



Under embargo until 00:01 Wednesday 14th January 2015

November 2014

House prices dip after post-referendum boost

- Scottish property prices fell 0.1% in November, reversing October’s uplift in the wake of the vote
- Slowdown in annual growth to 4.3%, less than half the 10.6% yearly rise across England & Wales
- Sales in November up 6% annually – but quarter of all activity concentrated in Edinburgh and Glasgow
- Prices in Midlothian see highest annual jump at 10%, following 30% leap in local first-time buyer sales

House Price	Index	Monthly Change %	Annual Change %
£164,607	215.6	-0.1	4.3

Christine Campbell, regional managing director of Your Move, comments: “The Scottish property market is only just starting to recalibrate after the temporary disruption of the referendum. The immediate ‘feel-good’ factor following the vote led to an artificially upbeat October, but the dust is settling. Average house prices across Scotland dipped 0.1% (or £191) in November, as normal business resumes and familiar market trends reappear. Overall, property values fell in over half of Scotland’s local authority areas in November, and this has touched the brakes somewhat and forced a sharp 1.4% slowdown in the rate of annual house price inflation since October.

“This means annual house price growth in Scotland is currently lagging well below the pace being set across England and Wales. However the underlying upwards momentum is robust. Scottish property values have climbed a healthy 4.3% in the year to November, equal to £6,750 on average. In the last twelve months, fourth-fifths of the nation’s local authorities have witnessed increases in house values. Not only that, but the overwhelming majority of Scotland is experiencing annual property price growth in excess of inflation. The lion’s share of homeowners are enjoying ‘real’ tangible growth in the value of their home beyond the 1% Consumer Price Index rate of inflation. For example, the highest annual leap in values was found in Midlothian, with prices soaring 10.0% - more than double the wider nationwide average. Here, prices have been driven up by a considerable 30% uplift in sales of flats and terraced properties in the past twelve months. This burst of activity has pushed the typical cost of a flat in the area to £120,000, up from £100,000 a year ago.

“Prices may have slipped back on a monthly basis, but activity is still making stable progress. This has been the strongest November for sales in seven years, with transactions up 6% on 2013. As first-time buyers continue to pour into the market, the most frequently purchased type of property in Scotland are flats, with sales of this type of property growing 9% year-on-year in the three months to November 2014. Argyll and Bute saw the biggest monthly jump in prices, up 5.8% since October, and this was propelled by a 24% annual surge in sales in the three months to November 2014, including a 50% climb in flat transactions.

“So far in 2014, overall sales to the end of November are 14% higher than the same period a year ago. But there’s still plenty of room for improvement. A lot of activity has been concentrated in Edinburgh and Glasgow – together these two employment hubs account for almost a quarter (24%) of all sales in Scotland. Furthermore, sales levels are still only at 65% of the average between 2004 and 2007, before the financial crisis. Before the new Land and Buildings Transaction Tax (LBTT) is introduced in April, sales above £254,000 may be boosted in the short-term, as buyers try to avoid the higher tax bills. But this is a relatively small portion of the market, representing only 14% of home sales in 2014, and for the vast majority of buyers, the changes are unlikely to alter purchases plans considerably, as any savings are minimal.”

For commentary by Dr Peter Williams, housing market specialist and Chairman of Acadata, see page 3.

House price index: historical data

Table 1. Average House Prices in Scotland for the period November 2013 – November 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
November	2013	£157,851	206.7	1.2	2.3
December	2013	£158,381	207.4	0.3	3.1
January	2014	£159,623	209.1	0.8	3.9
February	2014	£160,063	209.6	0.3	3.5
March	2014	£160,913	210.7	0.5	3.9
April	2014	£161,423	211.4	0.3	4.1
May	2014	£162,323	212.6	0.6	4.4
June	2014	£164,135	215.0	1.1	5.8
July	2014	£164,482	215.4	0.2	5.7
August	2014	£164,196	215.0	-0.2	5.7
September	2014	£163,594	214.3	-0.4	5.1
October	2014	£164,798	215.8	0.7	5.7
November	2014	£164,607	215.6	-0.1	4.3

