



Under embargo until 00:01 Friday 20th October 2017

August 2017

Scotland leads UK house price growth

- Annual house price growth highest in UK at 4.8%
- More than double the growth rate in England and Wales
- Transactions also up on 2016 and 2015
- Scottish Borders lead monthly growth and grow 9.7% annually

House Price	Index	Monthly Change %	Annual Change %
£176,876	n/a	0.5	4.8

The market in Scotland continues to defy the slowdown elsewhere in Britain. Prices grew for the seventh month in a row in August – rising strongly by 0.5%. Annual growth in Scotland now stands at 4.8%, compared to 2.1% in England and Wales.

The Scottish market is outpacing every other region in Britain. Only the East of England, up 4.5% annually, comes close to growth seen in the north of the UK. While prices in London are down 0.7% on an annualised basis.

The changes leave the average house price in Scotland at the end of August at £176,876, up from £168,726 in the same month last year.

Christine Campbell, Your Move managing director in Scotland, said: “Housing in Scotland continues to shake off the uncertainty we’re seeing elsewhere in the UK economy. Here, low interest rates, high employment and prices that are still affordable are supporting continued robust growth.”

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: “Scotland’s housing market is now leading Britain and that simply reflects very strong fundamentals. It’s always dangerous to speak too soon but the market currently looks in good shape.”

On a monthly basis, Scotland’s local authority areas continue to see mixed fortunes. Exactly half the 32 areas saw price rises in August, headed by the Scottish Borders, up by 5.0%, taking the average price there to £187,879. West Dunbartonshire, where prices are just £115,208, was next, with the average up 4.2%.

At the other end of the scale on the mainland, prices in Angus were down 4.7%. The Shetland Islands saw a bigger fall, -5.1%, but low transaction volumes there often mean big swings in monthly prices.

On an annual basis, though, there’s much more consistency: only four areas have seen prices drop, with the biggest fall just 2.7% – in Inverclyde, following a strong 2016 as a result of sales of new build detached houses.

By contrast, there’s been good growth across a number of areas. Prices are up 8.8% in the City of Edinburgh (the most expensive area in Scotland, with an average price of £262,092); up 9.7% in the Scottish borders; 8% in the Orkney Islands and South Lanarkshire; and 20.5% in Clackmannanshire, although that again reflects the fact the area has few sales. A number of others also saw growth significantly above the average, including North Lanarkshire and East Ayrshire (both up 7.8%) and Midlothian (up 7.6%).

Low interest rates and unemployment at a 42-year low are supporting a market that doesn’t suffer from the same affordability problems of London and the South East, which both lower the average in England and Wales.

House price index: historical data

To date, Scotland has also avoided a slowdown in transactions: May, the latest month for which we have ONS figures, shows 8,241 properties sold in Scotland. That means sales for the first five months are 2% higher in 2017 than the same period last year and up by 6% on 2015.

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

Table 1. Average House Prices in Scotland for the period August 2016 – August 2017

(The prices are end-month smoothed over a 3 month period)

		House Price	Monthly Change %	Annual Change %
August	2016	£168,726	0.1	n/a
September	2016	£168,104	-0.4	n/a
October	2016	£169,383	0.8	n/a
November	2016	£169,745	0.2	n/a
December	2016	£170,013	0.2	n/a
January	2017	£169,020	-0.6	n/a
February	2017	£170,017	0.6	n/a
March	2017	£170,865	0.5	n/a
April	2017	£174,026	1.8	n/a
May	2017	£174,575	0.3	n/a
June	2017	£175,280	0.4	n/a
July	2017	£175,969	0.4	4.4
August	2017	£176,876	0.5	4.8

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Further commentary by John Tindale

John Tindale, senior housing analyst for Acadata, comments:

The August housing market

This month we start with the advice that the Registers of Scotland (RoS), from whom we obtain our monthly housing data, is currently experiencing technical problems in identifying property type applying to the individual sales data for August 2017. Consequently, we are unable to perform our standard mix-adjustments to the property data for the month.

