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July 2018

Battling on: Scotland weathers the change as property cools

- Price growth of 3.9% more than double of England and Wales
- Monthly prices down, but 27 of 32 authorities show annual growth
- Edinburgh and Glasgow support market, accounting for a third of Scotland’s increase on a weight-adjusted basis

House Price	Index	Monthly Change %	Annual Change %
£181,075	237.2	-0.4	3.9

Scotland continues to lead price growth in the UK, with an annual increase of 3.9% in the year to July. That compares with just 2.9% in the West Midlands, which leads growth in England (excluding Greater London). Scotland’s growth is more than double the 1.8% annual growth for England and Wales as a whole.

Nevertheless, the country is not proving entirely immune from the slowdown that has hit the market. On a monthly basis, prices in Scotland fell for a third consecutive month in July, dropping 0.4%. That still leaves the annual growth rate only slightly below the 4.0% it stood at a year ago, however, and the average price of a house in Scotland at £181,075, up £6,879 annually.

Christine Campbell, Your Move managing director in Scotland, said: “The market in Scotland is holding on. While everything is notably slower, almost all areas continue to show annual growth, and drops still remain modest.”

Alan Penman, business development manager for Walker Fraser Steele, one of Scotland’s oldest firms of chartered surveyors and part of the LSL group, said: “We’re seeing annual growth in the big cities in Scotland, and as long as that continues, it provides a solid foundation for the market here to weather more difficult times.”

While price growth has slowed in Scotland, the market continues to be supported by low interest rates and more affordable housing than most regions in the UK. Despite the slowdown, UK Finance data shows mortgages taken out in the second quarter in Scotland are down just 2.6% down on the same period last year. Half of these were first time buyers.

This activity means we still see good price growth in local authorities across the country, with 27 out of 32 recording growth on an annual basis, including the capital. The major cities, which account for the lion’s share of sales in Scotland, have proved resilient. Prices in Edinburgh are up 4.6% annually at £266,614, while growth in Glasgow stands at 4.1% at £159,700. Together the two cities account for 32% of Scotland’s increase in average house prices since July 2017, on a weight-adjusted basis.

Growth is led by the Shetland Islands, at 14.6%, with increases across all property types, but particularly in detached properties. On the mainland, prices in West Dunbartonshire, which has direct trains to both Glasgow and Edinburgh, have increased 12.6%, boosted by sales of high value properties over £300k. West Lothian, another major contributor to the market, meanwhile, has also recorded double digit annual growth, with prices up 12%.

On a monthly basis, increases are led by Stirling, with prices up 3.7% in July to £208,077. It was one of two areas to set a new peak price in the month, with Renfrewshire the other. Prices there increased 1.4% in the month and are up 8.5% annually to reach £156,619.

When it comes to prices falls, the biggest are in East Ayrshire, the second cheapest area in Scotland, which has seen prices drop 3.1% annually, while the second biggest drop is in East Renfrewshire, the second most expensive area in the country. Prices there are down 1.3%, as they are in Aberdeen City, too.

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 July 2017 – July 2018
(The prices are end-month smoothed over a 3 month period)

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
July	2017	£174,196	228.1	-0.1	4.0
August	2017	£174,488	228.5	0.2	4.0
September	2017	£175,107	229.3	0.4	4.2
October	2017	£175,059	229.3	0.0	3.3
November	2017	£175,598	230.0	0.3	3.5
December	2017	£176,983	231.8	0.8	4.4
January	2018	£178,573	233.9	0.9	5.5
February	2018	£181,565	237.8	1.7	7.1
March	2018	£183,082	239.8	0.8	7.6
April	2018	£183,780	240.7	0.4	6.8
May	2018	£183,211	240.0	-0.3	5.5
June	2018	£181,735	238.0	-0.8	4.2
July	2018	£181,075	237.2	-0.4	3.9

Press Contacts:

Melanie Cowell, LSL Property Services
Richard Sumner, Acadata
Sophie Placido, Rostrum Agency

01904 698860
020 8392 9082
020 7440 8678

melanie.cowell@lslps.co.uk
richard.sumner@acadata.co.uk
yourmove@rostrum.agency

John Tindale, senior housing analyst for Acadata, comments:

The July housing market

Scotland’s house price growth has continued to slow this month, with house prices decreasing by £660 (-0.4%) in July. This is the third month in succession in which rates of growth were negative, but July was at a more subdued rate compared to the -0.8% fall seen in June. Some 17 of the 32 local authority areas saw prices fall in July, compared to the 22 in June, indicating a slow-down in the reduction in prices across Scotland’s local authority areas.

