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September 2017

Lack of supply pushes Scottish house prices up faster than rest of UK

- Scotland defies UK slowdown with 5.6% annual growth
- Yet lack of supply coupled with strong demand is factor behind increasing prices across the country
- Only three local authorities see prices decline over 12 months
- Glasgow hits new peak for fourth time this year

House Price	Index	Monthly Change %	Annual Change %
£177,960	233.1	1.4	5.6

The Scottish market continued to power away in September with a monthly growth of 1.4% which has helped boost annual performance in the country to 5.6%. This is significantly more than any other region in the UK (with the North West closest at 4.6%), and more than triple the growth rate of England and Wales as a whole: 1.7% in September.

The average house in Scotland is now worth £177,960, up £9,383 on a year ago. The increase means prices in the country are growing at their fastest rate in almost three years, excluding the spike ahead of the introduction of the LBTT in April 2015.

Christine Campbell, Your Move managing director in Scotland, said: “The strength of the market in Scotland is impressive and, with property still relatively affordable and the economy still growing, it could have some way yet to run.”

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’re seeing strength right across Scotland at the moment, but crucially, it’s supported by the big cities. While London is a significant dampener on price growth in England and Wales, Edinburgh and Glasgow continue to show solid performance with above average growth.”

On the demand side, though interest rates rose in November, the country continues to benefit from historically low interest rates. The economy also remains fairly strong: unemployment is at a 42-year low; the economy is still expanding, albeit at a slowing rate; and the Scottish Government has a number of schemes to help buyers.

Much of that mirrors the rest of the UK. One crucial difference, though, is affordability. The Annual Survey of Hours and Earnings, recently published by the Scottish Government and ONS, shows Scotland’s median full-time earnings are the third highest in the UK, after Greater London and the South East. Our own statistics of median house prices, meanwhile, show Scotland’s are the lowest in Great Britain (at £135,000).

The result is that the country has Britain’s most affordable property. At the same time, the one challenge the market does share with the rest of the UK, is a lack of supply: the RICS Residential Market Survey for September 2017 shows Scotland with the second-lowest number of new vendor instructions in the UK. Coupled with strong demand that’s pushing up prices across the country.

Only three of the 32 local authority areas in Scotland have seen price falls over the 12 months ending September 2017: Angus (down 2.6%), Aberdeenshire (down 0.6%) and West Dunbartonshire (down 0.3%).

By contrast, many of the remaining 29 areas have seen strong growth, led by Stirling (up 17.4% annually, and setting a new peak average price in the month), the Scottish borders (up 11%, and also setting a new peak), and Clackmannanshire (up 10.1%).

House price index: historical data

The market's also supported by the strength of its biggest cities, which account for the lion's share of transactions. Both Edinburgh, where prices are up 8.8% annually to £265,846 (the highest in Scotland), and Glasgow, up 6.3%, show solid growth. The latter was also another to set a new peak in September – for the fourth time this year – with prices up 1.8% over the month to £154,522.

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

Table 1. Average House Prices in Scotland for the period September 2016 – September 2017
(The prices are end-month smoothed over a 3 month period)

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
September	2016	£168,577	220.8	0.2	2.2
October	2016	£169,715	222.3	0.7	2.5
November	2016	£169,838	222.4	0.1	2.1
December	2016	£169,523	222.0	-0.2	1.7
January	2017	£169,423	221.9	-0.1	1.6
February	2017	£170,496	223.3	0.6	2.8
March	2017	£171,545	224.7	0.6	2.1
April	2017	£174,055	228.0	1.5	3.0
May	2017	£174,965	229.2	0.5	2.9
June	2017	£175,365	229.7	0.2	4.2
July	2017	£174,988	229.2	-0.2	4.1
August	2017	£175,488	229.8	0.3	4.3
September	2017	£177,960	233.1	1.4	5.6

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Further commentary by John Tindale

John Tindale, senior housing analyst for Acadata, comments:

The September housing market

This housing report relates to September 2017, the latest month for which we have data as provided by the Registers of Scotland (RoS). The average house price in Scotland now stands at £177,960, having increased over the last 12 months by £9,383, or 5.6%. This is the highest rate of house price growth since October 2014, if the price increases immediately prior to the introduction of the LBTT in April 2015 are ignored.

