



Under embargo until 00:01 Wednesday 19th August 2015

June 2015

Scottish house prices jump £4,331 in June

- On a monthly basis, property price growth gets back into its stride with a 2.6% boost during June
- Driven by a revival in million-pound home sales in Scotland, after LBTT stifled top-end of market
- Home sales surge 25% since May, reaching the highest monthly total since July 2014
- Glasgow sees strongest jump in sales activity in Q2, up 18% in the past year on back of popularity for flats

House Price	Index	Monthly Change %	Annual Change %
£169,227	221.6	2.6	1.2

Christine Campbell, Your Move managing director in Scotland, comments: “The calm annual house price change of 1.2% recorded in June 2015 belies tumultuous currents of activity beneath the surface. The Scottish housing market has been buffeted around by the changing tide of taxation, but is now back in smoother waters. Average property prices surged 2.6% in June, lifting them safely to £169,227 – approximately level with last December – after bobbing around on many ebbs and flows over the last few months.

“After a thundering wave of million-pound property sales in March, high-end purchases were beached when the Land and Buildings Transaction Tax (LBTT) first came into force and drained the activity from the top of the market momentarily. But million-pound sales are starting to make a come-back. On average in 2014, there were twelve £1 million+ properties sold in Scotland during a month, and we recorded six such sales in June 2015, so we’re halfway there. As high value sales return to normal levels, this will be reflected in more buoyant house prices. We’ve already seen this start to happen, and on the mainland the biggest monthly rises were recorded by the two most expensive local authorities across Scotland – with properties in East Renfrewshire and East Dunbartonshire experiencing price jumps of 26% and 21% respectively in June.

“More generally, the LBTT front-loaded sales into the start of the year, and activity dragged its heels throughout April and May, with the General Election adding to the dampening effect. In Aberdeenshire sales of detached homes fell 39% between March and April. But June saw a nimble 25% month-on-month leap in home sales, flying high above what we would typically expect for this time of year, and 5% up on June 2014. Overall, Scotland saw 9,265 home sales during the month – the most activity since July 2014.

“During the second quarter of 2015, flats have seen the most significant year-on-year increase in sales, climbing 7%. This stems from the stamina of the first-time buyer market, as this property type tends to be the most affordable for those getting their first footing on the property ladder. This is especially the case in the cities, and Glasgow and Edinburgh accounted for 45% of all Scottish flat sales during Q2 2015.

“But affordability is the biggest steer to the Scottish housing market at the moment. At £200,000, the average price of a flat in Edinburgh is more than one and half times as much as the cost of the typical flat in Glasgow (which stands at £120,000). As a result, Glasgow has experienced the strongest jump in house purchases overall, with Q2 sales up 18% on 2014, while Edinburgh sales have seen just a 2% upswing over the same period. Low interest rates, competitive mortgage deals, and higher average earnings have caused a swell of confidence and buyer demand – particularly in cheaper areas – but a drought of supply will keep the floodgates open to stronger price surges, and along with a future base rate rise, this could wash away options for aspiring buyers.”

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

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

		House Price	Index	Monthly Change %	Annual Change %
June	2014	£167,181	219.0	1.2	6.9
July	2014	£163,706	214.4	-2.1	4.4
August	2014	£166,121	217.6	1.5	5.6
September	2014	£165,868	217.2	-0.2	6.0
October	2014	£166,624	218.2	0.5	5.7
November	2014	£165,255	216.4	-0.8	2.0
December	2014	£167,937	219.9	1.6	5.9
January	2015	£171,154	224.2	1.9	3.9
February	2015	£176,448	231.1	3.1	12.1
March	2015	£216,300	283.3	22.6	33.1
April	2015	£161,691	211.8	-25.2	-1.5
May	2015	£164,896	216.0	2.0	-0.2
June	2015	£169,227	221.6	2.6	1.2

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Further commentary by John Tindale

John Tindale, senior housing analyst for Acadata, comments:

This month, in order to gain a better understanding of the housing market in June, we have used our single month data series, as opposed to our usual practice of employing three month, end-month smoothed data. This is to overcome the problem that the three month smoothed data are still strongly influenced by the introduction of the Land and Building Transaction Tax (LBTT) in April 2015, whereas the market itself is moving on to its next phase, post LBTT. We will be returning to our three month smoothed procedures next month, when we anticipate that the influence of the LBTT will be less pronounced.

