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October 2017

Scotland’s annual house price growth second highest of Britain’s regions

- Scotland’s annual price growth slows to 3.5% but remains second highest of Britain’s regions
- Lack of supply and strong demand drive price increases across the country
- Midlothian and Stirling lead growth supported by sales of new builds
- Four out of the five local authorities seeing prices decline are on the East Coast

House Price	Index	Monthly Change %	Annual Change %
£175,722	230.1	-0.2	3.5

House prices in Scotland dipped marginally in October, falling 0.2%, with the average property value dropping £276. The rate of annual growth also fell, with prices at the end of October 3.5% higher than a year before, against 4.4% last month.

Annual growth in Scotland remains stronger than most other UK regions, however. It’s well above the average for England and Wales as a whole in October, which stood at just 1.3%, and only the South West of England has grown faster (up 4.3% annually). At £175,722 the average price in Scotland is almost £6,000 higher than a year ago.

Christine Campbell, Your Move managing director in Scotland, said: “Despite a slowdown in annual growth, both the strength and consistency of the Scottish market continue to be impressive. With demand strong and property still affordable, Scotland looks like it will finish 2017 in good shape.”

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: “So far Scotland’s shrugged off the malaise that’s affected many other UK regions. With unemployment edging up and the rate of growth slowing, though, the impact of the provisions in December’s draft budget will be critical in determining whether that continues.”

The resilience of the housing market in Scotland continues to rest on strong demand on the one hand and tight supply on the other.

The first is fuelled by historically low interest rates, a relatively strong economy and affordable property, with median full-time earnings that are the third highest in the UK (at £547.30 a week or £28,460 a year) and a median house price (of £135,000) that’s the lowest. Scotland’s “affordability ratio” is therefore 4.7 – the lowest of the UK. The equivalent figure for England is 7.8.

When it comes to supply, meanwhile, October’s Royal Institution of Chartered Surveyors Residential Market Survey identifies Scotland as having the fourth-lowest number of new vendor instructions in the UK.

Both Scotland’s affordability ratio and annual price growth benefit from a capital city market that continues to be strong. Annual growth in Edinburgh, at 3.4%, is close to the national trend, in contrast to the price falls seen in London that pull the average down for England and Wales. Prices in Scotland’s first city, at an average of £258,426, also remain much closer to the rest of the UK, being only slightly less than 50% of London prices, which are closer to double the average in England and Wales.

Scotland’s strength is broad-based, though. Only five of its 32 local authority areas haven’t seen prices grow over the 12 months to October 2017. Of those, four are on the East Coast, starting at Aberdeenshire (down 1.1%) in the north, and working down as far as Dundee City (down 1.8%) in the south. The biggest fall has been in Clackmannanshire, however, where prices are 5.3% lower than last year.

House price index: historical data

By contrast, there's been good performance from areas throughout Scotland from Highland (up 4.6% annually) to the Scottish Borders (4.5%). A number have performed particularly strongly: Midlothian, which set a new peak for the third time this year in October and has prices up 8.7% annually, bolstered by 140 new-build homes sold in Dalkeith; East Dunbartonshire, which saw the biggest monthly uplift on the mainland (5.3%) and has seen an annual increase of 6.9%; and East Renfrewshire and Fife, which have both seen annual prices increase 6%.

The biggest annual increase for the second month running, however, was recorded in Stirling: the average property values there are up £16,582, or 9.0% over the year, to £200,555. Again, new-build properties, this time in the Bridge of Allan area, have helped bolster the prices achieved.

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

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

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
October	2016	£169,756	222.3	0.7	2.5
November	2016	£169,873	222.5	0.1	2.1
December	2016	£169,551	222.1	-0.2	1.7
January	2017	£169,448	221.9	-0.1	1.6
February	2017	£170,476	223.3	0.6	2.8
March	2017	£171,554	224.7	0.6	2.1
April	2017	£174,053	228.0	1.5	3.0
May	2017	£174,982	229.2	0.5	2.9
June	2017	£175,395	229.7	0.2	4.3
July	2017	£174,926	229.1	-0.3	4.1
August	2017	£175,127	229.4	0.1	4.0
September	2017	£175,998	230.5	0.5	4.4
October	2017	£175,722	230.1	-0.2	3.5

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John Tindale, senior housing analyst for Acadata, comments:

The October housing market

This housing report relates to October 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 £175,722, having increased over the last 12 months by close to £6,000, or 3.5%. This annual rate has decreased by 0.9% from the 4.4% recorded in the previous month, and is the largest reduction in the annual rate in a single month since March 2016, which itself was immediately prior to the introduction of the 3% LBTT surcharge on second homes and buy-to-let properties in April 2016.