Edinburgh has seen its average house price decline by a further -1.6% in July, having fallen by -1.8% in June and -4.0% in May, leaving the average price of a home some -£20,778 lower than in April. In Edinburgh, the average prices of both semi-detached homes and flats fell in July, although these were partly offset by an increase in the value of terraced properties. On a weight-adjusted basis, of the 32 local authority areas Edinburgh saw the largest decline in prices in the month, representing some 34% of the total fall in Scotland’s average price.

However, Edinburgh’s reduction in price has been partly countered by Glasgow, where prices rose by 1.4% in July, following a 0.6% rise in June. Glasgow’s average price now stands at £159,700, just £627 short of its peak, achieved in February of this year. Glasgow’s main gain in prices in July came from an increase in the average price of flats, up from £136k in June to £146k in July. On a weight-adjusted basis, Glasgow had the largest increase in prices in the month, which represented some 29% of the total increase seen by the 15 authorities where values continued to climb.

On an annual basis, prices are still increasing in Scotland, with the average house price in July 2018 standing at £181,075, some £6,879 higher than twelve months earlier. Nevertheless, here again the annual rate of house price growth, at 3.9%, has been slowing for four months in succession, from the high of 7.6% observed in March.

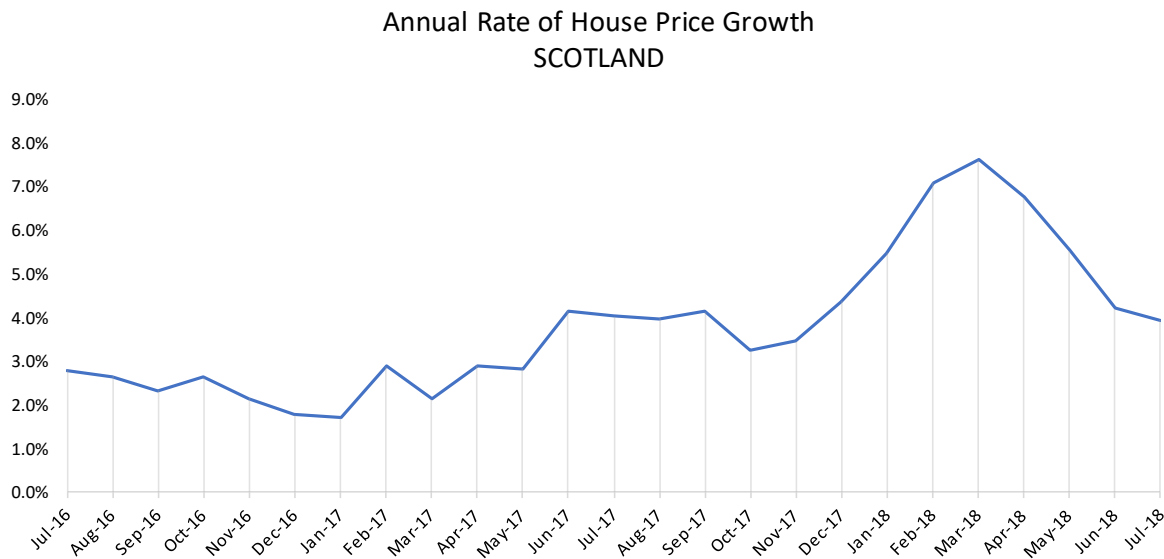


Figure 1, The annual % rate of house growth in Scotland for the two years July 2016 – July 2018 [link to source Excel](#)

Source: Your Move Acadata Scotland HPI

Figure 1 shows a plot of the annual % rates of house price growth in Scotland over the last 24 months. The series has been mix- and seasonally-adjusted. In general terms one can see that prices have been growing at levels between 1.7% (Jan 2017) and 7.6% (Mar 2018), with higher rates being experienced in 2018 compared to 2016 and 2017. There are a number of factors which have resulted in prices climbing at the higher rates in 2018, notably the low interest rates combined with a period of high employment, as well as an increase in earnings making properties more affordable. There has also been a shortage of properties being placed on the market, which has resulted in increased competition for those that are put up for sale. This was one of the major factors in the increase in price growth earlier in the year.

