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January 2015

### Scottish house prices climb beyond housing boom highs

- Average house prices rise £1,600 (1%) in a month, surpassing May 2008 peak in recovery milestone
- Fife and West Lothian join the ranks of the record-breakers, setting new peak house prices in January
- Dundee City experiences biggest price jump in January, with property values soaring 6.7% in a month
- But completed home sales down 44% since December – double the typical seasonal downturn

House Price	Index	Monthly Change %	Annual Change %
£166,771	218.4	1.0	4.5

**Christine Campbell, regional managing director of Your Move, comments:** “As we entered the New Year, we also moved into a new chapter of Scotland’s housing recovery. Thousands of homeowners are finally able to turn their backs on the housing crash, as Scottish house prices break cover from under the clouds of the recession. As of January 2015, the average home in Scotland is now worth £1,238 more than at the peak of the housing boom in May 2008, following hardy annual growth of 4.5% and an energetic boost on a monthly basis at the start of 2015. Property values jumped 1% in January, the most significant monthly upswing we’ve witnessed for seven months, taking the typical house price to a new record high of £166,771. The city of Dundee had the most energetic start to the year, with prices soaring 6.7% (equal to £8,161) during January 2015, in the largest month-on-month increase in Scotland.

“Prices are certainly making sweeping progress across the board, but there are some particularly strong players. In January, Fife and West Lothian joined the ranks of Aberdeenshire and the Shetland Islands and set a new peak house price, following strong annual growth of 9.5% and 10.9% respectively. However, North Ayrshire has experienced the biggest rise in house prices on the mainland over the last year, up 11.6% – with the typical price of a detached home growing from £180,000 to £210,000 in the past twelve months.

“We may have turned a significant corner in the journey back from the financial crash, but we’re nowhere near the finish line. Although a minority, average prices have fallen in 7 local authorities of Scotland during the past year. West Dunbartonshire has seen the steepest drop in values in the last twelve months, with prices falling 7.2% on average, and flats in the area are now worth £20,000 less than a year ago.

“In addition, completed house sales in January 2015 were down 44% on December levels. This is double the usual seasonal downturn, and also represents a 14% fall on a year ago, as home sales drop to the lowest level for 23 months. This shouldn’t be viewed as a bad omen though, as the start of the year is always the slowest time for house purchases in Scotland, and it will only get busier, as the sustained flow of front-end demand flooding into the market starts to translate into end results.

“The Scottish housing market has all the necessary strings to its bow – the economy is moving in the right direction, and employment is on the up, while mortgage rates are at rock bottom. Next month’s Land and Buildings Transaction Tax will offer some extra relief to those clambering onto the bottom rungs of the ladder, lowering the stamp duty paid on purchases even further, and the greater policy clarity that will emerge after the General Election will unleash a new wave of confidence that will outweigh any hesitancy in the market at the moment.”

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

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

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
January	2014	£159,623	209.1	0.8	3.9
February	2014	£160,070	209.6	0.3	3.5
March	2014	£160,935	210.8	0.5	3.9
April	2014	£161,450	211.5	0.3	4.1
May	2014	£162,369	212.7	0.6	4.5
June	2014	£164,165	215.0	1.1	5.8
July	2014	£164,505	215.5	0.2	5.7
August	2014	£164,192	215.0	-0.2	5.7
September	2014	£163,599	214.3	-0.4	5.1
October	2014	£164,826	215.9	0.7	5.7
November	2014	£164,639	215.6	-0.1	4.3
December	2014	£165,168	216.3	0.3	4.3
January	2015	£166,771	218.4	1.0	4.5

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## Further commentary by John Tindale

### John Tindale, senior housing analyst for Acadata, comments:

Scotland has set a new peak average house price. In January, the average house price in Scotland rose by £1,600, or 1.0% on a seasonally adjusted basis, finishing the month at an average of £166,771. This level is £1,238 higher than the previous peak of £165,533 reached in May 2008, during the last housing boom.