Scotland's 5.6% annual growth in house prices in September is the highest rate of all the countries/regions in the United Kingdom, with the North West of England in second place at 4.6%. The average annual rate for England and Wales as a whole in September was 1.7%, with Greater London experiencing house price deflation of -2.4% over this period.

So why is Scotland's housing market continuing to prosper, while other areas of Great Britain are seeing a much lower growth-rate in prices? In general, the housing market in Scotland is still experiencing positive economic stimuli. Interest rates are currently close to their historic low levels, rates of unemployment have fallen to a 42-year low, the economy is still expanding - albeit at a slowing rate - and the Scottish Government has established a number of schemes to assist buyers in purchasing a home, if they cannot otherwise afford to do so. These factors are all positives. Among the negative factors is the problem that there are not enough homes coming onto the market to meet buyer demand, resulting in price rises.

This month's RICS (Royal Institution of Chartered Surveyors) Residential Market Survey (September 2017) identifies Scotland as having the second-lowest number of new vendor instructions of any country/region in the UK, with the North West having the least. Meanwhile, surveyors in Scotland are still reporting positive growth in buyer enquiries, resulting in increased competition for the properties that do come onto the market. Of the 17 surveyor comments relating to Scotland published in the RICS Market Survey, 11 specifically mention the lack of new instructions and fresh stock as being a major factor in the current market.

A further factor influencing buyer demand is that of "affordability". Here, too, Scotland scores positively in comparison to the English market. The housing "Affordability ratio" for an area is defined as being the median price of houses for that area divided by the median full-time annual earnings of those living in the area. The ASHE (Annual Survey of Hours and Earnings) has recently been published by the Scottish Government (1 Nov 2017) and the ONS, detailing full-time median earnings as at April 2017. These statistics show that in April 2017, Scotland's median full-time earnings of £547.30 per person per week, were the third highest of all countries/regions in the UK, with Greater London and the South East of England taking the first and second positions. Our own statistics show that Scotland's median house price of £135,000 is the lowest of the regions/countries within Great Britain. Consequently, Scotland's 'affordability ratio', at 4.7, is the lowest of all areas in GB, with the equivalent ratio for England being 7.8. The second lowest 'affordability ratio' in GB is that of the North East at 4.8, followed by the North West at 5.5.

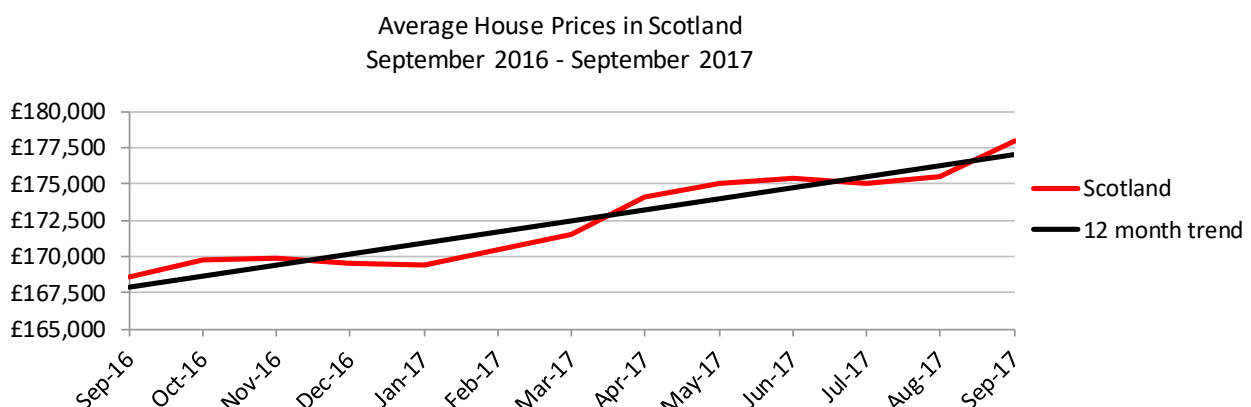


Figure 1. Average House Prices in Scotland, September 2016 – September 2017. The series is mix adjusted, seasonally adjusted and smoothed [link to source Excel](#)

The above graph tracks the movement in average house prices in Scotland over the last twelve months and also displays the trendline over this period. There is a near straight-line growth in prices over the 12 month period, with the trendline increasing at an annual rate of 5.6%.

As we discuss on page 6 of this News Release, only 3 of the 32 local authority areas in Scotland experienced house price falls over the 12 months ending September 2017, being Angus, Aberdeenshire and West Dunbartonshire, while 29 areas saw prices rise. This gives an indication of the current strength and depth of demand for housing in Scotland.

