | 204,861        | 201,479        | -1.7%            | 3.4%            |
| 3             | 2             | East Renfrewshire    | 202,240        | 197,811        | 197,668        | -0.1%            | -2.3%           |
| 4             | 3             | East Lothian         | 200,425        | 188,437        | 192,201        | 2.0%             | -4.1%           |
| 5             | 5             | East Dunbartonshire  | 181,754        | 189,164        | 188,602        | -0.3%            | 3.8%            |
| 6             | 6             | Aberdeen City        | 178,024        | 194,275        | 187,201        | -3.6%            | 5.2%            |
| 7             | 8             | Stirling             | 170,523        | 157,961        | 166,465        | 5.4%             | -2.4%           |
| 8             | 9             | Perth & Kinross      | 159,775        | 161,444        | 159,729        | -1.1%            | 0.0%            |
| 9             | 7             | Midlothian           | 172,005        | 156,762        | 149,869        | -4.4%            | -12.9%          |
| 10            | 10            | Scottish Borders     | 152,008        | 150,298        | 149,745        | -0.4%            | -1.5%           |
| 11            | 11            | Highland             | 151,632        | 152,587        | 146,676        | -3.9%            | -3.3%           |
| 12            | 12            | Argyll & Bute        | 147,116        | 145,615        | 144,916        | -0.5%            | -1.5%           |
| 13            | 21            | Angus                | 129,876        | 140,629        | 141,517        | 0.6%             | 9.0%            |
| 14            | 17            | Moray                | 135,232        | 141,478        | 139,600        | -1.3%            | 3.2%            |
| 15            | 13            | West Lothian         | 138,893        | 132,536        | 131,714        | -0.6%            | -5.2%           |
| 16            | 16            | South Ayrshire       | 135,970        | 130,656        | 131,281        | 0.5%             | -3.4%           |
| 17            | 14            | Dumfries & Galloway  | 137,975        | 127,656        | 126,004        | -1.3%            | -8.7%           |
| 18            | 18            | Orkney Islands       | 132,064        | 131,812        | 124,451        | -5.6%            | -5.8%           |
| 19            | 19            | Fife                 | 130,610        | 125,976        | 124,342        | -1.3%            | -4.8%           |
| 20            | 22            | Glasgow City         | 124,582        | 121,414        | 124,292        | 2.4%             | -0.2%           |
| 21            | 23            | Dundee City          | 120,532        | 124,056        | 120,326        | -3.0%            | -0.2%           |
| 22            | 24            | South Lanarkshire    | 116,610        | 118,508        | 117,715        | -0.7%            | 0.9%            |
| 23            | 20            | Clackmannanshire     | 130,540        | 116,955        | 113,881        | -2.6%            | -12.8%          |
| 24            | 25            | Inverclyde           | 115,151        | 109,675        | 112,154        | 2.3%             | -2.6%           |
| 25            | 15            | Shetland Islands     | 136,303        | 115,172        | 109,032        | -5.3%            | -20.0%          |
| 26            | 26            | Falkirk              | 113,556        | 111,848        | 106,825        | -4.5%            | -5.9%           |
| 27            | 31            | North Ayrshire       | 100,828        | 105,314        | 104,824        | -0.5%            | 4.0%            |
| 28            | 28            | Renfrewshire         | 110,013        | 105,521        | 103,085        | -2.3%            | -6.3%           |
| 29            | 29            | West Dunbartonshire  | 103,424        | 101,035        | 102,311        | 1.3%             | -1.1%           |
| 30            | 27            | Eilean Siar          | 111,847        | 101,219        | 99,353         | -1.8%            | -11.2%          |
| 31            | 32            | North Lanarkshire    | 97,567         | 98,620         | 97,457         | -1.2%            | -0.1%           |
| 32            | 30            | East Ayrshire        | 100,882        | 93,607         | 95,530         | 2.1%             | -5.3%           |
|               |               | <b>All Scotland</b>  | <b>145,524</b> | <b>143,808</b> | <b>143,181</b> | <b>-0.4%</b>     | <b>-1.6%</b>    |

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for June 2012, May 2013 and June 2013, together with the rates of change over the last month and year. In June, monthly prices fell in 23 of the 32 Local Authority Areas, on a seasonally adjusted basis. Last month the equivalent figure was a fall in 16 Local Authority Areas, indicating that the decline in prices in June has spread across most areas of Scotland. On an annual basis, prices are still below last year's levels in 25 Local Authority Areas, which is three more areas than last month.