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

In November, the average house price in Scotland fell by £191, or -0.1% on a seasonally adjusted basis, finishing the month at an average of £164,607. Following on from the more upbeat rise of 0.7% in October, the November figures are perhaps somewhat disappointing, but possibly reflect a more balanced view of the housing market post-referendum. For example, one of the statistics we quoted last month to illustrate the buoyant post-referendum mood in Scotland's October housing market was a doubling of the number of properties sold in excess of £1 million, which totalled 23. By way of contrast, the equivalent number of property sales in November in excess of £1 million halved to a total of 12, which is closer to the norm for this time of year. The -0.1% fall in prices in the month therefore reflects the market returning to a more usual pattern of trading.

On an annual basis, house prices have increased by £6,750 or 4.3%, which is 1.4% lower than last month. The 4.3% annual growth in average house prices still comfortably exceeds the current annual Consumer Price Index rate of 1.0% for November, indicating that homeowners are seeing 'real' growth in the value of their asset. Positive annual house price movements in excess of 1% are being seen in 23 of the 32 local authority areas, suggesting that the majority of homeowners in Scotland are witnessing their wealth slowly increase.

Scotland's annual rate of house price inflation at 4.3% is lower than all of the regions in England & Wales, with the exception of the North, where annual house price increases amounted to 3.5%. The average annual rise in house prices in England & Wales in November was 10.6%, but this reduces to a more comparable 5.7% if one excludes London and the South East from the calculations.

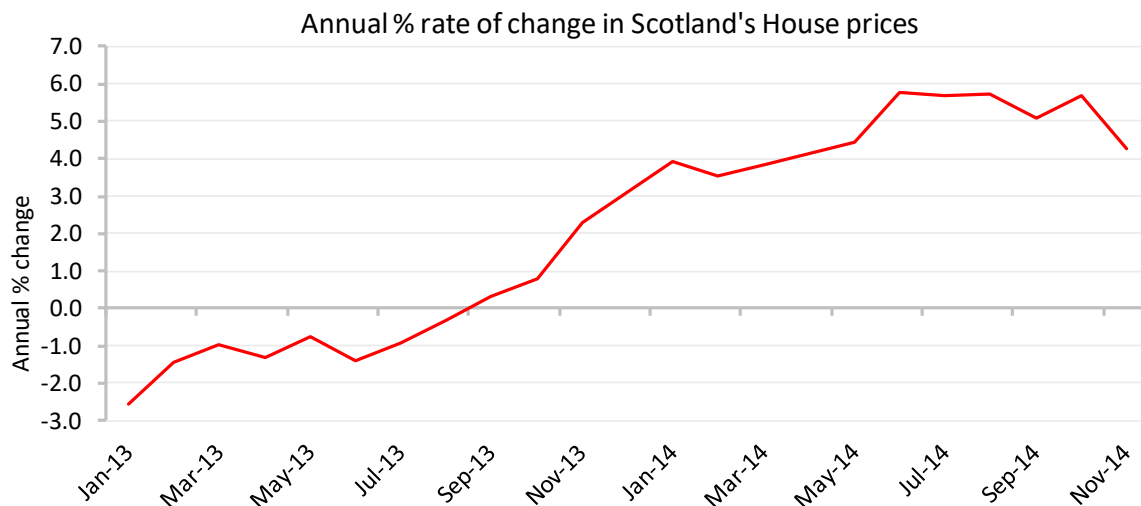


Figure 1. The annual rate of house price inflation in Scotland, January 2013 – November 2014.

[link to source Excel](#)

Figure 1 shows the annual rate of house price inflation in Scotland for the period January 2013 – November 2014. As can be seen, the annual rate of inflation was negative for the first eight months of 2013, but from September 2013 onwards the annual rate of change in house prices has been positive. The graph shows a peak in the annual rate of house price change occurring in June 2014 at 5.8%, with prices falling at a gentle pace thereafter, until November 2014. The fall in the annual rate of change in November 2014 is striking, as it is the largest fall in this measure observable on the graph. Figure 1 does pose the question: what will happen to prices in 2015?