Further commentary by John Tindale

Transactions analysis

In June 2017, the latest month for which the official ONS statistics are published, transactions in Scotland jumped to 10,473 properties. This total was 26% higher than that recorded in May 2017 – we should perhaps voice our surprise at the size of this increase, although figures for England and Wales for these same two months show volume growth of 18%, making Scotland’s figures potentially more plausible. Overall, for Q2 2017, transactions in Scotland are 17% higher than Q2 2016, although the earlier year saw an exceptional surge in sales in March, which occurred immediately prior to the introduction of the 3% surcharge in LBTT rates on second homes and buy-to-let properties: this in turn led to a dearth of sales in April 2016, and hence lower than normal totals for Q2 2016.

Transactions for the first six months of 2017 are 5% higher than the same period in 2016 and 7% up on 2015.

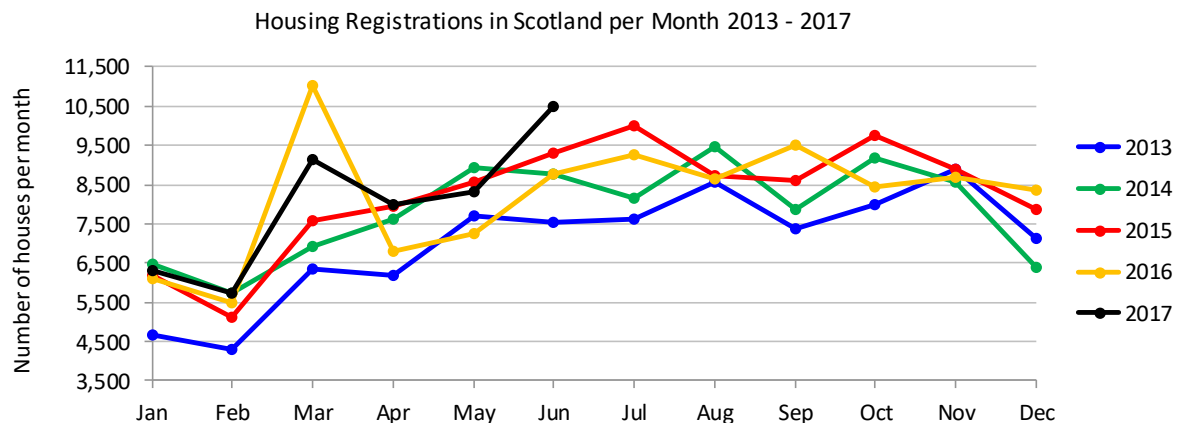


Figure 2. The number of sales per month recorded by Registers of Scotland based on entry date, for the period January 2013 – June 2017
Source: Registers of Scotland. [link to source Excel](#)

So why have sales volumes been growing compared to previous years? There are a whole series of factors which can help to answer this question. Interest rates were at an all-time low during the first half of the year, the economy in Scotland is continuing to grow, albeit at a slowing rate (GDP grew by 0.6% in Q1 2017 and by 0.1% in real terms in Q2 2017), median full-time gross weekly earnings have grown by 2.4% to April 2017 – albeit this % increase is in nominal terms. In addition, there are a number of government schemes available to assist the purchase of a home, competition among lenders has made mortgages more competitive, and affordability ratios – the ratio of house prices divided by annual earnings – show that housing is on average more affordable in Scotland than elsewhere in the UK.

Table 2. Number of properties purchased per month 2015 - 2017 having a value of £750k, or higher [link to source Excel](#)

Sales of £750k+			
Month	2015	2016	2017
1	33	26	18
2	42	20	15
3	231	57	23
4	2	27	29
5	14	21	30
6	26	47	43
7	15	36	54
8	41	54	59
9	46	44	40
10	23	53	
11	47	38	
12	34	23	
Total	554	446	311

In Table 2 we provide an update on the number of properties having a value of £750k or more which have been transacted in Scotland since January 2015, analysed by month of purchase – with a caution that data for September 2017 are still emerging, and will almost certainly be higher than the figure quoted.

Table 2 is dominated by the large number of sales that took place in March 2015, immediately prior to the introduction of the new LBTT rates. Additionally, there is a similar - but smaller - spike in transaction numbers in March 2016, prior to the introduction of the 3% LBTT surcharge on second homes and buy-to-let properties.

