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September 2016

Scottish market flexes its muscles

- **House prices pass £170,000 mark for first time since May**
- **25 of 32 local authority areas see prices increase annually**
- **Underlying market conditions remain strong**

House Price	Index	Monthly Change %	Annual Change %
£170,762	223.6	0.6	2.5

The average house price in Scotland broke the £170,000 barrier for the first time since May, according to the latest Your Move/Acadata House Price Index for September 2016. A typical property in Scotland grew in price by 0.6% month-on-month to reach £170,762. This is up by more than £1,000 on August's figure.

On an annual basis, property prices have grown by 2.5% since last September's figure of £166,622.

Transactions data from the Office for National Statistics (ONS) showed that 8,620 housing registrations were completed in June. This is 20.9% higher than the previous month and demonstrates the start of a strong summer for housing transactions in Scotland.

Christine Campbell, Your Move managing director in Scotland, said: "The Scottish housing market continues to show its resilience, despite facing a number of challenges in recent months.

"Tax changes earlier this year prompted many buyers to bring their house purchases forward, while the uncertainty surrounding Brexit could have shocked the market, but the overall picture remains very positive."

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: "While some areas face a specific set of challenges due to the ripple effect caused by the troubles of the oil industry, it looks remarkably like business as usual in the rest of Scotland.

"Transaction levels and house prices are performing well across all other areas of the country, for both high and low value properties."

There was strong growth at both the top and bottom of the Scottish housing market in the year to September. Three areas boasted property price growth of more than 10% in the last year.

House prices in East Dunbartonshire grew by 10.3% to reach an average of £229,240 while prices in East Renfrewshire increased by 10.2% to hit £245,122. At the other end of the scale, properties in East Ayrshire are now worth an average of £119,991, which is 10.1% more than a year ago.

On a monthly basis, Dundee City was home to the biggest house price growth. Prices in the city grew by 4.5% between August and September to reach £139,405.

The City of Edinburgh remains the most expensive place to buy property in Scotland. House prices in the capital rose by 3.1% between August and September to reach £250,477. Yearly growth was 8.9%, which is equivalent to an extra £20,000 on the average Edinburgh house price.

Na h-Eileanan Siar remains the cheapest place to purchase property in Scotland, despite impressive growth of 7.6% in the past year. The average house price on the islands is now £102,455.

While most areas of Scotland saw house prices grow, some areas did experience a softening in prices. The Scottish Borders (-4.7%) and Aberdeenshire (-4.2%) were the only areas to see house prices fall substantially in the last 12 months. In fact, only seven of the 32 local authority areas of Scotland saw prices drop on a yearly basis.

House price index: historical data

Clackmannanshire was home to the highest increase in sales volume in the past year. The third quarter of 2016 saw 73 more properties sold than a year prior, a percentage increase of 35%. On an absolute basis, Renfrewshire saw the biggest growth in property sales, boasting 163 more transactions than a year before.

Terraced houses were the only property type to grow in popularity in Q3 2016 compared to Q3 2015. The number of transactions for terraced properties grew 3.9%. Otherwise demand for semi-detached (-4.2%), detached (-3.3%) and flats (-1.5%) all fell.

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

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

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
September	2015	£166,622	218.2	0.5	0.7
October	2015	£167,667	219.6	0.6	0.9
November	2015	£168,358	220.5	0.4	1.8
December	2015	£168,615	220.8	0.2	1.7
January	2016	£168,836	221.1	0.1	1.0
February	2016	£168,212	220.3	-0.4	-2.4
March	2016	£170,251	223.0	1.2	-9.6
April	2016	£170,218	222.9	0.0	-8.0
May	2016	£170,410	223.2	0.1	-5.5
June	2016	£168,864	221.2	-0.9	3.2
July	2016	£168,887	221.2	0.0	2.4
August	2016	£169,707	222.3	0.5	2.3
September	2016	£170,762	223.6	0.6	2.5

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Further commentary by John Tindale

John Tindale, senior housing analyst for Acadata, comments:

The September housing market

House prices in September rose by £1,055, or 0.6%, during the month and by £4,140, or 2.5%, over the last year. Average prices have now climbed back to a level above those recorded during the winter months of 2015, prior to the mini-peak which occurred in March 2016. This related to the 3% surcharge in LBTT on second homes and buy-to-let properties which was introduced in April 2016. Many purchasers sought to avoid paying this additional tax, especially on more expensive properties, so purchases were brought forward into March 2016, which had the effect of raising the average price paid for a home in that month.