We have therefore decided to employ a different methodology with respect to the August 2017 figures, as well as to the data for the preceding twelve months, in order to give a similar - but not identical - view on how the housing market in Scotland is performing. We are hopeful that the data issues will be resolved by the time we present our September figures, at which time we will revert to our standard methodologies employed in producing the Your Move/Acadata HPI for Scotland. Both we and the Registers of Scotland apologise for any inconvenience this change in data presentation may cause.

Our figures for the month of August 2017 show the following movement in Scotland's house prices:-

Tables 2 & 3. Price movements in Scotland and England & Wales housing markets, July / August 2017

Source: Your Move / Acadata Scotland HPI and LSL / Acadata England & Wales HPI

SCOTLAND

Month	Avg. Sale Price	Monthly % Change	Annual % Change
August 2017	£176,876	0.5	4.8
July 2017	£175,969	0.4	4.4

Which we contrast with the figures for England & Wales

England and Wales

Month	Avg. Sale Price	Monthly % Change	Annual % Change
August 2017	£297,529	-0.2	2.1
July 2017	£298,135	-0.7	2.6

As can be seen, the annual rates of house price change in Scotland in August are more than double the average for England and Wales over the same period, with the monthly figures showing a positive movement in Scotland compared to negative movements south of the border.

At +4.8%, Scotland's annual rate of house price growth in August is the highest of all eleven GOR regions in Great Britain. This places it ahead of the East of England, which is in second place having an annual growth rate of 4.5%, while Greater London, in bottom position, is experiencing a negative movement in prices of -0.7%. Scotland's average monthly rate of price increase, at +0.5%, is similarly above those of England & Wales, where the highest regional rate is +0.3%, seen in the North West and the East and West Midlands.

Average House Prices in Scotland
August 2016 - August 2017

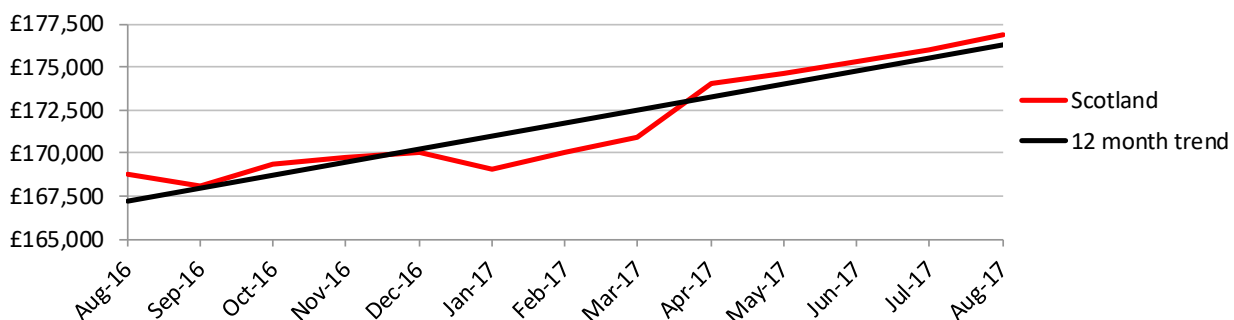


Figure 1. Average House Prices in Scotland, August 2016 – August 2017. The series is seasonally adjusted and smoothed [link to source Excel](#)

Further commentary by John Tindale

Figure 1 shows the movement in house prices over the period August 2016 – August 2017. As can be seen, apart from a dip in prices over the period December 2016 – March 2017, prices have been above the trendline for the period. From May 2017 – August 2017, average house price growth has shown an almost straight line trajectory, with prices rising by an average 0.4% per month.