Since February 2017, we can see that there has been growth in the £750k+ market on a month-by-month basis, with further sales expected to be recorded for September. Over the period April – September 2017, compared to the same six months in 2016, there has been an 11% increase in sales of £750k+ homes, suggesting the market is beginning to factor in the costs of LBTT that are now payable on such properties.

Source: RoS price paid dataset. The dates used in this analysis are those of the legal transfer of the property, as opposed to the application date, which is quoted by RoS in its own figures.

House prices and transactions

Table 3. Average House Prices in Scotland, by local authority area, comparing September 2016 and August 2017 with September 2017 [link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	LOCAL AUTHORITY AREA	Sep-16	Aug-17	Sep-17	% Monthly Change	% Annual Change
1	1	City of Edinburgh	244,260	259,264	265,846	2.5%	8.8%
2	2	East Renfrewshire	241,579	256,867	259,220	0.9%	7.3%
3	3	East Dunbartonshire	227,581	235,981	246,992	4.7%	8.5%
4	4	East Lothian	220,681	226,511	236,797	4.5%	7.3%
9	5	Stirling	188,424	207,518	221,203	6.6%	17.4%
5	6	Aberdeenshire	212,315	208,887	211,021	1.0%	-0.6%
8	7	Midlothian	192,534	199,320	210,782	5.8%	9.5%
6	8	Aberdeen City	192,854	199,106	202,976	1.9%	5.2%
7	9	Perth and Kinross	192,540	199,720	198,345	-0.7%	3.0%
10	10	Scottish Borders	172,372	189,422	191,354	1.0%	11.0%
11	11	Highland	166,756	173,482	172,078	-0.8%	3.2%
13	12	West Lothian	154,599	159,972	164,195	2.6%	6.2%
15	13	Argyll and Bute	150,351	159,469	158,421	-0.7%	5.4%
14	14	South Ayrshire	154,499	153,824	156,448	1.7%	1.3%
17	15	Fife	148,212	155,264	155,521	0.2%	4.9%
16	16	Moray	149,566	156,180	154,585	-1.0%	3.4%
18	17	Glasgow City	145,359	151,837	154,522	1.8%	6.3%
20	18	Shetland Islands	141,246	151,395	153,895	1.7%	9.0%
12	19	Angus	157,910	154,484	153,864	-0.4%	-2.6%
22	20	Clackmannanshire	134,883	148,294	148,458	0.1%	10.1%
19	21	South Lanarkshire	141,883	148,047	147,733	-0.2%	4.1%
21	22	Orkney Islands	136,053	144,701	145,686	0.7%	7.1%
23	23	Dumfries and Galloway	134,260	137,518	141,798	3.1%	5.6%
25	24	Renfrewshire	132,299	143,417	141,538	-1.3%	7.0%
24	25	Dundee City	134,207	134,981	136,518	1.1%	1.7%
27	26	Falkirk	131,112	134,615	135,270	0.5%	3.2%
26	27	Inverclyde	131,141	122,203	131,484	7.6%	0.3%
28	28	North Lanarkshire	121,281	126,401	125,412	-0.8%	3.4%
30	29	East Ayrshire	117,822	125,354	123,988	-1.1%	5.2%
29	30	North Ayrshire	119,400	123,265	123,886	0.5%	3.8%
31	31	West Dunbartonshire	107,211	109,847	106,854	-2.7%	-0.3%
32	32	Na h-Eileanan Siar	103,392	106,050	105,901	-0.1%	2.4%
		All Scotland	168,577	175,488	177,960	1.4%	5.6%

Table 3 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for September 2016, August 2017 and September 2017, calculated on a seasonal and mix-adjusted basis.

Monthly change

On a monthly basis, house prices have increased by 1.4% in September, up from the 0.3% seen in August. This is the second highest monthly rise since March 2015, when prices climbed by 9.7%, immediately prior to the introduction of the then new LBTT (Land and Buildings Transaction Tax). The highest monthly increase since then took place in April 2017, at 1.5%. In April 2017, we reported that prices were rising largely due to the lack of vendor instructions, resulting in a reduction in the number of properties available for sale. This is similarly true in September, with RICS reporting that Scotland had the second lowest number of new vendor instructions of the twelve regions/countries in the UK.

