



Under embargo until 00:01 Wednesday 22nd April 2015

February 2015

Scottish house prices jump 1.7% in a month

- Scottish property prices rise £2,900 during February, in biggest monthly jump since the 2007 boom years
- Average house prices set new record high of £169,742 following strongest annual growth in five years
- Aberdeen, Edinburgh, East Lothian and Angus join those setting new house price peaks in February
- February sees spike in million-pound home sales before the introduction of new transaction tax
- Overall home sales up 14% month-on-month – but still 4% below 2014 levels as election uncertainty bites

House Price	Index	Monthly Change %	Annual Change %
£169,742	222.3	1.7	6.0

Christine Campbell, regional managing director of Your Move, comments: “The Scottish market certainly has a spring in its step. February’s vigorous 1.7% (£2,846) leap represents the highest monthly jump we’ve witnessed since June 2007, at the height of the housing boom. To put this into context, over the same period, house prices in England and Wales rose just 0.4%. Stirling experienced the fastest increase in property values across Scotland during February, with house prices soaring 5.3%.

“While growth across the rest of the wider UK has been tiring, Scotland has been dancing to the beat of its own drum. In the year to February, Scottish property prices climbed 6.0% (equal to £9,672), the strongest annual growth since August 2010. Average house prices in Scotland have now reached a new all-time peak of £169,742 – and in terms of individual areas, Edinburgh, Aberdeen, East Lothian and Angus all now join the ranks of the record-breakers.

“The impressive rise in house prices in February has been influenced by the introduction of the new Land and Buildings Transaction Tax (LBTT) in April, as high-end buyers sought to complete expensive purchases under the old stamp duty rates. Fifteen properties priced at £1 million or more were sold in Scotland during the month of February, compared to just 6 the previous month. Tactical tax considerations have helped foster price growth in the Scottish housing market, and are likely to play a significant role in the months to come too. Now that the LBTT has come into force, we expect to see a temporary drop-off in the number of properties sold above £750,000, now liable for the top rate of tax – similar to the impact we’re currently seeing in London among £2m properties in light of December’s stamp duty changes.

“Typically in the housing market cycle, we would expect home sales to ease back in February, in the aftermath of the costly Christmas period. This February moved against the seasonal grain, with completed home sales up 14% on January levels – however, activity is still 4% down on last year. Over the past three months, completed home sales have fallen in every local authority area of Scotland on an annual basis, with Midlothian seeing the sharpest 31% drop. However these year-on-year benchmarks have been artificially propped up following the extraordinary headway in sales activity over 2014, and as well as having to recalibrate onto a steadier course, the housing market this year also has an upcoming General Election to contend with. The slowdown in Scottish sales activity is being mirrored south of the border, as all across the UK political uncertainty is infusing homebuyers with a new hesitancy.

“But as soon as there is a stable government, there will be no reason to delay. Recent experience of the independence referendum reminds us that a celebratory resurgence of activity after the vote is concluded will even out any deficit beforehand. With measures like the new Help to Buy ISA, lower transaction tax for the majority under the LBTT, and rock bottom interest rates on mortgages, buyers’ prospects are already greatly boosted, and political certainty will raise consumer confidence even further.”

For commentary by John Tindale, Acadata’s senior housing analyst, see page 3.

Table 1. Average House Prices in Scotland for the period February 2014 – February 2015

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
February	2014	£160,070	209.6	0.3	3.5
March	2014	£160,901	210.7	0.5	3.8
April	2014	£161,416	211.4	0.3	4.1
May	2014	£162,335	212.6	0.6	4.5
June	2014	£164,165	215.0	1.1	5.8
July	2014	£164,502	215.4	0.2	5.7
August	2014	£164,198	215.0	-0.2	5.7
September	2014	£163,610	214.3	-0.4	5.1
October	2014	£164,840	215.9	0.8	5.7
November	2014	£164,647	215.6	-0.1	4.3
December	2014	£165,181	216.3	0.3	4.3
January	2015	£166,896	218.6	1.0	4.6
February	2015	£169,742	222.3	1.7	6.0

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Further commentary by John Tindale

John Tindale, senior housing analyst for Acadata, comments:

In February, for the second month in succession, Scotland has set a new peak average house price, at £169,742 on a seasonally adjusted basis. This is £2,846, or 1.7%, higher than January's price, and is £4,209 higher than the peak of £165,533 reached in May 2008 during the last housing boom. The rise of 1.7% in February is the steepest house price increase seen in a single month since June 2007, at the height of the boom. On an annual basis, the February price is £9,672, or 6.0%, higher than one year ago.