Despite this slowdown in house price increases, Scotland’s 3.5% annual growth rate in October is the second-highest rate of all the countries/regions in the United Kingdom, with only the South West of England seeing a higher increase, of 4.3%. The average annual rate for England & Wales as a whole in October was 1.3%, with Greater London experiencing house price deflation of -3.0% 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? As we reported last month, the housing market in Scotland is still experiencing positive economic stimuli. Interest rates are currently close to their historic low levels. Although the unemployment rate has increased in the three months to October to 4.1%, it remains below the UK rate of 4.3%. In addition, 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, hence resulting in price rises.

October’s RICS (Royal Institution of Chartered Surveyors) Residential Market Survey identifies Scotland as having the fourth-lowest number (in the previous month it was the second-lowest) of new vendor instructions of any country/region in the UK, with the North East having the least. Meanwhile, surveyors in Scotland were reporting positive growth in buyer enquiries, resulting in increased competition for the properties that do come onto the market.

A further factor influencing buyer demand is that of “affordability”. As we reported last month, Scotland’s median full-time earnings of £547.30 per person per week were the third highest of all countries/regions in the UK, according to the ONS ASHE (Annual Survey of Hours and Earnings) data, 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.

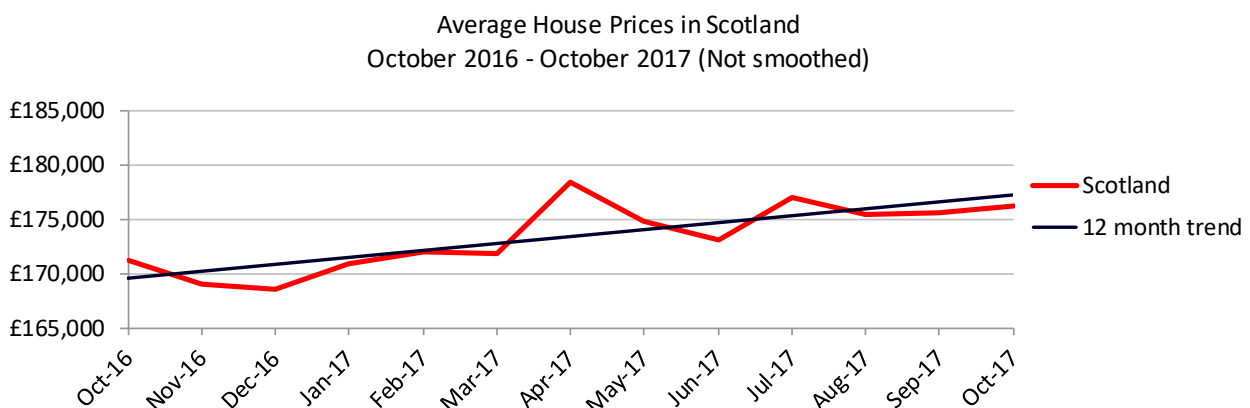


Figure 1. Average House Prices in Scotland, October 2016 – October 2017. The series is mix and seasonally adjusted. [link to source Excel](#)

The above graph tracks the movement in average house prices in Scotland over the last twelve months on a non-smoothed basis and also displays the trendline over this period. As can be seen, prices were marginally below trend at the end of October but in general, with the exception of April 2017, have been increasing at a near steady pace over the last twelve months.

As we discuss on page 6 of this News Release, only 5 of the 32 local authority areas in Scotland experienced house price falls over the 12 months ending October 2017, four of which are located on the East Coast of Scotland starting at Aberdeenshire in the north, and working down as far as Dundee City to the south.

The draft budget for Scotland is to be announced in the Scottish Parliament by the Finance Secretary, Derek Mackay, on 14 December 2017. Unfortunately, our publication deadline is too early to enable us to analyse its content with regard to the Scottish Housing market in this News Release. We therefore intend to discuss its implications as regards housing in our News Release to be published next month.

Transactions analysis

In July 2017, the latest month for which the official ONS statistics are published, transactions in Scotland totalled 8,725 properties. This total was 18% lower than that recorded in June 2017, but the June total was surprisingly high - as can be discerned from the graph below - so the fall in July can be considered as a return to a more 'normal' level of sales for the year.

