



Under embargo until 00:01 Wednesday 17th August 2016

June 2016

## Scotland's house prices rise by 4% annually

- **4% increase represents the largest annual growth rate since May 2015**
- **Monthly, property prices flattened slightly in the run up to the Brexit vote**
- **Latest transactions figures from March highlight highest volume since 2007**

House Price	Index	Monthly Change %	Annual Change %
£170,404	223.2	-0.4	4.0

For the first time since February, Scottish house prices saw a month on month decline in June. However, taking into account the annual trends, prices were up 4% on the same period in 2015.

While June saw the historic EU referendum vote take place, we're still waiting for greater clarity on the short term effects this will have on the Scottish housing market. Official data released currently covers the period up to the end of June, so only in the coming months will we be able to see the impact a vote to Brexit will have on both property prices and transaction levels. What we can see is that the underlying fundamentals of the market remain strong. We're benefitting from record low mortgage rates, high employment levels, and high demand for property.

While monthly house prices were down compared to May, the average price of property was £170,404 in June, still 0.97% higher compared to the start of the year. Following April's introduction of the 3% tax increase on second homes, house prices and transaction figures remain arguably skewed in the second quarter of this year, as buyers pushed to complete before the surcharge came into effect.

This impact was felt most acutely in March's transaction figures (currently the last full period reported in the new ONS HPI – see below). Transactions in that month were almost 100% higher than February 2016 – a peak not seen since November 2007.

To date, there are currently no figures available on the number of sales post the EU referendum, however, the latest RICS survey for Scotland did show a dip in New Buyer Enquires and New Vendor Instructions. This flattening, however, could be the result of seasonal trends in the market, with June often seeing a slow down in activity during the school holidays.

### Christine Campbell, Your Move managing director in Scotland, says:

“June was the first month that the spike in house prices as a result of the 2015 LBTT changes dropped out of the annual figures. This previous distortion in property prices goes some way to explaining the seemingly significant annual price increase we saw this June.

“Whilst market sentiment remains strong, with continued demand from both buyers and sellers, it will be interesting to watch how potential Brexit implications play into transaction and price figures over the coming months.

“Long term, the outlook for the housing market looks favourable. However, with housing demand continuing to vastly outstrip supply, it is important that we see a concerted focus on building new property to ensure there are enough homes for potential buyers across the country.”

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

# House price index: historical data

Table 1. Average House Prices in Scotland for the period June 2015–June 2016  
(The prices are end-month smoothed over a 3 month period)

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
June	2015	£163,773	214.5	-9.2	-0.8
July	2015	£164,920	216.0	0.7	-0.3
August	2015	£165,917	217.3	0.6	0.3
September	2015	£166,726	218.4	0.5	0.9
October	2015	£167,801	219.8	0.6	1.1
November	2015	£168,318	220.4	0.3	1.9
December	2015	£168,540	220.7	0.1	1.6
January	2016	£168,766	221.0	0.1	0.9
February	2016	£168,318	220.4	-0.3	-2.3
March	2016	£170,509	223.3	1.3	-9.5
April	2016	£170,576	223.4	0.0	-7.8
May	2016	£171,161	224.2	0.3	-5.1
June	2016	£170,404	223.2	-0.4	4.0

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## Further commentary by John Tindale

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

### The June housing market

It remains too early in the housing timeline for any definitive conclusions to be drawn about the outcome of the EU referendum and its effect on Scotland's property market. The Registers of Scotland have to date only released data up to the end of June 2016, so this report can only consider the sales which in the main took place prior to the referendum. There is the possibility that some sales in the released data occurred between the vote on June 23rd and the end of that month, but the decision to have purchased the property and the price agreed will have been prior to the EU result. Consequently, it will be at least another month before we start to obtain hard facts about what has happened to sales volumes and house prices following the Brexit vote. This June report therefore reflects on how the uncertainty allied to the referendum has influenced the housing market, not the outcome of Brexit itself.

Figure 1 below shows the movement in Scotland's average house prices for the period January 2015 to June 2016. In the graph we have used non-smoothed data (i.e. not averaged over 3 months, which is our normal practice) to demonstrate more clearly what has happened to house prices over the last eighteen months.