So why are property prices climbing so rapidly in the February market? The property pictured below, which is located on the outskirts of Edinburgh, was bought in February 2015 for just under £3.7 million. It is the highest priced property purchased in Scotland since July 2011 and is a classic, albeit extreme, example of a high value home being purchased prior to the introduction of the Land and Building Transaction Tax (LBTT) on 1st April 2015. We calculate that the buyer will have saved £44,600 in transaction tax by making the purchase prior to the introduction of the new tax rates. The reason for the rapid rise in prices in February is therefore tax-related, with a number of purchasers similarly seeking to complete their purchases under the then-existing stamp duty rates.



Figure 1. The most expensive house to be purchased in Scotland since July 2011. The transaction was completed in February 2015. The purchaser of the property made a saving of £44,600 in transaction tax as the sale was completed prior to 1st April 2015.

In our mix-adjusted model, the inclusion of the above property in the February results will have raised the average property price in Edinburgh by £1,220, and for Scotland as a whole by approximately £130. In February 2015 there were 15 properties sold in excess of £1 million, which compares to only 6 in January 2015 or an average of 11.6 properties per month in 2014. Thus we can conclude that February's 'average' house price has been somewhat artificially inflated by tax timing considerations, as opposed to underlying changes in the state of the housing market. A similar sentiment is likely to apply to the March and April figures when published, with March seeing further increases in average prices, while an expected lack of high-value properties changing hands in April is likely to cause prices to fall.

While Scotland has seen a 1.7% increase in house price inflation in February, in the rest of the UK house price movements have been more sedate, with prices in England & Wales as a whole rising by 0.4% in the month. Similarly, Scotland's annual rate of house price inflation, at 6%, is only 0.5% lower than the average annual rate for England & Wales, which is heavily influenced by price changes in Greater London and the South East. If we exclude Greater London and the South East from the calculations then the annual rate of house price growth in the remainder of England & Wales is 4.1%. We have also seen the rate of change in the annual house price growth start to slow down over the last two months in all parts of the UK by an average 2.3%, except in Scotland where the rate of growth has risen by 1.7% over this same time period. As stated above, we consider this growth in prices to be somewhat 'artificial' and should perhaps remind readers that it is only in Scotland that the rates of stamp duty, now labelled transaction tax, will change on 1st April 2015.

In the UK as a whole, including Scotland, stamp duty changes were introduced on 4th December 2014, raising the top level of tax on properties costing more than £2 million to 12%. Subsequent to this change we have seen a significant reduction in the number of properties sold in Greater London at the top end of the market. Scotland has a similar top rate of tax in its LBTT at 12%, but the threshold level for this rate is £750,000. We therefore anticipate that there will be a considerable reduction in the number of properties transacted above this threshold over the remainder of the year.