Although the rate of house price growth has declined since March, one can see from the graph that the fall in rates has started to slow, and in July now stands at 3.9%. We would point out that Scotland is still experiencing a higher growth rate compared to England and Wales, although it trails behind Northern Ireland. In July, the annual rates of house price growth were:- England 1.8%; Wales 2.1% and Northern Ireland (Q2 result) 4.4%. The highest regional growth in July in England and Wales was seen in Greater London at 3.6%. (Source: LSL Acadata HPI and NISRA).

House prices in Scotland are continuing to grow at a faster rate compared to its southern counterparts.

Transactions analysis

In April 2018, the latest month for which the official ONS statistics are published, transactions in Scotland totalled 7,371 properties. This was 7% lower than the previous month, against a seasonal average of a 3% decline in sales between March and April, if we exclude data for 2016. On a seasonally-adjusted basis therefore, sales were down by 4% on March 2018. Transactions in April 2018 were also 9% lower than April 2017. Looking at the year to date figures for the first four months in 2018, sales volumes are 10% lower than the same four months in 2017.

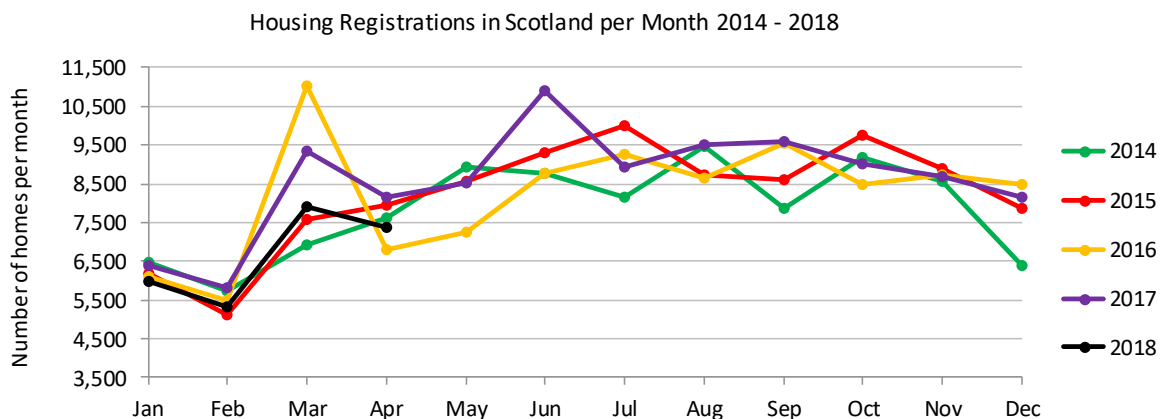


Figure 2. The number of sales per year recorded by Registers of Scotland based on entry date, for the period 2014 - 2018

Source: Registers of Scotland.

[link to source Excel](#)

UK Finance has recently published its analysis of the number of mortgages taken out for the periods Q1 2016 to Q2 2018, to finance the purchase of properties in Scotland's housing market. These are summarised in the following table:

Table 2. The number of loans taken out to purchase homes in Scotland for the period Q1 2016 – Q2 2018

[link to source Excel](#)

Scotland House Purchases via Mortgage

Scotland	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
First Time Buyer	6,200	8,300	8,600	8,500	7,600	9,600	9,400	8,500	6,900	9,300
Home Mover	7,300	8,000	8,400	8,400	6,800	9,400	9,600	8,800	6,600	9,200
Total	13,500	16,300	17,000	16,900	14,400	19,000	19,000	17,300	13,500	18,500

FTB%	46%	51%	51%	50%	53%	51%	49%	49%	51%	50%
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Year on Year

First Time Buyer	19.2%	2.5%	3.6%	6.3%	22.6%	15.7%	9.3%	0.0%	-9.2%	-3.1%
Home Mover	10.6%	-8.0%	-13.4%	-9.7%	-6.8%	17.5%	14.3%	4.8%	-2.9%	-2.1%
Total	14.4%	-3.0%	-5.6%	-2.3%	6.7%	16.6%	11.8%	2.4%	-6.3%	-2.6%

Source: UK Finance

The data show that 18,500 loans were taken out during Q2 2018 to purchase properties in Scotland, of which 9,300 were for First Time Buyers and 9,200 for Home Movers. Overall, this total was 2.6% less than Q2 2017, with First Time Buyers down 3.1% and Home Movers down by 2.1% over the period. However, these falls in Q2 2018 compared to Q2 2017 are less severe than those seen in Q1 2018, when sales volumes fell by 6.3% overall, and by 9.2% for First Time Buyers.