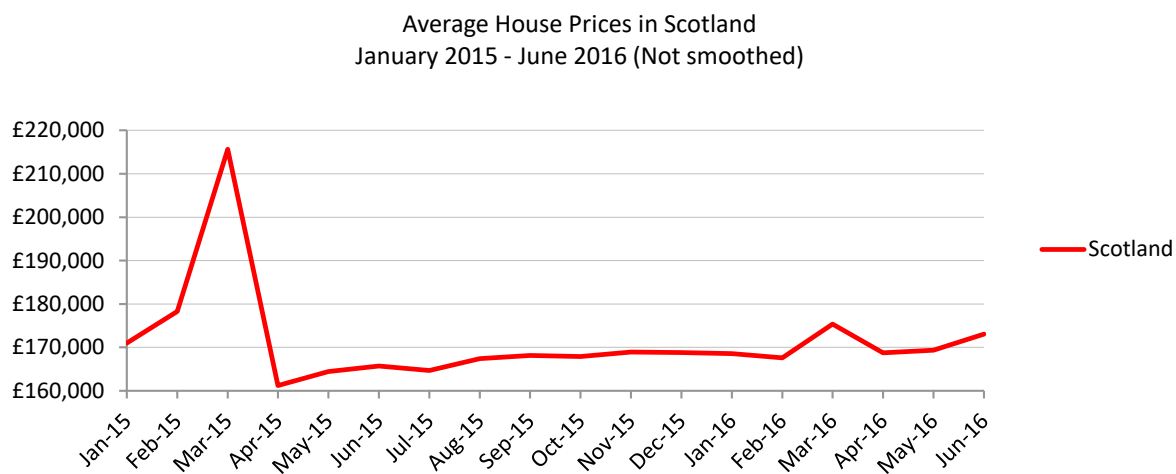


Figure 1. Average House Prices in Scotland, January 2015 – June 2016. Unlike Table 1 on page 2 above the series has not been smoothed, but is seasonally adjusted [link to source Excel](#)

There are two discernible spikes in the graph – a major spike in March 2015, associated with the introduction of the then-new LBTT in April 2015, which increased the tax charge on properties priced in excess of £254,000 – and a more minor spike in March 2016, associated with the 3% surcharge on second homes and buy-to-let properties introduced in April 2016. In both cases, the number and the value of purchases increased in the March of the respective years, as buyers of properties, and particularly those of a higher value, brought forward their purchases to avoid paying the increased tax. (Note that the LBTT 3% tax surcharge on second homes starts at a threshold of £40,001 – in 2016 approximately 4% of total purchases have been below this tax threshold level). The bringing forward of these purchases into March was followed in both years by a reduction in sales volumes and average prices in the following month, as there was then a lack of higher-value transactions taking place.

If we ignore the spike in March 2016, then the graph shows an almost straight line increase in house prices from April 2015, to May 2016, with a slightly-above average increase in June 2016. Over the last 3 months, the annual increase in house prices on this non-smoothed basis has been between 3% and 4%. This annual rate is comparable to the North West of England, where prices have risen by an average 4% over the most recent three months; it is ahead of the North East where the average price increase has been 2%, but well behind the 9% house price inflation seen in the East of England.

Figure 2 on page 6 shows the significant increase in transactions that took place in March 2016 (the latest month for which ONS has made statistics available), with the number of sales increasing by 100% over February. This contrasts with a seasonal average increase of 40% for a more 'normal' March when compared to February levels. The volume of transactions in March 2016 was the highest seen in a single month since November 2007, and represents an increase of 7,700 extra sales over what one would typically expect for the time of year. As discussed above, this increase in sales immediately preceded the introduction of the 3% surcharge on LBTT in April 2016 on second homes and buy-to-let properties. Although average house prices changed more dramatically in March 2015, this only came about from an increase of approximately 500 extra sales of high-value properties during that month. The more subdued change in house prices in March 2016 - but the exceptional number of additional sales - suggests a widespread response to the change in tax. Has Scotland become a nation of buy-to-let Landlords?