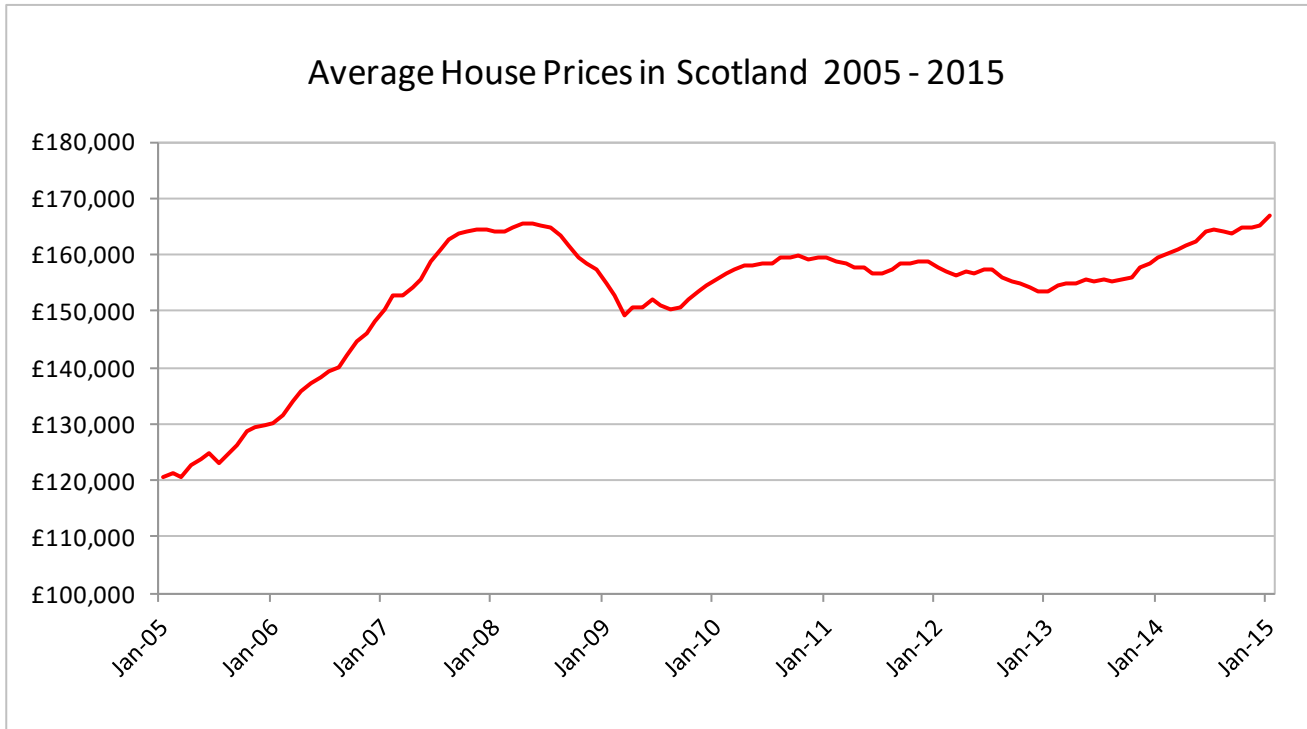


Figure 1. The average house price in Scotland, January 2005 – January 2015 , seasonally adjusted

[link to source Excel](#)

Figure 1 above shows the history of average house prices in Scotland over the last ten years. As can be seen, prices rose rapidly over the period Jan 2005 – Dec 2007, but then started to level off, reaching a peak in May 2008 before falling away to a low point of just under £150,000 in March 2009. Prices have been rising slowly after this, and have now, in January 2015, exceeded the peak level set in May 2008. In real terms however, after taking consumer price inflation into account, prices are still short of the 2008 peak. This is a topic that we will explore in more detail next month.

Why are house prices setting new record levels? In a recent CML report, Linda Docherty, chair of CML Scotland, commented: “More people bought a home in Scotland last year than in any year since 2008, with a pronounced increase in first-time buyer activity in particular. As in the UK overall, there was a quarter-on-quarter dip in activity in the final quarter of the year. However, with inflation being low, employment increasing and signs of growth in household income, we believe there are grounds for optimism for continuing growth, albeit at a lower rate.” Although Linda was referring to the number of loans being taken out for house purchase, her comments equally apply as factors which have boosted demand and been instrumental in creating the moderate growth in house prices.