Throughout 2016 and 2017 First Time Buyers registered an increase in the number of home purchases, and it is only in 2018 that a fall-off in the number of such transactions has been observed. It is apparent that First Time Buyers are an important sector of Scotland's housing market, representing approximately half of all property purchases financed by a loan.

UK Finance advises that the average loan size for a First Time Buyer in Q2 2018 was £108,000, having a LTV (Loan to Value) ratio of 85.9%. This indicates that the average price for a First Time Buyer in Q2 2018 was £125,700.

When considering the UK Finance statistics it needs to be remembered that Cash Sales, which are not included in the UK Finance data, represent some 32% of Scotland's overall housing market.

Table 3. Average House Prices in Scotland, by local authority area, comparing July 2017 and June 2018 with July 2018

[link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	LOCAL AUTHORITY AREA	Jul-17	Jun-18	Jul-18	% Monthly Change	% Annual Change
1	1	City of Edinburgh	254,937	270,912	266,614	-1.6%	4.6%
2	2	East Renfrewshire	253,899	263,439	250,712	-4.8%	-1.3%
3	3	East Dunbartonshire	232,914	247,607	248,198	0.2%	6.6%
4	4	East Lothian	225,954	229,986	240,442	4.5%	6.4%
8	5	Midlothian	200,164	218,754	215,012	-1.7%	7.4%
5	6	Aberdeenshire	212,659	216,681	214,261	-1.1%	0.8%
6	7	Stirling	203,967	200,647	208,077	3.7%	2.0%
7	8	Aberdeen City	203,047	202,222	200,478	-0.9%	-1.3%
9	9	Perth and Kinross	195,323	191,089	194,265	1.7%	-0.5%
10	10	Scottish Borders	180,025	186,602	187,652	0.6%	4.2%
15	11	Shetland Islands	158,040	190,749	181,169	-5.0%	14.6%
11	12	Highland	173,208	181,023	179,257	-1.0%	3.5%
14	13	West Lothian	158,263	177,578	177,221	-0.2%	12.0%
13	14	Moray	161,781	165,342	163,971	-0.8%	1.4%
17	15	South Ayrshire	153,977	163,154	163,604	0.3%	6.3%
12	16	Angus	163,576	163,317	163,455	0.1%	-0.1%
16	17	Argyll and Bute	155,764	166,758	163,450	-2.0%	4.9%
19	18	Fife	152,354	160,251	160,344	0.1%	5.2%
18	19	Glasgow City	153,386	157,475	159,700	1.4%	4.1%
22	20	Renfrewshire	144,294	154,456	156,619	1.4%	8.5%
21	21	Orkney Islands	144,942	152,733	154,094	0.9%	6.3%
20	22	South Lanarkshire	147,553	151,433	150,259	-0.8%	1.8%
25	23	Falkirk	135,377	147,329	143,335	-2.7%	5.9%
23	24	Clackmannanshire	142,193	140,962	142,434	1.0%	0.2%
24	25	Dundee City	135,903	142,859	141,339	-1.1%	4.0%
26	26	Dumfries and Galloway	134,812	141,167	140,244	-0.7%	4.0%
27	27	North Lanarkshire	126,622	136,645	135,615	-0.8%	7.1%
28	28	Inverclyde	124,168	134,490	134,050	-0.3%	8.0%
29	29	North Ayrshire	124,132	127,094	127,843	0.6%	3.0%
31	30	West Dunbartonshire	106,335	116,440	119,773	2.9%	12.6%
30	31	East Ayrshire	121,583	121,003	117,858	-2.6%	-3.1%
32	32	Na h-Eileanan Siar	106,271	105,197	108,370	3.0%	2.0%
		All Scotland	174,196	181,735	181,075	-0.4%	3.9%

Table 3 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for July 2017, as well as for June and July 2018, calculated on a seasonal- and mix-adjusted basis.