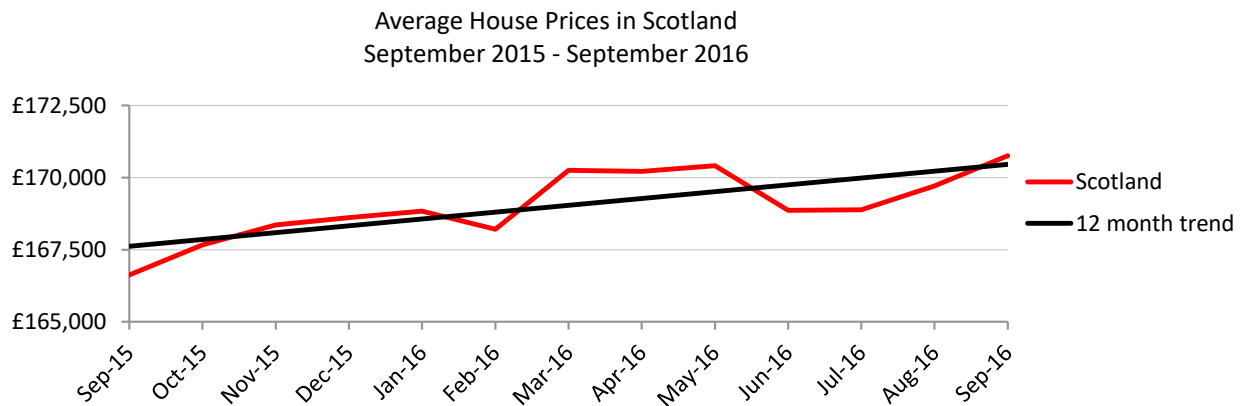


Figure 1. Average House Prices in Scotland, September 2015 – September 2016. The series is mix and seasonally adjusted

[link to source Excel](#)

The increase in prices of 0.6% in September surpasses that of England & Wales, where prices increased by an average 0.1%. It is Scotland's second largest rise in a month since October 2015: the highest increase over the last twelve months - of 1.2% - having taken place in March 2016, for the reasons described above.

On an annual basis, the 2.5% growth in prices in September is also the second largest rise, in this case of the last fifteen months, although it trails the 3.7% rise in prices recorded in England & Wales for the same period. However, in September the North West and North East regions of England only saw annual price rises of 1.7% and 1.0% respectively, with both areas experiencing price falls in the month itself.

Looking at the top five Local Authority Areas on the Scottish mainland that have the highest rates of annual house price growth (see Table 3 on page 5), we find that they comprise the top 3 areas by average house price, namely the City of Edinburgh, East Renfrewshire and East Dunbartonshire plus Glasgow City and East Ayrshire. If we treat East Ayrshire as something of an exception, due to a number of new homes being built on the outskirts of Kilmarnock, then we can see that it is Edinburgh and Glasgow that are generating the demand for housing. This is the case both within the city limits and in the neighbouring areas, which has resulted in the relatively high increase in house prices over the last year which we can now see.

Currently, one of the major difference between the Scottish and English housing markets is the size of the reduction in the number of property transactions. The latest RoS Quarterly House Price statistical report shows that transactions in Q3 2016 are 1.1% below those of Q3 2015, whereas LSL Acadata reports that the fall in the English market over this same period is 13.7%. Table 2 analyses the differences further:-

Table 2. The change in the number of transactions between Q3 2015 and Q3 2016

[link to source Excel](#)

TRANSACTIONS

% CHANGE Q3 2016 COMPARED TO Q3 2015

	Scotland	England & Wales	Difference
Detached	-3.3%	-14.9%	11.6%
Semi-detached	-4.2%	-6.7%	2.5%
Terraced	3.9%	-12.8%	16.7%
Flats	-1.5%	-23.2%	21.7%
Overall	-1.1%	-13.7%	12.6%

Further commentary by John Tindale

The major differences between the % change in transaction numbers in Scotland, compared to England & Wales, relates to Flats and Terraces. These tend to be the preserve of first time buyers and buy-to-let landlords. Clearly, purchases of these types of properties have remained robust in Scotland, but have diminished considerably south of the border.

One of the main differences between the Scottish and English property markets is that of affordability. In its Quarter 2 report on the Scottish housing market, the CML stated that the average size of a loan taken out by a first time buyer in Scotland was £99,800, compared to £132,000 in the UK overall. Typical income of first time buyers was similarly reported as £33,600 in Scotland compared to £40,000 in the UK overall. So although incomes in Scotland were only 84% of the UK overall, the average mortgage required to purchase a home was 75% of that needed in the UK. Thus the affordability ratio for the first time buyer in Scotland is lower than that in the UK, enabling more buyers to purchase their first home. Given the current higher rate of house price inflation in England & Wales compared to Scotland, we anticipate seeing a further divergence between the affordability ratios in Q3 2016, when published next month by CML.