## House prices and transactions

Table 2. Average House Prices in Scotland, by local authority area, comparing June 2015 and May 2016 with June 2016. [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Jun-15	May-16	Jun-16	% Monthly Change	% Annual Change
1	3	Edinburgh, City of	215,443	251,716	251,763	0.0%	16.9%
2	4	East Renfrewshire	213,993	252,710	246,921	-2.3%	15.4%
3	5	East Dunbartonshire	208,769	227,084	233,519	2.8%	11.9%
4	1	Aberdeenshire	220,672	220,158	217,296	-1.3%	-1.5%
5	2	Aberdeen City	215,520	205,450	208,688	1.6%	-3.2%
6	6	East Lothian	198,659	214,776	206,405	-3.9%	3.9%
7	8	Stirling	184,273	198,793	203,784	2.5%	10.6%
8	9	Midlothian	178,693	188,841	185,517	-1.8%	3.8%
9	7	Perth & Kinross	189,306	192,864	183,194	-5.0%	-3.2%
10	11	Scottish Borders	163,207	173,067	173,398	0.2%	6.2%
11	10	Highland	167,616	170,484	168,761	-1.0%	0.7%
12	13	West Lothian	153,818	165,691	160,718	-3.0%	4.5%
13	12	Moray	153,898	153,962	155,531	1.0%	1.1%
14	16	South Ayrshire	148,942	153,550	153,728	0.1%	3.2%
15	19	Shetland Islands	141,404	150,248	153,318	2.0%	8.4%
16	14	Argyll & Bute	152,731	149,034	149,853	0.5%	-1.9%
17	15	Angus	149,011	155,101	148,662	-4.2%	-0.2%
18	20	Glasgow City	136,959	138,483	143,796	3.8%	5.0%
19	23	South Lanarkshire	131,895	140,074	141,902	1.3%	7.6%
20	17	Fife	143,509	150,761	141,799	-5.9%	-1.2%
21	21	Orkney Islands	136,459	140,775	136,167	-3.3%	-0.2%
22	26	Renfrewshire	127,886	135,213	135,532	0.2%	6.0%
23	25	Falkirk	129,214	134,171	133,972	-0.1%	3.7%
24	24	Dundee City	131,613	134,651	131,471	-2.4%	-0.1%
25	22	Clackmannanshire	135,629	133,869	130,688	-2.4%	-3.6%
26	27	Inverclyde	124,761	134,465	125,917	-6.4%	0.9%
27	18	Dumfries & Galloway	142,500	130,099	125,528	-3.5%	-11.9%
28	28	North Lanarkshire	121,235	119,657	121,138	1.2%	-0.1%
29	29	West Dunbartonshire	121,159	116,241	116,673	0.4%	-3.7%
30	32	Eilean Siar	99,599	114,268	115,891	1.4%	16.4%
31	30	North Ayrshire	118,084	114,076	114,166	0.1%	-3.3%
32	31	East Ayrshire	115,504	112,525	112,748	0.2%	-2.4%
		All Scotland	163,773	171,161	170,404	-0.4%	4.0%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for June 2015, May 2016 and June 2016, calculated on a seasonal and mix-adjusted basis.

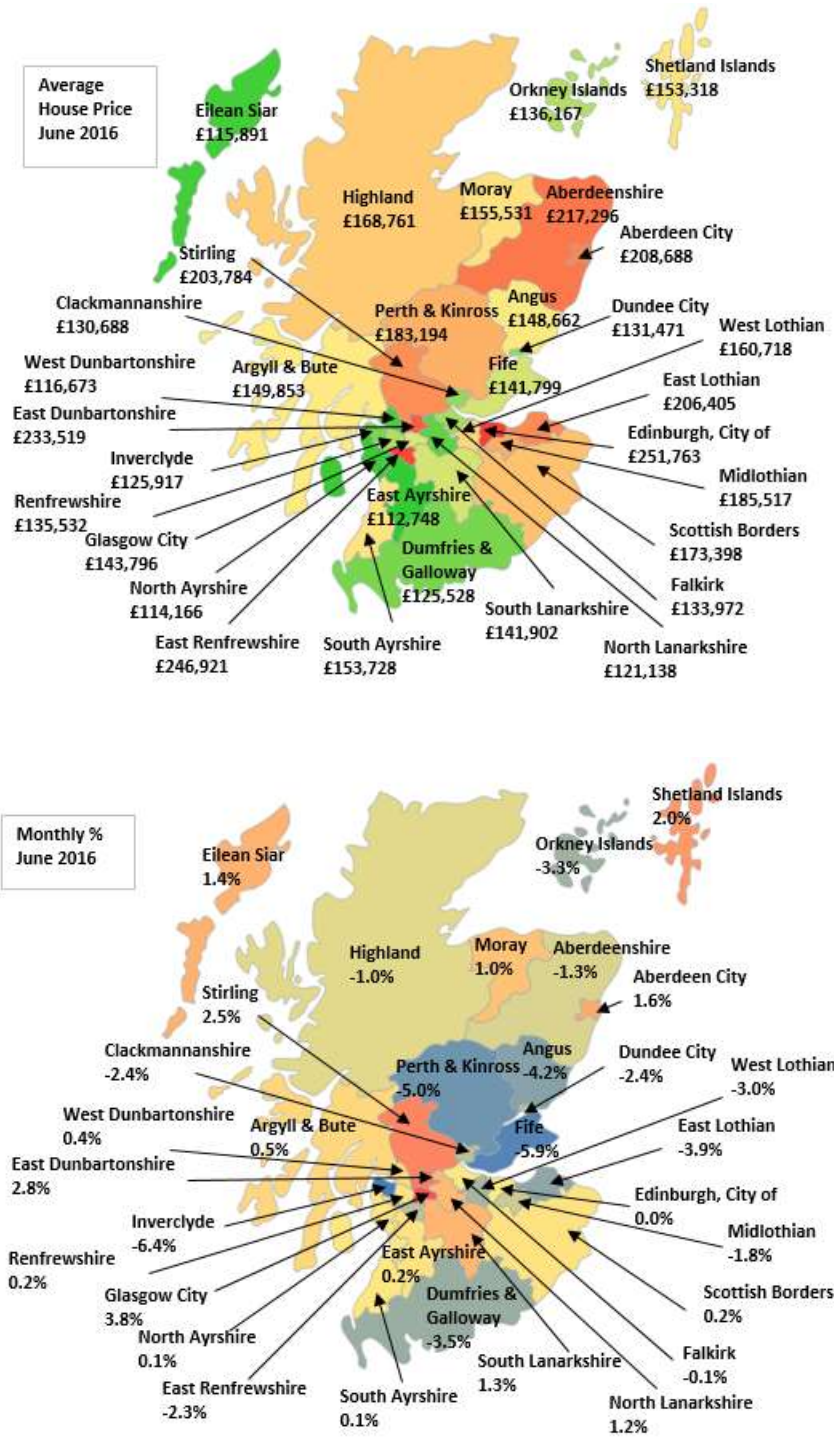
This month there are five Local Authority areas which have annual rates of house price inflation in excess of 10.0%, of which three are in the top three places in the above Table - this ranks authorities by their respective average house prices. So what is happening at the top end of the housing market? Our statistics are based on the average price over a three-month period, end-month smoothed, so the figures for June 2015 in the above Table are the average of the prices recorded in April, May and June 2015. Looking at Figure 1 on page 3, we can see that these three months correspond to the period immediately after the introduction of the LBTT in April 2015, when there was a lack of high-value transactions taking place - these had mostly been brought forward into March 2015 to enable the purchasers to avoid paying additional tax. Since then, the market has largely returned to its pattern pre-LBTT, which has led to an increase in the number of upmarket homes being purchased during the last year. As an example, there was only 1 transaction in East Dunbartonshire at a value in excess of £600k in the period April – June 2015, but there were 9 such transactions for the same three months in 2016. This has led to the considerable increase in average house prices for the area.