As we discussed last month, the main factors as to why Scotland’s housing market continues to move upwards ahead of England & Wales are largely due to the positive economic stimuli of low interest rates, with unemployment at a 42-year low, and an expanding economy, albeit at a slowing pace. However, it is prices in the southern regions of England that are slowing down and lowering the average for the country as a whole, while prices in the more northern regions of England are continuing to see growth. For example, house price inflation in Greater London has fallen to an annual rate of -0.7%, the first time rates in the capital have fallen below zero since June 2011. The South East too has seen its annual rate of price growth fall to 1.8% in August, a level last experienced in June 2013.

The two major factors influencing prices in the south of England are ‘affordability’ and consumer confidence - particularly in relation to Brexit. In its monthly House Price Index, Nationwide reported that first time buyer mortgage payments accounted for some 58% of take-home pay in London, approximately 35% of take-home pay in the South East, but only 20% of that in Scotland. The Council of Mortgage Lenders (CML) has similarly reported that in Q2 2017, the typical income multiple (the multiple of income to property loan) of first time buyers in Scotland was 3.09, which compared favourably to the UK average of 3.58. Similarly, the typical home-movers (those buying a house for the second or subsequent time) income multiple in Scotland was 2.83, compared to the UK average of 3.58. Or to put it another way, despite lower incomes in Scotland compared to the UK average, the price of an average house in Scotland is lower - and hence more affordable - than the average property in all other regions of Great Britain.

Transactions analysis

In May 2017, the latest month for which the official ONS statistics are published, transactions in Scotland totalled 8,241 properties. This total was 3.5% higher than April 2017, and 13.7% up on May 2016. However, sales volumes in 2016 were ‘exceptional’ due to the surge in sales in March 2016 which occurred immediately prior to the introduction of the 3% surcharge in LBTT rates on second homes and buy-to-let properties, which led to a dearth of sales in April and May 2016. Transactions in May 2017 were 4% below 2015, which represents a more normal year for sales volumes. Nevertheless, transactions in the first five months of 2017 were 2% higher than the same period in 2016 and up by 6% on 2015.

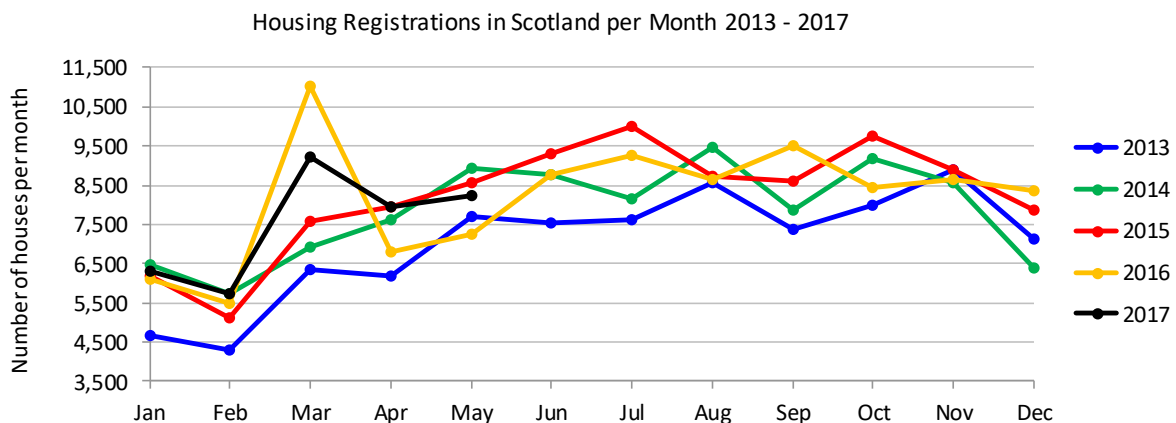


Figure 2. The number of sales per month recorded by Registers of Scotland based on entry date, for the period January 2013 – May 2017 Source: Registers of Scotland. [link to source Excel](#)