Transactions analysis

In June 2016, the latest month for which the official ONS statistics are published, transactions in Scotland totalled 8,620 properties. This total was up 21% on the previous month, which is far ahead of the usual seasonal trend for the time of year, when an increase of 12% can be expected. However, sales in June 2016 were down by 7% on June 2015, but the gap between the volume of sales per month in 2016 compared to 2015 is beginning to narrow. The major reason for the observed lower level of sales post March 2016, compared to 2015, is a consequence of the large number of property purchases that were brought forward into March 2016, as buyers sought to avoid paying the additional 3% LBTT surcharge on second homes and buy-to-let properties. Taking the period January - June 2016 as a whole, sales are 0.8% higher than the similar period in 2015, and above the levels seen in each of the years 2009 - 2015.

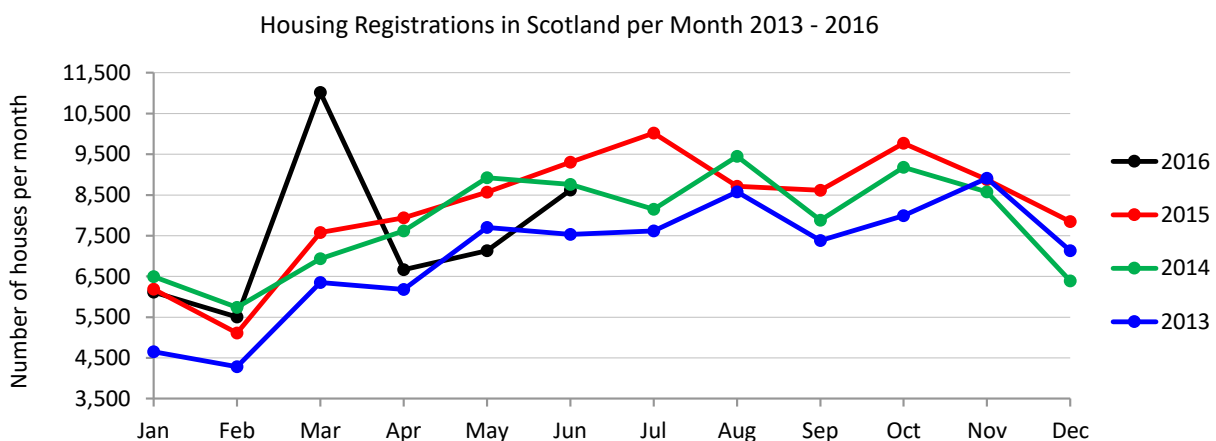


Figure 2. The number of sales per month recorded by Registers of Scotland based on entry date, for the period January 2013 – June 2016.

Source: Registers of Scotland.

[link to source Excel](#)

Clackmannanshire saw the highest increase in sales volumes in Q3 2016 compared to one year earlier at +35%, or 73 properties, with Flats being the dominant property type in terms of increased sales at +34 units. In absolute - as opposed to percentage - terms, it was Renfrewshire that had the largest rise in property sales over the period, with an increase of +163 transactions, but here it was terraced homes that saw the largest rise in sales at +67 properties. Unsurprisingly, given the prevalent difficulties in the oil sector, Aberdeen City and Aberdeenshire saw the biggest reduction in sales over the period, at -26% and -25% respectively.

Looking at the first three quarters of 2016, in the RoS Quarterly report, compared to the same period in 2015, sales volumes in Scotland have increased by 5.2%, with sales of terraces showing the highest increase at 19.7% (an additional +1,594 properties), flats at +8.0% (an additional +1,968 properties), semi-detached at +0.7% (an additional +82 properties), while detached sales fell by -0.7% (112 fewer properties). On the mainland, the highest increase in sales was seen in Midlothian, up 23.4%, while Aberdeen City and Aberdeenshire saw the largest falls at -19.9% and -17.6% respectively.