Last month we commented that the new Land and Buildings Transaction Tax (LBTT), which will come into force on 1st April 2015, will have an impact on the market over the next few months. On a property priced in the range £125,000 - £250,000 there will be a £200 saving under the new LBTT rates, compared to the existing recently updated SDLT rates. However, on properties costing in excess of £254,000, which represented some 14% of the home sales market in 2014, tax rates will be considerably higher under the LBTT rules, compared to the current SDLT rates. For example, on a property costing £500k there will be an additional £12,300 to pay in LBTT after April 1st 2015, compared to SDLT, with the total LBTT bill amounting to £27,300. Although we do not anticipate that the £200 saving on properties costing up to £250,000 will alter many purchasers' plans, we do anticipate that there will be a steady increase in the number of purchases taking place for properties in excess of £254,000 prior to 1st April 2015, as buyers seek to avoid paying the additional tax. This may well result in a corresponding shortage of such sales for a number of months thereafter. We therefore expect to see the average price of housing rise, somewhat artificially, over the next few months and especially in March 2015, when there will undoubtedly be a rush of higher-priced sales just prior to the tax change-over date.

House prices analysis

Table 2. Average House Prices in Scotland, by local authority area, comparing November 2013 and October 2014 with November 2014 [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Nov-13	Oct-14	Nov-14	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	227,277	239,335	237,958	-0.6%	4.7%
2	2	Aberdeenshire	221,041	223,470	224,999	0.7%	1.8%
3	3	East Renfrewshire	217,009	235,759	224,538	-4.8%	3.5%
4	6	Aberdeen City	205,795	224,263	222,731	-0.7%	8.2%
5	5	East Dunbartonshire	207,798	223,146	221,660	-0.7%	6.7%
6	4	East Lothian	209,002	218,059	210,633	-3.4%	0.8%
7	9	Stirling	176,381	195,334	192,804	-1.3%	9.3%
8	7	Perth & Kinross	177,335	193,186	189,242	-2.0%	6.7%
9	10	Midlothian	166,841	179,650	183,561	2.2%	10.0%
10	12	Highland	152,356	164,096	164,604	0.3%	8.0%
11	8	Scottish Borders	176,413	163,743	164,507	0.5%	-6.7%
12	14	Moray	140,386	152,419	153,754	0.9%	9.5%
13	16	West Lothian	139,574	148,038	149,054	0.7%	6.8%
14	11	Argyll & Bute	153,575	137,478	145,454	5.8%	-5.3%
15	15	Angus	139,897	146,709	144,683	-1.4%	3.4%
16	19	Fife	132,464	141,716	144,590	2.0%	9.2%
17	13	South Ayrshire	146,289	137,188	142,076	3.6%	-2.9%
18	21	South Lanarkshire	128,190	130,694	133,898	2.5%	4.5%
19	18	Dumfries & Galloway	132,540	134,618	133,647	-0.7%	0.8%
20	20	Glasgow City	129,925	134,018	132,942	-0.8%	2.3%
21	17	Shetland Islands	132,907	125,022	130,540	4.4%	-1.8%
22	24	Clackmannanshire	122,633	129,720	124,345	-4.1%	1.4%
23	26	Renfrewshire	117,661	126,227	123,494	-2.2%	5.0%
24	25	Falkirk	120,579	125,299	122,955	-1.9%	2.0%
25	22	Dundee City	125,233	122,662	122,388	-0.2%	-2.3%
26	23	Orkney Islands	124,357	126,886	122,031	-3.8%	-1.9%
27	27	Inverclyde	116,225	114,157	118,728	4.0%	2.2%
28	31	North Ayrshire	106,478	112,473	115,727	2.9%	8.7%
29	28	West Dunbartonshire	113,120	116,672	115,385	-1.1%	2.0%
30	29	East Ayrshire	109,442	113,463	113,584	0.1%	3.8%
31	30	North Lanarkshire	107,554	113,971	112,792	-1.0%	4.9%
32	32	Eilean Siar	98,318	96,963	98,549	1.6%	0.2%
		All Scotland	157,851	164,798	164,607	-0.1%	4.3%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for November 2013, October 2014 and November 2014. In November 2014, prices fell overall by an average 0.1% in the month, with lower prices in 17 of the 32 Local Authority Areas (last month 12), on a seasonally adjusted basis. Looking at the change in prices in the month, Argyll & Bute saw the highest rise in prices at 5.8%, helped by the sale of some upmarket flats in Helensburgh, which raised the average price for flats in the area from £75k in August to £115k in November. As we show on the next page, Argyll & Bute also experienced the highest growth in transactions for the period September - November 2014, compared to the same three months in 2013, with flat sales increasing by 50% over this period.

