

LSL Property Services/Acadametrics
Scotland

House Price Index

MARCH 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 15TH MAY 2013



House prices climb £1,082 in March

- Prices rise for the third month in succession
- Prices climb £3,776 during 2013
- Sales volumes increase by 8% over previous year

House Price	Index	Monthly Change %	Annual Change %
£144,615	196.1	0.8	-0.9

Richard Sexton, director of e.surv chartered surveyors, part of LSL Property Services, comments: “Although the Scottish housing market has had to battle with a lack of cheap mortgages and poor funding conditions over the last year, it looks as if the market is now sailing into calmer waters. This is thanks to the help of the Funding for Lending scheme. The positive increases in house prices for three consecutive months of 2013 are encouraging.

“Green shoots are beginning to show in the Scottish housing market. Sales are climbing, up 8% compared to March 2012. 25 out of 32 authority areas are seeing more sales, with Midlothian, which had the greatest rise in sales, up 70% compared to a year ago. In Edinburgh, which is obviously a crucial market, the number of flats being sold is up by 60% compared to 2012. The rising number of buyers in the first quarter has helped build market confidence in March. But the supply of properties coming onto the market has been constrained. That’s ramped up competition between buyers, and pushed up house prices.

“Although it is not yet clear quite how high the Scottish Government will put supporting the property market up their priority list, the UK Government has taken a number of steps to boost the housing market. The Funding for Lending scheme has been the most important one and has encouraged lenders to lower mortgage rates and reduce interest rates. George Osborne and the UK government are giving the property market a further helping hand with the Help to Buy scheme. That will impact the UK overall, and should help Scotland move forward into broad, sunlit uplands.

“The last year was tough with strict mortgage lending rules which pushed back masses of beleaguered first-time buyers. House prices are still £1,257 lower than a year ago. Sadly poor inflation rates made matters worse and the prospect of public spending cuts in Scotland put the property ladder further out of reach for those struggling to save up for a deposit. But it looks as though we are now turning a corner.”

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 March 2012 – March 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
March	2012	£145,872	197.8	0.1	-1.3
April	2012	£146,266	198.3	0.3	-0.6
May	2012	£146,031	198.0	-0.2	-0.7
June	2012	£146,048	198.0	0.0	-0.1
July	2012	£145,594	197.4	-0.3	-0.5
August	2012	£143,907	195.1	-1.2	-2.1
September	2012	£143,448	194.5	-0.3	-2.9
October	2012	£142,285	192.9	-0.8	-3.7
November	2012	£141,911	192.4	-0.3	-3.8
December	2012	£140,839	191.0	-0.8	-4.2
January	2013	£141,862	192.3	0.7	-2.8
February	2013	£143,533	194.6	1.2	-1.5
March	2013	£144,615	196.1	0.8	-0.9

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

The LSL/Acadametrics HPI shows an increase of £1,082, or 0.8%, on a seasonally adjusted basis, in the average price paid for a house in Scotland in March, compared to February. This is the third month in succession in which we have seen relatively high increases in house prices, with February up by 1.2%, the largest increase in a single month since June 2007. So why are these price rises occurring at the beginning of 2013? According to estate agents, the supply of properties coming onto the market in recent months has been restricted, while demand has been climbing, as we demonstrate on page 5. 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 first quarter of the year is the result of a shortage in the supply of suitable properties.

Figure 1 below shows the average house price in Scotland for the period March 2012 to March 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 price stability from March to June 2012, followed by an almost constant decline from July 2012 to the end of the year. The recent upturn in Q1 2013 then moves prices back above the trend line to where they were in July 2012.