House Prices in Scotland June 2005 - June 2015



Figure 1. Average House Prices in Scotland June 2005 – June 2015, seasonally adjusted, but not three month smoothed.

[link to source Excel](#)

Figure 1 above shows average house prices for the period June 2005 – June 2015, based on single month data. The dramatic effect of the introduction of the LBTT in April 2015 is readily apparent from the graph, which shows the steep +23% March 2015 spike in average house prices. This was a result of the exceptional number of high value sales that took place in that month, as buyers sought to purchase their properties prior to the introduction of LBTT. Although perhaps not quite so readily apparent, the market in April experienced the opposite effect, being down 25%, with a lack of high value properties being purchased in the month, and resulting in average house prices falling to a level not previously seen since February 2014. In May and June, the market started to return to more ‘normal’ conditions, with an average house price in June of £169,227, being up 2.6% on May, and equalling that last seen in December 2014. We anticipate that the market in July will show a similar pattern, with prices again rising during the month.

Table 2. The number of £1 million + properties sold by month, Jan 2015 – June 2015.

[link to source Excel](#)

Monthly Sales	£ 1 million +
Average 2014	12
Jan-15	8
Feb-15	14
Mar-15	88
Apr-15	0
May-15	2
Jun-15	6

To understand how the market has reacted to the introduction of the LBTT it is helpful to look at the sale of £1 million + properties sold over the last six months. The table to the left shows that the average number of such sales were 12 per month in 2014. In January 2015 there were 8 of these high value sales, but the housing market in January is typically quiet, so a small reduction from the average number sold during a month would not be considered out of the ordinary. However, the sale of 88 such properties in March was certainly ‘extra-ordinary’, as buyers sought to avoid paying the higher levels of tax associated with the introduction of the LBTT. The knock-on effect in April was also extraordinary as no high value properties were sold,

which lowered the average house price in the month to levels last seen in February 2014. In May, sales of high value properties were still at a low level, but appear to be making a come-back in June. We anticipate that the market will see a further expansion of high value sales in July, which will result in trading patterns returning to those experienced prior to the LBTT, and with a consequent increase in average house prices.

House prices and transactions

Table 3. Average House Prices in Scotland, by local authority area, comparing June 2014 and May 2015 with June 2015. Not three month smoothed [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Jun-14	May-15	Jun-15	% Monthly Change	% Annual Change
1	6	East Dunbartonshire	213,708	208,382	251,967	20.9%	17.9%
2	2	East Renfrewshire	236,647	195,776	246,731	26.0%	4.3%
3	1	Edinburgh, City of	247,866	226,942	229,306	1.0%	-7.5%
4	3	Aberdeenshire	230,418	214,776	228,571	6.4%	-0.8%
5	4	Aberdeen City	224,992	219,923	224,366	2.0%	-0.3%
6	5	East Lothian	215,990	203,328	215,402	5.9%	-0.3%
7	7	Stirling	207,113	174,901	199,437	14.0%	-3.7%
8	8	Perth & Kinross	183,228	193,817	191,138	-1.4%	4.3%
9	11	Scottish Borders	153,170	151,611	171,561	13.2%	12.0%
10	9	Highland	166,267	166,704	171,556	2.9%	3.2%
11	10	Midlothian	161,755	186,551	170,888	-8.4%	5.6%
12	22	Orkney Islands	131,406	121,401	158,382	30.5%	20.5%
13	16	Argyll & Bute	141,397	153,805	153,767	0.0%	8.7%
14	21	Dumfries & Galloway	135,302	138,690	152,507	10.0%	12.7%
15	12	Moray	146,521	150,581	150,265	-0.2%	2.6%
16	15	Angus	141,924	151,663	149,756	-1.3%	5.5%
17	14	West Lothian	143,160	155,911	148,475	-4.8%	3.7%
18	18	Glasgow City	136,485	136,279	144,009	5.7%	5.5%
19	20	Fife	135,617	148,428	142,528	-4.0%	5.1%
20	13	South Ayrshire	146,241	151,737	141,495	-6.8%	-3.2%
21	29	Clackmannanshire	112,976	138,748	139,549	0.6%	23.5%
22	26	Dundee City	127,017	133,094	138,969	4.4%	9.4%
23	19	South Lanarkshire	136,165	132,030	134,703	2.0%	-1.1%
24	24	Shetland Islands	127,855	151,103	134,390	-11.1%	5.1%
25	27	Falkirk	125,761	126,538	129,554	2.4%	3.0%
26	17	Renfrewshire	138,228	124,786	125,702	0.7%	-9.1%
27	30	North Lanarkshire	110,788	120,676	119,114	-1.3%	7.5%
28	31	North Ayrshire	110,326	114,909	115,993	0.9%	5.1%
29	28	East Ayrshire	116,973	113,742	114,276	0.5%	-2.3%
30	25	Inverclyde	127,633	136,698	112,697	-17.6%	-11.7%
31	23	West Dunbartonshire	128,381	127,263	111,694	-12.2%	-13.0%
32	32	Eilean Siar	92,425	95,334	105,671	10.8%	14.3%
		All Scotland	167,181	164,896	169,227	2.6%	1.2%