House prices analysis

Table 2. Average House Prices in Scotland, by local authority area, comparing February 2014 and January 2015 with February 2015 [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Feb-14	Jan-15	Feb-15	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	227,929	239,488	248,791	3.9%	9.2%
2	2	Aberdeenshire	215,160	236,404	237,457	0.4%	10.4%
3	6	East Lothian	204,923	221,396	228,584	3.2%	11.5%
4	5	Aberdeen City	210,883	221,031	225,603	2.1%	7.0%
5	4	East Renfrewshire	213,895	217,885	223,368	2.5%	4.4%
6	3	East Dunbartonshire	214,783	212,260	217,624	2.5%	1.3%
7	7	Stirling	191,073	179,750	189,209	5.3%	-1.0%
8	8	Perth & Kinross	190,837	185,921	188,524	1.4%	-1.2%
9	9	Midlothian	170,495	183,197	181,644	-0.8%	6.5%
10	10	Scottish Borders	168,454	180,088	178,749	-0.7%	6.1%
11	16	Argyll & Bute	139,476	163,614	163,786	0.1%	17.4%
12	11	Highland	159,060	162,302	163,418	0.7%	2.7%
13	22	Shetland Islands	125,792	156,829	159,690	1.8%	26.9%
14	12	Moray	150,373	151,439	154,906	2.3%	3.0%
15	13	Angus	145,750	147,904	152,715	3.3%	4.8%
16	18	West Lothian	135,128	153,990	151,910	-1.4%	12.4%
17	15	Fife	140,327	150,290	148,628	-1.1%	5.9%
18	14	South Ayrshire	142,143	147,583	146,951	-0.4%	3.4%
19	17	South Lanarkshire	136,005	139,132	142,978	2.8%	5.1%
20	21	Dumfries & Galloway	128,084	138,637	137,945	-0.5%	7.7%
21	19	Glasgow City	132,283	132,450	137,133	3.5%	3.7%
22	24	Inverclyde	121,501	128,671	130,701	1.6%	7.6%
23	20	Dundee City	129,031	129,476	130,062	0.5%	0.8%
24	26	Clackmannanshire	119,037	125,857	129,895	3.2%	9.1%
25	27	Renfrewshire	118,759	122,039	126,037	3.3%	6.1%
26	30	Orkney Islands	107,816	124,218	124,280	0.0%	15.3%
27	25	Falkirk	119,997	122,668	122,547	-0.1%	2.1%
28	28	East Ayrshire	110,109	120,865	121,554	0.6%	10.4%
29	31	North Ayrshire	106,729	120,818	120,005	-0.7%	12.4%
30	23	West Dunbartonshire	121,511	113,603	116,840	2.8%	-3.8%
31	29	North Lanarkshire	110,062	108,099	108,048	0.0%	-1.8%
32	32	Eilean Siar	95,276	104,016	97,868	-5.9%	2.7%
		All Scotland	160,070	166,896	169,742	1.7%	6.0%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for February 2014, January 2015 and February 2015. In February 2015, prices rose overall by an average 1.7% in the month, with higher prices in 22 of the 32 Local Authority Areas (last month 23), on a seasonally adjusted basis. Looking at the change in house prices in the month, it was Stirling, with an average price rise of 5.3%, that saw the largest percentage increase of all the Local Authority areas. In Stirling, an increase in the average price of semi-detached properties resulted in the high rise in prices in the month, assisted by the sale of the 16th century Milton Corn Mill on the south side of Stirling, complete with its own internal water wheel and running water from The Bannock Burn.

On an annual basis, prices have risen in 28 of the 32 local authority areas, which is up by 3 on last month. On the mainland, the area with the largest increase in average house prices over the year was Argyll & Bute, where prices have risen by 17.4% over the year. The purchase in January 2015 of Dunfuninary House in Connel, Oban, with turret overlooking Loch Etive, along with that of Glenforsa House overlooking the Sound of Mull in February 2015, will have helped raise the average price of properties in Argyll & Bute over the last few months.

In February 2015, we have six local authority areas experiencing peak house prices, compared to four areas that had reached this status last month. There have been two areas that have seen subsequent price falls this month and hence are no longer at a peak, being West Lothian and Fife. Two areas have continued to see price rises, again setting new record levels this month, Aberdeenshire and the Shetland Islands. There are also four newcomers, Edinburgh City, Aberdeen City, East Lothian and Angus. The areas setting new record prices are highlighted in turquoise in the above table. It is noticeable that of the six areas reaching new peaks, four are in the top four places in the above table, which has been ranked by average price. This suggests that transaction tax has been playing a role in these peaks, with purchasers of high priced properties ensuring that the transaction is completed prior to 1st April.

Housing transactions

The number of transactions in February 2015 recorded by the Registers of Scotland was 5,412, up 14% on the previous month, but down 4% on the previous year. Traditionally, the number of sales in February falls from the levels recorded in January, partly due to the weather, the short daylight hours and the knock-on effect of Christmas. The 14% increase in sales in February this year is therefore going against this seasonal trend, albeit the January 2015 sales figures were particularly weak. The market may therefore perhaps now be returning to a more normal level, assisted by those looking to complete the purchase of their property prior to the introduction of the LBTT in April.

One can discern from the transactions graph below that for the first nine months of 2014, sales were consistently higher than the equivalent months in 2013. However, in October and December 2014, and now January and February 2015, transaction levels have been below those recorded one year earlier, although the gap has narrowed to a 4% reduction in February, compared to the 14% downturn seen in January 2015.