House prices and transactions

Table 3. Average House Prices in Scotland, by local authority area, comparing September 2015 and August 2016 with September 2016. [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Sep-15	Aug-16	Sep-16	% Monthly Change	% Annual Change
1	1	City of Edinburgh	230,039	243,051	250,477	3.1%	8.9%
2	3	East Renfrewshire	222,441	243,509	245,122	0.7%	10.2%
3	6	East Dunbartonshire	207,749	224,288	229,240	2.2%	10.3%
4	5	East Lothian	217,263	219,329	228,374	4.1%	5.1%
5	2	Aberdeenshire	224,643	216,481	215,286	-0.6%	-4.2%
6	9	Midlothian	183,537	191,825	194,268	1.3%	5.8%
7	8	Stirling	183,584	194,918	193,283	-0.8%	5.3%
8	4	Aberdeen City	220,023	199,357	192,973	-3.2%	-12.3%
9	7	Perth and Kinross	186,774	193,398	192,062	-0.7%	2.8%
10	11	Highland	167,338	165,689	169,836	2.5%	1.5%
11	10	Scottish Borders	176,419	174,772	168,119	-3.8%	-4.7%
12	12	Angus	157,510	157,029	156,377	-0.4%	-0.7%
13	14	West Lothian	152,152	155,906	153,262	-1.7%	0.7%
14	13	Argyll and Bute	153,584	151,071	152,249	0.8%	-0.9%
15	17	South Ayrshire	145,757	151,705	151,889	0.1%	4.2%
16	15	Moray	150,711	152,392	151,236	-0.8%	0.3%
17	16	Fife	147,015	147,664	149,006	0.9%	1.4%
18	19	Glasgow City	138,092	146,916	146,746	-0.1%	6.3%
19	18	South Lanarkshire	139,114	143,577	144,105	0.4%	3.6%
20	20	Orkney Islands	135,736	139,310	139,981	0.5%	3.1%
21	25	Dundee City	131,721	133,353	139,405	4.5%	5.8%
22	21	Clackmannanshire	135,184	134,830	137,248	1.8%	1.5%
23	23	Shetland Islands	133,063	142,542	136,523	-4.2%	2.6%
24	22	Dumfries and Galloway	134,948	129,227	133,567	3.4%	-1.0%
25	24	Inverclyde	132,488	130,954	133,025	1.6%	0.4%
26	26	Renfrewshire	126,884	131,170	130,493	-0.5%	2.8%
27	27	Falkirk	122,733	131,831	128,810	-2.3%	5.0%
28	29	North Lanarkshire	116,064	119,467	122,526	2.6%	5.6%
29	31	East Ayrshire	108,989	116,446	119,991	3.0%	10.1%
30	28	West Dunbartonshire	116,310	115,282	116,047	0.7%	-0.2%
31	30	North Ayrshire	115,904	119,587	116,011	-3.0%	0.1%
32	32	Na h-Eileanan Siar	95,248	101,263	102,455	1.2%	7.6%
		All Scotland	166,622	169,707	170,762	0.6%	2.5%

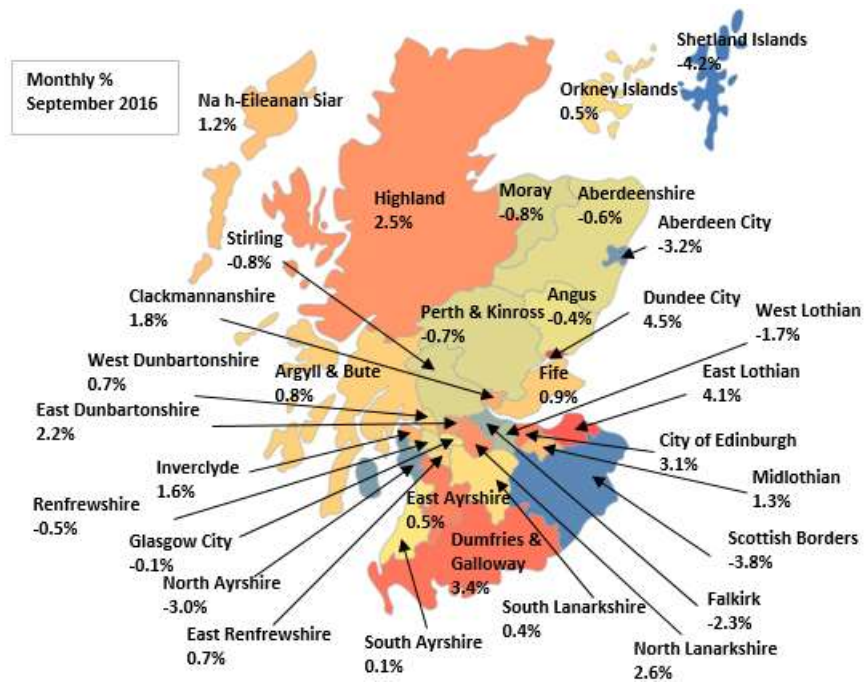
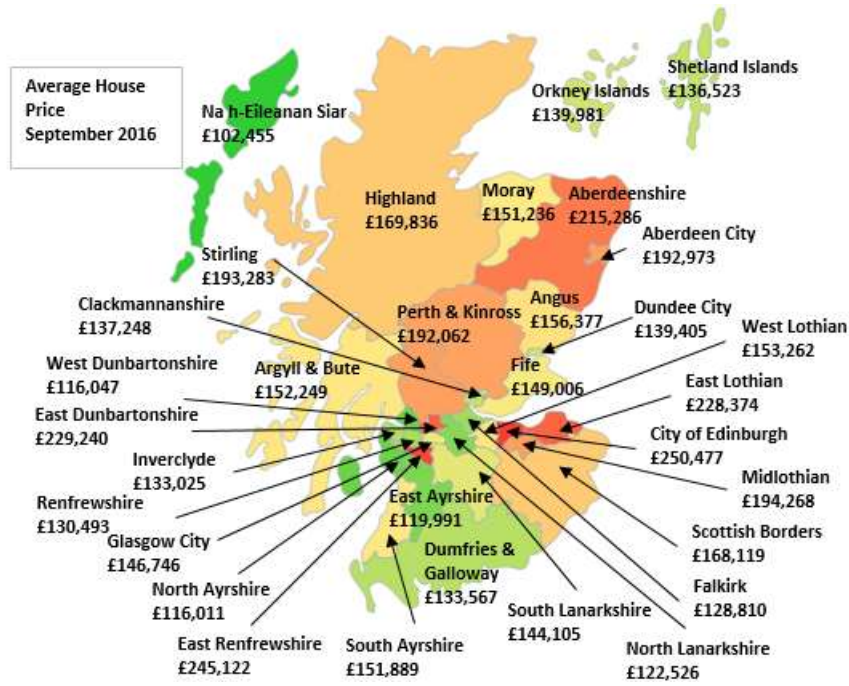
Table 3 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for September 2015, August 2016 and September 2016, calculated on a seasonal and mix-adjusted basis.