House prices and transactions

Table 4. Average House Prices in Scotland, by local authority area, comparing August 2016 and July 2017 with August 2017 [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Aug-16	Jul-17	Aug-17	% Monthly Change	% Annual Change
1	2	City of Edinburgh	240,847	255,761	262,092	2.5%	8.8%
2	1	East Renfrewshire	245,569	258,105	248,686	-3.6%	1.3%
3	4	East Lothian	219,846	225,710	234,200	3.8%	6.5%
4	3	East Dunbartonshire	221,241	232,743	232,532	-0.1%	5.1%
5	5	Aberdeenshire	211,097	214,434	209,269	-2.4%	-0.9%
6	8	Stirling	192,376	205,193	204,733	-0.2%	6.4%
7	9	Midlothian	190,122	200,341	204,518	2.1%	7.6%
8	7	Perth and Kinross	194,274	197,874	202,912	2.5%	4.4%
9	6	Aberdeen City	201,609	201,808	199,429	-1.2%	-1.1%
10	10	Scottish Borders	171,305	178,909	187,879	5.0%	9.7%
11	11	Highland	166,188	172,343	172,575	0.1%	3.8%
12	12	Angus	157,421	168,118	160,159	-4.7%	1.7%
13	16	Argyll and Bute	148,486	152,624	157,989	3.5%	6.4%
14	17	Fife	148,435	152,302	157,843	3.6%	6.3%
15	19	South Lanarkshire	146,063	152,288	157,708	3.6%	8.0%
16	13	West Lothian	154,742	156,103	157,370	0.8%	1.7%
17	15	South Ayrshire	154,075	154,296	156,405	1.4%	1.5%
18	14	Moray	154,203	162,159	155,617	-4.0%	0.9%
19	26	Clackmannanshire	128,543	155,096	154,854	-0.2%	20.5%
20	18	Glasgow City	146,654	155,414	153,281	-1.4%	4.5%
21	20	Shetland Islands	143,886	160,869	152,682	-5.1%	6.1%
22	21	Orkney Islands	138,449	145,401	149,497	2.8%	8.0%
23	24	Falkirk	133,507	135,402	138,519	2.3%	3.8%
24	22	Renfrewshire	135,894	143,117	138,502	-3.2%	1.9%
25	25	Dumfries and Galloway	128,598	134,328	136,921	1.9%	6.5%
26	23	Dundee City	134,427	136,636	135,271	-1.0%	0.6%
27	29	North Lanarkshire	118,655	128,845	127,868	-0.8%	7.8%
28	27	Inverclyde	127,491	127,143	124,070	-2.4%	-2.7%
29	28	North Ayrshire	121,471	124,865	121,027	-3.1%	-0.4%
30	30	East Ayrshire	110,794	121,768	119,397	-1.9%	7.8%
31	31	West Dunbartonshire	109,390	110,582	115,208	4.2%	5.3%
32	32	Na h-Eileanan Siar	103,525	107,543	108,577	1.0%	4.9%
		All Scotland	168,726	175,969	176,876	0.5%	4.8%

Table 4 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for August 2016, July 2017 and August 2017, calculated on a seasonally adjusted basis.

Monthly change

On a monthly basis, average house prices have increased by £907, or 0.5%, in August up from the 0.4% seen in July. Looking at the change in prices in August 2017, 16 of the 32 Local Authority areas saw prices rise in the month, the same number as seen in July. The highest growth in the month on the mainland took place in the Scottish Borders, where prices increased by 5.0%, or £8,970. Unfortunately, due to the lack of property type details from the Registers of Scotland in August, we are unable to analyse the increase in average prices by property type, to help describe the underlying trends. However, we can advise that the most expensive property to be purchased in the Scottish Borders area in August was for £795k. It was located in Innerleithen, a small town close to Peebles approximately 30 miles to the south of Edinburgh.