The rise in house prices is nearly universal across Scotland. As we discuss on the next page, prices have risen in 25 of the 32 Local Authority areas over the last year, indicating a widespread improvement in market conditions across the country. January also saw four Local Authority areas recording new peak average prices, with Aberdeenshire and the Shetland Islands, which both reached a new peak last month, being joined by Fife and West Lothian this month.

For similar reasons, house prices in England & Wales as a whole are also currently at a peak, with two regions - the South East and the South West - recording record values. However, the peak prices are less widespread in England, with the North and North West regions still remaining 8.8% and 4.8% below their peaks, reached in March 2008 and October 2007 respectively.

# House prices analysis

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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Jan-14	Dec-14	Jan-15	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	229,675	237,463	239,203	0.7%	4.1%
2	2	Aberdeenshire	216,781	231,279	236,299	2.2%	9.0%
3	5	East Lothian	210,267	209,007	221,518	6.0%	5.4%
4	6	Aberdeen City	206,050	225,400	220,978	-2.0%	7.2%
5	4	East Renfrewshire	212,139	220,148	217,885	-1.0%	2.7%
6	3	East Dunbartonshire	214,067	220,305	211,984	-3.8%	-1.0%
7	9	Midlothian	171,766	181,295	185,301	2.2%	7.9%
8	7	Perth & Kinross	190,707	185,186	185,162	0.0%	-2.9%
9	10	Scottish Borders	170,739	176,163	179,513	1.9%	5.1%
10	8	Stirling	187,839	189,610	179,421	-5.4%	-4.5%
11	12	Argyll & Bute	150,487	155,356	162,864	4.8%	8.2%
12	11	Highland	157,194	163,531	162,228	-0.8%	3.2%
13	22	Shetland Islands	124,487	152,862	156,823	2.6%	26.0%
14	16	West Lothian	138,667	147,522	153,837	4.3%	10.9%
15	14	Moray	145,158	152,882	151,330	-1.0%	4.3%
16	17	Fife	137,086	147,191	150,111	2.0%	9.5%
17	13	Angus	148,204	147,406	147,770	0.2%	-0.3%
18	15	South Ayrshire	143,128	144,453	147,583	2.2%	3.1%
19	18	South Lanarkshire	132,522	135,099	139,034	2.9%	4.9%
20	19	Dumfries & Galloway	131,325	135,830	137,981	1.6%	5.1%
21	21	Glasgow City	127,508	130,940	132,557	1.2%	4.0%
22	20	Dundee City	130,813	121,507	129,668	6.7%	-0.9%
23	25	Inverclyde	119,767	122,184	128,682	5.3%	7.4%
24	28	Clackmannanshire	117,654	122,174	125,857	3.0%	7.0%
25	29	Orkney Islands	112,636	122,811	123,550	0.6%	9.7%
26	24	Falkirk	122,070	120,469	122,320	1.5%	0.2%
27	26	Renfrewshire	118,721	121,749	122,039	0.2%	2.8%
28	27	East Ayrshire	118,714	115,016	120,836	5.1%	1.8%
29	31	North Ayrshire	107,410	117,917	119,867	1.7%	11.6%
30	23	West Dunbartonshire	122,376	116,052	113,603	-2.1%	-7.2%
31	30	North Lanarkshire	108,357	109,539	108,064	-1.3%	-0.3%
32	32	Eilean Siar	98,112	105,763	107,045	1.2%	9.1%
		All Scotland	159,623	165,168	166,771	1.0%	4.5%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for January 2014, December 2014 and January 2015. In January 2015, prices rose overall by an average 1.0% in the month, with higher prices in 23 of the 32 Local Authority Areas (last month 16), on a seasonally adjusted basis. Looking at the change in house prices in the month, it was Dundee City with an average price rise of 6.7% that saw the largest percentage increase of all the Local Authority areas. In Dundee, an increase in the price of terraces caused the highest rise in prices in the month.