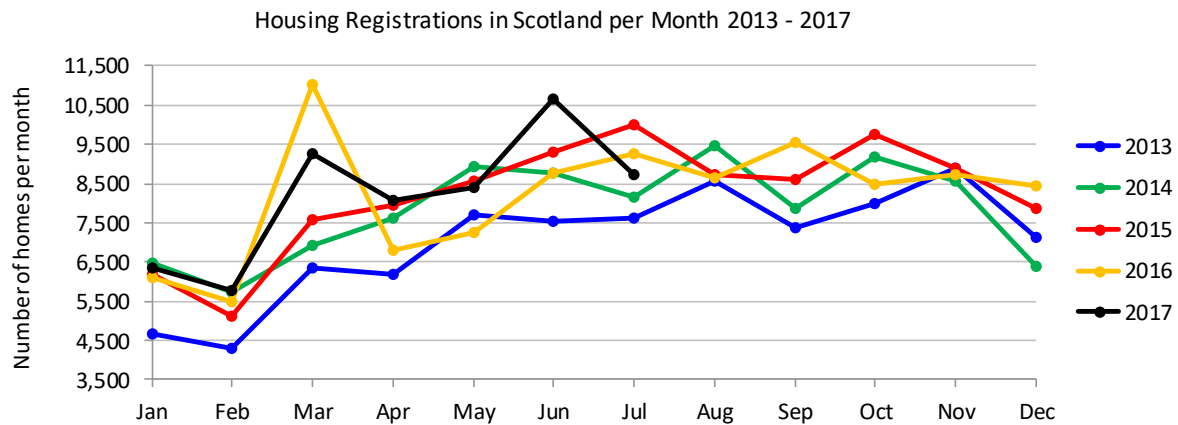


Figure 2. The number of sales per month recorded by Registers of Scotland based on entry date, for the period January 2013 – July 2017

Source: Registers of Scotland.

[link to source Excel](#)

The CML has recently reported on its loan statistics for Scotland for Q3 2017, which we summarise in the Table below:-

Table 2. CML analysis of the number of loans for home purchase in Q3 2016 and Q3 2017

Scotland	First time buyers	Home Movers	Total Sales
Q3 2016	8,600	8,400	17,000
Q3 2017	9,300	9,500	18,800
% change	8.1%	13.1%	10.6%

The CML data show that the number of loans taken out for home purchase between Q3 2016 and Q3 2017 have increased by an average 10.6%. In this third quarter, home movers have been marginally more active than first time buyers, with a 13.1% and 8.1% respective increase in home purchases. The CML (Council of Mortgage Lenders) by definition do not include cash sales, and the ONS has yet to produce the 'official' transaction data for Q3 2017. However, looking at Q3 2016 ONS data, we can note that 8,322, or 30%, of total domestic sales in Scotland were transacted with cash. In addition to the cash adjustment, one also needs to add in the number of buy-to-let transactions - estimated in the quarter to be some 2,000 - to reach the total number of properties purchased in both Q3 2016 and Q3 2017.

Our best estimate for total sales in Q3 2017 is therefore 18,800 home loans as reported by the CML, plus 8,000 cash sales and a further 1,200 buy-to-let properties, making a total of 28,000 transactions. We await the official statistics to confirm or revise these estimates.