Looking first at the monthly rate of change from May 2013 to June 2013, the biggest increase in prices among the Local Authority Areas was in Stirling, up 5.4%. Here there was a significant increase in June in the average price of both terraces, up £30k, and detached properties, up £17k. Stirling was followed by Glasgow, up 2.4%, where again the average prices of both terraces and detached properties saw a significant increase over May of £25k each. The area with the largest fall in prices over the month was the Orkney Islands: however, low transaction numbers on the Islands result in considerable volatility in the average property price calculation. On the mainland, the area with the highest monthly price fall was Falkirk, down 4.5% on May, where the average price of a detached property fell by £13k to £167k. In June, Falkirk was the area with the lowest average price for a detached property of any Local Authority Area on the Scottish mainland.

Turning to the annual change in average house prices, the highest movement in prices on the mainland was, for the third month running, in Angus, up 9.0% on the year – here there was a £30k increase in detached prices over the 12 months. Angus also shows the largest movement up the rankings of Local Authority Areas by average price over the year. It has gained 8 places in our league table and is now in 13th position. The area on the mainland with the largest fall in house prices over the year is Midlothian, where average prices have fallen 12.9%. This is due to an upsurge in the price of flats in June 2012, which was not repeated in 2013, resulting in average prices taking a tumble over the 12 months.

# Housing transactions

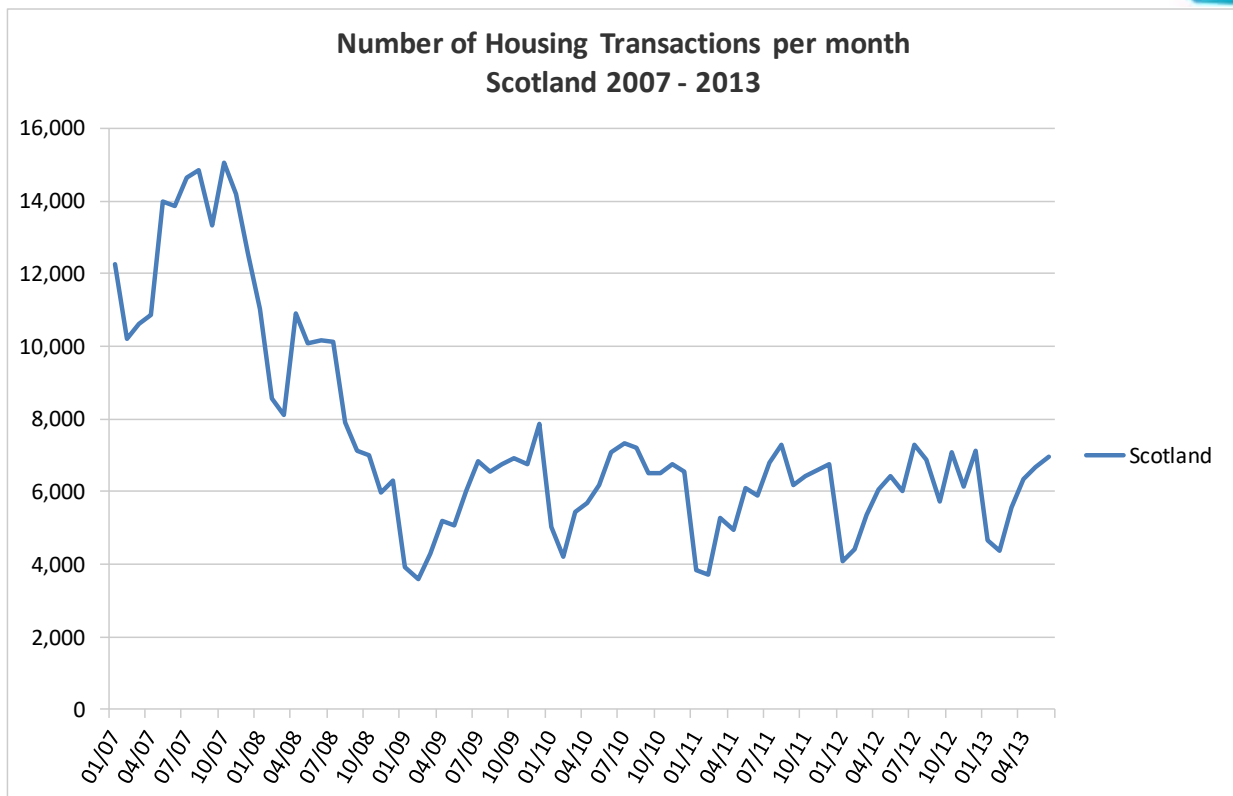


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2013 (not seasonally adjusted)

[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 June 2013, without seasonal adjustment. There is a bias towards the summer months in the purchase of homes, with June typically seeing an increase in sales of 7% over May levels. This year there has been an increase of 5% in sales volumes over May, which is marginally lower than we would expect. However, sales in the early months of 2013 were more buoyant than usual, which has resulted in a lower percentage increase in sales in June. For the first half of 2013, transaction levels are running 6.5% ahead of the same six months in 2012. Sales in the second quarter of 2013 are up 7.7% over 2012, indicating a slight quickening in the pace of house sales over the last three months.

