

LSL Property Services/Acadata

Scotland

# House Price Index

DECEMBER 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 19TH FEBRUARY 2014



## Scotland sees third highest house price growth in Great Britain in December

- Average Scottish house prices rise by £5,131 or 3.6% year-on-year
- Sales top 9,000 in December – highest recorded in a single month since July 2008
- 27% increase in properties sold compared with December 2012

House Price	Index	Monthly Change %	Annual Change %
£146,696	198.9	0.3	3.6

**Gordon Fowles, regional managing director of Your Move, an estate agency chain that is part of LSL, comments:** “The recovery of the Scottish housing market is bouncing ahead, with price rises moving past those seen in every other region in Great Britain aside from London and the South East. Average prices are now £5,131 higher than the same time last year, propelled forward by a significant number of sales. In fact, December saw the greatest number of homes change hands in a single month since July 2008, and 27% more sales than a year ago.

“The main force behind such considerable sales activity has been the return of the first-time buyer. The Help to Buy scheme in Scotland jump-started first-time buyers into action by enabling more aspiring homeowners to enter the market. An inviting cocktail of record low interest rates, easier lending conditions and a feast of competitively priced products with lower deposit requirements has attracted new buyers en masse.

“On a regional basis, prices are scattered like pieces in a jigsaw puzzle. Areas like Edinburgh, and parts of the East Lothian, home to scores of wealthier buyers, have seen resounding price rises over the past year. These areas are full of buyers with more equity, so there is less strain on securing a mortgage. This is pushing demand above supply and causing prices to rise. Yet in less affluent areas with high unemployment, activity has fallen, which in turn has dragged down prices. But looking at the national picture as a whole, there is certainly a renewed level of confidence from both buyers and lenders.

“With recovery now firmly on course, the challenge this year is satisfying the pent up demand – which is currently vastly outstripping supply. House building must be placed at the heart of the Scottish government’s plans and will prove critical in driving the recovery forward at a viable rate. Similarly, there are also concerns over the impact that Scottish Independence could have on house prices, especially when faced with the potential implications for Scotland’s economy if the UK pound is relinquished.”

For comment by Dr Peter Williams, housing market specialist and Chairman of Acadata, see page 3.

# House price index: historical data



Table 1. Average House Prices in Scotland for the period December 2012 – December 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
<b>December</b>	<b>2012</b>	£141,565	191.9	-0.7	-4.2
<b>January</b>	<b>2013</b>	£142,238	192.9	0.5	-2.7
<b>February</b>	<b>2013</b>	£143,364	194.4	0.8	-1.6
<b>March</b>	<b>2013</b>	£144,040	195.3	0.5	-1.0
<b>April</b>	<b>2013</b>	£143,835	195.0	-0.1	-1.5
<b>May</b>	<b>2013</b>	£143,802	195.0	0.0	-1.3
<b>June</b>	<b>2013</b>	£143,178	194.1	-0.4	-1.6
<b>July</b>	<b>2013</b>	£143,662	194.8	0.3	-1.0
<b>August</b>	<b>2013</b>	£143,351	194.4	-0.2	-0.2
<b>September</b>	<b>2013</b>	£144,325	195.7	0.7	0.5
<b>October</b>	<b>2013</b>	£144,109	195.4	-0.1	1.0
<b>November</b>	<b>2013</b>	£146,240	198.3	1.5	2.6
<b>December</b>	<b>2013</b>	£146,696	198.9	0.3	3.6

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**Dr Peter Williams, housing market specialist and Chairman of Acadata, comments:**

In December 2013 there were 9,050 property transactions in Scotland. This level of sales has a number of significant features. Firstly, it represents a 27% increase on December 2012's total, continuing the momentum in sales that started in June 2013; secondly, it is the highest number of properties sold in the month of December since 2007; and thirdly, it is the highest number of properties sold in a single month since July 2008 - which was the last month in which sales exceeded 10,000 homes, prior to the slow-down in housing sales resulting from the credit crunch in the financial markets.