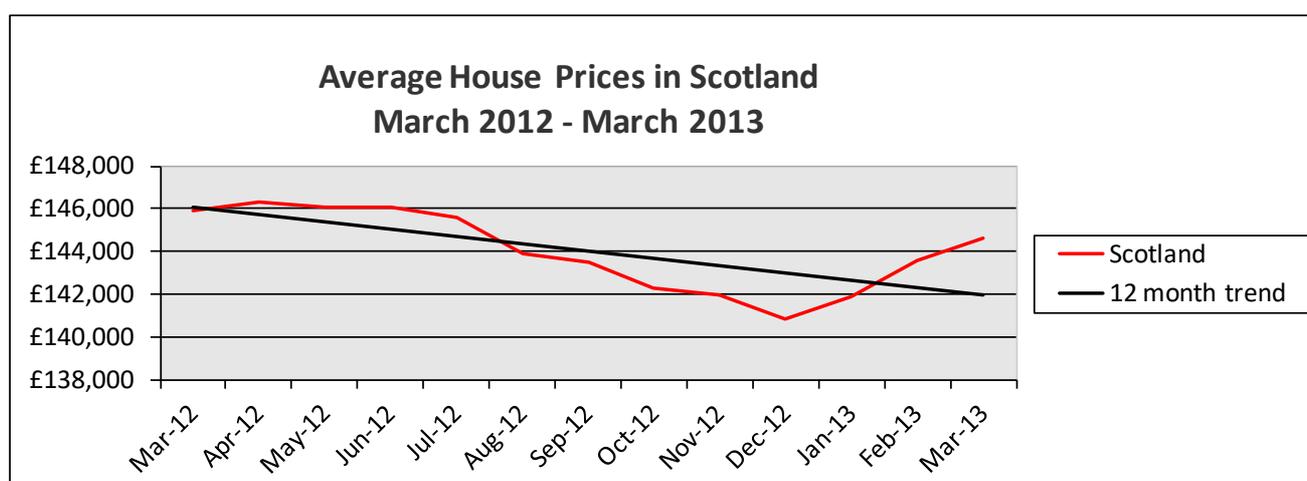


Figure 1. Average house prices in Scotland, March 2012 – March 2013

[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 -0.9%, compared with an annual decline of -4.2% as recorded in December 2012. The fall of 0.9% on an annual basis means that the decline in house prices in Scotland is now less than that currently being experienced in Wales and the North of England, where prices fell in the year by 1.1% and 1.3% respectively.

Over the year, based on a three month average, we have seen detached and semi-detached properties decline in price by 2%, whilst the price of terraces has fallen by less than 1%. Over the same period, flats showed a small increase of 0.1%. As we discussed last month, the small price fall in terraces, along with the increase in prices of flats are a consequence of the rise in demand by first time buyers: here 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 these two parts of the market are experiencing the current pricing pressures.

In his budget, George Osborne put considerable emphasis on the housing market, believing that it has the potential to help boost the economy, particularly if the construction of new homes can be encouraged. Some, but not all, of his new schemes will assist the housing market in Scotland. This is without doubt the largest intervention by the UK government in the housing market for many decades, and it highlights the concerns Whitehall has over this market and of course the wider economy.

It is evident that there is now a real appetite in Whitehall to see house prices rise and activity in the property market increase, whereas previously the focus had been on deflation. The big question is how far these stimulus measures will impact across the UK as a whole (some measures are for England only). If they do not, the risk is that the differentials between London and the South East, and Scotland and the North of England will increase. However, what should be very clear to consumers is that the UK government is backing the housing market strongly. This should help to increase confidence, which ultimately is a key driver. Unfortunately, alongside this is the clear sense of budget cuts to come and all the risks to jobs and wages that flow from that. It is this mix of positives and negatives which means many households will continue to hold back from considering their next property purchase.