During the second quarter of 2013, the property type showing the highest increase in transactions was flats, up by an additional 650 units, or 11%, over the equivalent period in 2012. This suggests that the momentum built up in the sale of properties to first time buyers during the first quarter of 2013 (as discussed earlier) has continued into the second quarter of the year. Comparing Q2 2013 with Q2 2012, the area with the largest quantum increase in the sale of flats was Glasgow, where an additional 219 units were sold (+18.6%). This was followed by Edinburgh up 154 units (+11.9%).

The second largest increase in 2013 by property type compared to the same period in 2012 was semi-detached houses, up by 7%, or 223 properties. The largest quantum increase in this sector was seen in Edinburgh, up by 38 properties, followed by Aberdeenshire up by an extra 37 sales on 2012 levels, a 17.5% increase.

The number of properties sold during Q2 2013, compared to Q2 2012, has increased in 23 of the 32 Local Authority Areas in Scotland. The largest percentage increase was in Midlothian where transactions have increased by 22% over 2012 - this was across all property types except terraces. Midlothian is followed by Angus and Aberdeen City, both having seen sales volumes increase by 21%. The Local Authority Area with the largest fall in sales between Q2 2012 and Q2 2013 is Stirling, down 15%: this was due to a lower than average number of detached properties being sold in April and May of this year. Stirling is followed by Moray, which has seen 12% fewer homes being sold in Q2 2013 compared to the previous year. Here all property types have proved less popular with the exception of flats, where an additional 8 units 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