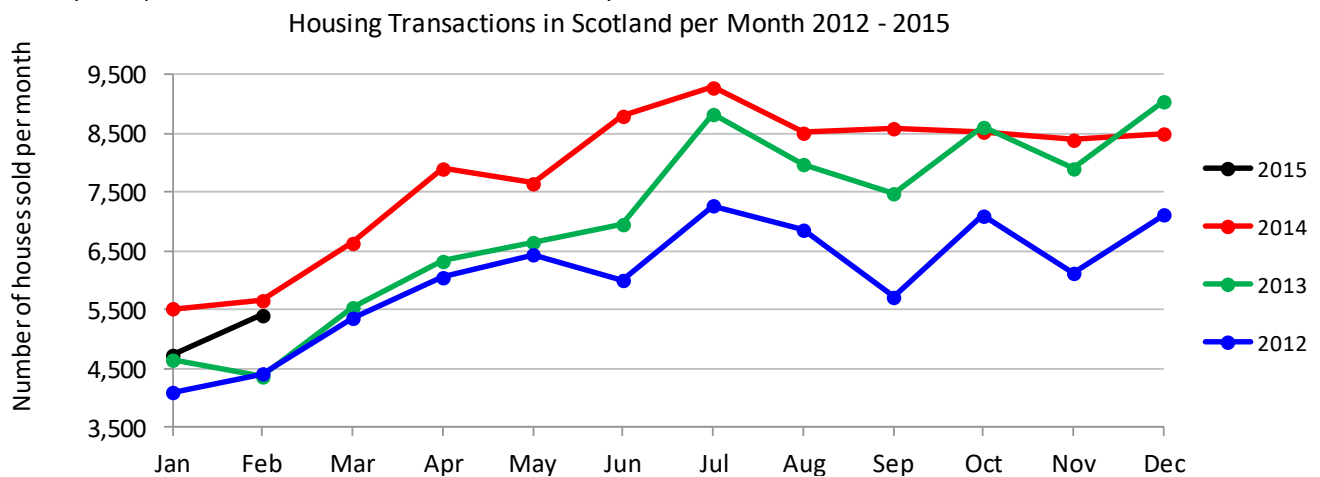


Figure 2. The number of housing transactions by month in Scotland, 2012 - 2015 (not seasonally adjusted)

[link to source Excel](#)

Source: Registers of Scotland

The question to be asked is why are transaction levels below those recorded one year earlier? - given that the economy is growing, employment numbers are rising and interest rates on mortgages are at a record low - all these ingredients would normally suggest that the number of sales should be on an upward trajectory. In fact we find a similar pattern south of the border, where market observers suggest that the subdued sales in the current year, when compared to the previous year, are a by-product of both the hopefully shorter term uncertainties surrounding the forthcoming General Election (which should disappear once the result has been determined), and what could be a longer term secular change in the annual number of transactions.

In its recently published report, *The new 'normal' – one year on*, the IMLA (Intermediary Mortgage Lenders Association) suggests that there has been a structural decline in the rate of house sales. "Low housing turnover is being driven by people buying their first home later; by a larger private rented sector, where turnover is lower; and by the baby boomer 'hoarding effect' where middle aged homeowners are staying put, tying up a large part of the housing stock." The IMLA report also notes that transaction costs, particularly relating to stamp duty, have substantially increased over the last 17 years. "Until 1997, Stamp Duty had never exceeded 1% regardless of the value of the sale. Rates on higher value properties were subsequently moved up. Now the top marginal rate is 12%." The IMLA concludes that "All these factors are likely to keep turnover down for years to come."

Looking at the recent trends in Scotland, we find that over the last three months, December 2014 – February 2015, all 32 Local Authority Areas have seen a reduction in the number of housing transactions compared to the same three months twelve months earlier. There are however considerable differences in the size of the fall in transactions. East Renfrewshire has seen the smallest reduction in sales, down just 0.3%, while Midlothian has seen a 31% fall in the number of properties sold. The average reduction per local authority area is 11%.

In terms of property types, flats have seen the smallest fall in transactions, down 7%, followed by detached properties, down 11%, semi-detached, down 14% and finally terraces, down 15%. The relatively small reduction in the sale of flats suggests that first time buyers continue to be active in the market. Over the last three months, Glasgow has overtaken Edinburgh in terms of the number of flats sold, with flats in Glasgow showing an increase to 1,406 properties transacted, up 1.7% on a year earlier, while in Edinburgh the number of flats purchased fell by 11.7%, to 1,374. One should perhaps not be too surprised at this change in prime position, given that in February the average flat in Edinburgh costs £206k, which is almost double the £110k cost of the average flat in Glasgow.