Although the overall monthly rate of price change is negative at -0.4%, there were price increases in 17 local authority areas, and falls in 15. The area on the mainland with the largest increase in prices in June was Glasgow City, at 3.8%. The purchase of a prestigious terraced property in Kirklee Circus, Kelvindale for £1.3 million helped raise the average price in Glasgow by £5,300 during the month.

# House prices and transactions

The area on the mainland with the largest fall in prices in the month was Inverclyde at -6.4%. So far this year there have been 8 properties sold in Inverclyde priced in excess of £400k, of which 6 transactions took place before the introduction of the 3% surcharge on second homes in April. This helped maintain Inverclyde's average house price during the first quarter of the year. However, subsequent to the introduction of the 3% surcharge there has been a decline in the purchase of high-value properties, with the most expensive home sold in Inverclyde in June 2016 valued at £322k. This has led to the decline in the average price in the month which we observe in the above Table.

## Heatmaps



# House prices and transactions

## Transactions

As discussed last month, the new ONS UK HPI has curtailed the publication of transaction data for a period of two months from the reporting month, as the data have not fully emerged from RoS (for Scottish transactions based on entry date) or from the Land Registry (for England & Wales transactions). Consequently, Figure 2 below, which has been derived from the official ONS data, currently stops at March 2016. However, RoS has published its own data on transaction numbers in its quarterly report, based on application dates, for the period up to the end of June.

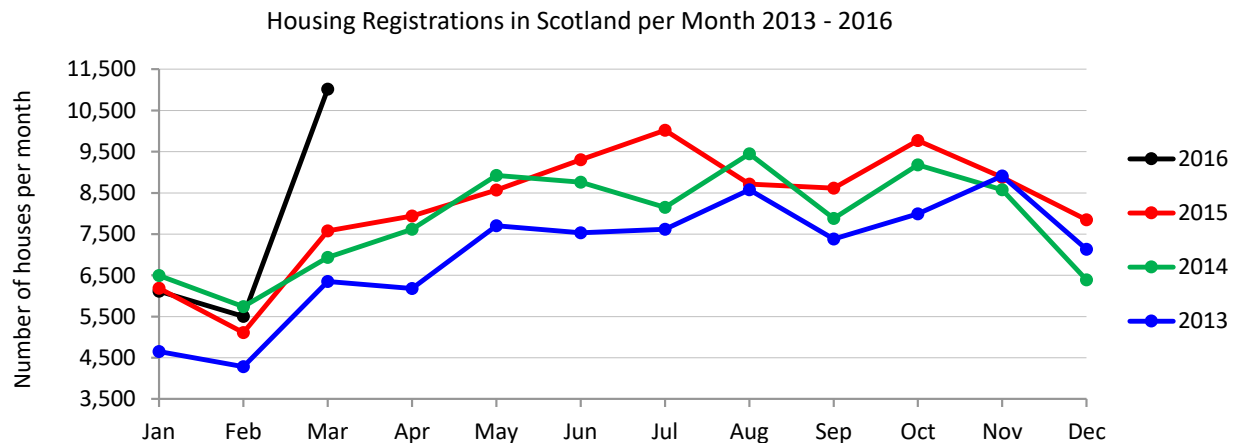


Figure 2. The number of sales per month recorded by Registers of Scotland based on entry date, for the period January 2013 – March 2016. Source: Registers of Scotland. [link to source Excel](#)