On an annual basis, prices have risen in 26 of the 32 local authority areas, which is two more than last month. The area with the highest increase in average house prices over the year is Midlothian where prices have risen by 10.0%. As can be seen from the above table, Midlothian has moved up one position in terms of average house prices and is now ranked the ninth most expensive local authority area in Scotland. In Midlothian, over the last year the number of flat and terraced property sales have increased by 30%, with both property types seeing an increase in average prices. The average price of a flat in Midlothian is now £120k, up from £100k a year ago, whilst terraces have an average price of £140k, compared to £130k in 2013.

In the above table, the top quartile by average house price has seen inflation of 5.2%, while the bottom quartile has seen inflation of 2.2%, reflecting the trend that higher priced houses are experiencing higher price rises, with the reverse also being true, ie lower priced homes are experiencing only minor changes in their values.

Housing transactions

The number of transactions in November 2014 recorded by the Registers of Scotland was 8,396, down 2% on the previous month. However, it is normal for sales to fall in the month of November by an average 4% due to seasonal factors, so this year's sales volumes are 2% above the seasonal norm. The sales volumes are 6% up on November 2013, and also represent the highest level of transactions for the month of November since 2007, some seven years ago.

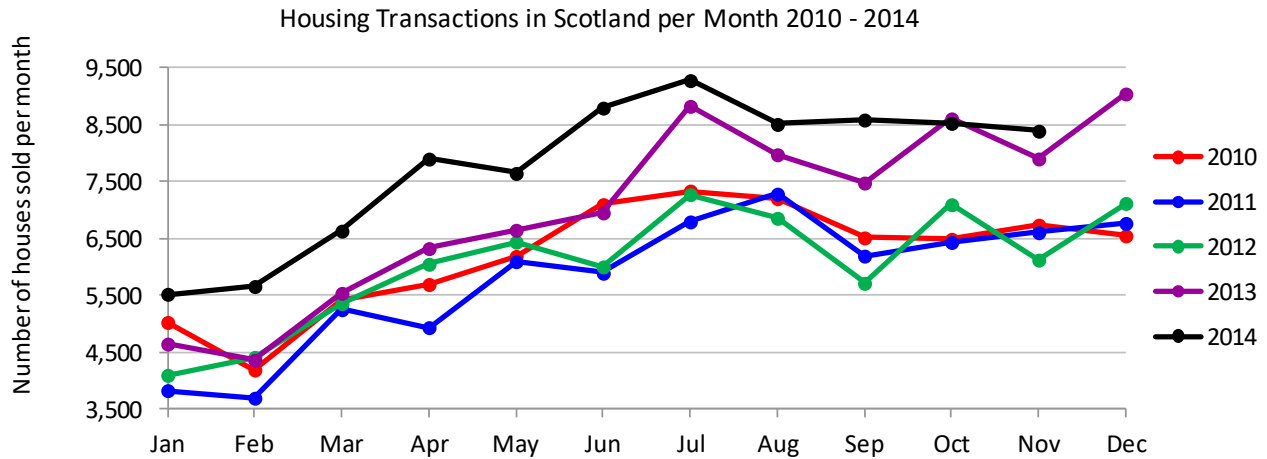


Figure 2. The number of housing transactions by month in Scotland, 2010 - 2014 (not seasonally adjusted)

[link to source Excel](#)

Source: Registers of Scotland

Figure 2 above shows a five year history of the number of housing transactions in Scotland, covering the period January 2010 - November 2014. We can see that with the exception of October, the monthly level of transactions in 2014 has been higher than the previous four years, although it looks doubtful that the December 2014 total will exceed those of the previous year. Sales in 2014 to the end of November total 85,520. This is 14% higher than sales for the same 11 months in 2013, but is still only 65% of the average number of sales for the pre housing crisis period 2004 - 2007.

