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March 2018

### Ever faster: Prices now growing 7.7% annually in Scotland

- Scottish house price increases leave England, Wales and Northern Ireland standing
- Affordability still the main driver of growth
- Edinburgh powers growth with 14.5% average annual increase
- 26 of 32 local authorities see prices rise on annual basis

House Price	Index	Monthly Change %	Annual Change %
£184,850	242.1	1.2	7.7

Scottish annual house price growth has accelerated again, increasing by 7.7% in March. That compares to just 1.0% in England and Wales as a whole for the same month. Wales, bolstered by high value sales as buyers rush to beat the new Land Transaction Tax in April, also still trails well behind, with annual growth of 4.8%.

Moreover, while prices fell between February and March in England and Wales, they continued growing in Scotland, up 1.2%. That puts the average price at £184,850, up more than £13,000 in the last 12 months from £171,614 last March.

**Christine Campbell, Your Move managing director in Scotland, said:** “The Scottish market goes from strength to strength, with Edinburgh driving growth, but excellent performance found across the country. With property in Scotland still very affordable, it is possible this will continue, too.”

**Alan Penman, business development manager for Walker Fraser Steele, one of Scotland’s oldest firms of chartered surveyors and part of the LSL group of companies, said:** “We should welcome the growth we’re seeing in property prices in Scotland because it reflects a strong economy. We shouldn’t be blind to the fact that price increases reflect not just strong demand, but also a pronounced lack of supply in housing, however.”

The contrast in fortunes of the Scottish and English housing markets finds its starkest expression in the respective capitals. While average prices in London are down 2.5% in the 12 months to the end of March, they are up 14.5% in Edinburgh and continue strong. Edinburgh accounted for 45% of the £2,147 increase in Scotland’s average house price in March, on a weight-adjusted basis.

In part, the strong performance in Edinburgh is down to strong sales of high value properties. The number of transactions for £750,000 or over in the city in the first three months of the year – at 62 – is more than double last year (24). But this is hardly a complete explanation for the strength of the Scottish market, which is broad-based. Overall, 26 out of 32 local authorities in the country recorded growth in the last year with 10 setting new peak average prices in March.

They include several that, like Edinburgh, show double digit growth for the last year: Falkirk, which leads the way with annual price growth of 15.4%, bolstered by rising prices of detached properties and new builds sold off plan; East Renfrewshire, the most expensive area outside Edinburgh and with prices growing almost as fast, up 13.4% annually; Midlothian (10.4%) and the Scottish Borders (12.0%), which also have above average prices; but also West Lothian (12.4%) and Fife (11.6%), where prices are below the average for Scotland as a whole. Glasgow City (up 10.5%), Dumfries and Galloway (10.6%) and Renfrewshire (10.5%) are also all still recording strong annual growth.

Rather, the strength in the market is a combination of factors that include low interest rates and strong competition among mortgage providers; high employment rates and average weekly earnings that are the third highest of the 12 regions in the UK; and, crucially, average house prices that are still the second-lowest in the UK. Consequently, the affordability of housing in Scotland, measured by the median house price divided by median average weekly earnings, is the lowest in the UK. That should mean there’s scope for continued house price growth.

# House price index: historical data

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

**Table 1. Average House Prices in Scotland for the period March 2017 – March 2018**  
(The prices are end-month smoothed over a 3 month period)

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
March	2017	£171,614	224.8	0.6	2.1
April	2017	£174,095	228.0	1.4	3.1
May	2017	£174,962	229.1	0.5	3.0
June	2017	£175,286	229.6	0.2	4.2
July	2017	£174,885	229.0	-0.2	4.1
August	2017	£175,100	229.3	0.1	4.0
September	2017	£175,696	230.1	0.3	4.2
October	2017	£175,221	229.5	-0.3	3.3
November	2017	£175,573	229.9	0.2	3.4
December	2017	£176,793	231.5	0.7	4.3
January	2018	£178,702	234.0	1.1	5.4
February	2018	£182,703	239.3	2.2	7.1
March	2018	£184,850	242.1	1.2	7.7

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

**The March housing market**

House prices in Scotland rose by 1.2% in March, down from the exceptional 2.2% in February, but still the third-highest rise in any single month of the last twelve. On a weight-adjusted basis, which takes into account both the increase in prices and the number of transactions involved, Edinburgh accounted for 45% of the £2,147 increase in Scotland’s March 2018 average house price. The second-largest contributor to the increase in Scotland’s average price in the month was East Lothian, where prices rose by 3.8%. Edinburgh and East Lothian combined accounted for 52% of the price increase seen in Scotland in the month, suggesting that the main focus of price growth in March was around the capital.