Table 3 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for June 2014, May 2015 and June 2015. To be consistent with the figures displayed in Figure 1, we have not applied our usual practice of three month smoothing to the average prices shown in the above table.

On a monthly basis, the average house price in Scotland has increased by £4,331 to £169,227, or 2.6%. Part of this increase will be due to inflationary pressures on property prices, but part will also be due to a higher proportion of high value properties being sold in the month, this being especially true for the more expensive areas of the country. The local authority area on the mainland seeing the largest increase in prices in the month was East Renfrewshire, up 26%. This area ranked second in the local authority league table by average property price, where one of the six properties sold in June having a value in excess of £1 million was located. This sale helped raise the average price of detached properties in the area from £285k in May to £420k in June. The second highest increase in monthly prices was in East Dunbartonshire, up 21%, where similar events to East Renfrewshire occurred.

By way of contrast, the area with the largest fall in average prices in June was Inverclyde, down 18%, where the average price of both terraced and flatted properties dropped by £40k and £20k respectively. The second largest fall in monthly prices took place in West Dunbartonshire, where overall prices fell by 12%. Following these price falls, Inverclyde and West Dunbartonshire are now ranked the second and third lowest local authority area by average house price in Scotland.

Looking at the change over the last year as opposed to last month, average house prices in Scotland as a whole have increased by £2,046, or 1.2%, but this single statistic masks the considerable changes that have taken place at a more local level. For the second month running, the area with the highest rise in prices on an annual basis is Clackmannanshire at 24%; however, Clackmannanshire has the smallest number of property sales per year of any of the local authorities on the

House prices and transactions

mainland. A small number of transactions tends to make percentage changes in price more volatile. After Clackmannanshire it is East Dunbartonshire that is recording the highest increase in prices on the mainland, at 18%. In East Dunbartonshire, the average price paid for a detached home has increased from £350k in June 2014 to £390k one year later. Terraced homes have seen a similar increase of £40k, from £150k to £190k over the year, with one terraced property in Kirkintilloch changing hands in June 2015 for £500k.

Transactions

The number of transactions in June 2015 recorded by the Registers of Scotland was 9,265, up 25% on the previous month and 5% higher than the previous year. Traditionally, the number of sales in June increases by 9% from the levels recorded in May, so the 25% increase recorded this year is significantly higher than our seasonal analysis would predict. However, sales in May this year were below the seasonal norm, so it would appear that the market has been playing catch-up following the General Election in May, which possibly introduced uncertainties for potential buyers and hence resulted in lower sales that month.