Figure 2 shows the extraordinary rise in March 2016 transactions which were almost exactly double those of February 2016, being 100% higher (MoM) and 45% up (YoY) on March 2015. The level of March sales, at 11,017, was the highest recorded in a single month since November 2007, some eight years earlier. This dramatic increase in the level of sales in March is similar to that seen in England & Wales over the same time period.

The surge in sales in March 2016 was due to a relatively large number of buyers bringing forward their purchase of a property into March, to avoid having to pay the additional 3% surcharge on LBTT on second homes and buy-to-let properties, introduced in April 2016. This bringing forward of purchases caused a consequent reduction in the number of transactions that took place during Q2 2016. In its latest quarterly market report, RoS separately show that during the first two quarters of 2016, sales were an overall 10% higher than the same period in 2015, these figures being based on application as opposed to entry dates in the register.

Based on the RoS statistics, the area with the highest increase in sales over the first two quarters of 2016, compared to one year earlier was the Orkney Islands, but here only 200 sales were recorded in 2016, with these relatively small numbers of transactions often producing large changes when expressed in percentage terms. On the mainland, the area with the greatest rise in sales was East Ayrshire, up 30.8%, with 934 sales in the first two quarters of 2016, compared to 714 sales over the same period in 2015. The largest increase in East Ayrshire over the period was in the purchase of terraced properties, with 82 more sales in 2016 than 2015.

Over this same time period, i.e. the first six months of 2016, compared to the first six months of 2015, there were only four local authority areas that saw the number of transactions fall, being Aberdeen City (-16%), Aberdeenshire (-13%), East Renfrewshire (-6%) and West Dunbartonshire (-4%). Aberdeen City and Aberdeenshire are clearly suffering from the cutbacks in oil production and exploration associated with the decline in the price of crude. In Aberdeen City it is terraces and flats that have seen the largest falls in sales numbers, down -17% and -16% respectively, while in Aberdeenshire the sales of detached properties have declined the most, down by some 270 properties, or -25%, over the first six months of 2016.

At present we have no hard facts about the number of sales that have taken place following the Brexit vote. The latest RICS survey for Scotland suggested that both New Buyer Enquiries and New Vendor Instructions were down in June, but it is difficult to tell whether this is just following the seasonal trend of a reduction in activity during the school holidays, or something more fundamental. Most surveyors are predicting a slowdown in the change in house prices in Scotland over the next three months, but again this is conjecture as opposed to hard fact. We will endeavour to keep readers informed as more data from RoS and elsewhere become available.

## NOTES

1. Your Move Acad Scotland HPI is a price series as opposed to a value series and uses:
  - 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 specialising in house price data. Its associated company MIAC Acadametrics Limited is an independent asset valuation service provider, specialising in behavioural modelling, stress testing and collateral valuation for the financial services industry.
6. Your Move Acad Scotland HPI may not be used for commercial purposes. Specifically it may not be used to measure the performance of investments or to determine the price at which investments may be bought or sold.
7. The Acadata library provides a portfolio of ready-to-use datasets and calculation series updated monthly, based upon the factual Land Registry and/or Registers of Scotland results ([free sample here](#)). Our comprehensive selections of geography (national/ regional/ unitary authority/ postcodes) and of property types with arithmetic mean and median prices provide the "off the shelf" historic data series and analyses needed for rapid study and commentary. Acadata Library is available on subscription or on a one-off basis. It may not be used to measure the performance of investments or to determine the price at which investments may be bought or sold, neither may it be used to determine interest payable on loans. Subscribers may use it for business planning and advisory purposes and for this it shows national and regional trends. For local builders, developers and estate agents it shows stock and new build results within postcode districts and enables analyses at town and street level.