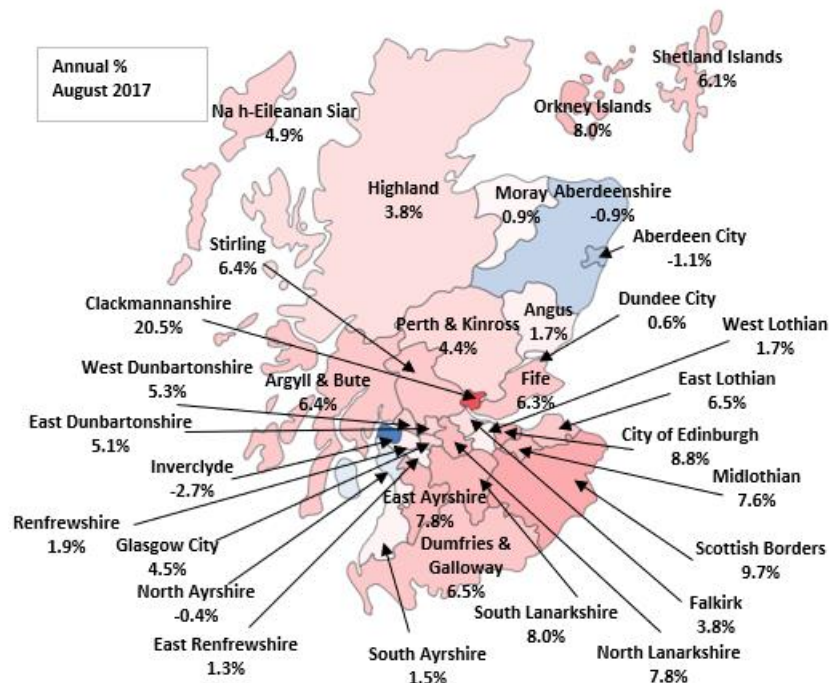
At the other end of the scale, the largest fall in prices in the month on the mainland was seen in Angus, down by -4.7% on the month.

House prices and transactions

Annual change

The average house price in Scotland at the end of August was £176,876, an increase of £8,150, or 4.8%, over the preceding twelve months. The highest annual increase in prices by local authority area occurred in Clackmannanshire, where prices rose by an average £26,300, or 20.5% over the year, but as discussed last month, average prices in Clackmannanshire tend to be more volatile than most when expressed in percentage terms, due its small size and the low number of monthly transactions that take place in the area. The second highest rise over the year on the mainland was again in the Scottish Borders, with a 9.7% increase in house prices, raising average prices over the 12 months by £16,574.

The largest fall in house prices on the mainland over the year, of -2.7%, occurred in Inverclyde, which is the local authority area with the fifth-lowest average priced homes in Scotland. As discussed last month, there were a number of new-build detached properties sold in Inverkip in 2016, which have not been repeated in 2017 – hence the average price of properties in the area has fallen marginally over the year.



Peak Prices

We are unable to advise on peak prices this month, due to the problems being experienced at the Registers of Scotland relating to property type and as previously mentioned. Thank you for your forbearance.