Monthly change

In July, house prices in Scotland have fallen by £660, or -0.4%. Although the rate remains negative for the third month in succession, indicating that average house prices have been falling over this period, the rate of decline has slowed compared to June's -0.8%. In June, 22 of Scotland's 32 local authority areas had seen prices fall in the month, whereas in July that number had moderated to 17 authorities where prices fell.

The largest fall in the month on the mainland was in East Renfrewshire, where prices declined by -4.8%. In June there had been four detached properties sold in East Renfrewshire priced above £500k, but only one such property was sold in July, hence the price reduction over the month.

On a weight-adjusted basis, Edinburgh accounted for 34% of the fall in prices in Scotland in the month, followed by East Renfrewshire accounting for 14%, then Falkirk and Aberdeenshire both accounting for 7% of the total.

At the other end of the scale, the largest rise in prices on the Mainland was seen in East Lothian at 4.5%. In East Lothian there were 4 sales in July in excess of £750k, including two in Aberlady, Longniddry, overlooking the Firth of Forth. Longniddry has a railway station on the North Berwick line and is a 20-minute commute into Edinburgh.

Notes

NOTES

1. Your Move Acadata 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 Acadata Scotland HPI is not forecast, unlike the LSL Acadata 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 Acadata Scotland HPI, like the LSL Acadata E&W HPI, comprises a smoothed average of three months' prices, the Your Move Acadata 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 Acadata E&W HPI. Since we provide only a national England & Wales average price in our current month LSL Acadata E&W HPI and prices at region and lower levels are lagged one month, this procedure means that the Your Move Acadata Scotland HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales and the regions. All Your Move Acadata Scotland HPI results are subject to change following receipt of updated data from Registers of Scotland.
4. The Acadata website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information.
5. Your Move Acadata Scotland HPI may not be used for commercial purposes without written permission from Acadata. 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 or for collateral valuation concerning which enquiries should be directed to MIAC Acadametrics.
6. Acadata is an independent privately owned consultancy specialising in house price data. Our 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

Comparison of indices

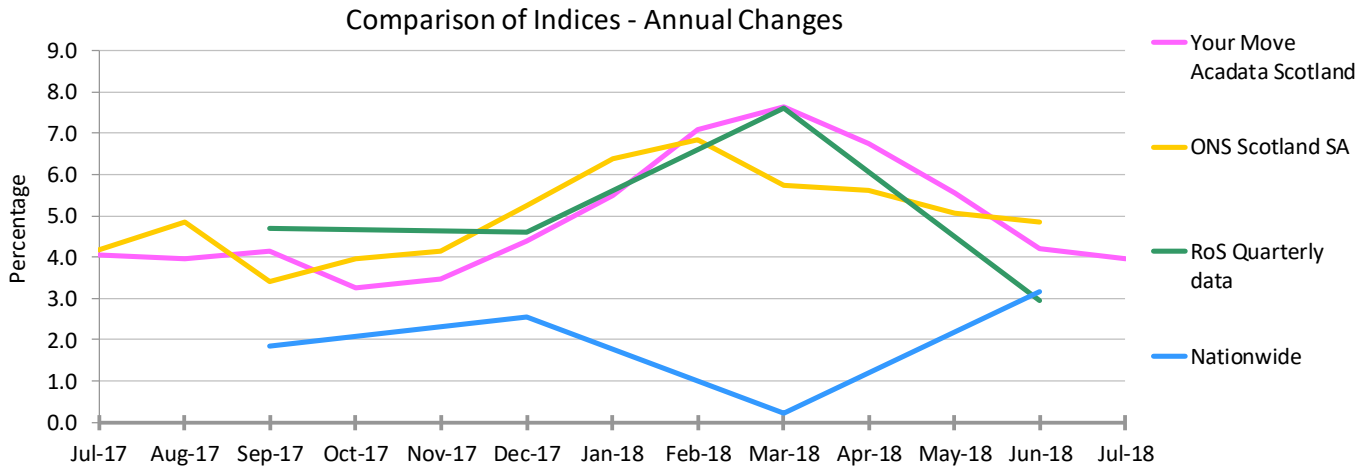


Figure 3. Annual change in house prices [link to source Excel](#)

The charts on this page show the main indices provided for Scotland. 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. The Your Move Acadata index is based on an arithmetic mean, whereas the ONS Index is based on a geometric mean.