# Comparison of indices and RoS average prices

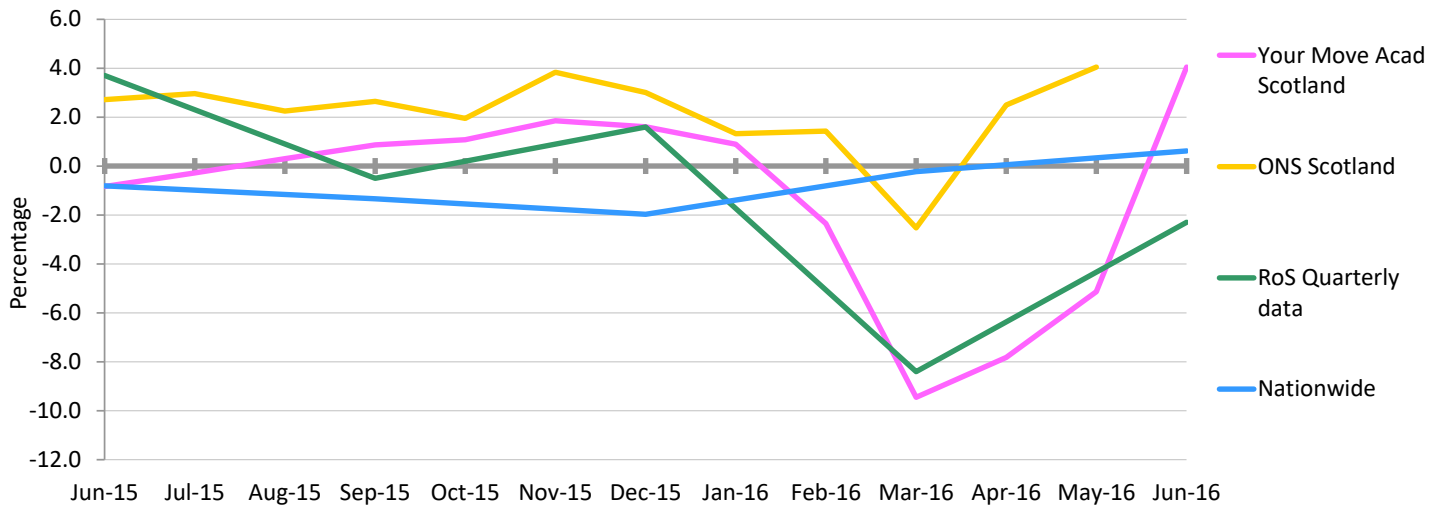


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

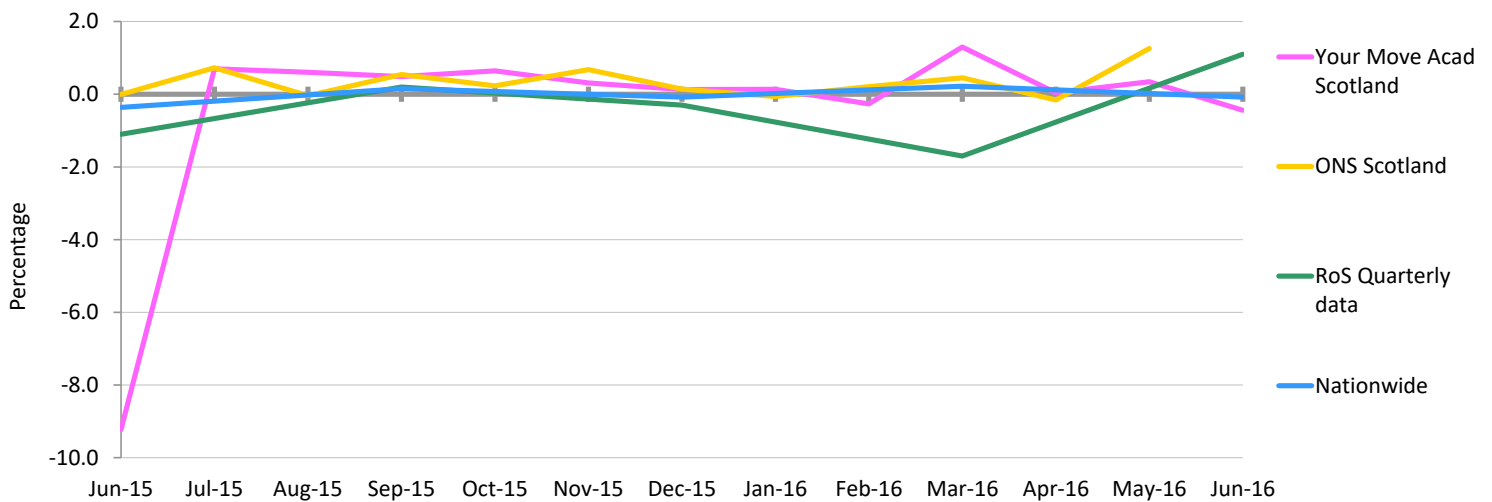


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

The charts above show the main indices provided for Scotland together with the ONS/RoS geometric average prices. It should be noted that both Nationwide and RoS quarterly data provide prices for the Scottish market only on a quarterly basis and we have charted these by interpolating on a straight line basis.