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

PRIOR YR RANK	RANK BY PRICE	LOCAL AUTHORITY AREA	Oct-16	Sep-17	Oct-17	% Monthly Change	% Annual Change
1	1	City of Edinburgh	249,988	261,947	258,426	-1.3%	3.4%
2	2	East Renfrewshire	243,431	256,500	257,959	0.6%	6.0%
3	3	East Dunbartonshire	235,054	238,577	251,193	5.3%	6.9%
4	4	East Lothian	222,454	232,452	230,748	-0.7%	3.7%
7	5	Midlothian	193,081	203,769	209,908	3.0%	8.7%
5	6	Aberdeenshire	207,415	209,811	205,042	-2.3%	-1.1%
8	7	Stirling	183,973	207,950	200,555	-3.6%	9.0%
6	8	Aberdeen City	198,591	199,704	198,162	-0.8%	-0.2%
9	9	Perth and Kinross	182,494	198,028	196,689	-0.7%	7.8%
10	10	Scottish Borders	178,815	189,324	186,815	-1.3%	4.5%
11	11	Highland	168,436	171,494	176,219	2.8%	4.6%
13	12	West Lothian	156,639	164,162	164,919	0.5%	5.3%
12	13	South Ayrshire	157,288	155,372	161,171	3.7%	2.5%
14	14	Argyll and Bute	156,429	156,714	160,898	2.7%	2.9%
17	15	Fife	148,367	154,776	157,299	1.6%	6.0%
16	16	Moray	153,419	154,089	155,928	1.2%	1.6%
19	17	Glasgow City	143,829	151,991	152,286	0.2%	5.9%
18	18	Orkney Islands	145,474	142,198	152,033	6.9%	4.5%
15	19	Angus	154,540	152,874	148,519	-2.8%	-3.9%
20	20	Shetland Islands	142,588	156,212	148,294	-5.1%	4.0%
21	21	South Lanarkshire	141,595	147,390	146,848	-0.4%	3.7%
25	22	Renfrewshire	135,467	141,962	140,739	-0.9%	3.9%
24	23	Dumfries and Galloway	137,622	141,252	140,653	-0.4%	2.2%
23	24	Dundee City	138,426	135,201	135,925	0.5%	-1.8%
26	25	Falkirk	132,098	135,698	133,797	-1.4%	1.3%
22	26	Clackmannanshire	140,491	144,067	133,083	-7.6%	-5.3%
28	27	North Lanarkshire	121,497	125,376	125,772	0.3%	3.5%
27	28	Inverclyde	124,218	123,583	125,342	1.4%	0.9%
29	29	East Ayrshire	117,998	124,722	124,706	0.0%	5.7%
30	30	North Ayrshire	117,995	123,583	118,539	-4.1%	0.5%
31	31	West Dunbartonshire	111,604	110,235	113,831	3.3%	2.0%
32	32	Na h-Eileanan Siar	101,285	108,639	110,331	1.6%	8.9%
		All Scotland	169,756	175,998	175,722	-0.2%	3.5%

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

Monthly change

On a monthly basis, house prices have reduced by -0.2% in October, down from the revised +0.5% seen in September. This is the third month this calendar year in which prices have fallen, compared to 4 negative months in 2016 and 3 in 2015. The Bank of England raised its base interest rate from 0.25% to 0.5% on Thursday 2nd November, so this change cannot be considered to be the major cause of the decline in house prices in October, although some agents at the time did suggest that buyer confidence was lower than usual due to an expectation that rates would rise in the near future. It will be interesting to observe whether the decline in prices in the month continues through November, when the increase in interest rates will have started to have an effect.

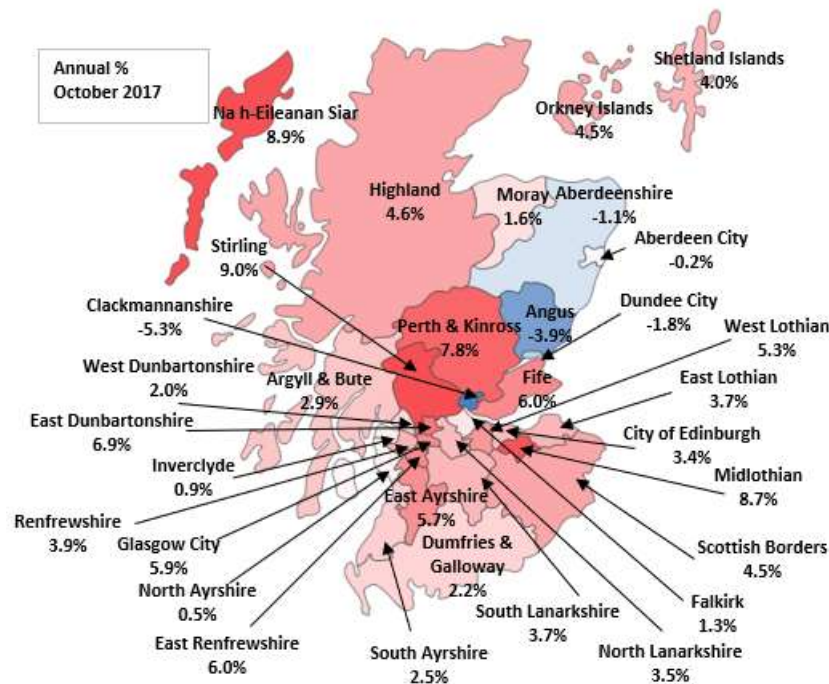
Looking at the change in prices in October 2017 at the local authority area level, 16 of the 32 Local Authority areas saw prices rise in the month, compared with 21 in September. The highest growth in the month on the mainland took place in East Dunbartonshire, where prices increased by 5.3%. The sale of ten new-build upmarket homes in Bearsden has helped to raise the average price of homes in the area. Although Bearsden is in East Dunbartonshire, it lies on the north western fringes of Greater Glasgow, approximately 6 miles from the city centre, and is effectively a suburb of the City. Bearsden was ranked the 7th wealthiest area in Britain in a 2005 survey.