Over the last 12 months, the average house price in Scotland has increased by £13,236, or 7.7%, and now stands at £184,850. This is the highest annual rate since March 2008, if one ignores the period around the introduction of LBTT. Not only is Scotland currently seeing the highest growth rate in its house prices for ten years, but it also tops the league in terms of house price growth in the United Kingdom. Average house prices are currently climbing at an annual rate of 0.9% in England, 4.8% in Wales and 4.3% in Northern Ireland (Source: LSL Acadata HPI and NISRA.Gov.UK).

**Average House Prices in Scotland  
March 2008 - March 2018**



Figure 1. Average House Prices in Scotland March 2008 – March 2018, calculated on a mix and seasonally adjusted basis. [link to source Excel](#)

Figure 1 above shows the movement in house prices in Scotland over the last ten years. The ‘exceptional’ peak in prices in March 2015 relates to the period immediately prior to the introduction of LBTT in April 2015, when purchasers sought to avoid paying additional stamp duty on high-value properties. Following the introduction of LBTT, one can see that Scotland’s house prices have been increasing at a relatively steady rate until December 2017, with a subsequent acceleration and then reaching 2.2% on a monthly basis in February 2018.

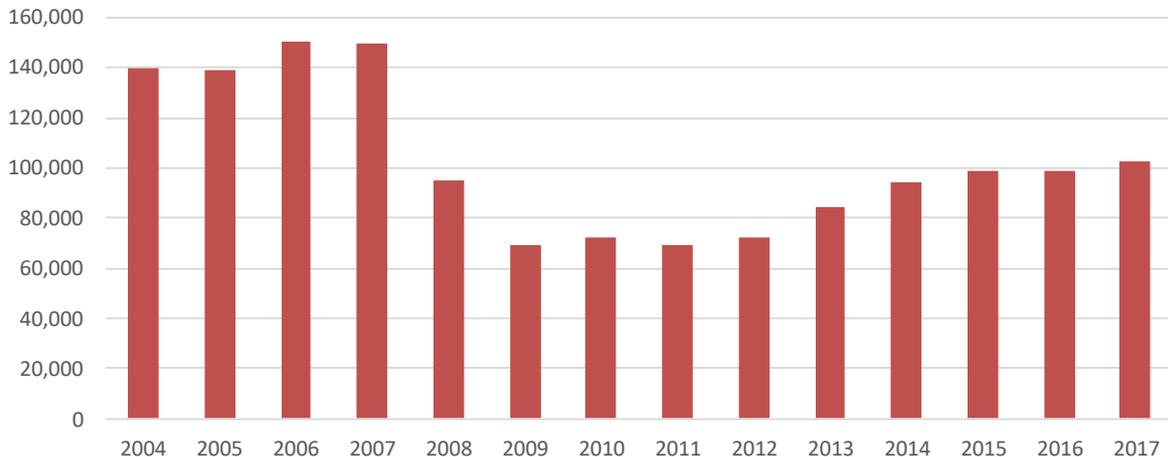
As mentioned above, Scotland’s annual rate of house price inflation, at 7.7%, is currently topping all other countries and regions in the UK. So why are house prices rising in Scotland? The answer lies in many parts:- the bank base rate, currently at 0.5%, is only marginally higher than its all-time low, with competition among mortgage providers resulting in historically low interest costs; the employment rate in Scotland for the period Jan – Mar 2018 is an estimated 74.7% (Source: ONS), this is up +0.2% on the quarter, +0.7% on the year and +1.5% over two years – the employment rate is one of the key metrics in demand for housing; GDP for Scotland in Q4 2017 (latest available) was up 0.7% on the previous year, with the services sector being up by 1.4% on the previous year; Scotland’s Average Weekly Earnings are the third highest of the 12 GOR areas/countries in the UK, but the average house price is second-lowest in the UK – hence the ‘affordability ratio’ (that is the median house price divided by the median average weekly earnings) is the lowest in the UK.