House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing March 2012 and February 2013 with March 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	Mar-12	Feb-13	Mar-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	209,134	209,872	211,099	0.6%	0.9%
2	3	Aberdeenshire	202,000	199,762	201,504	0.9%	-0.2%
3	2	East Renfrewshire	202,169	194,063	198,952	2.5%	-1.6%
4	6	East Dunbartonshire	177,777	191,529	196,245	2.5%	10.4%
5	4	East Lothian	195,850	191,599	192,866	0.7%	-1.5%
6	5	Aberdeen City	182,204	179,796	179,082	-0.4%	-1.7%
7	8	Stirling	171,470	178,002	176,049	-1.1%	2.7%
8	7	Perth & Kinross	171,740	164,476	167,755	2.0%	-2.3%
9	9	Midlothian	162,770	152,466	157,912	3.6%	-3.0%
10	12	Highland	148,991	149,702	154,977	3.5%	4.0%
11	10	Scottish Borders	156,637	150,528	150,129	-0.3%	-4.2%
12	13	Argyll & Bute	143,534	141,850	143,079	0.9%	-0.3%
13	15	Moray	137,587	138,897	140,433	1.1%	2.1%
14	14	West Lothian	138,018	135,895	136,781	0.7%	-0.9%
15	17	South Ayrshire	133,250	131,762	134,524	2.1%	1.0%
16	16	Dumfries & Galloway	136,070	133,521	134,403	0.7%	-1.2%
17	19	Fife	127,273	130,165	131,427	1.0%	3.3%
18	18	Angus	127,710	130,183	129,806	-0.3%	1.6%
19	22	Dundee City	123,872	118,641	121,065	2.0%	-2.3%
20	20	Glasgow City	126,623	120,364	120,570	0.2%	-4.8%
21	23	Clackmannanshire	121,266	118,413	120,389	1.7%	-0.7%
22	21	South Lanarkshire	125,689	119,320	119,667	0.3%	-4.8%
23	25	Falkirk	117,369	116,231	118,160	1.7%	0.7%
24	27	Shetland Islands	114,370	114,544	115,080	0.5%	0.6%
25	11	Orkney Islands	154,435	112,193	114,223	1.8%	-26.0%
26	32	Eilean Siar	96,497	101,876	108,181	6.2%	12.1%
27	28	Renfrewshire	111,582	107,602	107,122	-0.4%	-4.0%
28	29	East Ayrshire	105,550	110,191	105,047	-4.7%	-0.5%
29	31	North Lanarkshire	100,522	101,196	101,791	0.6%	1.3%
30	26	Inverclyde	114,449	96,916	101,657	4.9%	-11.2%
31	24	West Dunbartonshire	117,599	101,158	101,287	0.1%	-13.9%
32	30	North Ayrshire	100,747	98,157	98,397	0.2%	-2.3%
		All Scotland	145,872	143,533	144,615	0.8%	-0.9%

Table 2 above shows the average house price in each of the 32 Local Authority Areas in Scotland for March 2012, February 2013 and March 2013, together with the rates of change over the last month and year. In March, monthly prices increased in 26 of the 32 Local Authority Areas, on a seasonally adjusted basis. However, on an annual basis prices are still below last year's levels in 20 Local Authority Areas, the same number as last month.

Looking first at the rate of change from February 2013 to March 2013, the biggest increase in monthly house prices among the Local Authority Areas on the mainland was in Inverclyde, up 4.9%, a result of the sale of some 25 'high-value' detached properties. This was followed by a 3.6% increase in Midlothian, where the average price of a flat increased by £16k. The area with the largest fall in prices over the month was East Ayrshire, where the average price of terraces dropped to £61k - this locality now has the lowest 'average' price for a terraced property in Scotland.

Turning to the annual change in average house prices, the highest movement in prices on the mainland was seen in East Dunbartonshire, up 10.4% on the year. There has been a relatively large increase in the price of terraced properties and flats in the area, which tend to be popular with first time buyers and buy-to-let landlords. Somewhat paradoxically the area on the mainland with the largest fall in prices over the year was neighbouring West Dunbartonshire, down some 13.9%, where there were falls in the average prices of all property types.