Nationwide estimates the 'price of the average house' as opposed to calculating the 'average price paid' for houses. As such its 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

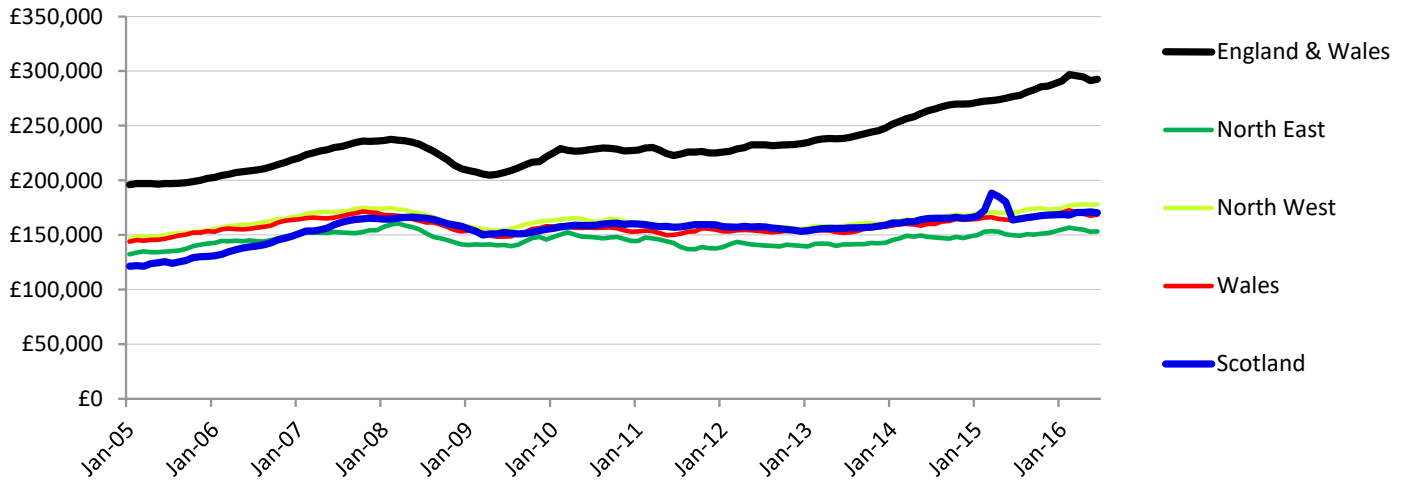


Figure 5. Scotland house prices, compared with England & Wales, Wales, North East and North West for the period January 2005-June 2016 [link to source Excel](#)

## Annual % change in Average House Prices

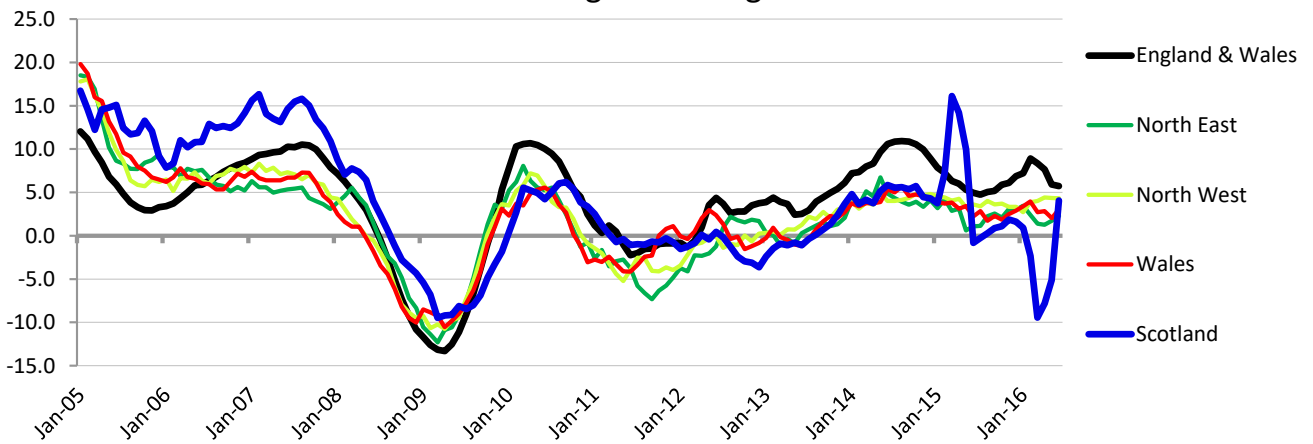


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales, North East and North West for the period January 2005-June 2016 [link to source Excel](#)