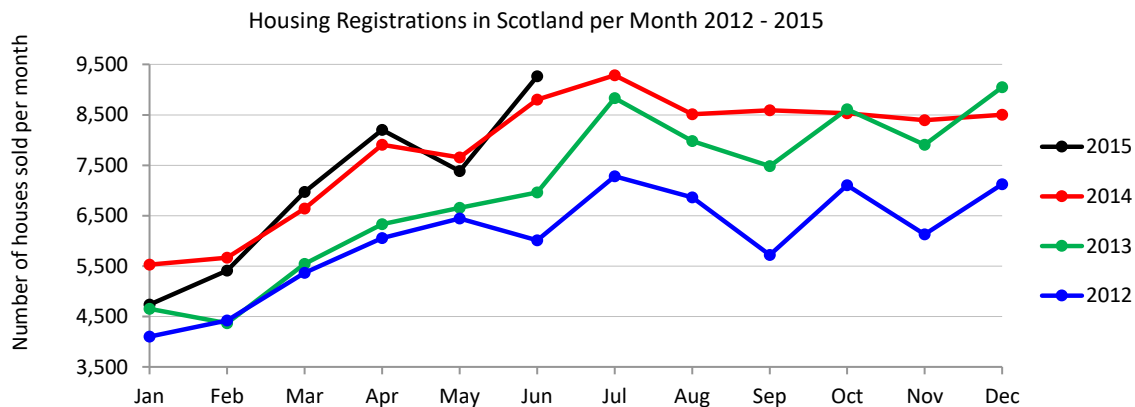


Figure 2. The number of applications received by Registers of Scotland for registration per month, for the period Jan 2012 – June 2015. (Not seasonally adjusted). Source: Registers of Scotland. [link to source Excel](#)

Transactions for Q2 2015 are 2% higher than Q2 2014. Over this period, flats are showing the highest increase in sales, up 7%, followed by semi-detached properties up 3%. Terraced and detached properties have both seen falls in sales, down 3% apiece. The increase in the sale of flats suggests that purchases by first time buyers remain strong, flats being the most affordable of property types, especially in the major cities. In Q2 2015, Glasgow and Edinburgh accounted for 45% of all flat sales, compared to 25% of the sale of all property types.

In both percentage and absolute terms the area which saw the highest increase in sales between Q2 2014 and Q2 2015 was Glasgow, where sales increased by 18% or 450 properties, of which 350 were flats. Meanwhile in Edinburgh, sales over this same period increased by just 55 properties, or 2%, of which 27 were flats. The average price of a flat in Edinburgh at £200k is more than one and a half times as much as the cost of an average flat in Glasgow, at £120k, which gives credence to the view that affordability is a key issue in the current housing market.

After Glasgow it is neighbouring West Dunbartonshire and Stirling that have seen the highest increases in property sales, at 15% each. In West Dunbartonshire it is the higher valued properties that have seen the larger increases in transactions between Q2 2014 and Q2 2015, with detached property sales increasing by 31 homes and semi-detached by 25. In Stirling, the highest increase in transactions has been in terraced properties, up by an additional 20 sales over the 2014 levels.

The area with the largest fall in transactions between Q2 2014 and Q2 2015 is Aberdeenshire, down by 18%, which equates to 275 properties. The largest reduction in sales in Aberdeenshire was detached homes, down by 108 properties over the period, but this reduction is likely to have been affected by LBTT issues. In Aberdeenshire there were sales of 226 detached properties in March 2015, compared to just 138 sales in April. Sales of expensive properties were therefore likely to have been brought forward into Q1 2015 (March) at the expense of sales in Q2 2015 (April).

Overall, while the LBTT effect has had a considerable impact on the housing statistics for March and April of this year, its influence is beginning to diminish. The 9,265 sales recorded by RoS in June 2015 is the second highest level of sales seen in a single month since July 2008, the highest being in July 2014 at 9,285. The low interest rates, higher average earnings and improving confidence in the economy are all having a positive effect on sales in the current housing market.

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, but is based on achieved prices. The first release of the Scotland results lag the first release of those for England & Wales by one month, as the former index does not use estimates of market prices.
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 production of house price indices and data for 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](#)