At the other end of the scale, the largest fall in prices in the month was in Clackmannanshire, down by -7.6%. But as we have previously noted, Clackmannanshire has one of the lowest number of property sales per month of any local authority area in Scotland and is hence prone to considerable swings in its average prices, especially when expressed in percentage terms.

Annual change

The average house price in Scotland at the end of October was £175,722, an increase of approximately £6,000, or 3.5%, over the preceding twelve months. The highest annual increase in prices by local authority area, for the second consecutive month, occurred in Stirling where prices rose by £16,582, or 9.0% over the year. Again, it has been new-build properties that have helped elevate prices in the Bridge of Allan area. Bridge of Allan lies 2 miles to the north of the City of Stirling, with the University of Stirling being close-by.

There are five local authority areas that have seen average house prices fall over the last twelve months, coloured in blue on our heat map - they are Clackmannanshire (-5.3%), Angus (-3.9%), Dundee City (-1.8%), Aberdeenshire (-1.1%) and finally Aberdeen City (-0.2%). With the exception of Clackmannanshire, the areas with price falls are all located to the north of Fife on the North Sea coast.



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 is one such authority, being Midlothian. This is the third month this calendar year in which Midlothian has established a new peak price. There have been some 140 new-built homes sold in Dalkeith this year, which have fetched a premium of 17% over the average property prices in the area, assisting the establishment of Midlothian's current peak price. Dalkeith accounts for approximately 40% of all property sales in Midlothian: it is located on the river Esk, approximately eight miles to the south east of Edinburgh.

Notes

NOTES

1. Your Move Acadata Scotland HPI is a price series as opposed to a value series and uses:
 - the actual prices at which every residential property in Scotland was transacted, including prices for properties bought with cash, using the data provided by Registers of Scotland as opposed to valuation estimates or asking prices
 - the price of every single relevant transaction, as opposed to prices based upon samples
2. The current month Your Move Acadata Scotland HPI is not forecast, unlike the LSL Acadata E&W HPI, but is based on achieved prices. The first release of the Scotland results lag the first release of those for England & Wales by one month, as the former index does not use estimates of market prices.
3. Whilst the Your Move Acadata Scotland HPI, like the LSL Acadata E&W HPI, comprises a smoothed average of three months' prices, the Your Move Acadata Scotland HPI average reflects the average price at the month of the index and the prior two months' prices and is ascribed to the month of the index i.e. it is "end month smoothed" (ems) and not "centre month smoothed" (cms) as applied to the LSL Acadata E&W HPI. Since we provide only a national England & Wales average price in our current month LSL Acadata E&W HPI and prices at region and lower levels are lagged one month, this procedure means that the Your Move Acadata Scotland HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales and the regions. All Your Move Acadata Scotland HPI results are subject to change following receipt of updated data from Registers of Scotland.
4. The Acadata website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information.
5. Your Move Acadata Scotland HPI may not be used for commercial purposes without written permission from Acadata. Specifically it may not be used to measure the performance of investments or to determine the price at which investments may be bought or sold or for collateral valuation concerning which enquiries should be directed to MIAC Acadametrics.
6. Acadata is an independent privately owned consultancy specialising in house price data. Our associated company MIAC Acadametrics Limited is an independent asset valuation service provider, specialising in behavioural modelling, stress testing and collateral valuation for the financial services industry