On an annual basis, prices have risen in 25 of the 32 local authority areas, which is the same number as last month. On the mainland, the area with the largest increase in average house prices over the year was North Ayrshire, where prices have risen by 11.6%, taking the average cost of a detached property from £180k to £210k over the year.

Last month, we reported that two local authority areas, Aberdeenshire and the Shetland Islands, were experiencing peak house prices. In January, house prices in these two areas continued to advance, resulting in their peak levels being nudged further upward. This month, two more Local Authorities have recorded peak average prices, Fife and West Lothian. In Fife, all property types have seen a rise in values, with both detached and semi-detached properties seeing an increase of £20k in their average cost over the year. In West Lothian, a similar story applies, although the increases in the prices of detached and semi-detached properties over the year were a more modest £12k.

The area with the highest fall in values over the year was West Dunbartonshire, with average prices decreasing by 7.2%. The figures show that the average price of flats has fallen in the area by £20k. However, on closer inspection it is apparent that the price of flats rose this time last year with the sale of three units in excess of £350k, which compares to a more typical price of £70k for the area. These exceptionally high valued sales were not repeated this year, resulting in the fall in average prices which we report here.

# Housing transactions

The number of transactions in January 2015 recorded by the Registers of Scotland was 4,736, down 44% on the previous month and 14% on the previous year. Traditionally, as Figure 2 below shows, the first three months of the year are the quietest period for house purchases in Scotland, partly due to the weather, the shorter daylight hours and the knock-on effect of Christmas. The troughs observable in the graph coincide with the start of each new-year, reflecting the January decline in transactions. January 2015 has not proved to be an exception, with sales retreating by 44% from December 2014 levels, which is exactly double that of the typical seasonal pattern of a 22% fall in purchases at the start of the year.

One can also discern from the graph that sales in January 2015 were lower than any month in the preceding year – it is necessary to go back to February 2013 to see a lower monthly total. The decline in sales in January 2015, from the previous year, was 14% - this follows on from a 6% decline in sales in December 2014 compared to December 2013, and as we reported last month, Q4 2014 saw a 0.5% reduction in sales compared to the same period one year earlier.

Number of Housing Transactions per month  
Scotland 2007 - 2015

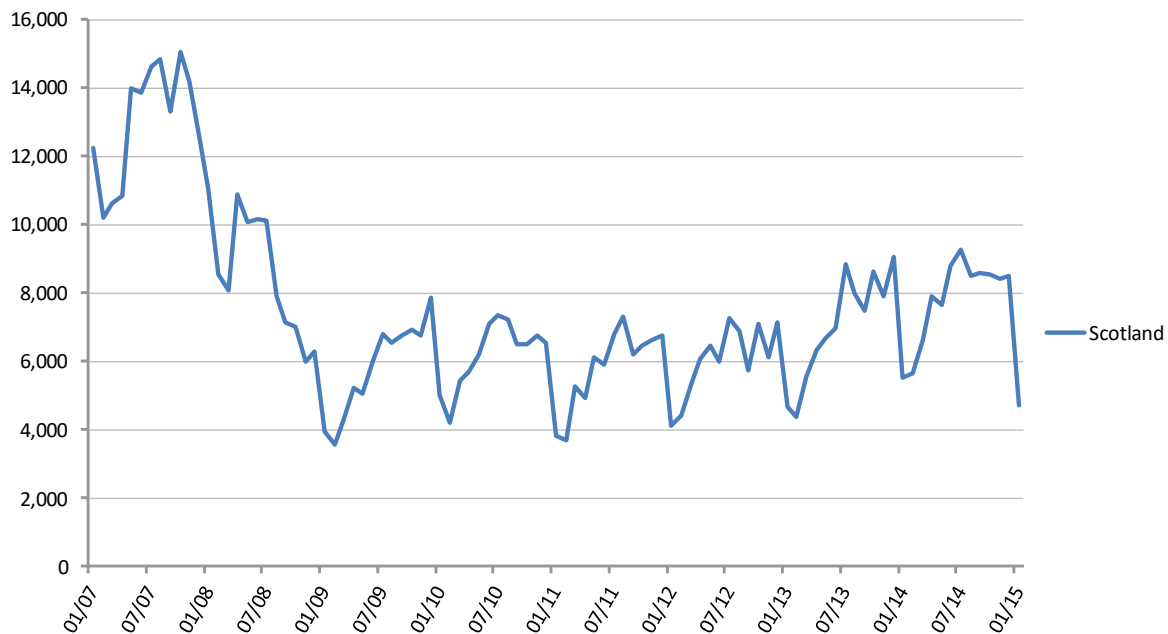


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2015 (not seasonally adjusted)