Most of the above mentioned factors relate to housing demand - however, on the supply side we find that matters are not so positive, with a majority of estate agents continuing to report a lack of properties being put on the market for sale. As a consequence, there is frequent competition for those properties that are put up for sale, with prices thereby tending to rise.

Of the £13,236 increase in the average house price in Scotland over the last twelve months, Edinburgh accounts for 34% of this rise, Glasgow for 13% and Fife for 9%. These three council areas consequently account for over half of the increase in average house prices, on a weight-adjusted basis, over the last twelve months. As mentioned last month, a recent Royal Mail survey concluded that “Edinburgh is the UK’s most attractive city to live and work in”. As we show on the next page, the high level of LBTT payable on properties priced in excess of £750k no longer appears to be a strong deterrent to potential purchasers in the Edinburgh area, with the sale of such properties very much on the increase.

## Transactions analysis

Transactions per annum - Scotland



**Figure 2. The number of sales per year recorded by Registers of Scotland based on entry date, for the period 2004 - 2017**

Source: Registers of Scotland.

[link to source Excel](#)

In December 2017, the latest month for which the official ONS statistics are published, transactions in Scotland totalled 8,052 properties. This total was 7% down on November 2017, against a seasonal norm of an 11% decrease in sales.

Sales volumes for the year 2017, at 102,594, are at the highest level of the last ten years, and are 4% ahead of 2016. They are however 32% below the levels seen in both 2007 and 2006. Many commentators talk about the ‘missing sales’ when referring to the current housing market in comparison to the market prior to the credit crisis of 2008/2009, noting that sales are typically 40,000 lower in the years 2008 - 2017 than they had been previously. Some of the reasons given for this decline in sales are the stricter rules now applied by the lending institutions to mortgage applicants, the higher rates of stamp duty which came into being in 2015 and 2016, and increased longevity among the population, which has slowed down the rate at which properties come to the market.

### Edinburgh – high value sales

For the first three months of 2018, Edinburgh has made most of the running in Scotland in terms of monthly price rises. Looking at the weighted change in prices in Scotland on a monthly basis for January, February and March 2018, Edinburgh has accounted for +53%, +58% and +45% of the total uplift in prices over this period. By way of contrast, Glasgow has accounted for +7%, +4% and -8% over the same three months. We therefore believe that it would be useful to look at the number of high-value sales that took place in Edinburgh over this period, placing these into an historic context.

**Table 2. The number of housing transactions by month equalling or exceeding £750k, in the City of Edinburgh, for the period Jan 2014 – Mar 2018**

EDINBURGH - Number of properties sold for £750k or higher [link to source Excel](#)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	17	14	15	15	27	25	19	21	27	22	25	15	242
2016	11	12	25	20	12	28	19	25	27	31	15	13	238
2017	6	6	12	15	16	20	35	43	25	22	22	21	243
2018	16	33	13										62

Note: The year 2015 has been deliberately left out of the above analysis due to the distortion that arose at the time of the introduction of LBTT in April 2015. For the record, the number of sales in March 2015 on the above basis was 119, followed by zero sales in April 2015 and only 5 in May 2015.

Looking at the three months January – March in Table 2 above, we can discern that 2018 has the highest number of £750k+ sales of the four years analysed; 2018 – 62, 2017 – 24, 2016 – 48 and 2014 – 46. Clearly, 2018 is showing a significant increase

over the previous three years, with the count for March 2018 likely to be higher than that currently recorded, as further data emerge from the Registers of Scotland. It will be interesting to see if this positivity in the upper echelons of the Edinburgh market is going to have a ripple effect outward to the remainder of Scotland's housing sector over the next few months.