Comparison of indices

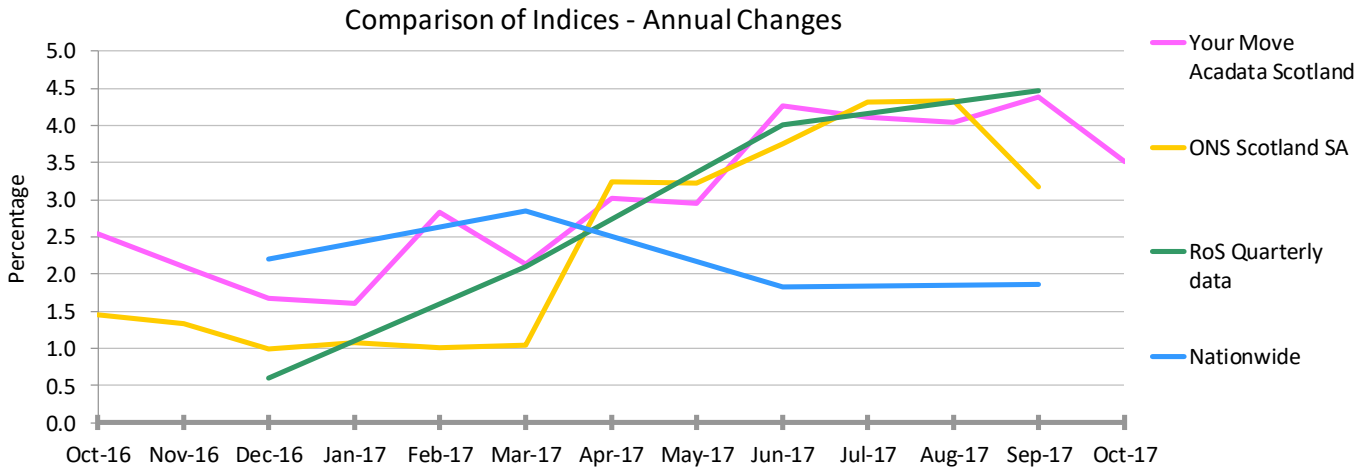


Figure 3. Annual change in house prices

[link to source Excel](#)

The charts on this page show the main indices provided for Scotland. It should be noted that both Nationwide and RoS quarterly data provide prices for the Scottish market only on a quarterly basis and we have charted these by interpolating on a straight line basis. The Your Move Acadata index is based on an arithmetic mean, whereas the ONS Index is based on a geometric mean.

Nationwide estimates the 'price of the average house' as opposed to calculating the 'average price paid' for houses. As such its indices should be less affected by the influences of the LBTT than our own and those provided by the ONS and RoS.

Acadata has published a briefing note on the 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](#).

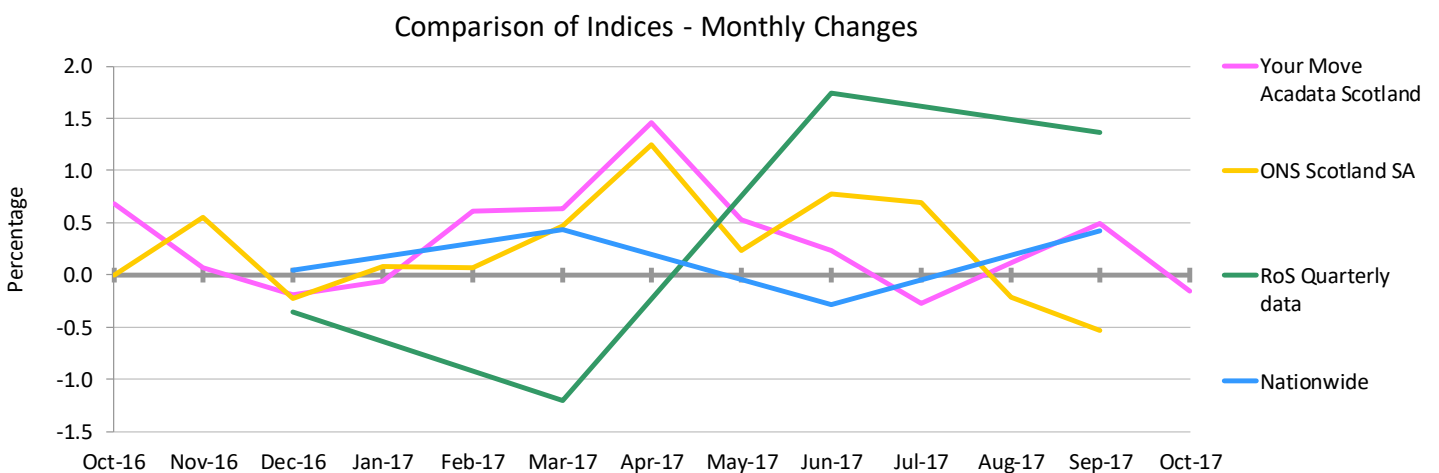


Figure 4. Monthly change in house prices

[link to source Excel](#)