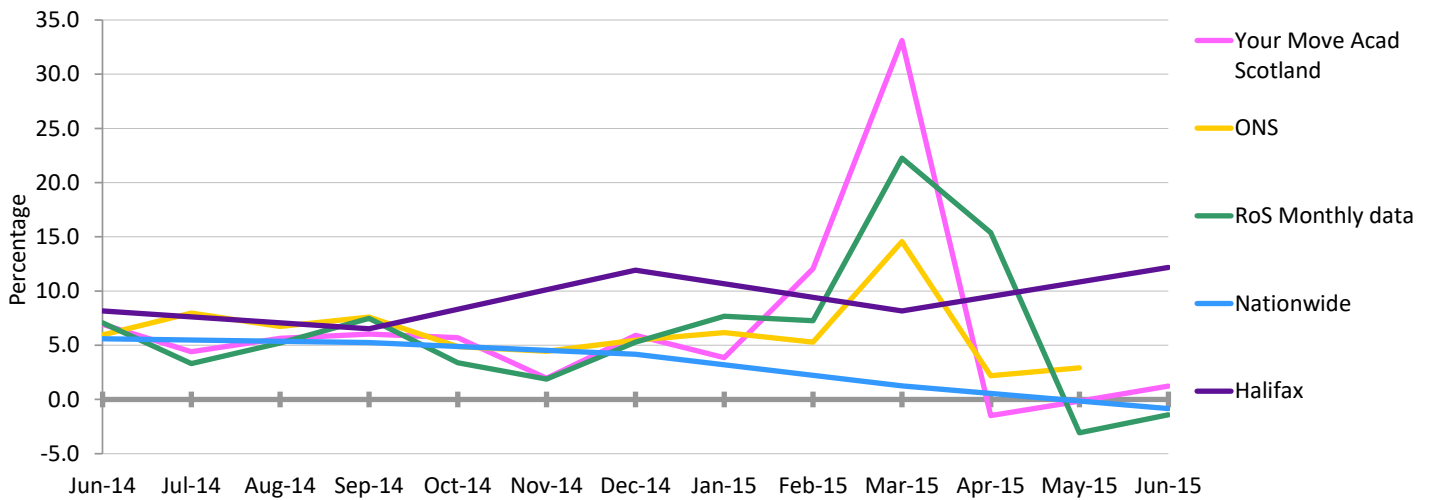
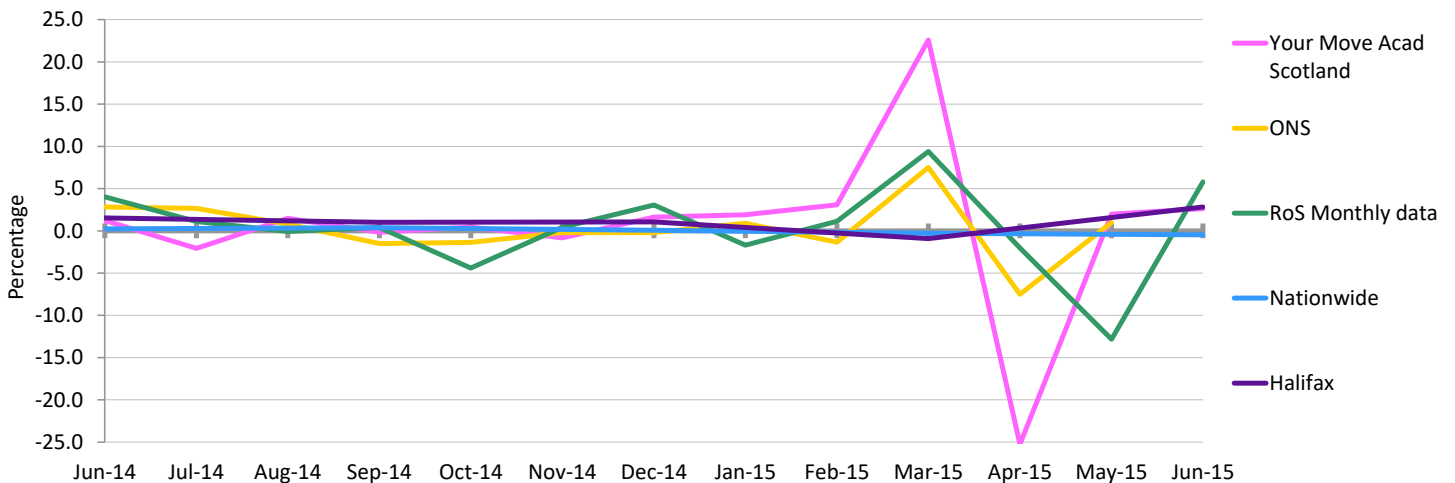


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

The charts above show the main indices provided for Scotland together with 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.

This month we are displaying our Index based on single month figures as opposed to a three month smoothed basis. This is to give a clearer view of the events that surrounded the introduction of the LBTT in April 2015, with average prices rising in March but falling back to previous levels in April.

The RoS Monthly data are based on application date as opposed to the date of the legal transfer of title. As such, RoS received a number of applications in April relating to sales that took place in March, with these sales influencing the RoS average prices for April, but not for May.

Nationwide and Halifax both base their prices on the 'average house' as opposed to the 'average price' paid for a house. As such their indices should be less affected by the influences of the LBTT than our own and those provided by the ONS and RoS.