[link to source Excel](#)

Source: Registers of Scotland

Since October 2014, there has therefore been a retrenchment in the number of housing transactions taking place. The question to be asked is why – given that the economy is growing, employment numbers are rising and interest rates on mortgages are at a record low – all these ingredients would suggest that the housing market should be expanding by leaps and bounds.

CML Scotland recently reported that in Q4 2014, purchases by first time buyers increased by 3%, compared to Q4 2013, whereas purchases by home movers decreased by 8% over the same time period. It would thus appear that it is the home mover sector of the market which has slowed down over the last four months. In part, some of this may be due to the recent MMR rules which now apply, which for some are creating a barrier in their ability to obtain a mortgage. In part, this is because affordability is still quite stretched, despite improving mortgage terms and prices: it is worth remembering that with some fluctuations, prices have been rising since April 2009, i.e. for over 6 years, with incomes not necessarily following suit at the same rate.

Looking ahead to the spring and summer, warmer weather, greater clarity following the General Election in terms of policy measures, continued lender adjustment to the new mortgage market rules (aided potentially by outcomes from the on-going Financial Conduct Authority review), the new Land and Buildings Transaction Tax and the inevitable build-up of demand for properties - all these factors may well combine to restore activity in the market. Most commentators anticipated a slowing and then a recovery of the market in the second half of 2015. At this point, this is indeed the track we seem to be following.