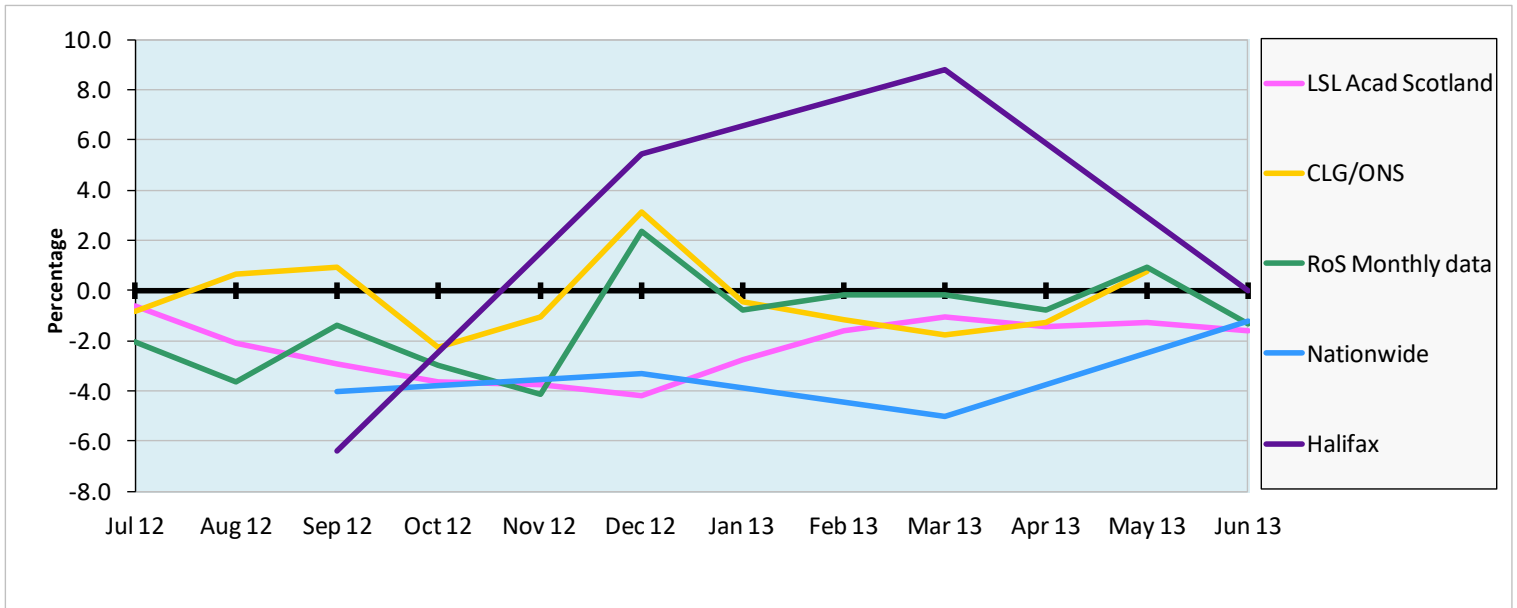


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

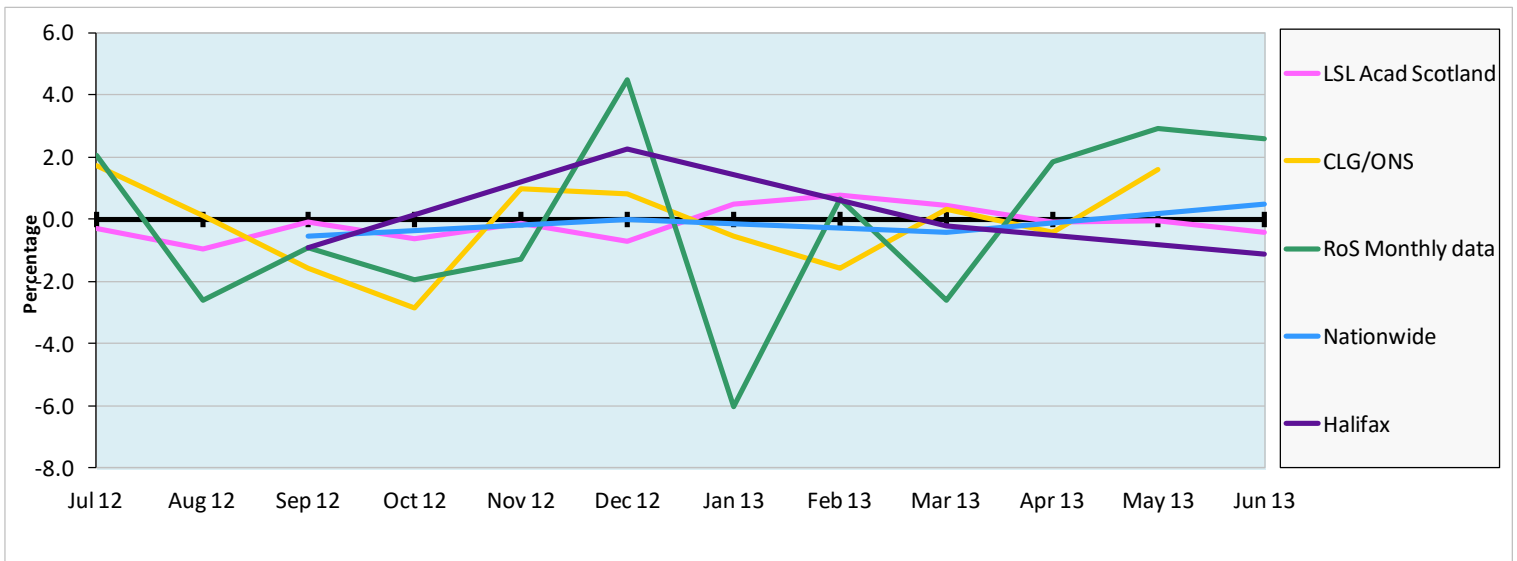


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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.