On a monthly basis, house prices in September have increased by an average 0.6%. This is the second highest increase in a month since October 2015. Looking at the change in prices in the month, 19 of the 32 Local Authority areas saw prices climb, compared with 21 in August. The largest rise in the month was seen in Dundee City at 4.5%, where a number of up-market properties changed hands in Broughty Ferry. In the 19th century, Broughty Ferry became a haven for wealthy jute barons, who built their luxury villas in the suburb. As a result, Broughty Ferry was referred to at the time as the "richest square mile in Europe". It would appear from the level of prices seen in this suburb of Dundee that high value properties remain to this day. The area with the largest fall in prices in the month was the Shetland Islands, down -4.2%, but low transaction numbers on the Islands tend to produce volatile movements in average house prices. On the mainland, the Scottish Borders saw the steepest decline in prices in September of -3.8%, as a home in Hawick - which sold earlier in the year for £905k - dropped out of the calculations.

On an annual basis, house prices have increased by 2.5%, or £4,140, over the year. This is the second largest gain in annual prices since May 2015. The highest increase in prices on the mainland over this period was in East Dunbartonshire, up by 10.3%. One can see from the above Table that East Dunbartonshire has moved from being ranked in 6th place last year, in terms of the average value of properties sold by Local Authority area, to 3rd position this year. The prices of detached homes in East Dunbartonshire have increased by an average £60k over the year, which is the main driver of the increase in values seen in the area. By way of contrast, the Authority with the largest decline in house prices is Aberdeen City, down 12.3% over the year. In Aberdeen City there have been falls of £25k in the price of flats, the most frequently sold property type in the city, while detached properties have seen a reduction of £85k in the average prices achieved over the year. Despite this huge price fall, the City is still the fifth most expensive place in Scotland in which to purchase a detached home.

House prices and transactions

Heat maps



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, 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. These comparisons should be viewed in the light of the different data and different methodologies employed by the index producers. Please see our "[Which House Price Index?](#)" paper.
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. Our "[Which House Price Index?](#)" discusses.
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
8. 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/ postcode) 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.