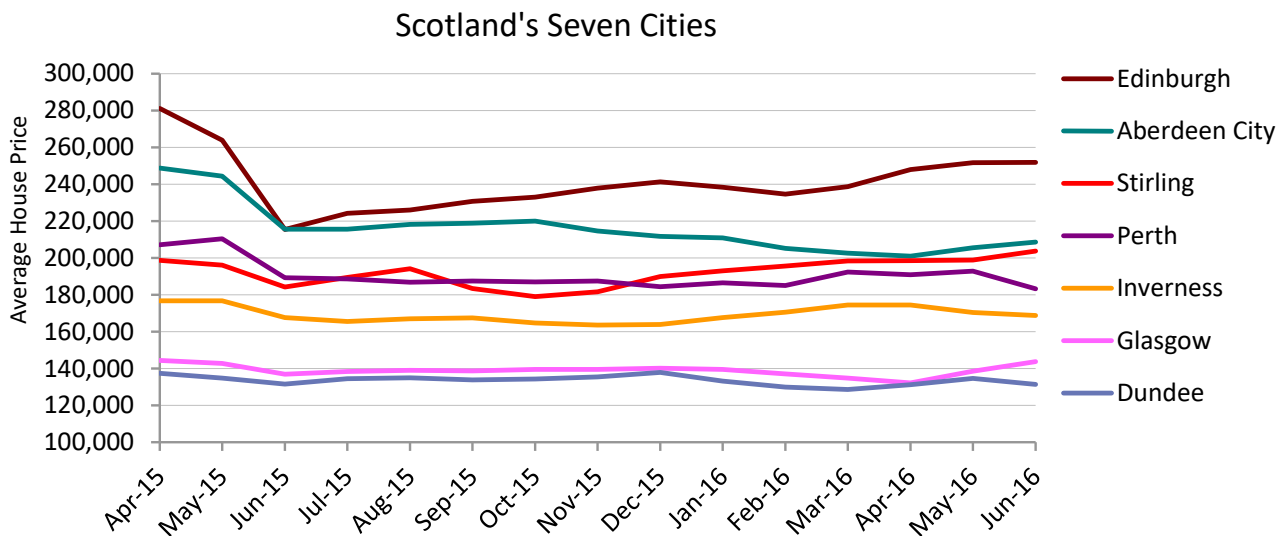


Figure 7. Average house prices for Scotland's seven cities from April 2015–June 2016

[link to source Excel](#)

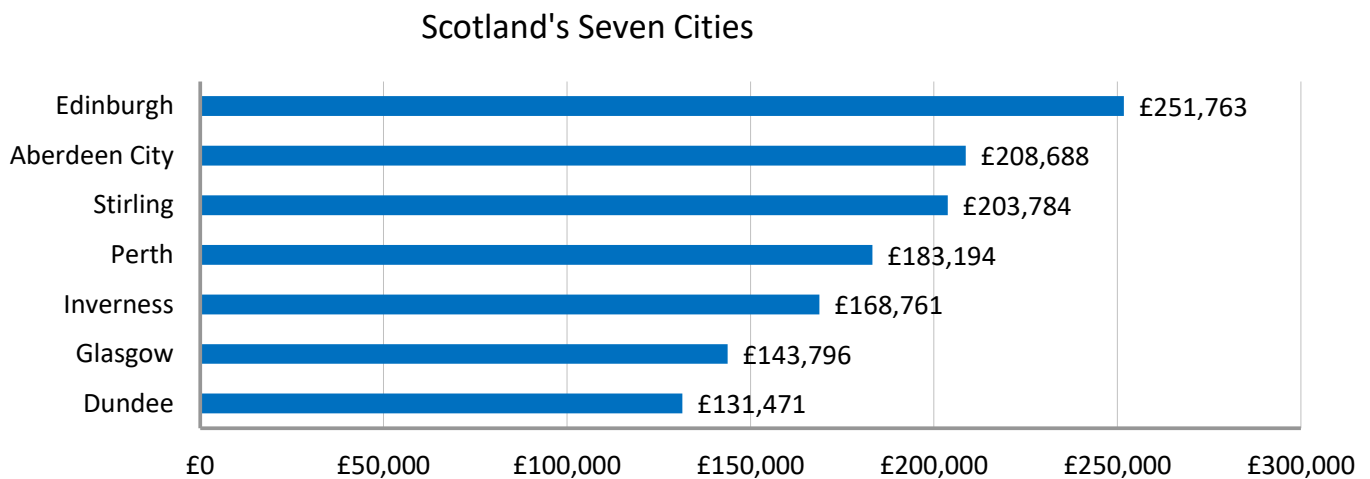


Figure 8. Average house prices for Scotland's seven cities June 2016

[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 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 areas 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.