# Comparisons with Scotland



## Average House Price

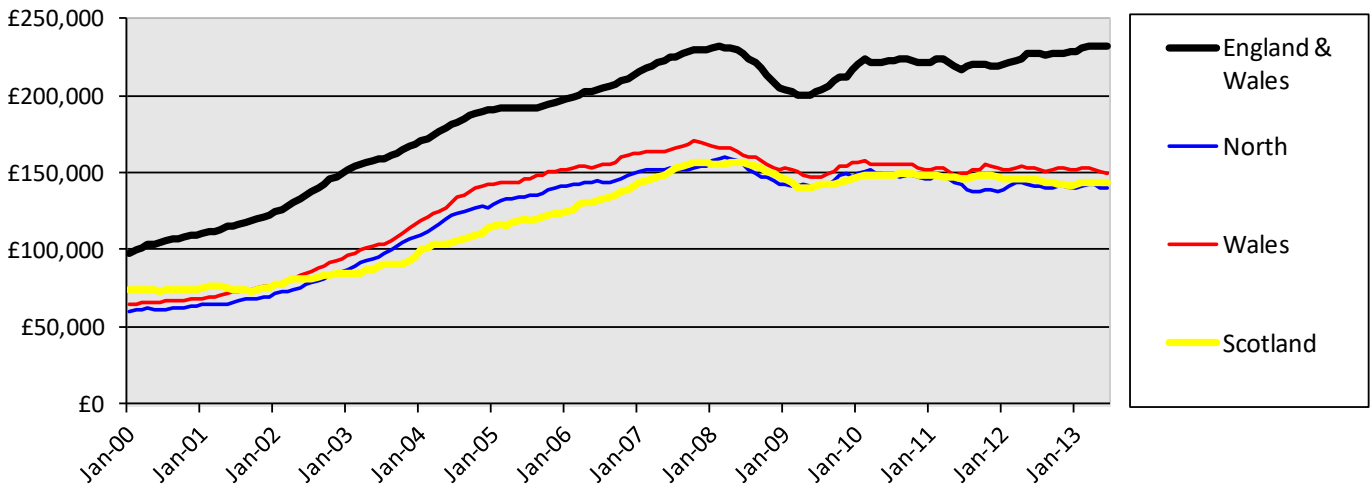


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - June 2013 [link to source Excel](#)

## Annual % change in Average House Prices

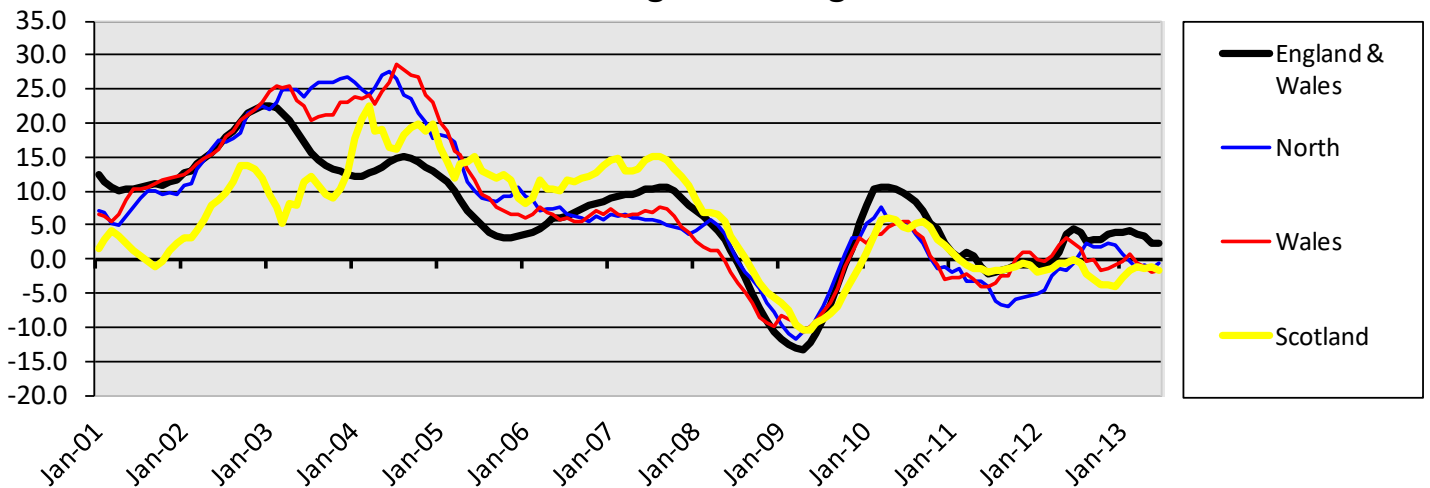


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – June 2013 [link to source Excel](#)