Of the 32 local authority areas in Scotland, 23 have seen transactions rise in the period September - November 2014, compared to the same three months in 2013. The highest rise was seen in Argyll & Bute, with an increase in sales of 24% in the three month period, compared to the same three months one year earlier. Argyll & Bute was followed by East Dunbartonshire, which saw an increase of 20% in property transactions over the same period. In Argyll & Bute, the largest increase in sales over the period was seen in flats, up 50%, with 150 units sold in the featured three months of 2014, compared to 100 units sold in the same three months of 2013.

The area which saw the largest decline in the number of properties sold between September and November 2014, compared to the same three months in 2013, was Dumfries and Galloway, with transactions falling by 19%. The largest decline in Dumfries and Galloway by property type was in the sale of semi-detached properties, which were down 40% over the year.

The most frequently purchased property type in Scotland are flats, which have seen an increase in sales of 9% over the period September - November 2014, compared to the same three months in 2013. Edinburgh had the highest number of flat sales in Scotland over this three month period at 2,012 units, which is up 11% on the previous year. However, Glasgow is catching up fast with 1,944 units sold over the same period, up 17% on the previous year. Between them, these two cities accounted for 46% of all flat sales in Scotland.

The second most frequent property purchase in Scotland is that of a detached home, with sales of this property type being marginally ahead of terraces. The area with the highest number of detached property sales is Aberdeenshire, where 582 detached homes were sold in the period September - November 2014, up 3% on the same three months in 2013.

Looking at all property types, Edinburgh continues to be in first place with 2,865 properties sold in the three months September - November 2014, compared to Glasgow's 2,765. The two cities currently account for 24% of all property sales in Scotland. Once the new Land and Buildings Transaction Tax comes into force on 1st April 2015, we anticipate that as it becomes more expensive to move home, the number of high value property transactions will fall. This could well result in Glasgow overtaking Edinburgh in the number of properties sold, as the average price of a home in Edinburgh is currently close to double that of Glasgow.