Housing transactions

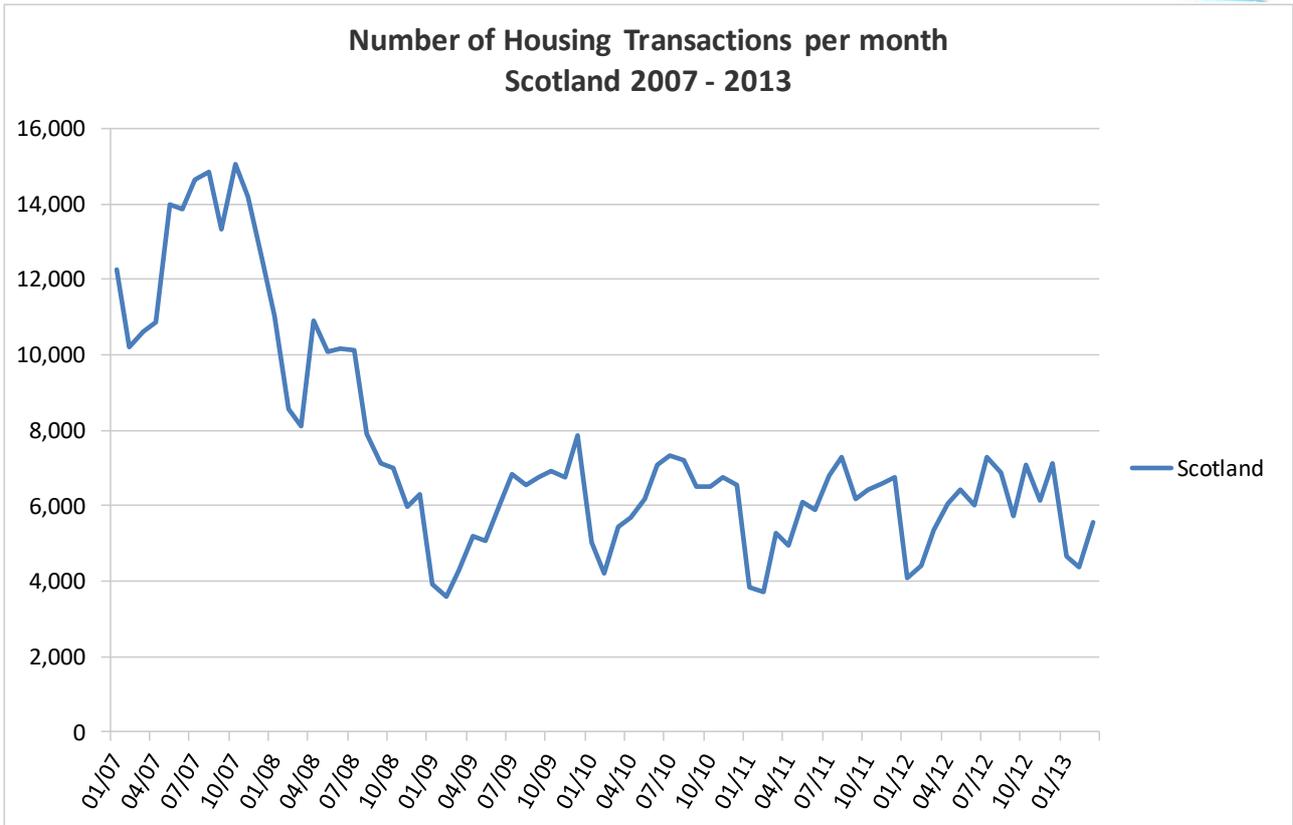


Figure 2. The number of housing transactions by month in Scotland, 2006 - 2013 (not seasonally adjusted) [link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to March 2013, without seasonal adjustment. Traditionally, March housing transactions climb by 7% over February levels, which can be explained by the extra 2-3 trading days in March compared to February. This year, however, sales in March are up by 27% over February levels. This suggests a welcome buoyancy in the housing market in the first three months of the year, with Q1 2013 housing sales up by 8% over Q1 2012.

Looking at the increase in sales in the first three months of 2013, compared to the same period in 2012, there has been more activity across all property types. This is particularly the case in terraces and detached properties where sales numbers have increased by 13% and 10% respectively. The largest increase in terraced sales in Q1 2013 was in Dundee City, and Perth and Kinross, both up by 34 properties each. Among detached properties, the largest increase in houses sold was in Aberdeenshire, up by 36 sales, followed by Midlothian where an additional 35 detached homes were sold compared to Q1 2012.