Looking at the change in prices in September 2017 at the local authority area level, 21 of the 32 Local Authority areas saw prices rise in the month, compared with 16 in August. The highest growth in the month on the mainland took place in Inverclyde, where prices increased by 7.6%. The sale of two upmarket detached homes in the Kilmacolm area during the month assisted Inverclyde achieve its Number 1 position this month.

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

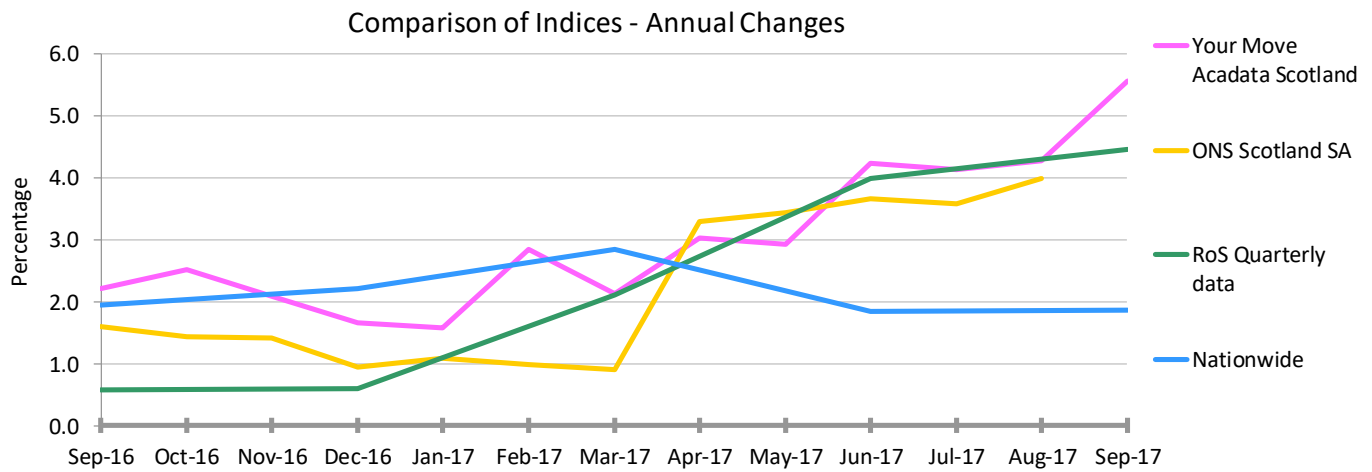


Figure 3. Annual change in house prices

[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 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 by clicking [here](#).

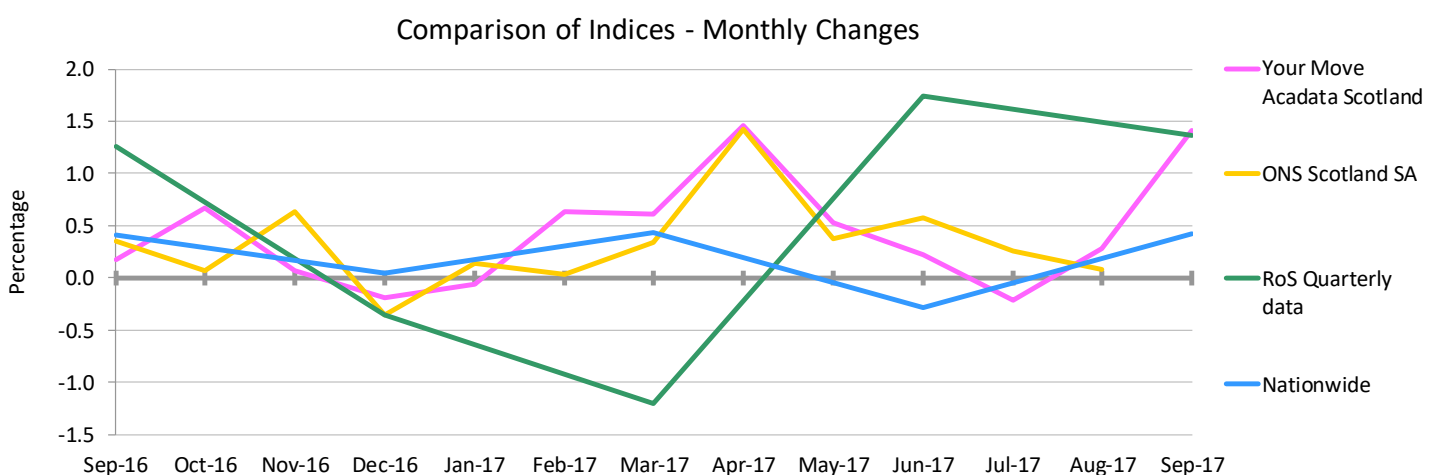


Figure 4. Monthly change in house prices

[link to source Excel](#)