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

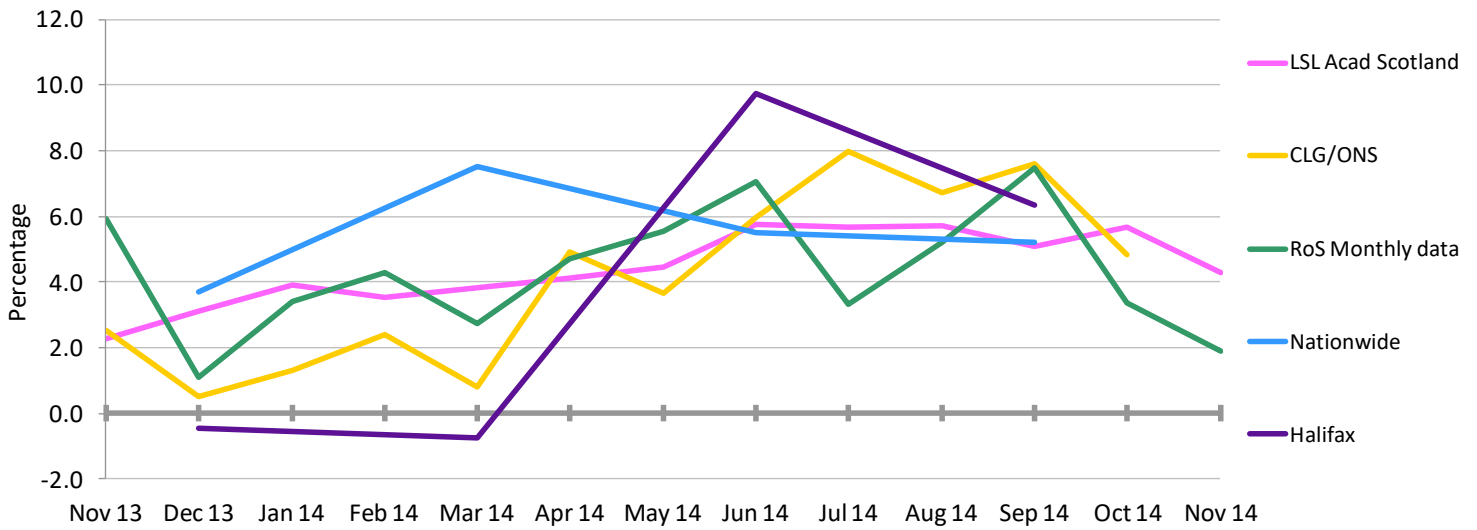


Figure 4. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

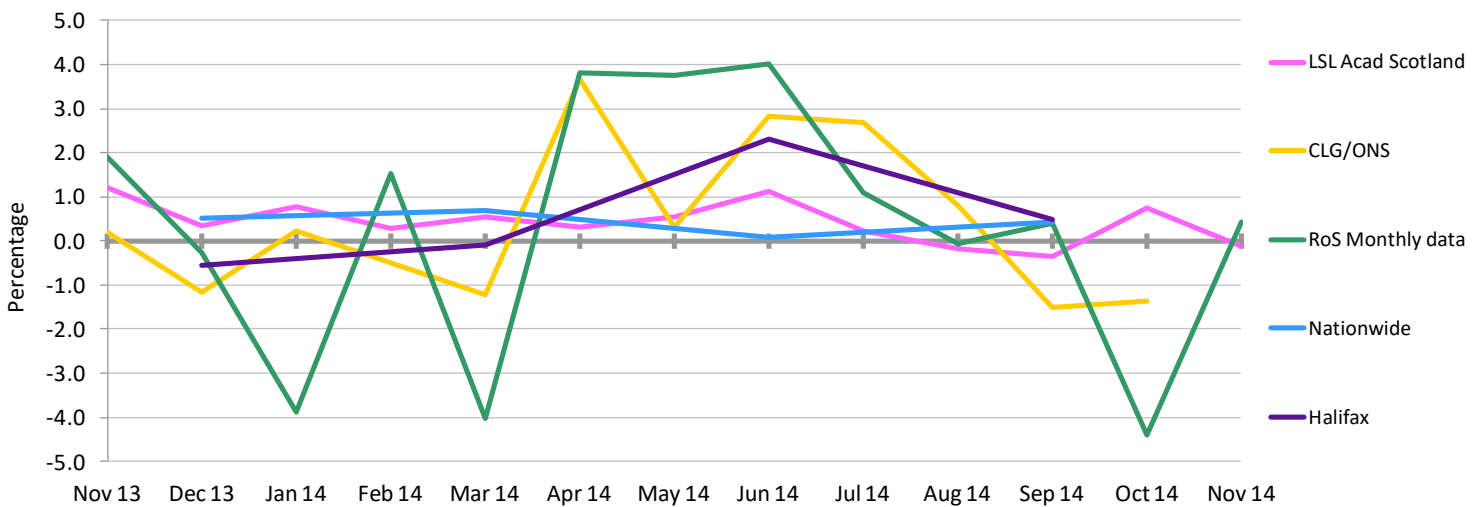


Figure 5. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART [link to source Excel](#)