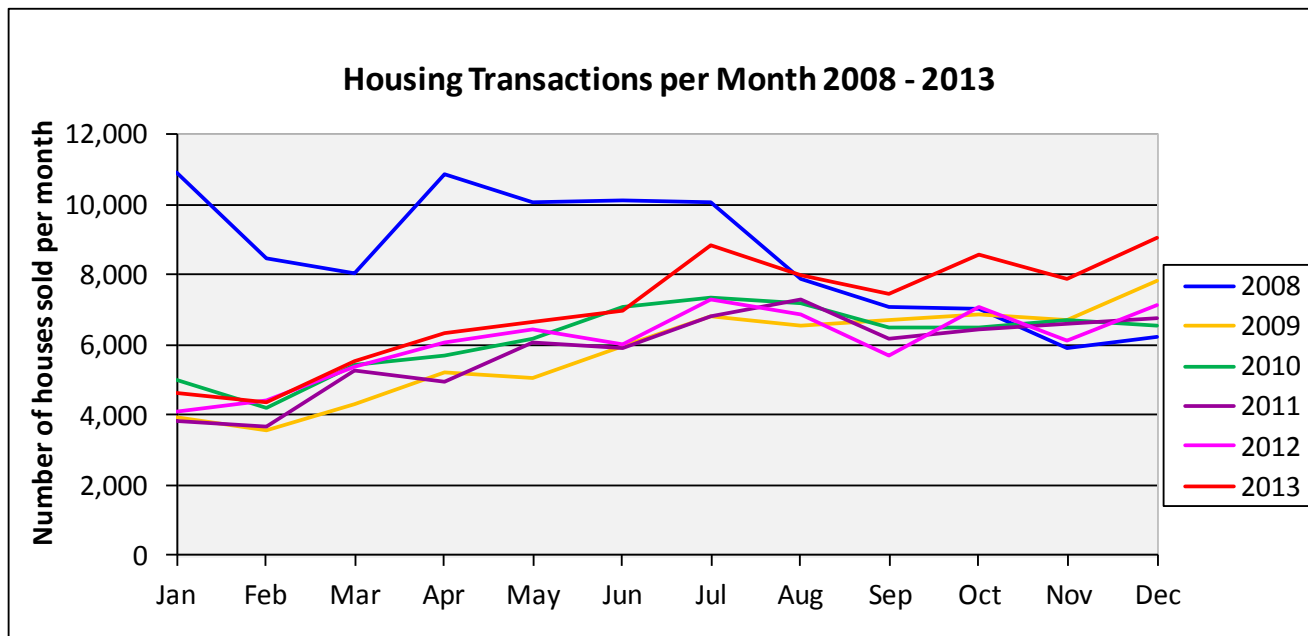


Figure 1. Number of properties sold per month in Scotland, Jan 2008 – December 2013. Source: Registers of Scotland [link to source Excel](#)

Figure 1 illustrates the decline in housing sales during 2008, the subsequent low level of sales during the years 2009 – 2012, and how from June 2013 onwards sales have begun to climb back towards previous levels. The main driver of the expansion in sales in 2013 has been the first time buyer. The mortgage companies eased their constraints on lending to this sector of the market, offering more competitively priced products with lower deposit requirements. This was assisted by the Bank of England's Funding for Lending Scheme (FLS), latterly replaced by the Help to Buy (Scotland) scheme. The increase in the number of first time buyers, which the CML estimated as being 32% during Q3 2013 compared to the previous year, has had a knock-on effect throughout the rest of the market. With interest rates at an all-time low, this has produced an increase in housing transactions across all sectors, with sales volumes for the six months July – December 2013 up 24% on the same period in 2012.

2013 has been a year of recovery in Scotland's housing market. Not only have sales volumes expanded by a significant amount, but we have also seen an increase in the average house price of £5,131, or 3.6%, over the year. This is the highest annual rate of price increase since October 2010, when house prices were on the rebound from the 2008/2009 credit squeeze. The average cost of a home now stands at £146,696 which is £6,300, or 4.5%, above the low point of £140,396 experienced in April 2009 during the credit crisis.

Scotland is not alone in experiencing a recovery in house prices during 2013. All ten regions of England & Wales have also seen a positive movement in average prices over the year. However, at 3.6%, Scotland has the third highest house price growth of all regions in Great Britain, with only the South East (3.8%) and Greater London (10.6%) seeing prices rise at a faster rate.

One of the main challenges for the housing market in 2014 is how to satisfy the demand for housing which is now evident. Most estate agents are reporting a lack of new sellers coming to the market, which will have the effect of pushing up prices as buyers compete for the reducing number of properties available. The December RICS Housing Market Survey showed demand as measured by new buyer enquiries still outpacing new instructions to sell. However, as we have shown, transactions are moving ahead strongly. This implies that more existing owners are finding the value of their homes have risen, and are now feeling sufficiently confident to re-enter the housing arena.

# House prices analysis



Table 2. Average House Prices in Scotland, by local authority area, comparing December 2012 and November 2013 with December 2013 [link to source Excel](#)