Your Move / Acadata
Scotland

House Price Index



Under embargo until 00:01 Wednesday 22nd April 2015

February 2015

NOTES

1. Your Move 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 Your Move 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 Your Move Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months' prices, the Your Move 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 Your Move Acad Scotland HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales, Wales and the regions.
4. all Your Move Acad Scotland HPI results are subject to change following receipt of updated data from Registers of Scotland
5. Acadata is an independent privately owned consultancy working with Dr Stephen Satchell, Economics Fellow Trinity College Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.

Comparison of indices and RoS average prices

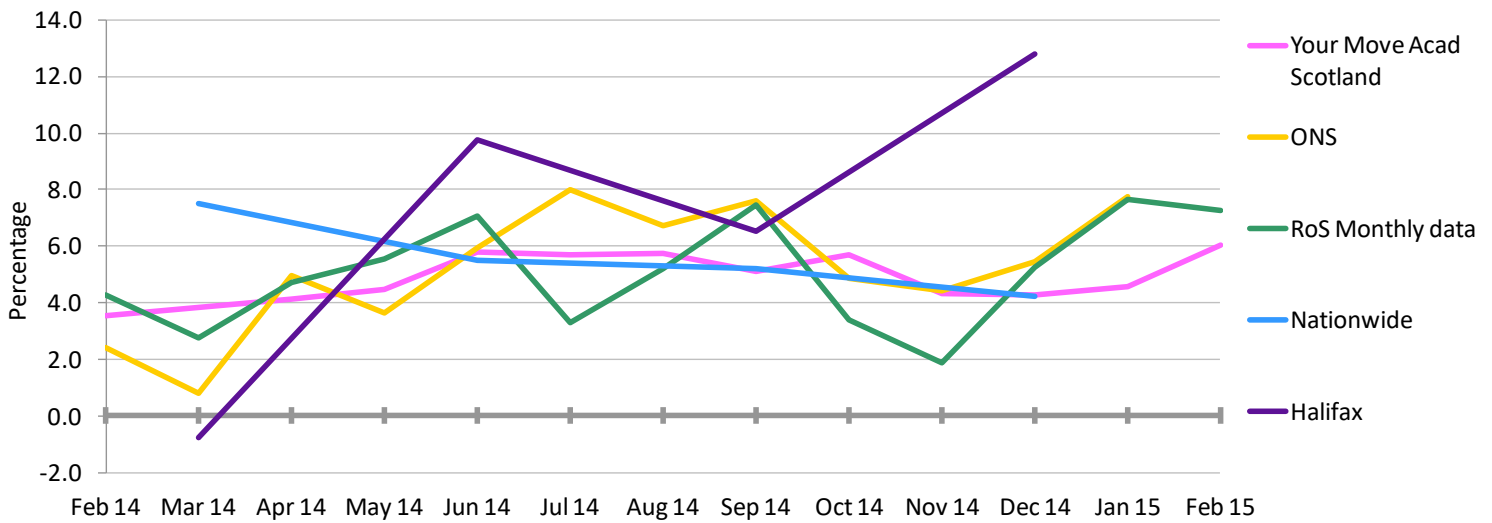


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

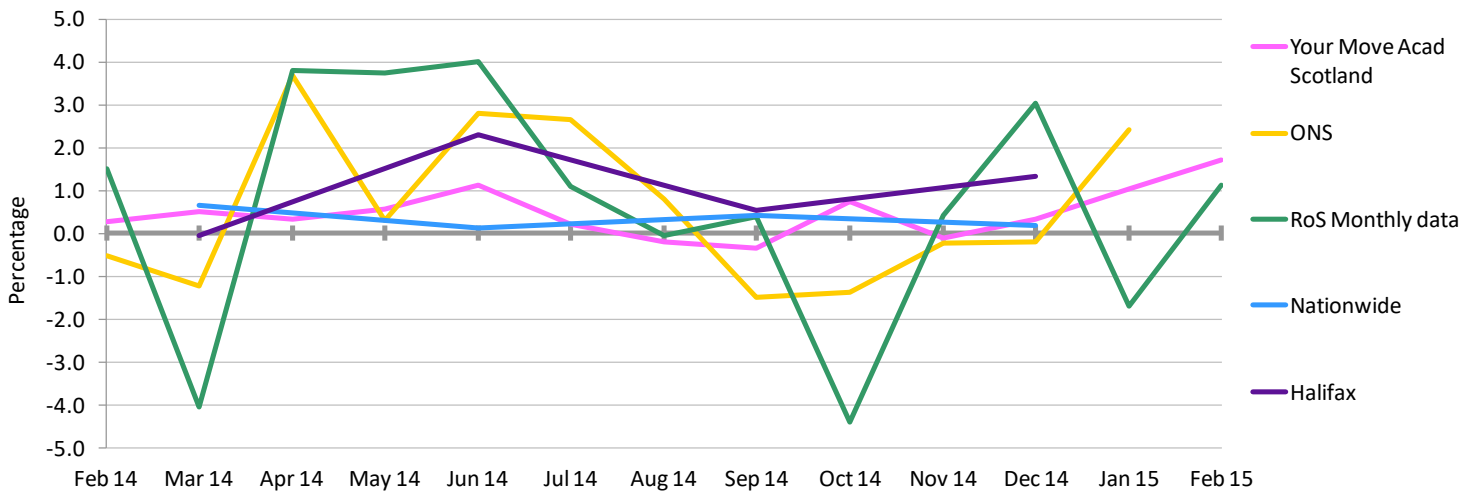


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

The charts above compare the main indices provided for Scotland and the RoS arithmetic average prices. It should be noted that Halifax and Nationwide provide prices for the Scottish market only on a quarterly basis and we have charted these by interpolating on a straight line basis.

Comparisons with Scotland

Average House Price

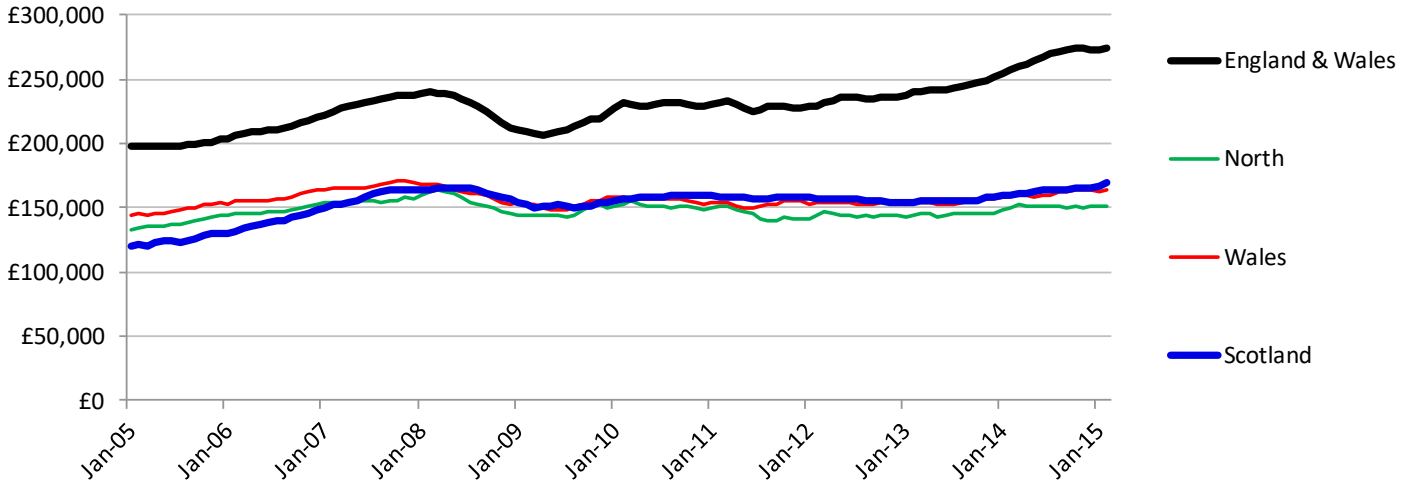


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2005 - February 2015 [link to source Excel](#)