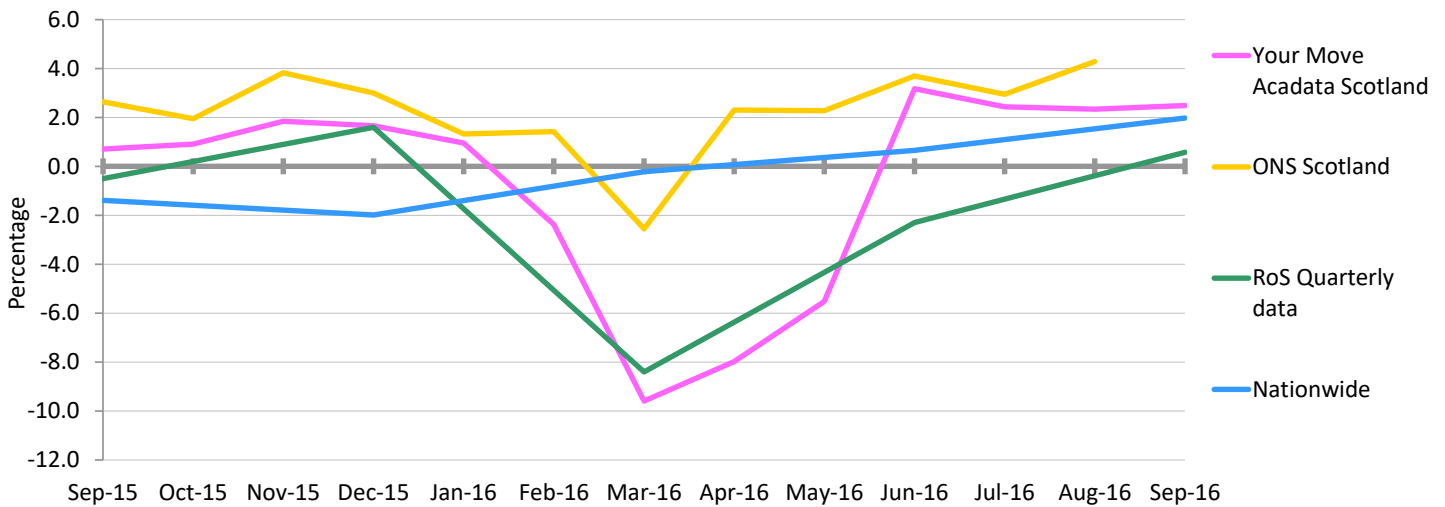
Comparison of indices

Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

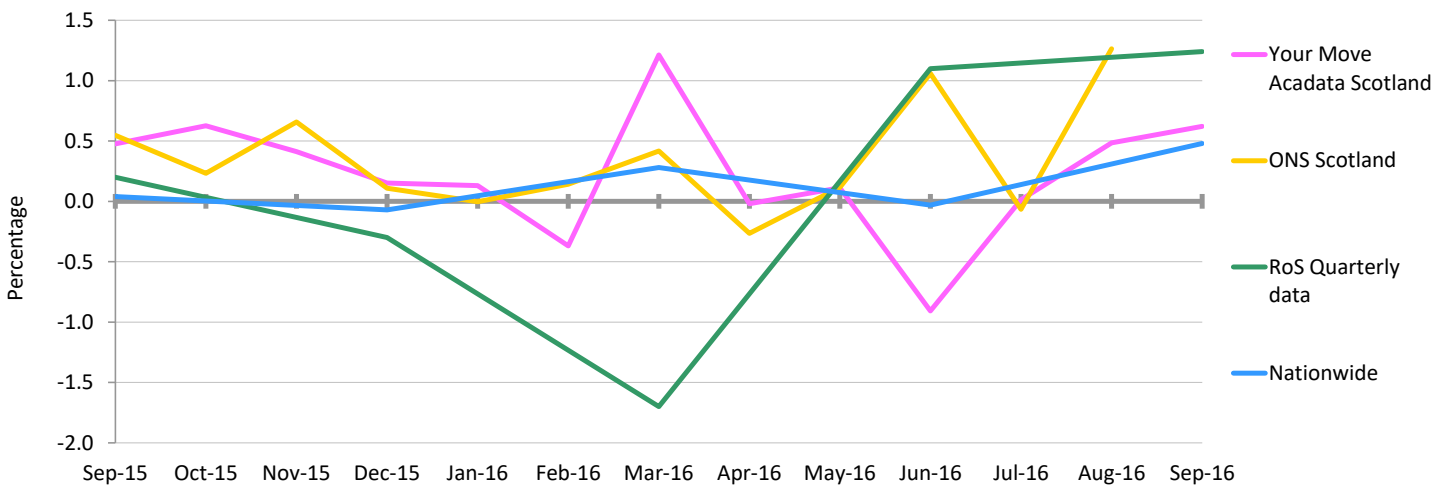
[link to source Excel](#)

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

[link to source Excel](#)



The charts above 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 new "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 free of charge by clicking [here](#).