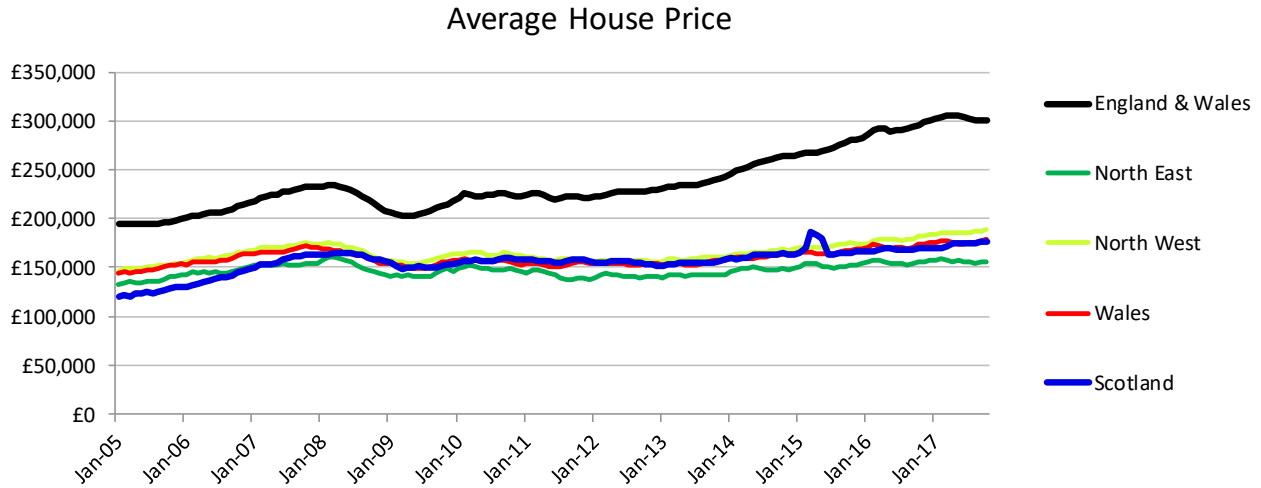


Figure 5. Scotland house prices, compared with England & Wales, Wales, North East and North West for the period January 2005-October 2017 [link to source Excel](#)

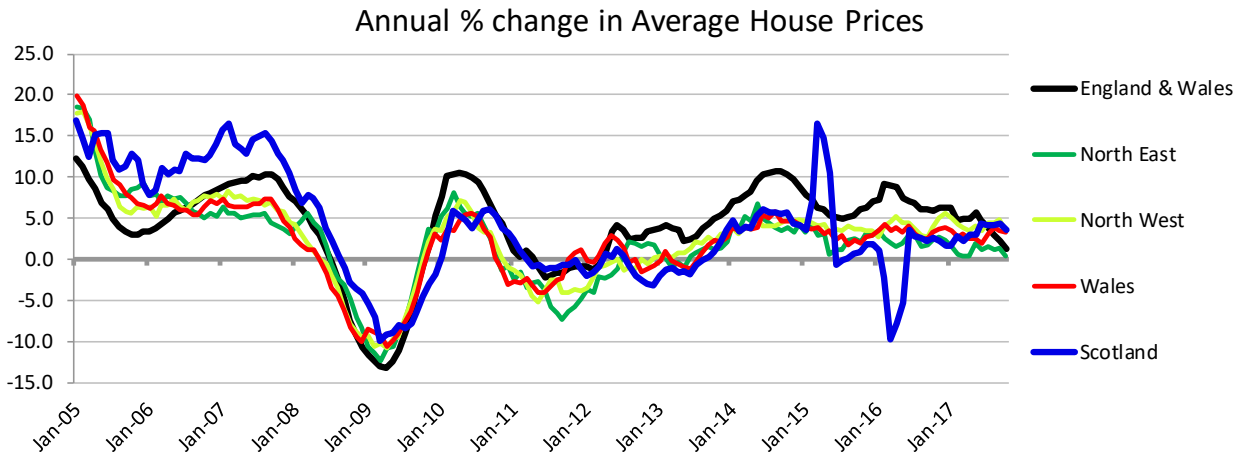


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales, North East and North West for the period January 2005–October 2017 [link to source Excel](#)