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Dec-12	Nov-13	Dec-13	% Monthly Change	% Annual Change
1	1	Edinburgh, City of	202,434	215,801	213,492	-1.1%	5.5%
2	5	East Lothian	183,526	204,647	207,858	1.6%	13.3%
3	3	Aberdeenshire	195,652	209,601	207,315	-1.1%	6.0%
4	2	East Renfrewshire	200,681	204,708	204,630	0.0%	2.0%
5	4	Aberdeen City	186,917	195,680	195,437	-0.1%	4.6%
6	6	East Dunbartonshire	179,008	188,329	187,224	-0.6%	4.6%
7	7	Perth & Kinross	168,940	167,317	173,235	3.5%	2.5%
8	8	Stirling	166,490	164,239	167,527	2.0%	0.6%
9	9	Scottish Borders	149,023	163,503	160,786	-1.7%	7.9%
10	11	Midlothian	144,938	150,082	154,213	2.8%	6.4%
11	10	Highland	147,490	147,317	149,397	1.4%	1.3%
12	12	Argyll & Bute	143,091	147,590	148,575	0.7%	3.8%
13	13	Angus	138,318	134,773	139,607	3.6%	0.9%
14	17	South Ayrshire	127,207	137,214	138,271	0.8%	8.7%
15	15	West Lothian	131,540	136,459	137,487	0.8%	4.5%
16	14	Moray	133,234	132,783	133,190	0.3%	0.0%
17	21	Shetland Islands	122,892	136,149	133,099	-2.2%	8.3%
18	16	Dumfries & Galloway	127,365	128,455	127,980	-0.4%	0.5%
19	22	Fife	122,517	125,051	127,052	1.6%	3.7%
20	20	Glasgow City	123,011	127,300	126,888	-0.3%	3.2%
21	18	Orkney Islands	125,824	124,064	124,530	0.4%	-1.0%
22	19	Dundee City	123,346	123,476	123,779	0.2%	0.4%
23	23	Clackmannanshire	119,267	121,399	122,514	0.9%	2.7%
24	24	South Lanarkshire	116,250	118,443	121,412	2.5%	4.4%
25	26	Falkirk	111,378	112,688	114,069	1.2%	2.4%
26	25	Inverclyde	114,514	109,464	111,238	1.6%	-2.9%
27	28	West Dunbartonshire	103,537	105,427	105,400	0.0%	1.8%
28	27	Renfrewshire	104,952	104,926	104,419	-0.5%	-0.5%
29	29	North Ayrshire	100,842	101,398	102,630	1.2%	1.8%
30	32	North Lanarkshire	99,194	98,590	99,133	0.6%	-0.1%
31	31	East Ayrshire	99,330	101,020	97,409	-3.6%	-1.9%
32	30	Eilean Siar	99,645	97,858	96,819	-1.1%	-2.8%
		<b>All Scotland</b>	141,565	146,240	146,696	0.3%	3.6%

Table 2 above shows the average house price and percentage change (over the last month and year) by Local Authority Area for December 2012, November 2013 and December 2013. Overall in December 2013, price rises slowed from their dramatic increase in November (1.5%), but continued their move upwards at a more sedate pace of 0.3%, or £456, in the month. Prices in December rose in 19 of the 32 Local Authority Areas (some 60% of all areas), on a seasonally adjusted basis. This is six fewer areas than last month seeing price increases, which might suggest that activity by first time buyers has had the effect of lowering the average price of properties that were sold during the month in some locations.

On an annual basis, prices have risen in 25 of the 32 local authority areas, which is eleven more than three months previously. This demonstrates the current upward pressure on house prices as demand for properties continues to increase. Many agents are reporting a lack of new instructions to sell, which is beginning to push up the prices of those properties which are put on the market.

Looking first at the monthly rate of change from November 2013 to December 2013, the biggest increase in prices among the Local Authority Areas was in Angus, up 3.6%, where the average price of detached houses has risen by £25k. The second largest increase in prices during the month was in Perth & Kinross, up by 3.5%, where the price of semi-detached properties sold in the month was £60k above the average for the area.

Turning to the annual figures, the highest movement in house prices over the year was in East Lothian, up 13.3%. Here, the recent sale of some large properties has increased the average price of detached homes by more than £80k compared to a year ago. East Lothian is followed by South Ayrshire where average prices have increased by 8.7% over the year. Again this is due to an increase in the price of detached homes, but this appears to have been the result of a more general increase in values across the market, as opposed to the sale of some top-end properties.