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

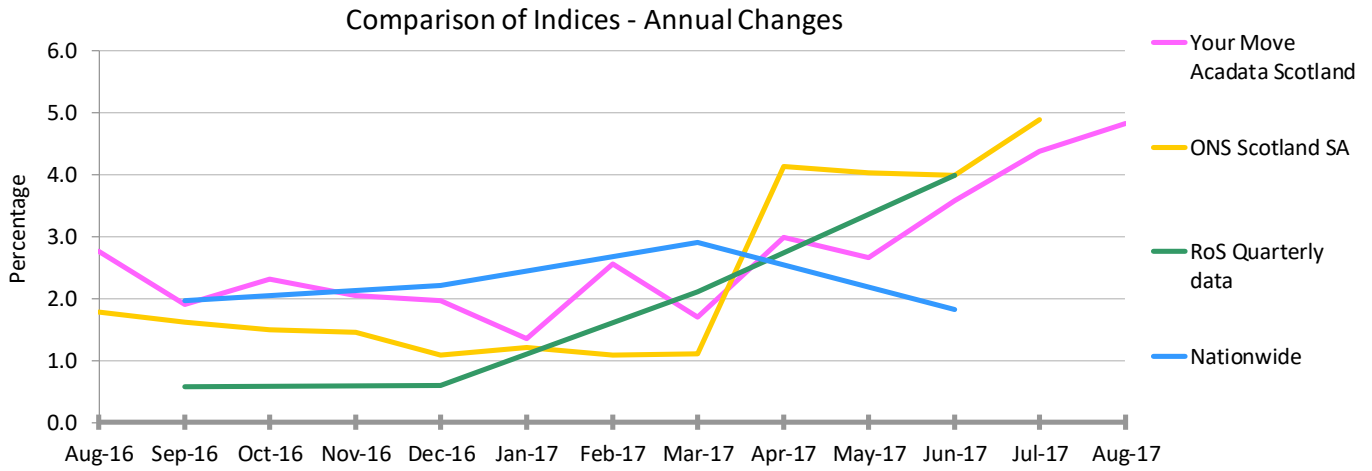


Figure 3. Annual change in house prices

[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](#).

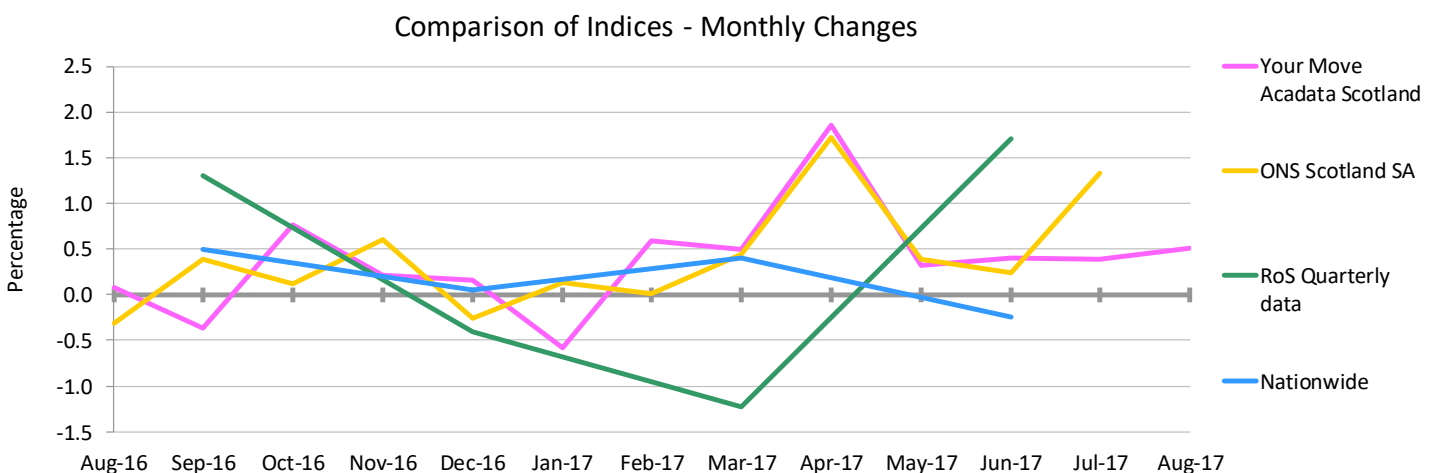


Figure 4. Monthly change in house prices

[link to source Excel](#)