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.

Acadata has published a briefing note on the "ONS UK House Price Index" which includes a discussion of the main differences between using an arithmetic mean (Your Move Acadata and RoS Quarterly) and a geometric mean (ONS Scotland). This briefing paper can be viewed or downloaded by clicking [here](#).

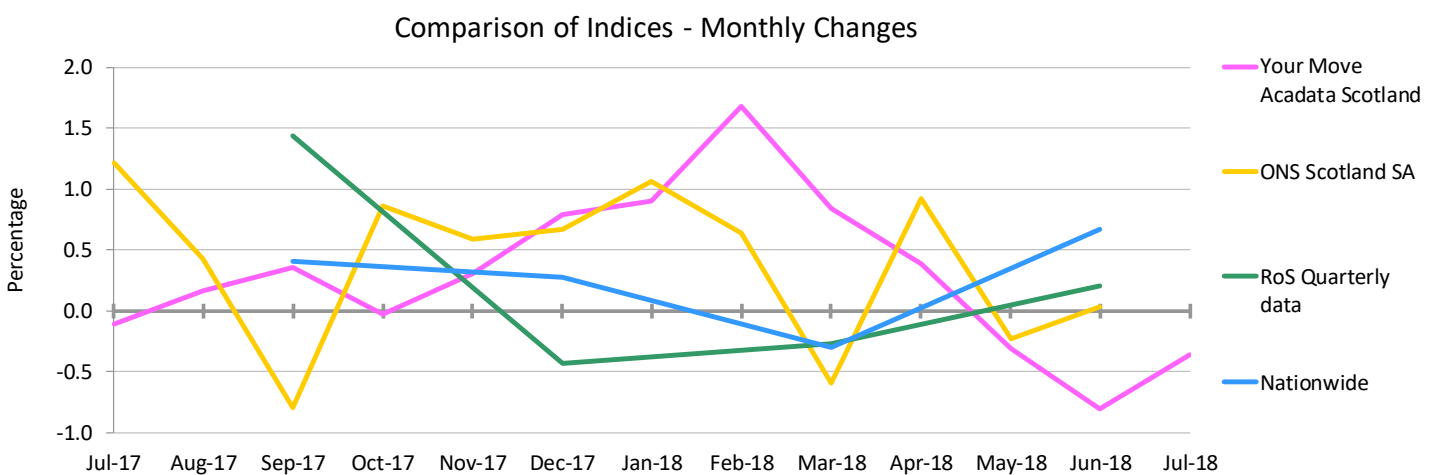


Figure 4. Monthly change in house prices [link to source Excel](#)