Table 3. Average House Prices in Scotland, by local authority area, comparing March 2017 and February 2018 with March 2018 [link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	LOCAL AUTHORITY AREA	Mar-17	Feb-18	Mar-18	% Monthly Change	% Annual Change
1	1	City of Edinburgh	251,588	280,178	288,039	2.8%	14.5%
3	2	East Renfrewshire	240,483	267,667	272,623	1.9%	13.4%
2	3	East Dunbartonshire	242,009	258,830	254,356	-1.7%	5.1%
5	4	East Lothian	207,257	224,895	233,373	3.8%	12.6%
4	5	Aberdeenshire	213,588	218,147	220,582	1.1%	3.3%
7	6	Midlothian	198,585	211,261	219,233	3.8%	10.4%
6	7	Aberdeen City	201,022	199,898	202,794	1.4%	0.9%
10	8	Scottish Borders	175,309	194,604	196,308	0.9%	12.0%
8	9	Stirling	196,571	197,100	195,252	-0.9%	-0.7%
9	10	Perth and Kinross	194,777	191,800	186,820	-2.6%	-4.1%
11	11	Highland	174,158	181,276	182,618	0.7%	4.9%
14	12	Argyll and Bute	159,308	164,174	172,927	5.3%	8.5%
16	13	West Lothian	152,122	167,473	170,942	2.1%	12.4%
18	14	Fife	149,385	166,446	166,659	0.1%	11.6%
13	15	Angus	160,192	163,666	164,106	0.3%	2.4%
19	16	Shetland Islands	148,612	163,012	163,118	0.1%	9.8%
12	17	Moray	160,823	166,155	162,868	-2.0%	1.3%
15	18	South Ayrshire	154,776	153,199	159,265	4.0%	2.9%
21	19	Glasgow City	143,424	159,838	158,430	-0.9%	10.5%
22	20	Clackmannanshire	143,253	141,118	155,906	10.5%	8.8%
26	21	Falkirk	133,167	150,709	153,667	2.0%	15.4%
17	22	South Lanarkshire	150,976	151,409	151,186	-0.1%	0.1%
24	23	Dumfries and Galloway	135,930	144,210	150,348	4.3%	10.6%
25	24	Renfrewshire	133,904	148,157	147,942	-0.1%	10.5%
20	25	Orkney Islands	144,020	142,447	139,879	-1.8%	-2.9%
28	26	North Lanarkshire	123,038	131,096	133,589	1.9%	8.6%
23	27	Dundee City	136,802	135,552	131,826	-2.7%	-3.6%
27	28	Inverclyde	125,583	121,621	125,050	2.8%	-0.4%
30	29	North Ayrshire	114,255	116,726	121,133	3.8%	6.0%
31	30	West Dunbartonshire	109,015	117,321	117,550	0.2%	7.8%
29	31	East Ayrshire	115,886	114,579	115,525	0.8%	-0.3%
32	32	Na h-Eileanan Siar	108,352	114,754	114,515	-0.2%	5.7%
		All Scotland	171,614	182,703	184,850	1.2%	7.7%

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

### Monthly change

On a monthly basis, house prices have increased by 1.2% in March, down from the 2.2% increase that occurred in February. This is the third highest monthly increase of the last 24 months, with February's rate being the highest. Looking at the change in prices in March 2018 at local authority level, 22 of the 32 areas saw prices rise in the month, compared with 21 in February. The highest growth in the month took place in Clackmannanshire, at 10.5%, followed by Argyll and Bute at 5.3%. As we frequently advise, Clackmannanshire has the lowest number of property sales of all mainland local authority areas in Scotland - for example in March 2018 there were just 33 registered transactions - which results in considerable volatility in the calculated average house price for the area, especially when the change is expressed in percentage terms. In Argyll and Bute, where there were 90 transactions in the month, it is detached homes that have seen an average rise of £13k in their price between February and March, which has resulted in the average price of homes in the area increasing by 5.3% in the month.

At the other end of the scale, the largest fall in prices was in Dundee City, down by -2.7% in the month. The highest priced property sold in Dundee in March was a detached home for £300k, whereas earlier in the year there had been at least eight properties sold in the Broughty Ferry area, an affluent suburb of Dundee, for prices in excess of £300k. The highest of these reached £500k, hence the reduction in prices in the month.