As with house prices, transaction levels have increased in Q1 2013 in the majority of Local Authority areas, compared to the same period a year earlier, with 25 of the 32 authority areas witnessing rises in transaction levels. The largest percentage increase was seen in Midlothian where transactions have increased by 70% over 2012 levels - this was across all property types, but especially detached houses. Midlothian is followed by Angus, up 27% in sales volumes, with the largest increases taking place in the sale of terraces. The area with the highest increase in the sale of flats is Edinburgh, with an additional 147 units being sold compared to the previous year. This increase in the sale of flats in Edinburgh represents 60% of the additional 250 flats sold in Scotland in Q1 2013, compared to a year earlier.



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

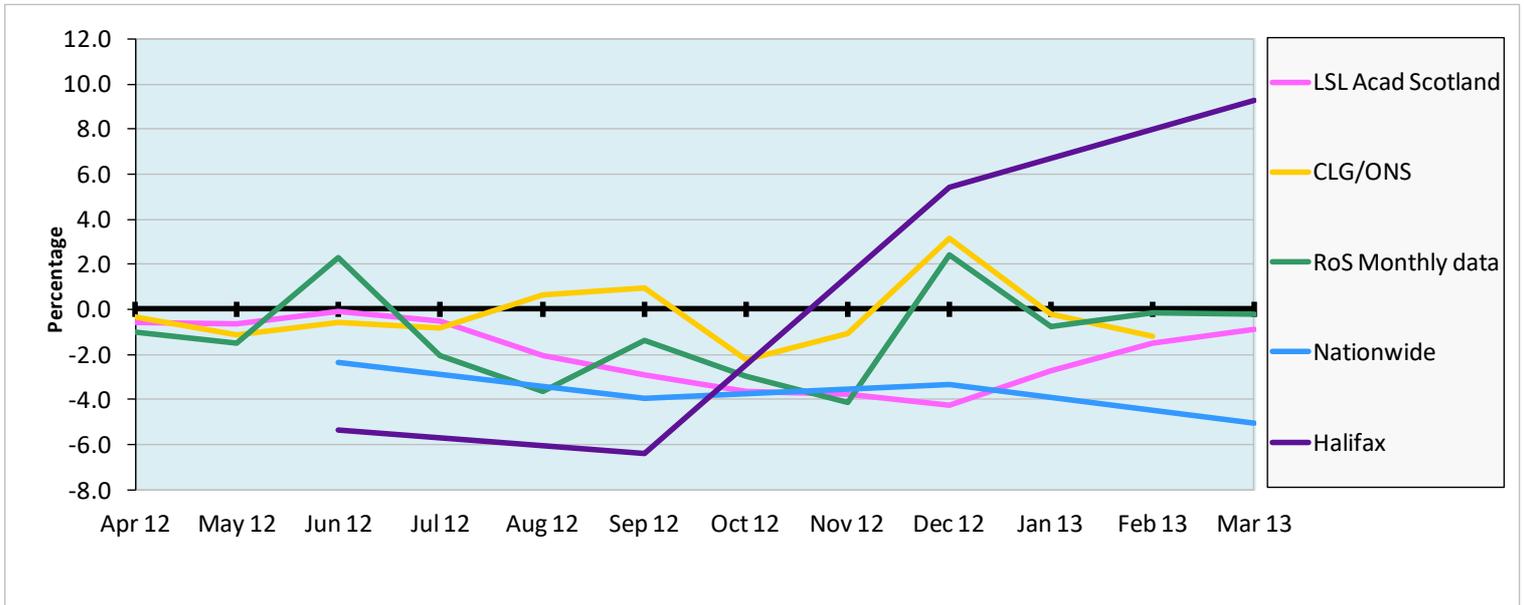


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

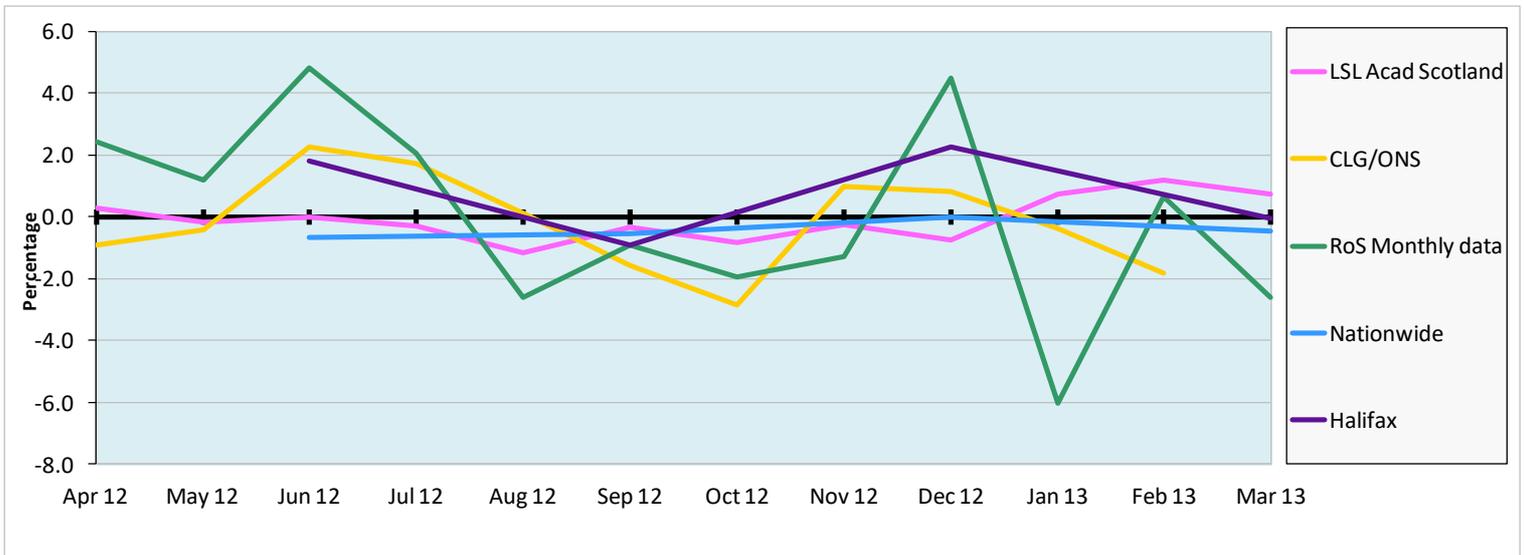


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[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

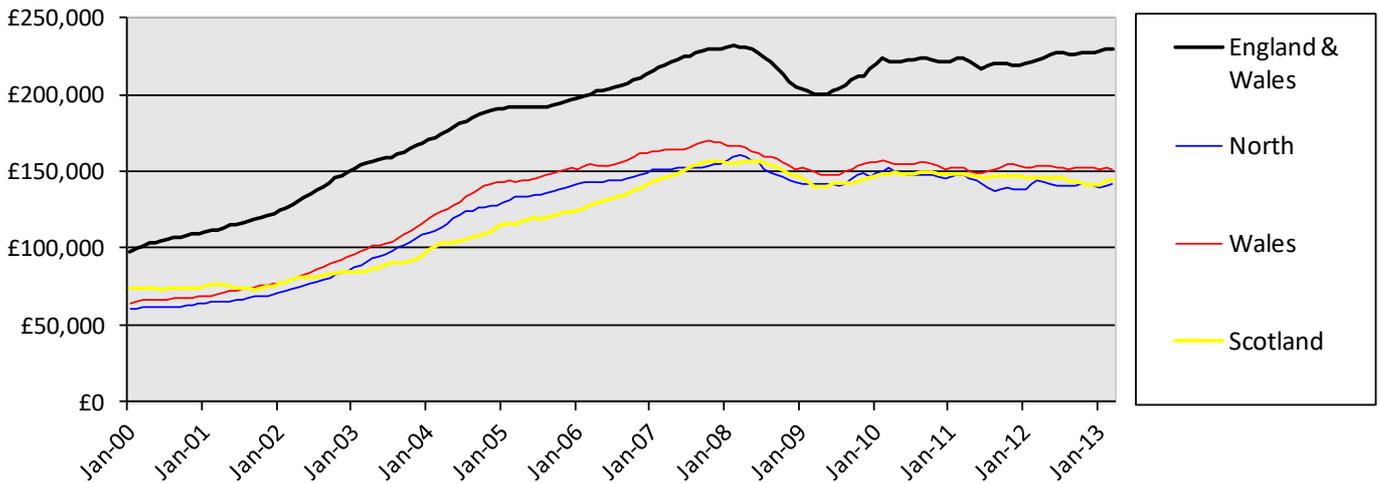


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - March 2013 [link to source Excel](#)