Comparisons with Scotland

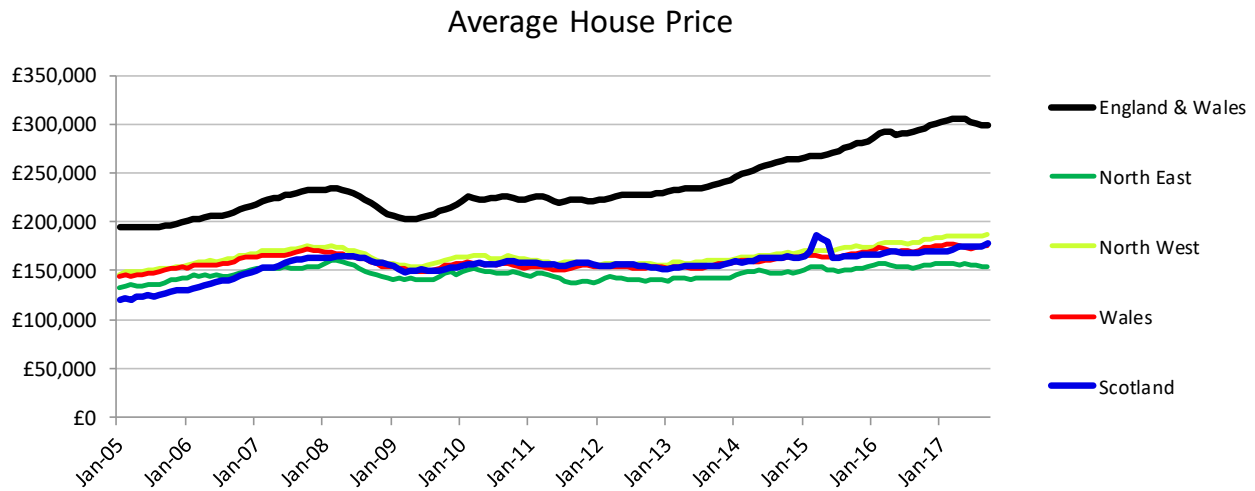


Figure 5. Scotland house prices, compared with England & Wales, Wales, North East and North West for the period January 2005-September 2017 [link to source Excel](#)

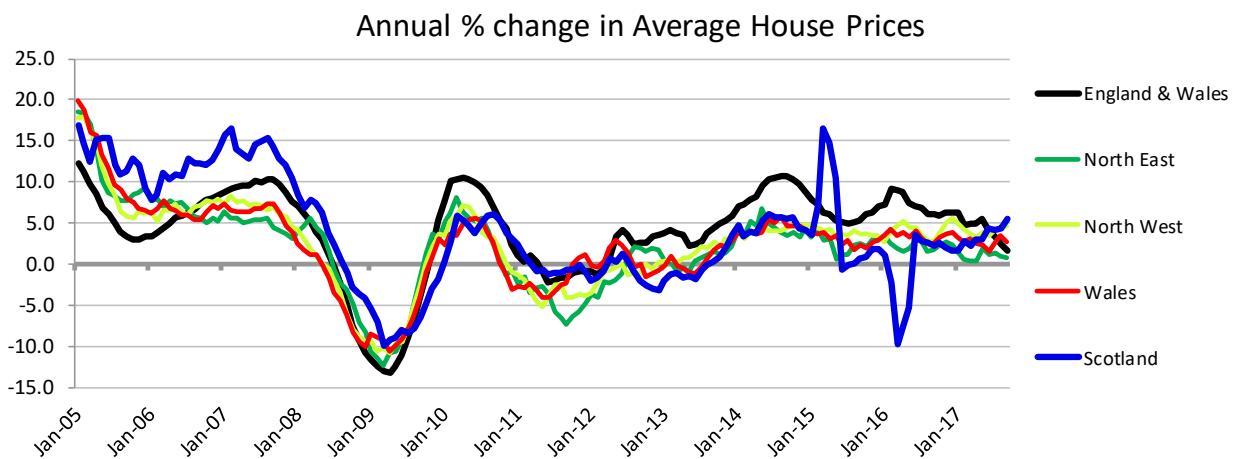


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales, North East and North West for the period January 2005-September 2017 [link to source Excel](#)