### Annual change

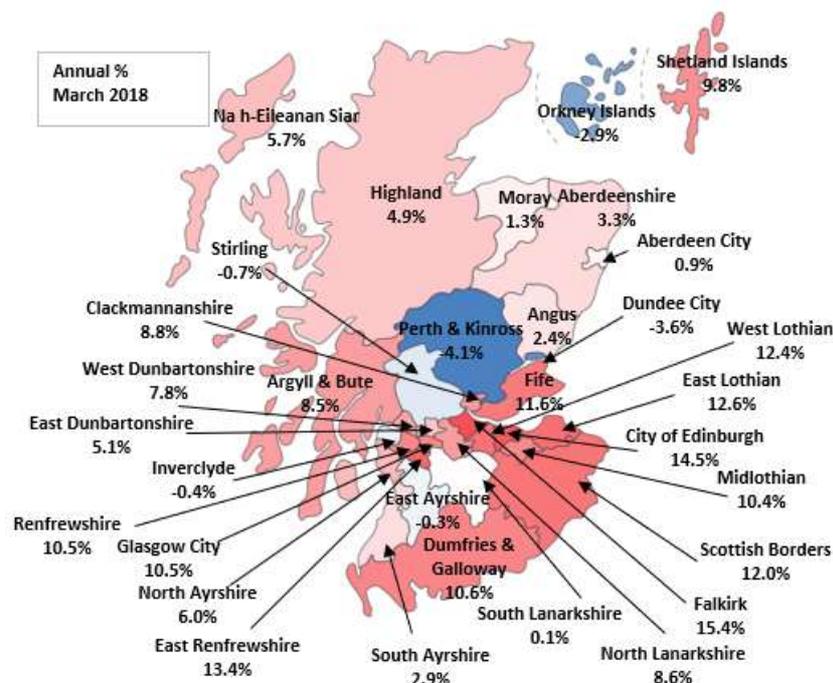
The average house price in Scotland at the end of March 2018 was £184,850, an increase of £13,236, or 7.7%, over the year. This is the highest annual increase since March 2008, at the end of the last housing boom, if one ignores the period around the introduction of the LBTT in April 2015.

The highest annual increase in prices on the mainland by local authority area occurred in Falkirk (+15.4%), where average prices have increased by £20,500. Over the year, the average price of detached properties in Falkirk has risen by £45k, from an average £215k in March 2017 to £260k in March 2018. During Q1 2018, there have additionally been a number of new-build properties being sold off-plan in the Larbert area of Falkirk, again raising the average price of homes in the area.

### Heat Map

The heat map below, which shows the annual rate of house price growth for the year ending March 2018, is mostly pink or red, which is indicative of the fact that 26 of the 32 local authority areas in Scotland are experiencing increases in their average house prices. The deeper shades of red, indicating price rises of around 10% or higher, are mostly located across Scotland's central belt and to the south, with the notable exception of the Shetland Islands to the north, at 9.8%.

There are six local authority areas (last month four) that have seen average house prices fall over the year, coloured in blue and off-white on our heat map - they are Perth and Kinross (-4.1%), Dundee City (-3.6%), the Orkney Islands (-2.9%), Stirling (-0.7%), Inverclyde (-0.4%) and East Ayrshire (-0.3%). Each of these areas has a 'particular' reason for negative movements in their prices – often connected with a higher than normal price being achieved in the previous year, not being repeated in the current year.



## Peak Prices

Each month, in Table 3 above, we highlight the local authority areas that have reached a new peak in their average house prices. This month there are ten such authorities (last month ten), showing the extent of the revival in prices currently being experienced across most of Scotland. For the record, the ten areas with peak prices in March are, in descending order of average price values: East Renfrewshire, Midlothian, new entrant this month the Scottish Borders, the Highlands, Argyll and Bute, second new entrant West Lothian, Fife, Angus, Falkirk and North Lanarkshire.