Comparisons with Scotland

Average House Price

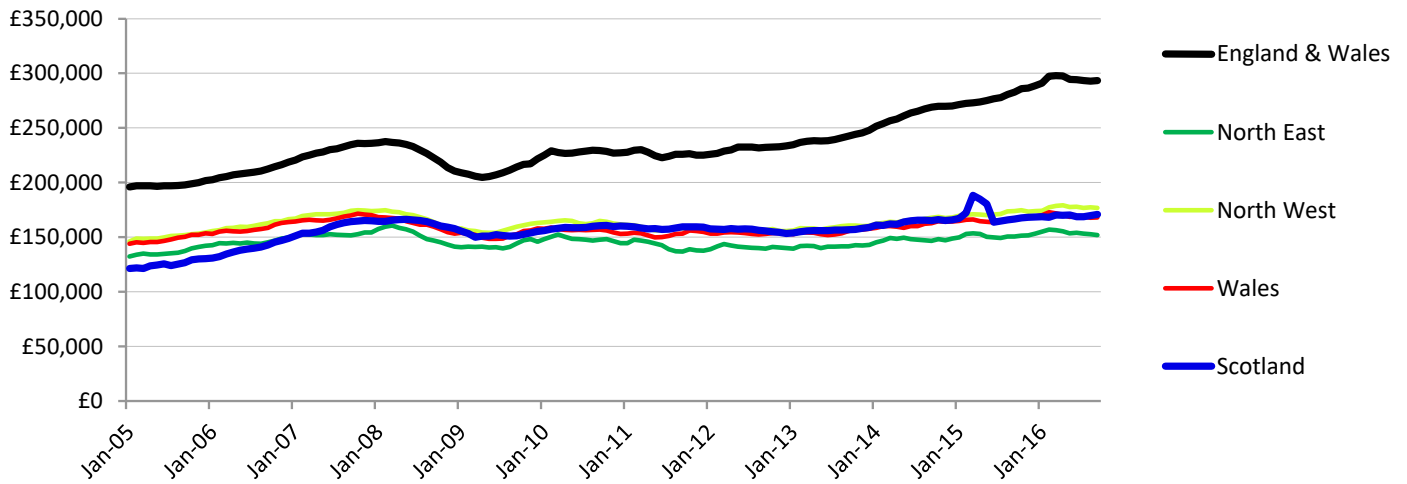


Figure 5. Scotland house prices, compared with England & Wales, Wales, North East and North West for the period January 2005-September 2016 [link to source Excel](#)

Annual % change in Average House Prices

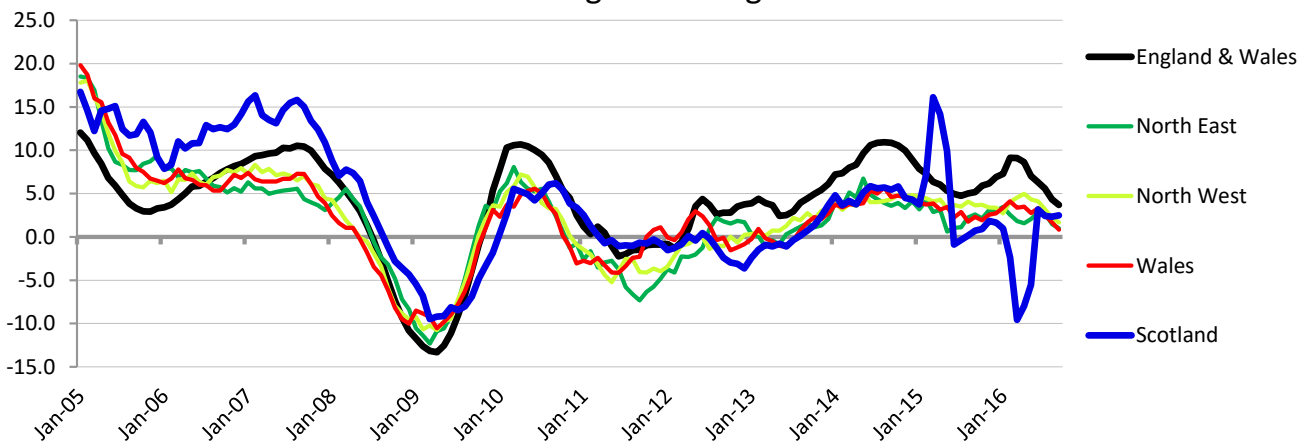


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales, North East and North West for the period January 2005-September 2016 [link to source Excel](#)