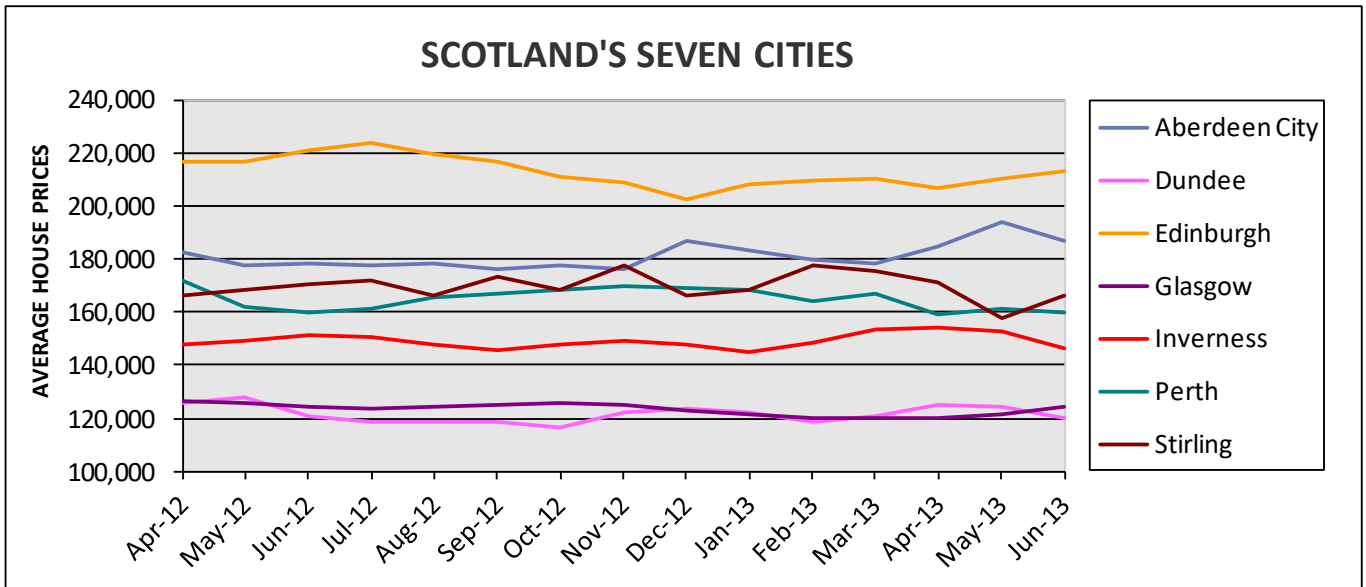


Figure 7. Average house prices for Scotland's seven cities from April 2012 – June 2013

[link to source Excel](#)

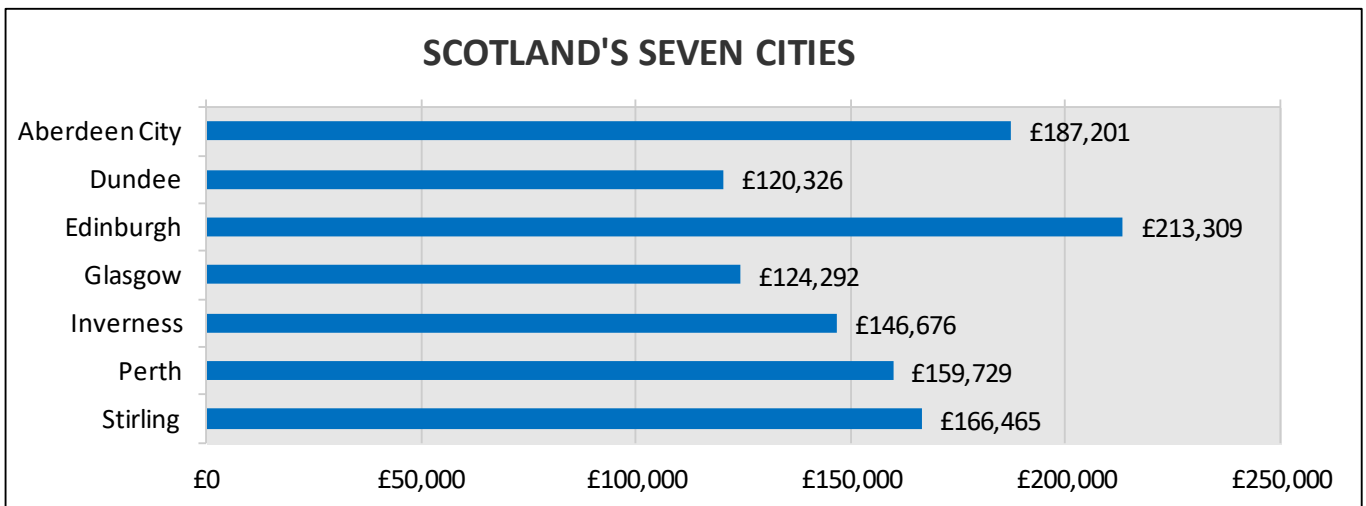


Figure 8. Average house prices for Scotland's seven cities June 2013

[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.