Annual % change in Average House Prices

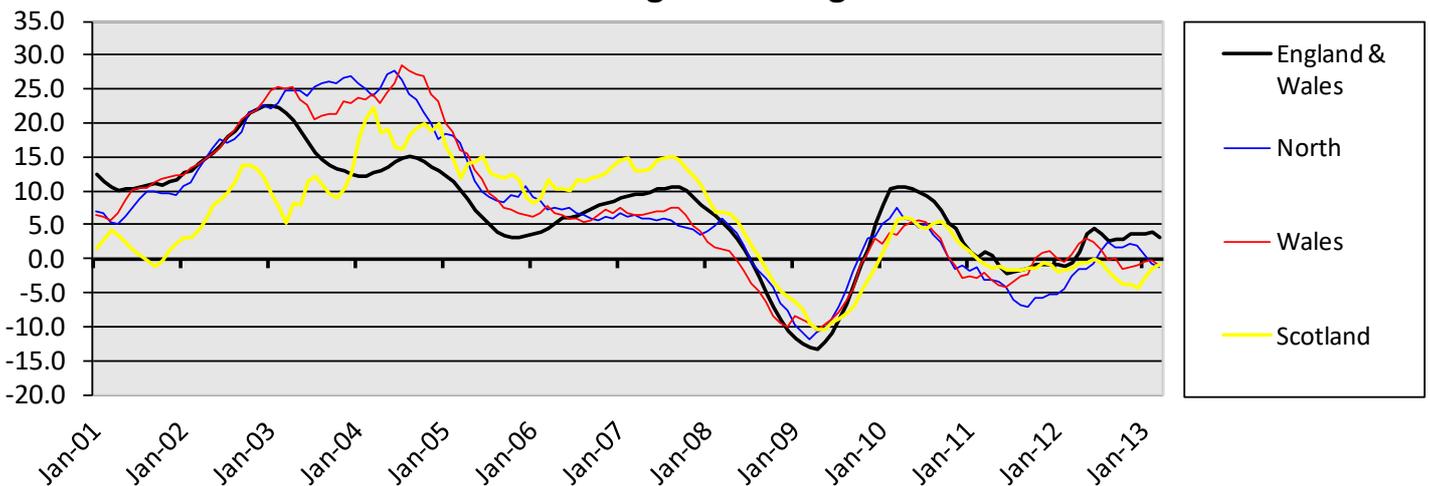


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – March 2013 [link to source Excel](#)