Annual % change in Average House Prices

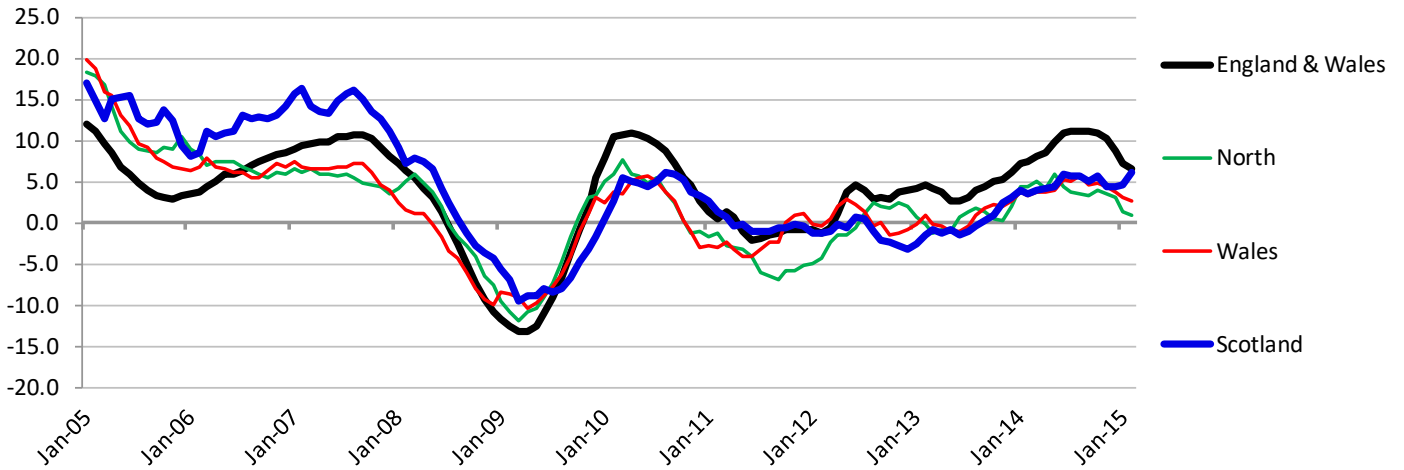


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2005 – February 2015 [link to source Excel](#)

Scotland's seven cities

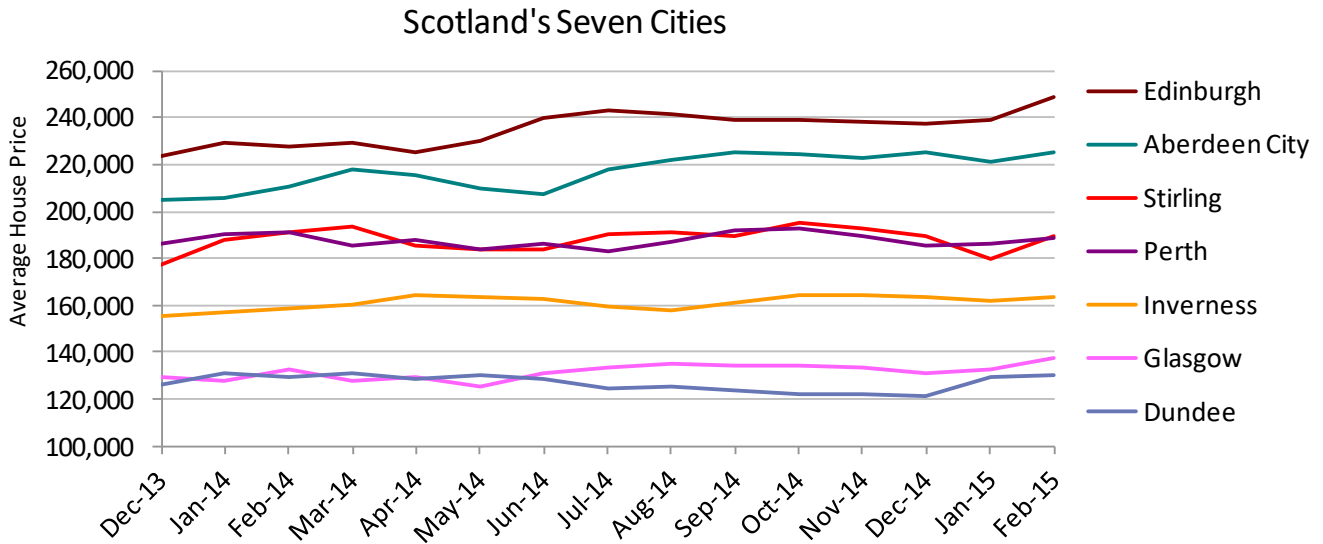


Figure 7. Average house prices for Scotland's seven cities from December 2013 – February 2015 [link to source Excel](#)