Comparisons with Scotland

Average House Price

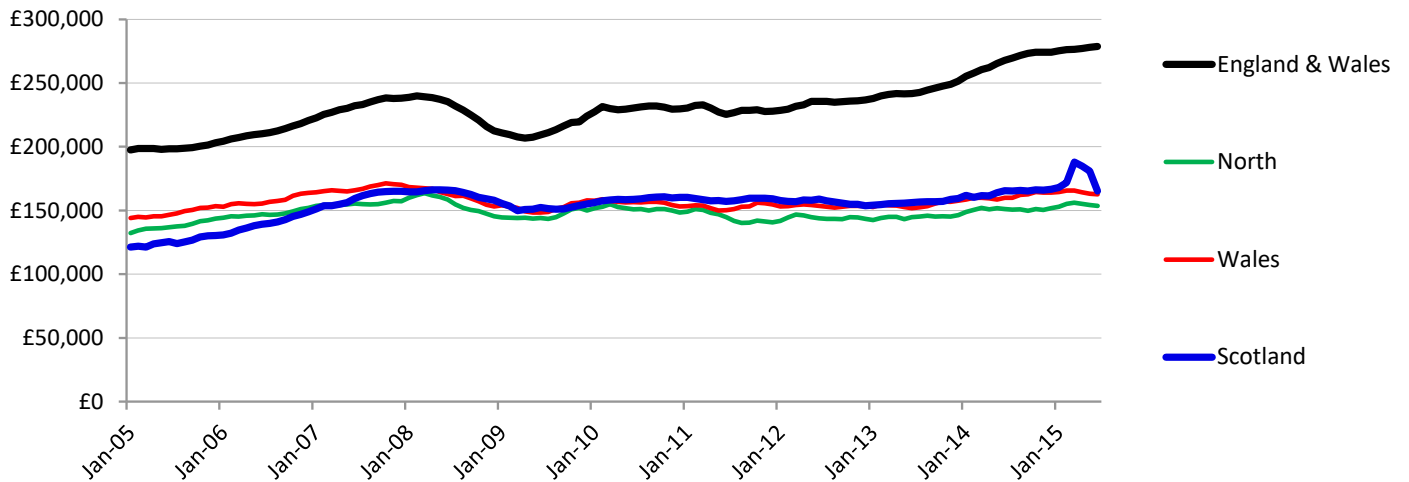


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2005 - June 2015

Annual % change in Average House Prices

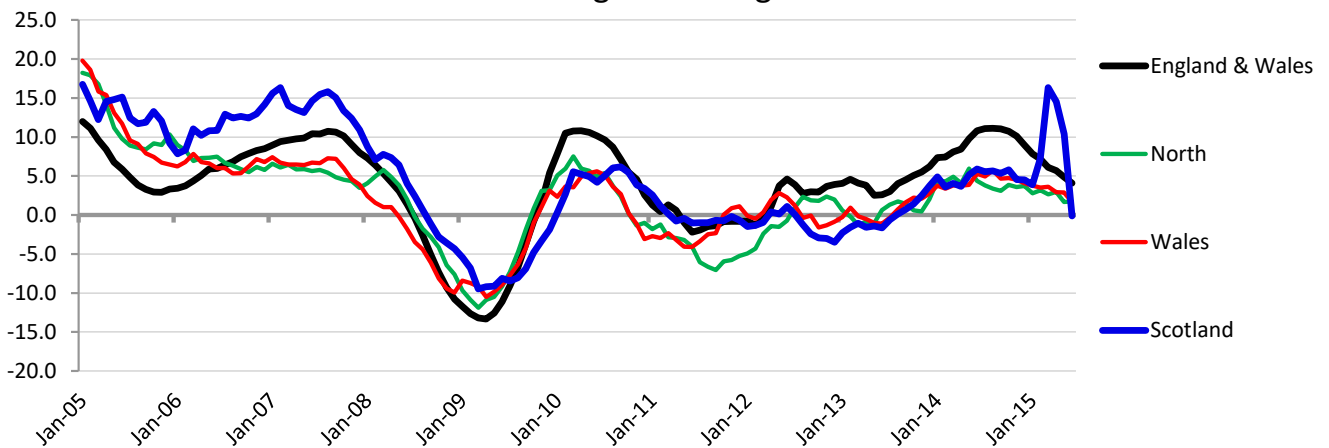


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2005 – June 2015

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.

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