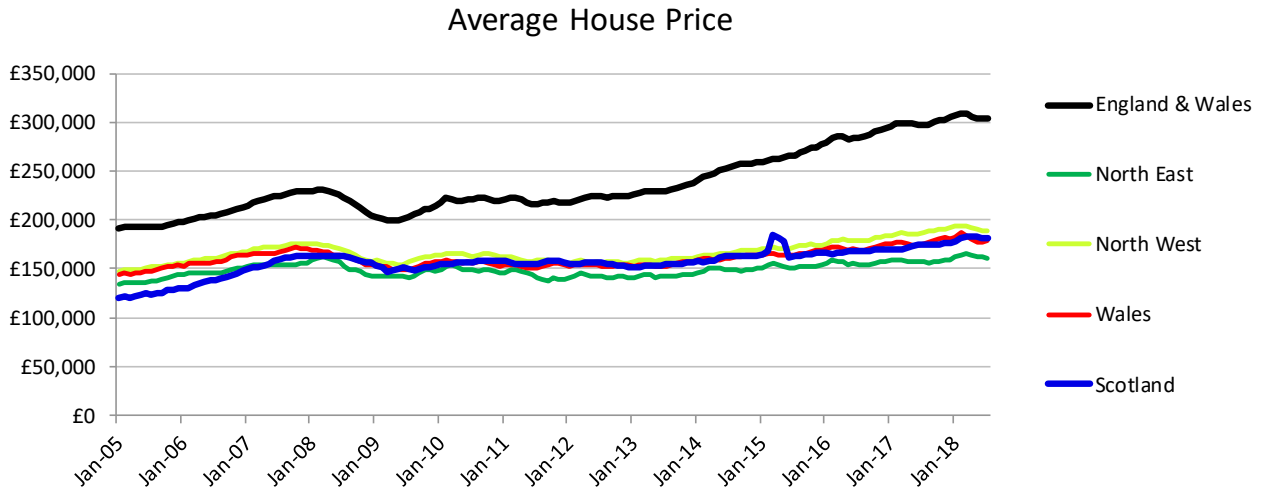


Figure 5. Scotland house prices, compared with England & Wales, Wales, North East and North West for the period January 2005-July 2018 [link to source Excel](#)

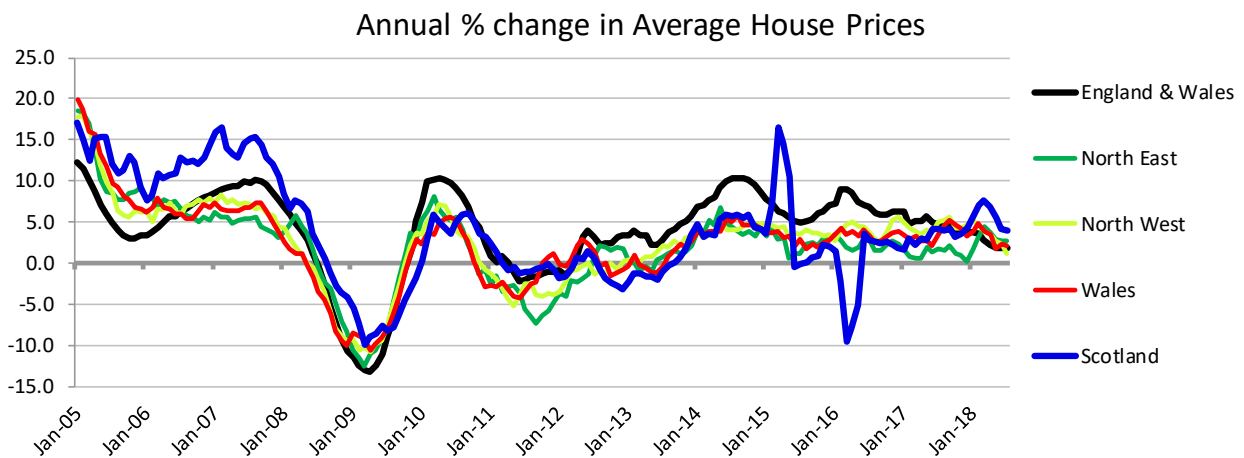


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales, North East and North West for the period January 2005-July 2018 [link to source Excel](#)