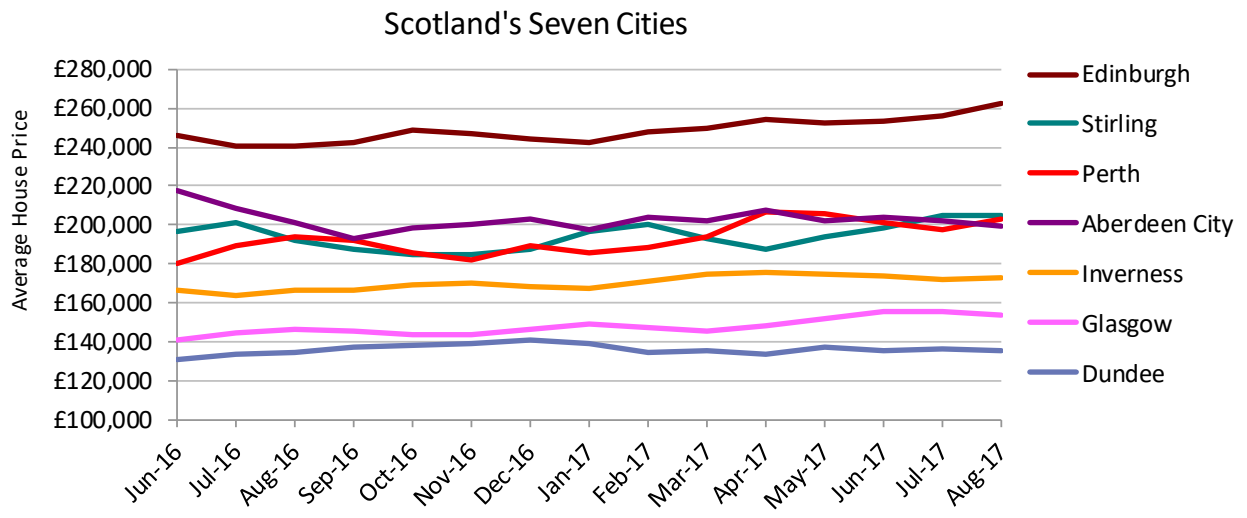


Figure 5. Average house prices for Scotland's seven cities from June 2016–August 2017 [link to source Excel](#)

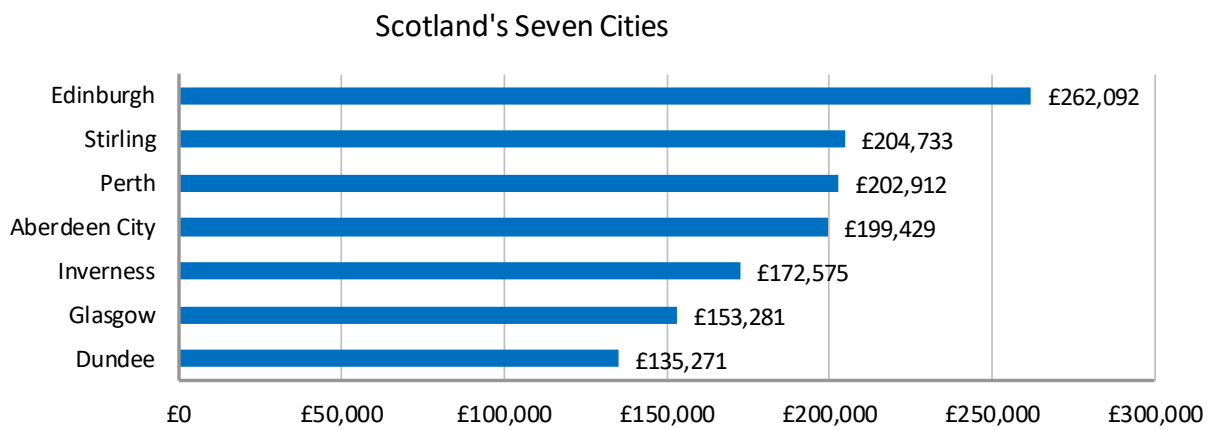


Figure 6. Average house prices for Scotland's seven cities August 2017 [link to source Excel](#)

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.