# Notes

## 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

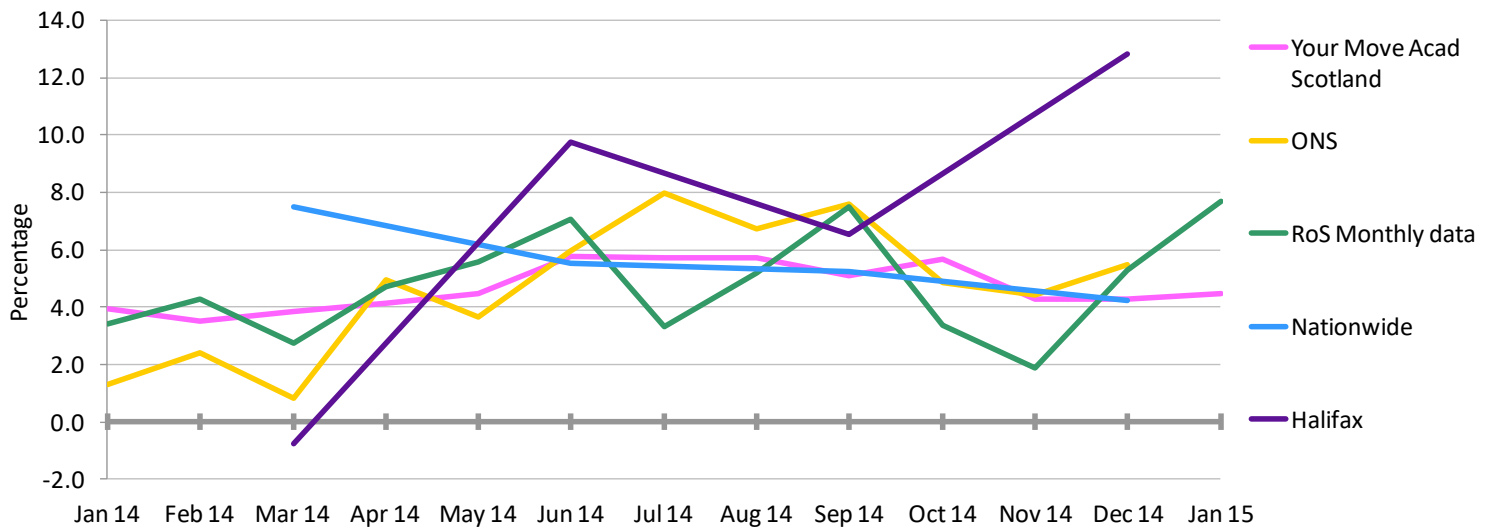


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

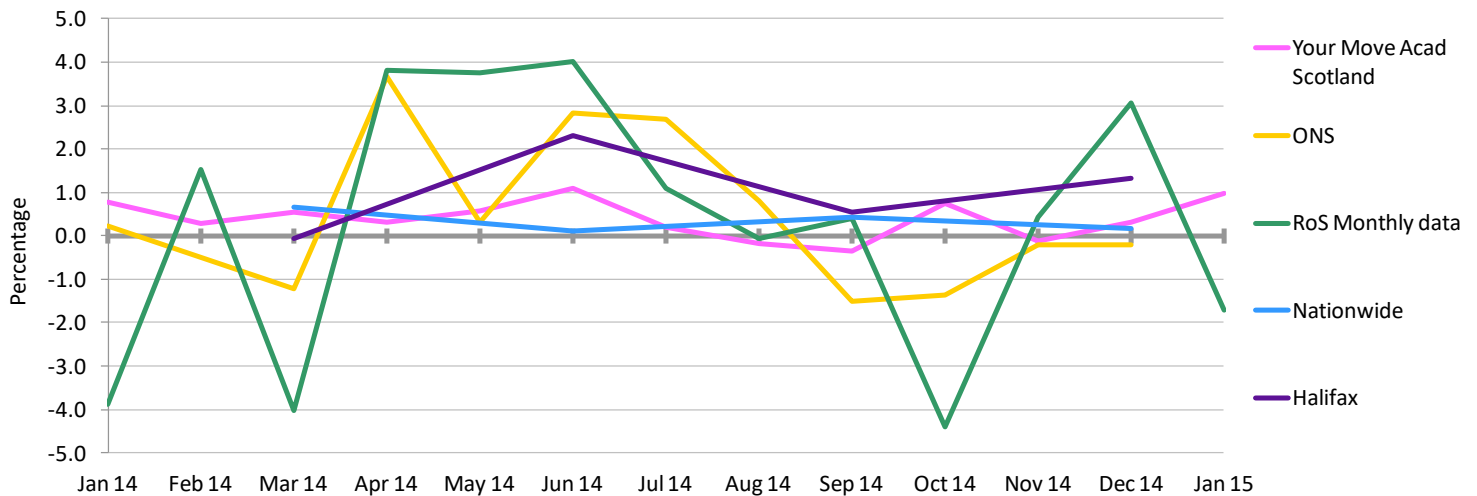


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

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