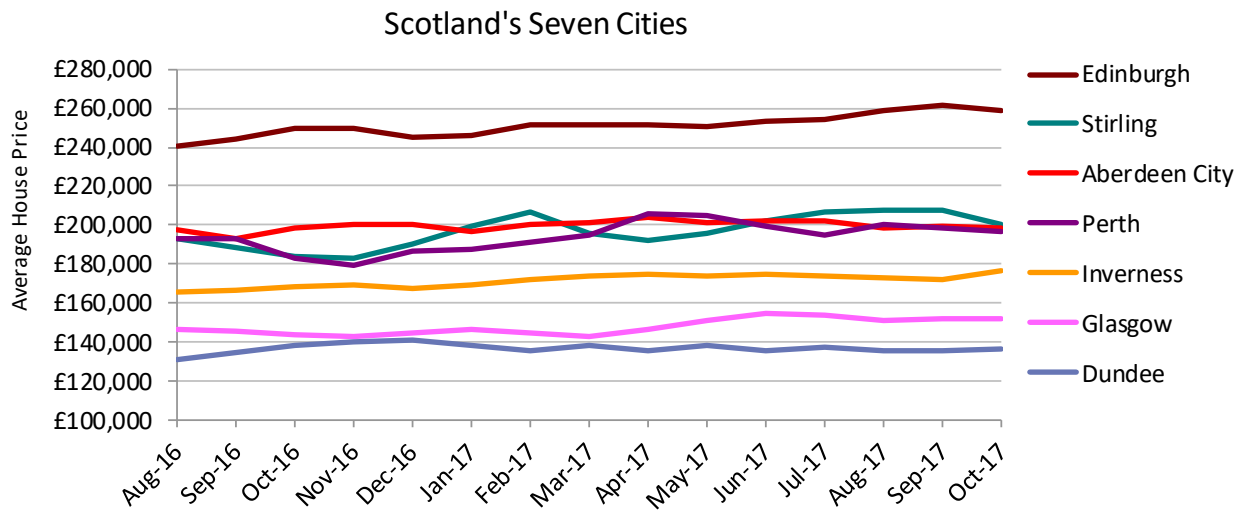


Figure 7. Average house prices for Scotland's seven cities from August 2016–October 2017

[link to source Excel](#)

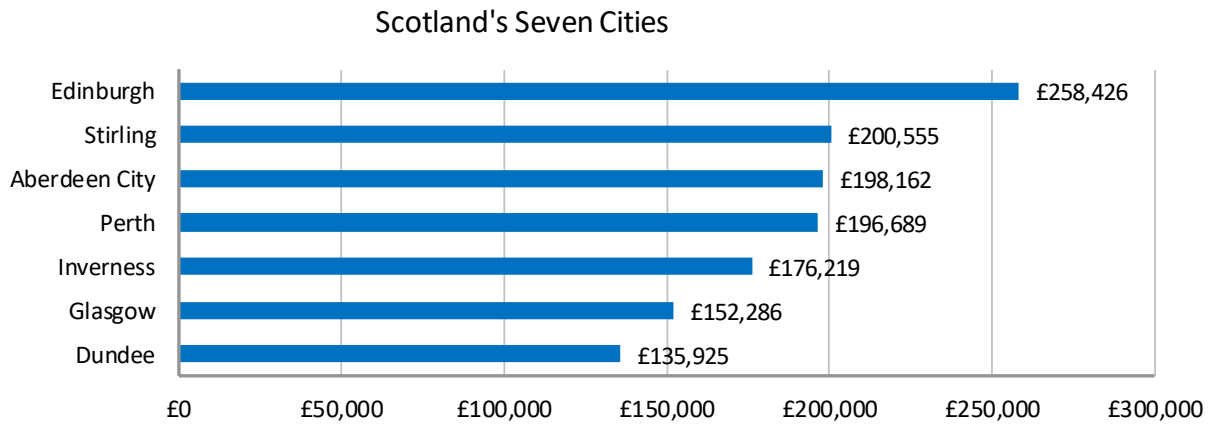


Figure 8. Average house prices for Scotland's seven cities October 2017

[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.