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

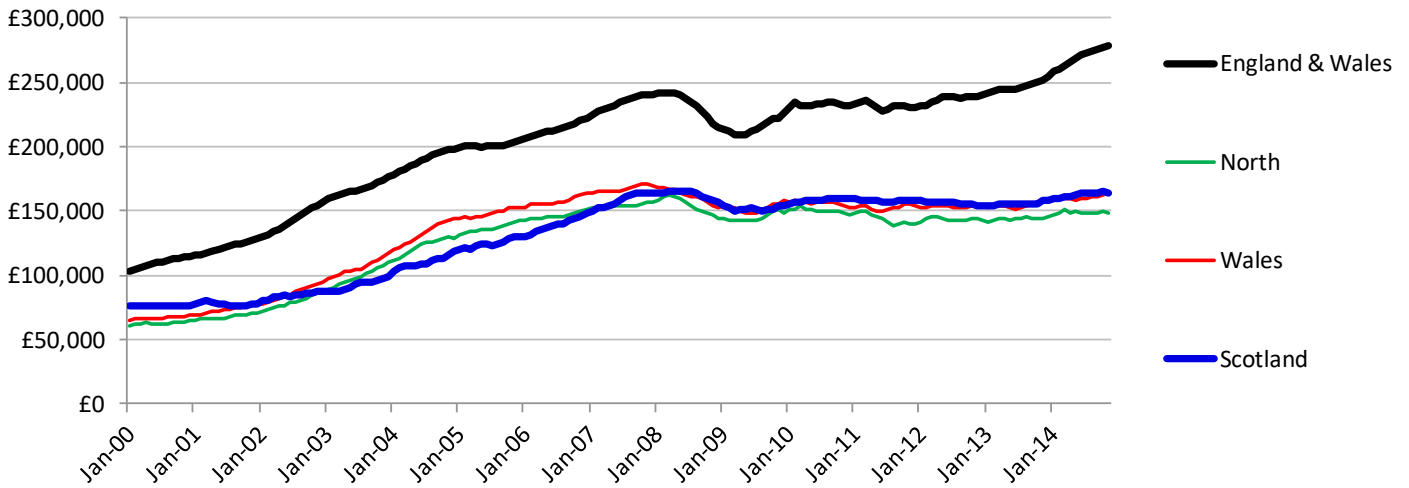


Figure 6. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - November 2014 [link to source Excel](#)

Annual % change in Average House Prices

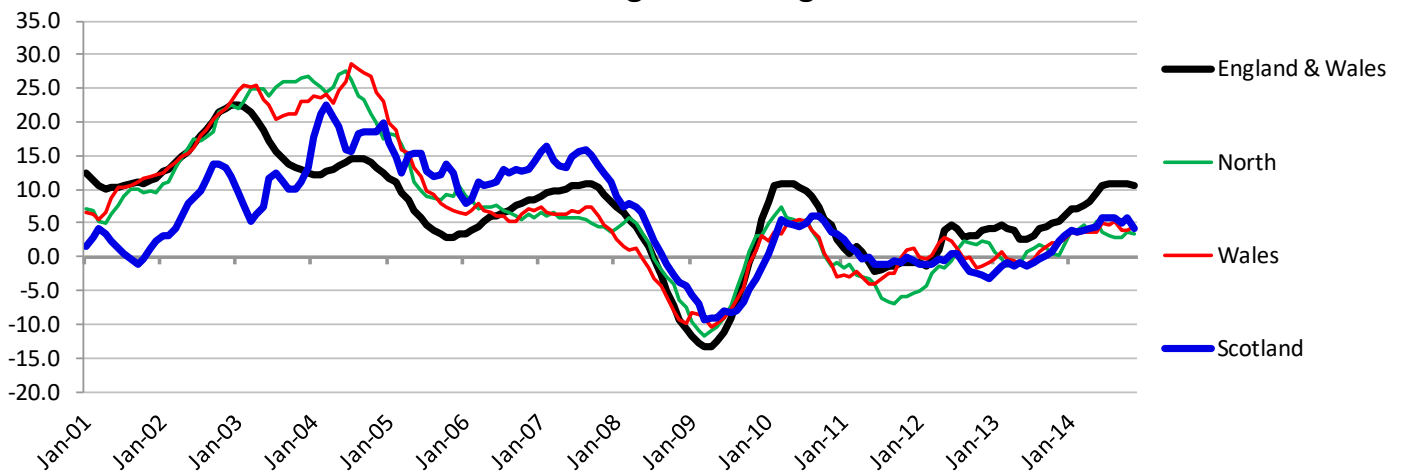


Figure 7. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – November 2014 [link to source Excel](#)