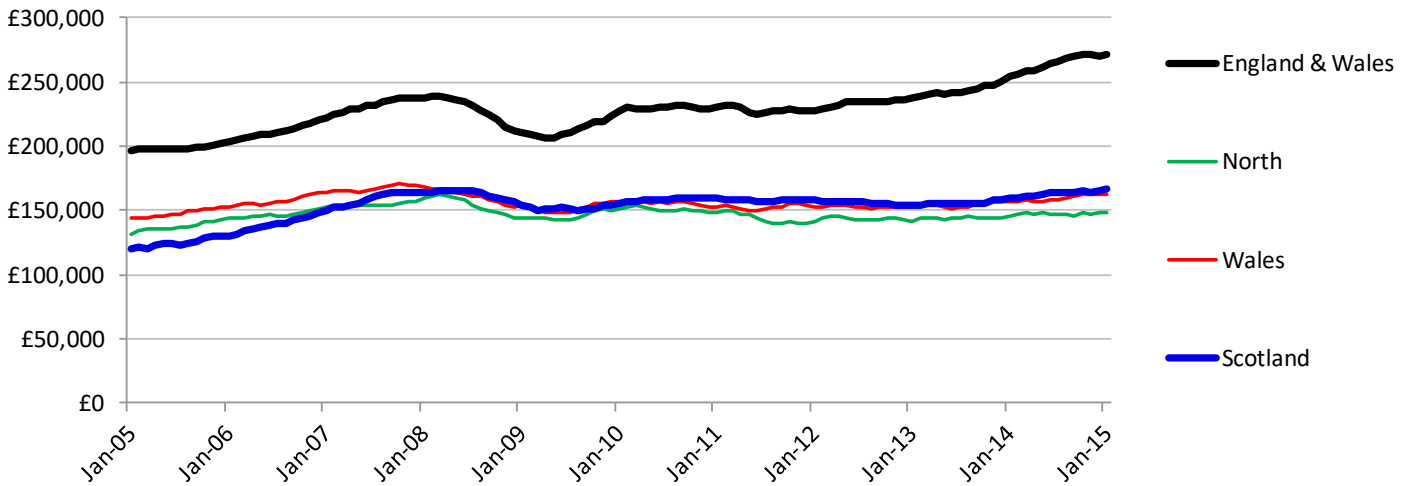


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2005 - January 2015 [link to source Excel](#)

## Annual % change in Average House Prices

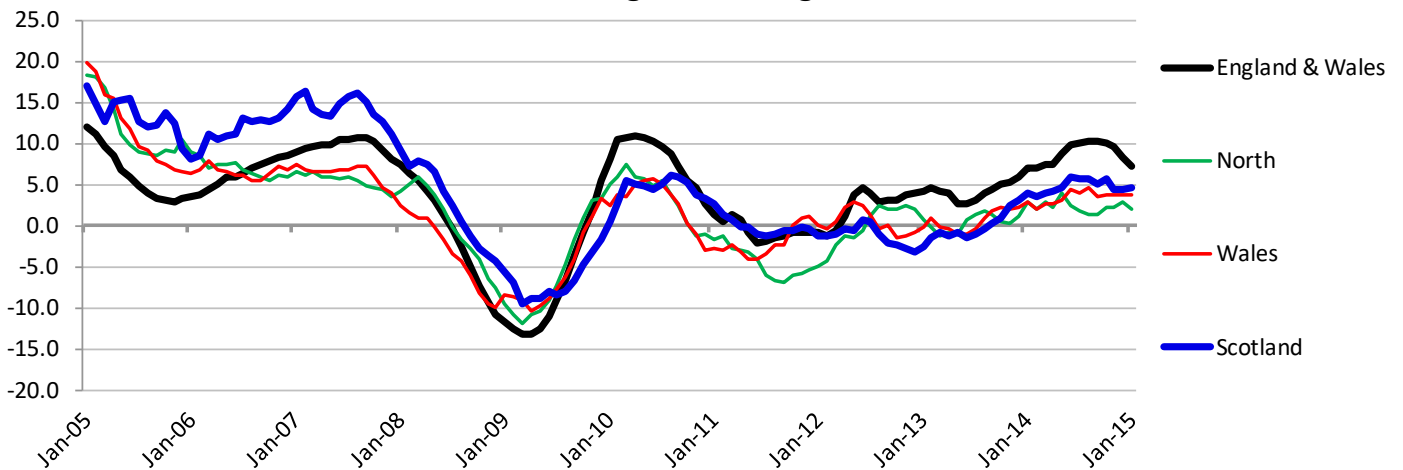


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2005 – January 2015 [link to source Excel](#)