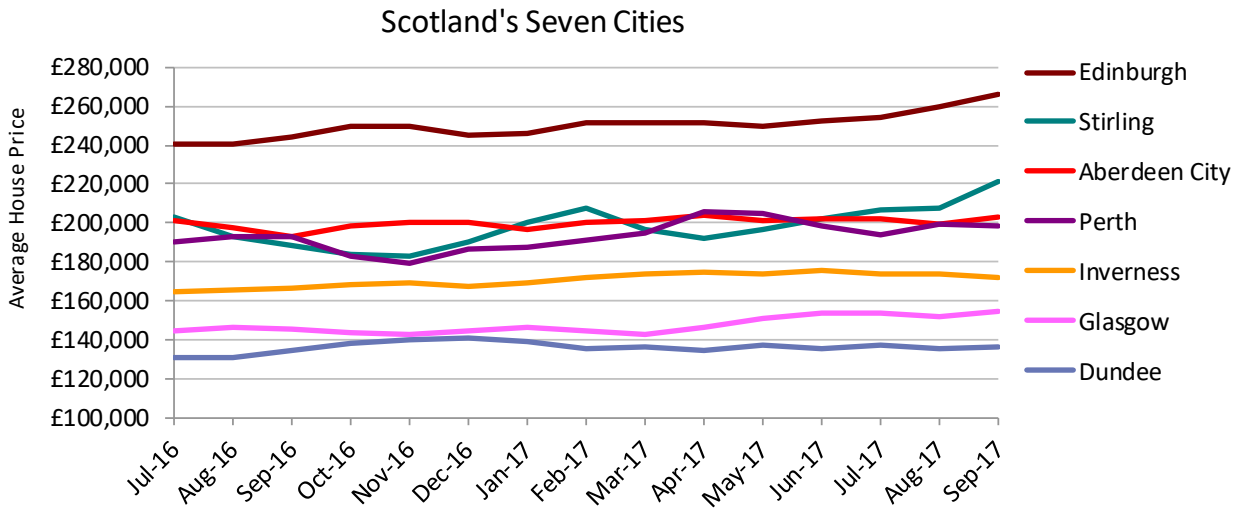


Figure 7. Average house prices for Scotland's seven cities from July 2016–September 2017

[link to source Excel](#)

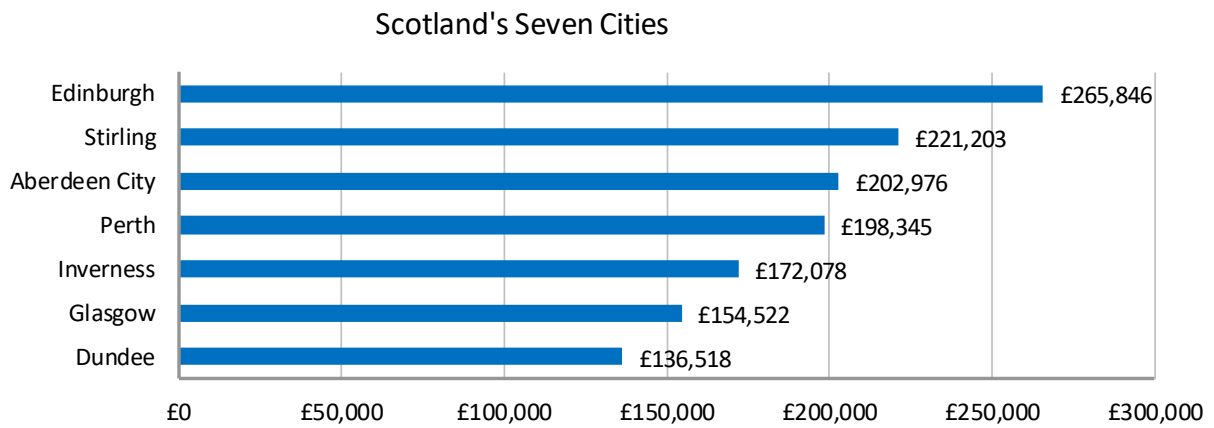


Figure 8. Average house prices for Scotland's seven cities September 2017

[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 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.