Scotland's seven cities

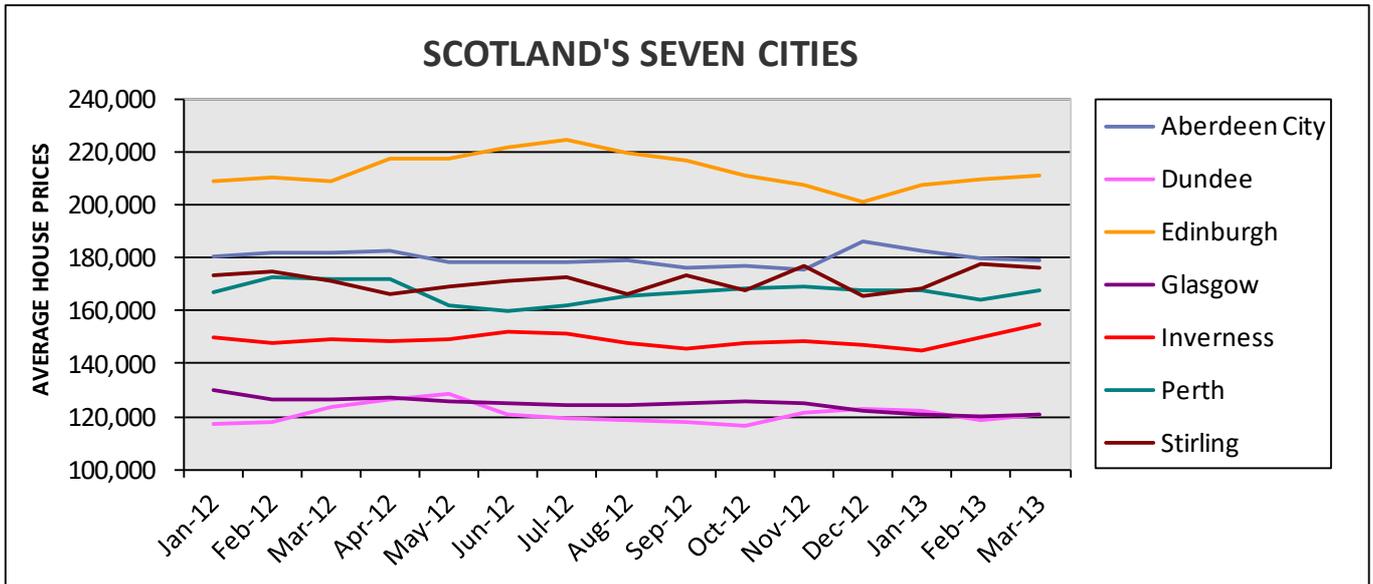


Figure 7. Average house prices for Scotland's seven cities from January 2012 – March 2013 [link to source Excel](#)

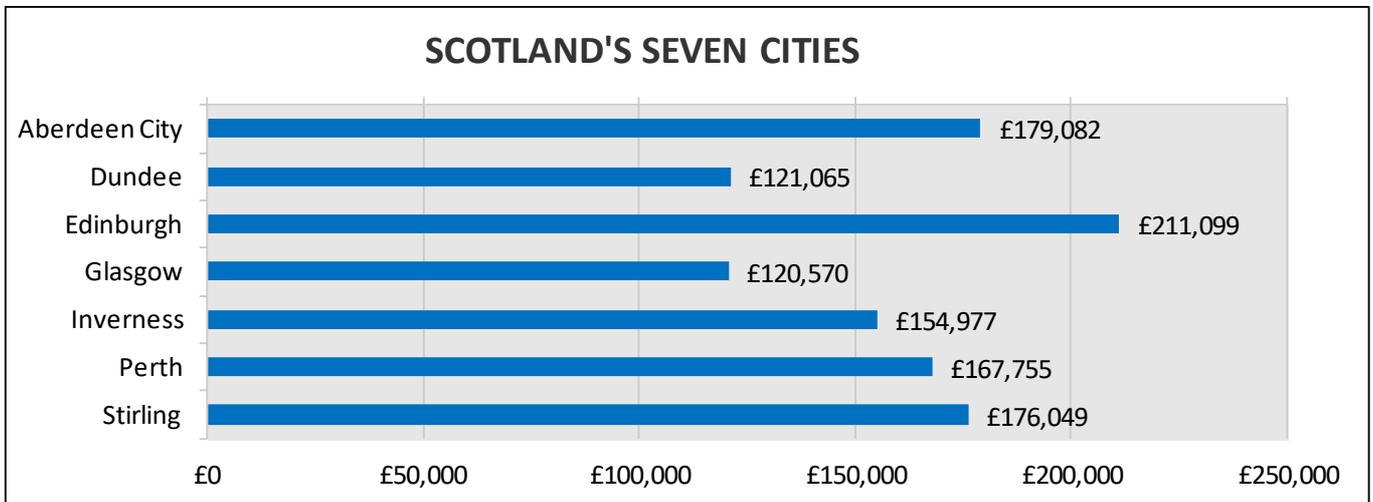


Figure 8. Average house prices for Scotland's seven cities March 2013 [link to source Excel](#)



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.