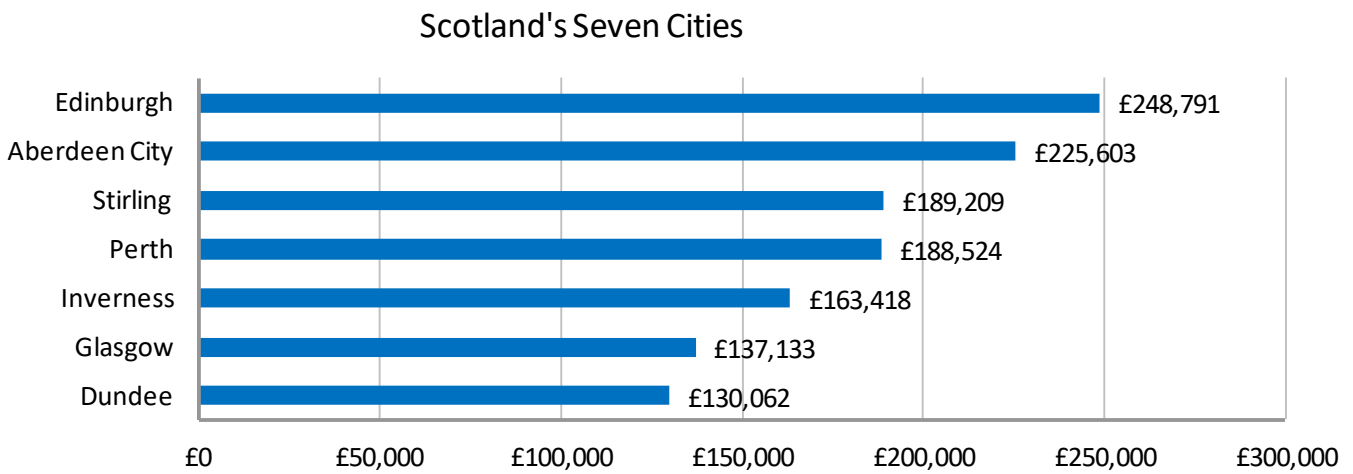


Figure 8. Average house prices for Scotland's seven cities February 2015 [link to source Excel](#)

Footnotes on data and methodology

1. Your Move 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. Your Move 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 Your Move Acad Scotland HPI or ONS HPI, can be prepared only when the prices at which properties have been transacted have been recorded at RoS (Your Move Acad Scotland HPI) or when firm prices at mortgage completion have been made available by lenders (ONS HPI); valuation series can be prepared whenever the data e.g. asking or mortgage offer prices are available to the provider; publicity accrues to those indices which are released first; indices published at or before month end are likely to employ data for the current and prior months. LSL Acad E&W HPI overcomes delay in the availability of all transactions for any given month from LR with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell Economics Fellow Trinity College Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School. Forecasting is assisted by the provision by LR of “emergent data”, being those current month transactions for which LR have received prompt notification.

3. The “emergent” data for Scotland necessary to repeat the E&W forecasting methodology are as yet unavailable from RoS, such that Your Move Acad Scotland HPI incorporates no forecasting procedure. Whilst the Your Move Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months’ prices, the Your Move 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 Your Move Acad Scotland HPI provides the equivalent price, to all intents and purposes, to the centre month smoothed (cms) price at region/county level, lagged by one month, as provided by the LSL Acad E&W HPI. Our intention is to align the procedure for LSL Scotland HPI with that used for LSL Acad E&W HPI, as soon as the necessary data may be available. Meanwhile, an ems procedure allows the Scotland prices to be placed alongside the contemporaneous prices for E&W as a whole and for Wales as a whole, and those for the E & W regions for comparison purposes.

4. LSL Acad E&W HPI provides prices from January 2000. RoS national data were available only from January 2001 and the constituents of RoS data changed between then and April 2003, showing a significant step change in prices between March and April. ONS HPI quarterly data were used to construct Your Move 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 Your Move Acad Scotland HPI is unable to identify different prices according to e.g. numbers of bedrooms; the lender hedonic indices and the ONS mix adjusted HPI do so. RoS data, and hence Your Move 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. Your Move Acad Scotland HPI is prepared from RoS data using a methodology designed to provide a “true measure of house price inflation”; Acadata does not guarantee the accuracy of the Your Move Acad Scotland HPI results and neither LSL nor Acadata shall be liable for any loss or damage, whatsoever, consequential upon any error, incorrect description of or inadequacy in the data; persons using the data do so entirely at their own risk; Your Move Acad Scotland HPI is freely provided for publication with due attribution to Acadata. Permission is required for any commercial use of the data.

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

8. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acad E&W HPI was published, it was prepared by Acadametrics as was the Your Move Acad Scotland HPI. Acadametrics then changed its name to Acadata to reflect its new focus entirely upon house price indices and data following its agreement to sell its 50% holding in MIAC Acadametrics to MIAC Analytics over a 4 year period.