# 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

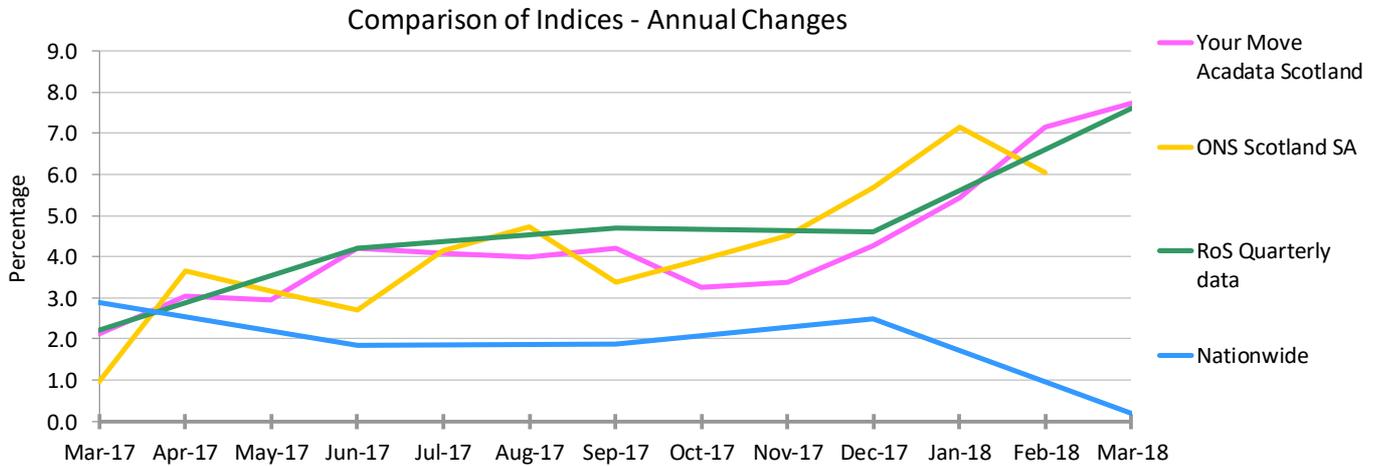


Figure 3. Annual change in house prices

[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](#).

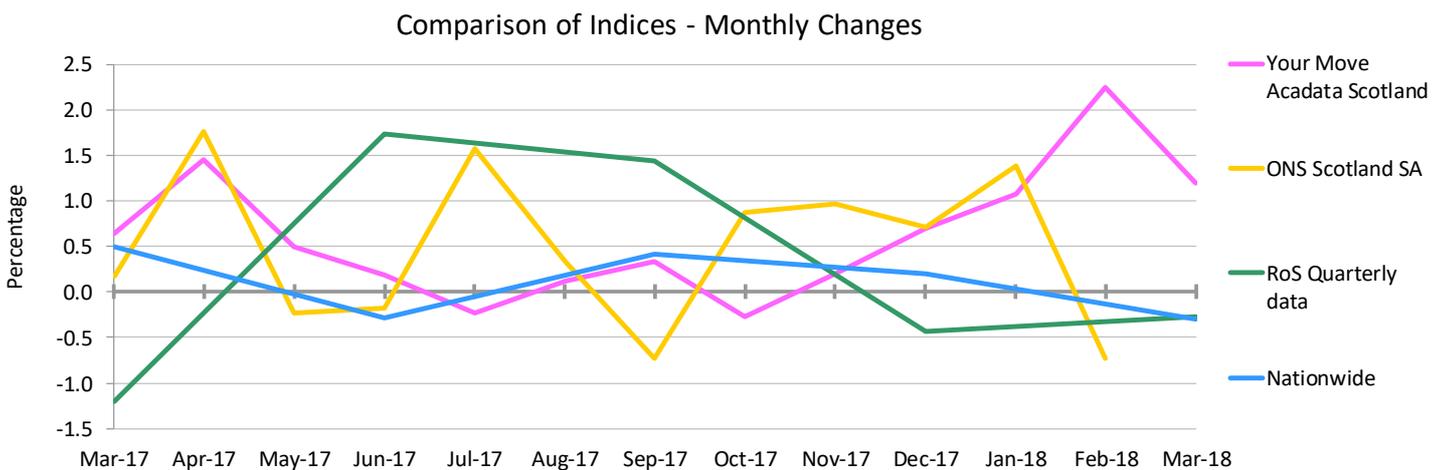


Figure 4. Monthly change in house prices

[link to source Excel](#)