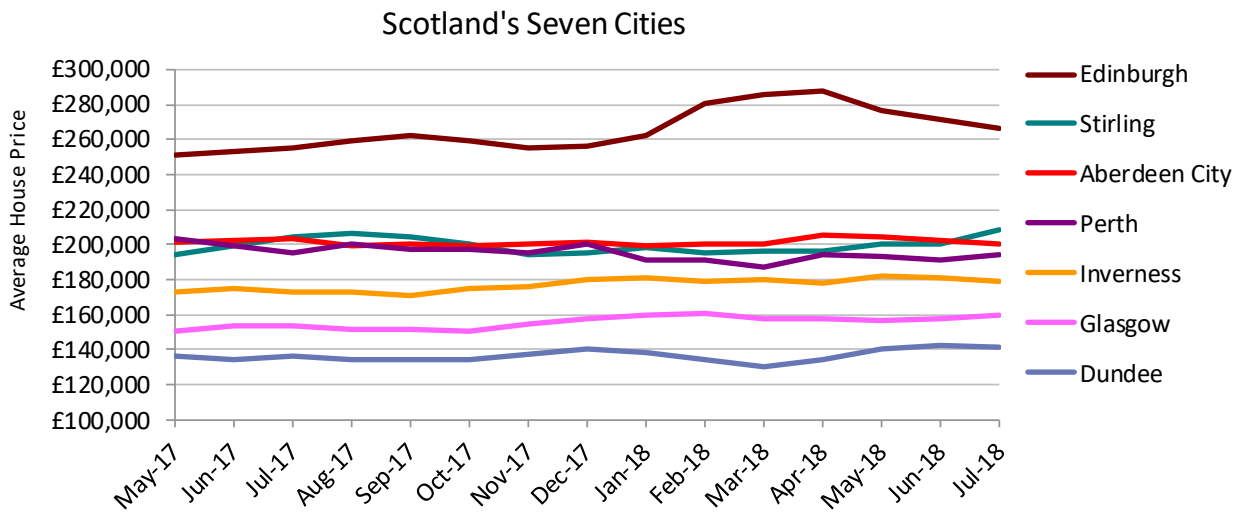


Figure 7. Average house prices for Scotland's seven cities from May 2017–July 2018

[link to source Excel](#)

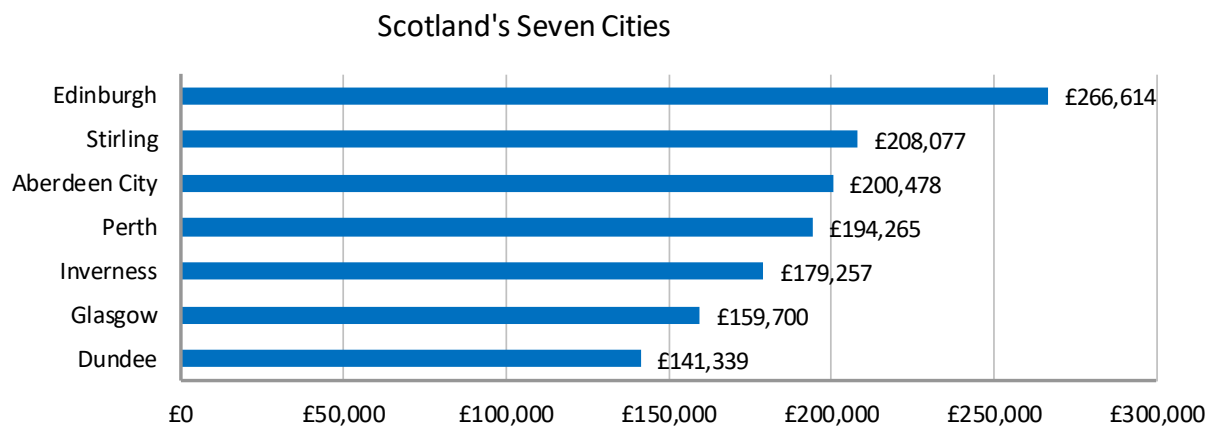


Figure 8. Average house prices for Scotland's seven cities July 2018

[link to source Excel](#)

1. Your Move Acadata 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 Acadata 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; an asking price or an offer price series is not the same as a price series, such as Your Move Acadata Scotland HPI or ONS UK HPI; these can be prepared only when the prices at which properties have been transacted have been recorded at RoS (Your Move Acadata Scotland HPI) or when firm prices at mortgage completion have been made available by lenders (ONS HPI); asking or offer valuation series can be prepared whenever the data 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.

3. Whilst the Your Move Acadata Scotland HPI, like the LSL Acadata E&W HPI, comprises a smoothed average of three months' prices, the Your Move Acadata 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 Acadata E&W HPI. Please note that:

- we provide only a current month average price for England & Wales as a whole in our LSL Acadata E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 98% of the transactions 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 Acadata 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 Acadata E&W HPI. 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 Acadata E&W HPI provides prices from January 2005. 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 Acadata 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 Acadata E&W and, by Eurostat, in preparing seasonal data.

5. Note that Your Move Acadata Scotland HPI is unable to identify different prices according to e.g. numbers of bedrooms; the lender hedonic indices and the ONS UK HPI do so. RoS data, and hence Your Move Acadata 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 Acadata 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 Acadata 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 Acadata 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 Acadata Scotland HPI, together with historic data, can be purchased from Acadata.

8. LSL Acadata E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acadata E&W HPI was published, it was prepared by Acadametrics as was the Your Move Acadata 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.