Scotland's seven cities

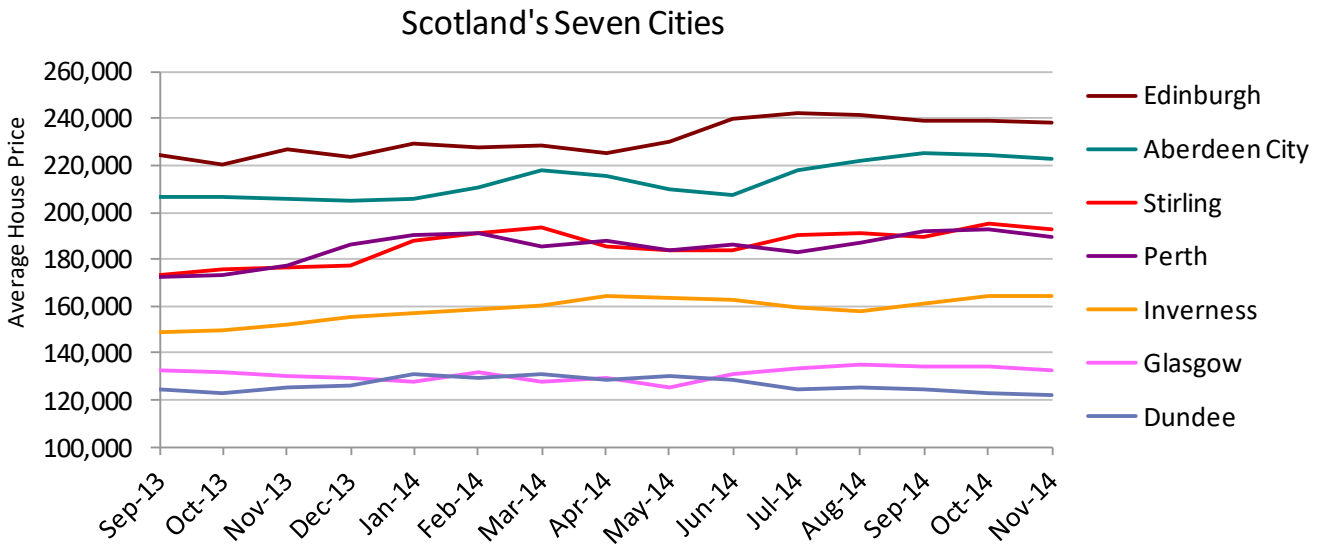


Figure 8. Average house prices for Scotland's seven cities from September 2013 – November 2014 [link to source Excel](#)

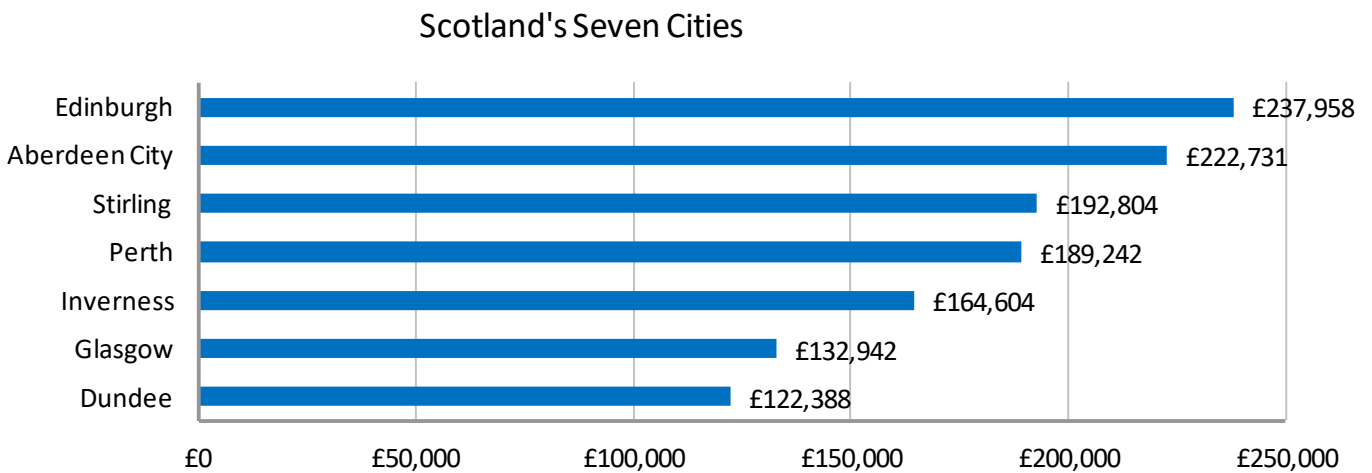


Figure 9. Average house prices for Scotland's seven cities November 2014 [link to source Excel](#)

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.