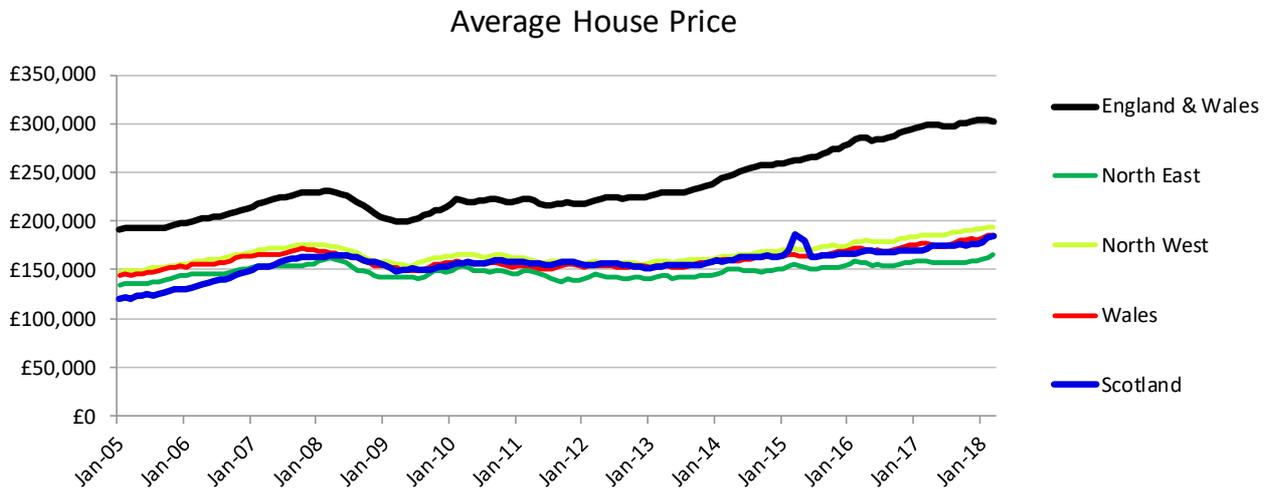


Figure 5. Scotland house prices, compared with England & Wales, Wales, North East and North West for the period January 2005-March 2018 [link to source Excel](#)

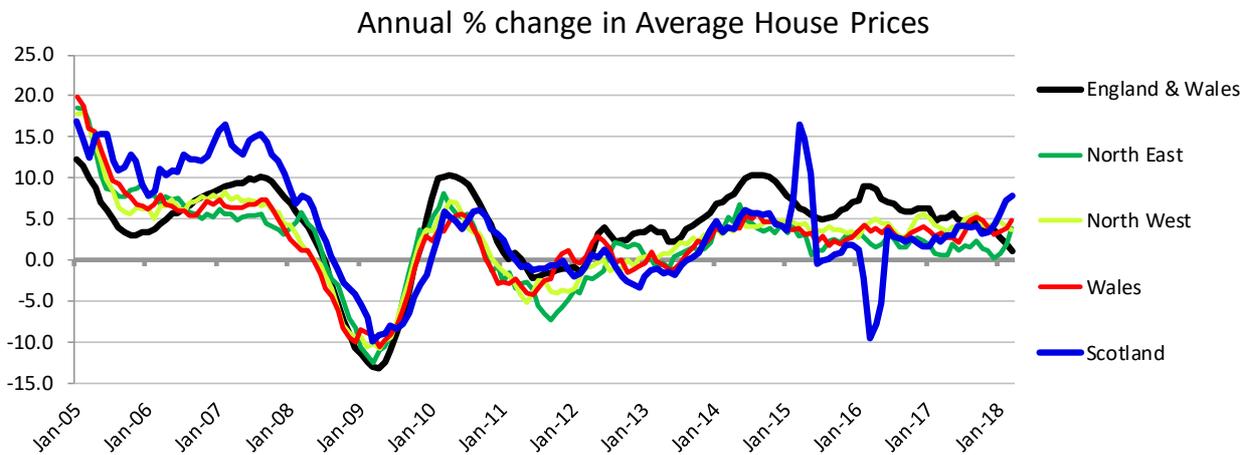


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales, North East and North West for the period January 2005-March 2018 [link to source Excel](#)