# Scotland's seven cities

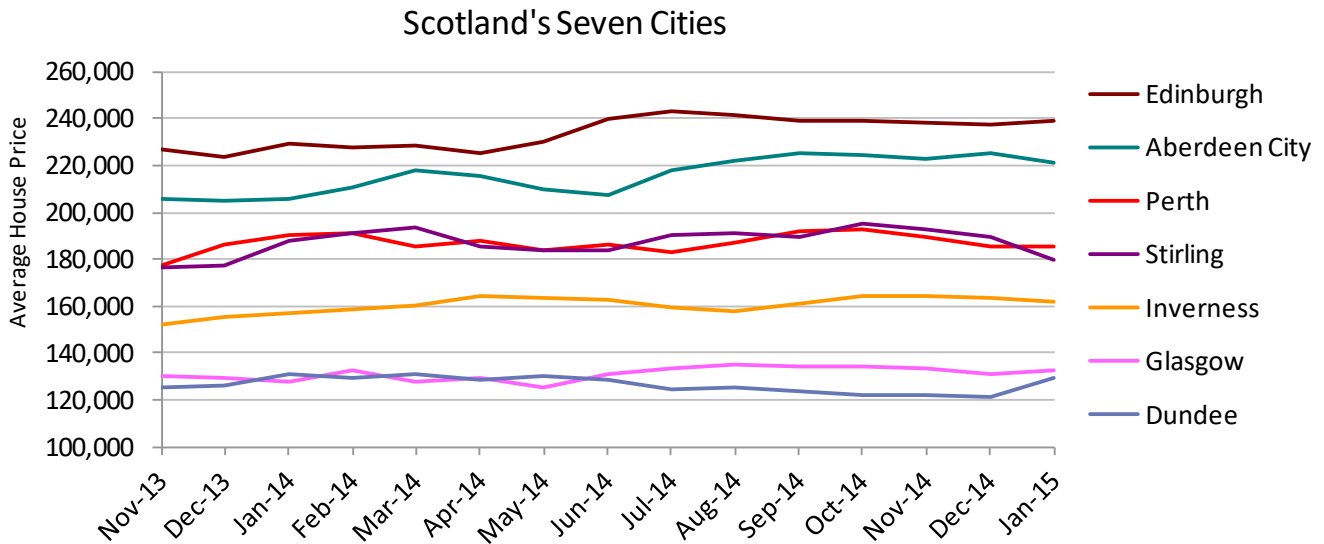


Figure 7. Average house prices for Scotland's seven cities from November 2013 – January 2015 [link to source Excel](#)

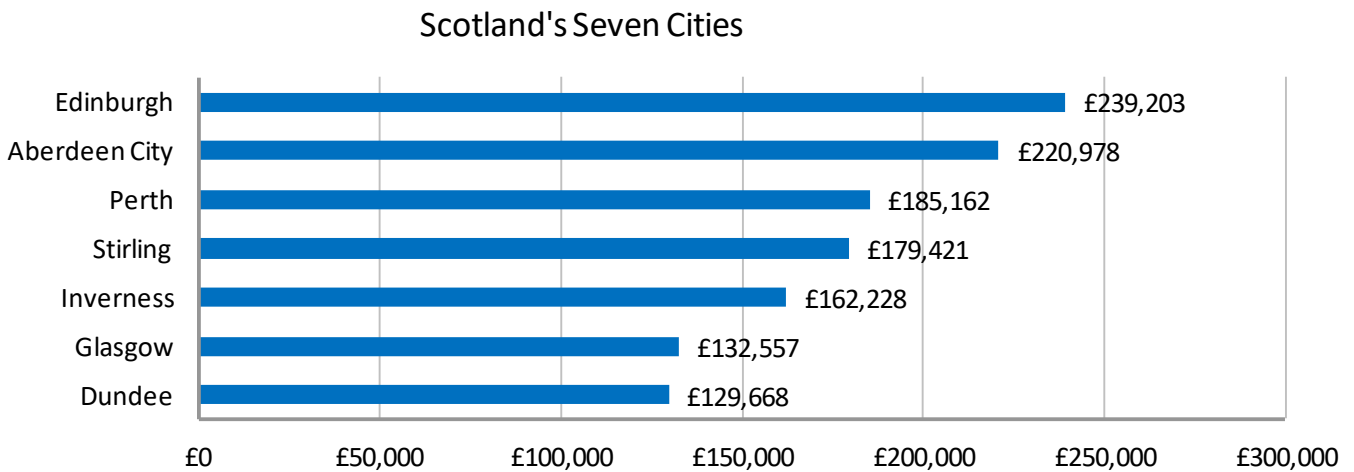


Figure 8. Average house prices for Scotland's seven cities January 2015 [link to source Excel](#)

## 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.