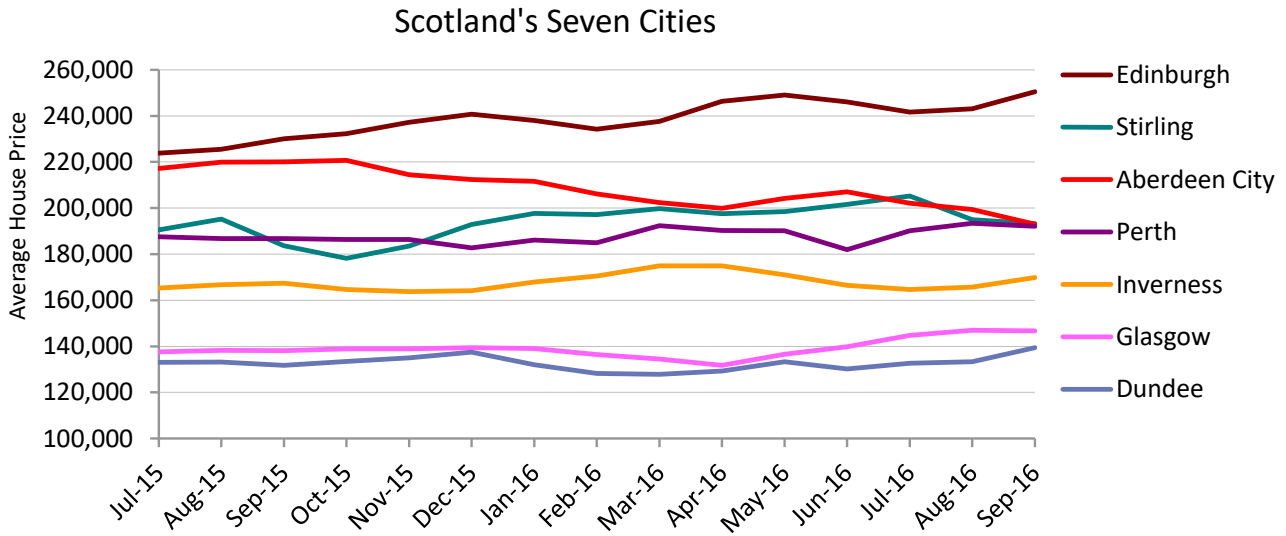


Figure 7. Average house prices for Scotland's seven cities from July 2015–September 2016

[link to source Excel](#)

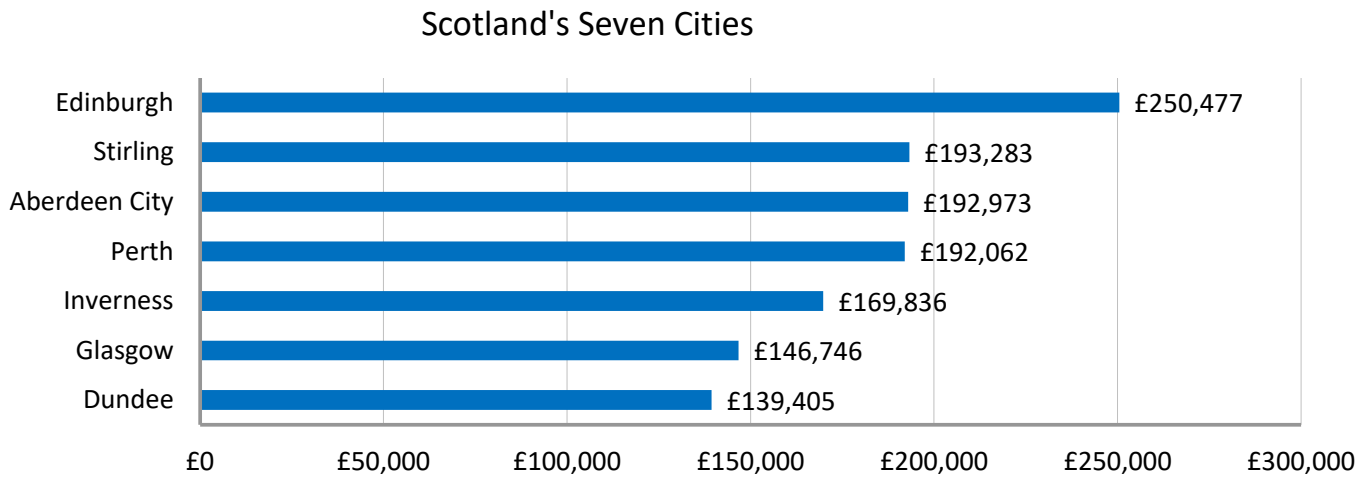


Figure 8. Average house prices for Scotland's seven cities September 2016

[link to source Excel](#)

Footnotes on data and methodology

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 monthHence, 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.