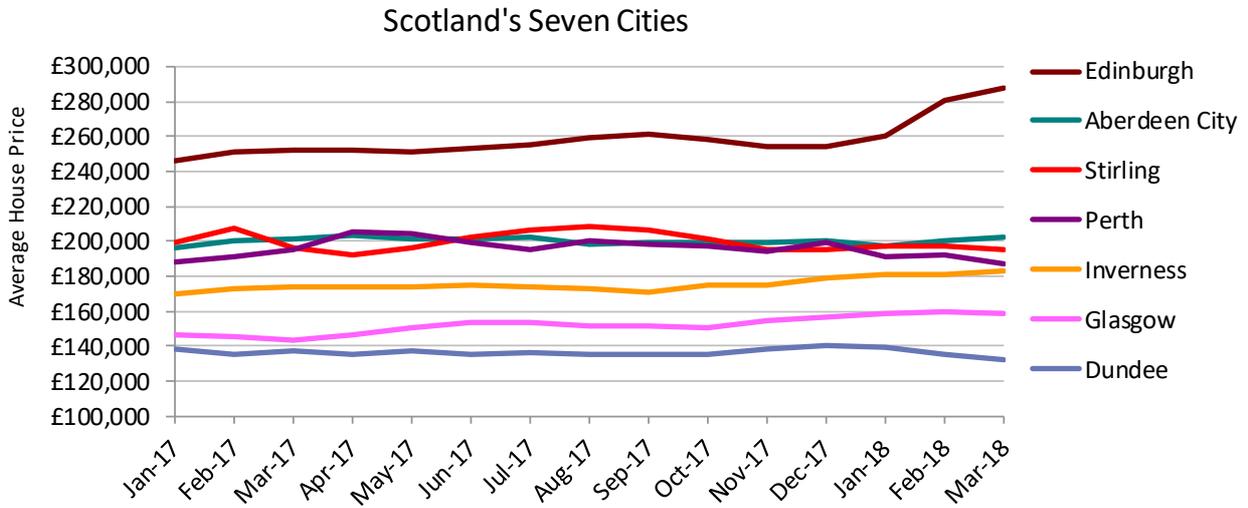


Figure 7. Average house prices for Scotland's seven cities from January 2017–March 2018

[link to source Excel](#)

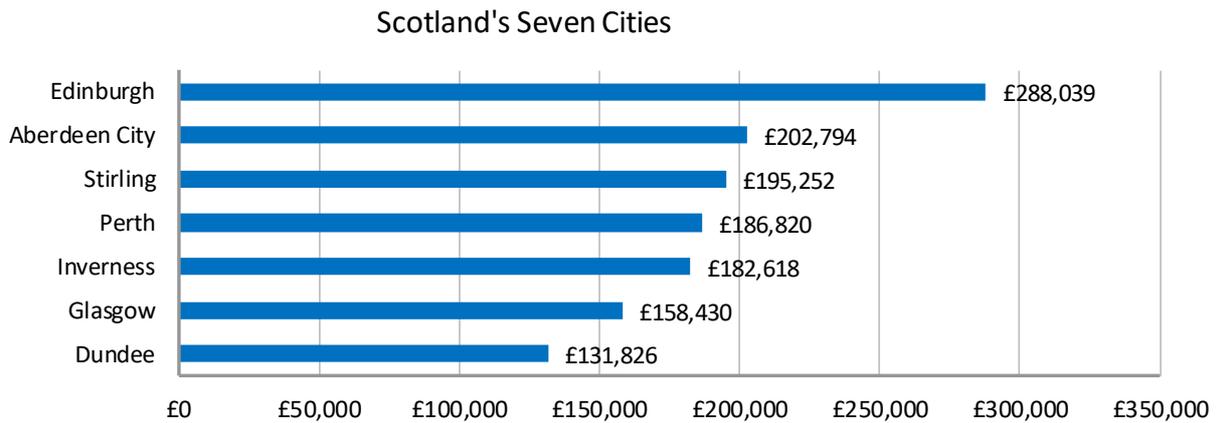


Figure 8. Average house prices for Scotland's seven cities March 2018

[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.