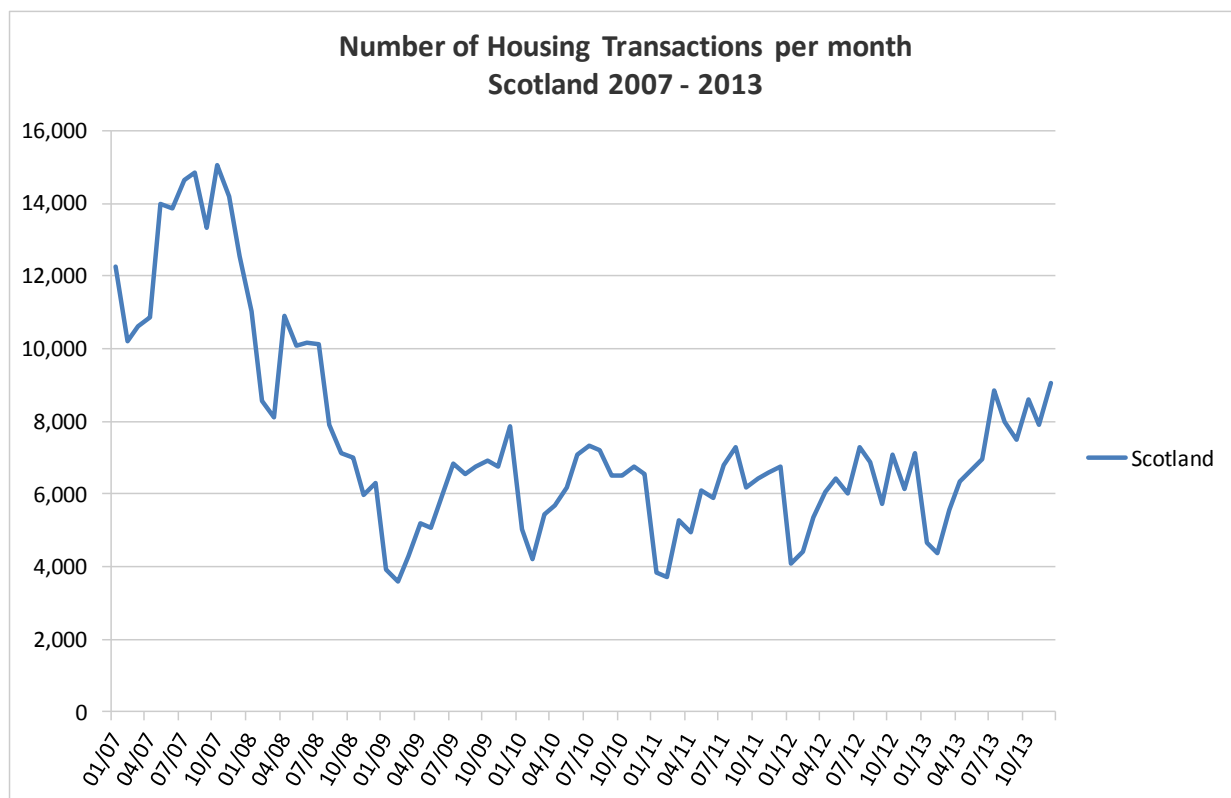


Figure 2. The number of housing transactions by month in Scotland, 2007 - 2013 (not seasonally adjusted)

[link to source Excel](#)

The graph above shows the number of monthly transactions recorded by the Registers of Scotland (RoS) for the period January 2007 to December 2013, without seasonal adjustment. The graph demonstrates that there has been an upturn in housing transactions in the second half of 2013, with the number of properties sold in each month since June 2013 exceeding that of the equivalent period in the preceding four years. December 2013 transactions continued to grow, recording a 14% volume increase over the previous month and a 27% increase over the previous year. In addition, as can be seen from the graph, the December 2013 transaction levels - at 9,050 properties - were the highest volume of December sales since 2007, and the highest number in any month since July 2008, when monthly transactions were last above 10,000 per month.

Much of the increase in transactions during the second half of 2013 is from first time buyer activity. The CML (Council of Mortgage Lenders) reports that the number of loans taken out by first time buyers during the third quarter of 2013 was up 32% compared to the third quarter of 2012, being some additional 1,600 property sales. The increased activity among first time buyers has had the anticipated effect further up the property ladder. The freeing-up of housing chains, alongside mortgage rates at record lows and a wider range of products, has seen an increase in activity by home movers. Again, the CML reports that the number of loans taken up by home movers in the third quarter of 2013 increased by 16% compared to the third quarter in 2012. The CML will be updating these data later in the month, which will indicate the extent to which first time buyers and other home movers affected the recovery in the market during 2013.

Looking at the increase in property sales over the last six months of 2013 compared to the last six months of 2012, we find that the sale of flats has increased in number by 29%, detached properties by 27%, terraced properties by 21% and finally semi-detached properties by 20%. These increases are consistent with the strength seen in the first time buyer market, where flats are the typical property type of choice and affordability. Additionally, the increase in the sale of detached homes suggests that the more mature movers in the property market are also becoming more active.

The highest percentage increase in the sale of properties on the mainland in the six month period July - December 2013 compared to the same six months in 2012 was in West Dunbartonshire, up by an overall 45%. Here the sale of flats increased by an additional 76 units (up 44%) over the 173 flats that were sold in the last six months of 2012, with higher sales of all other property types also being experienced. West Dunbartonshire was closely followed by Clackmannanshire, up by an overall 44%, where the sale of detached properties was predominant.



## NOTES

1. LSL Acad Scotland HPI is a price series as opposed to a value series and is the only house price index for Scotland to use:
  - 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 LSL Acad Scotland HPI is not forecast, unlike the LSL Acad E&W HPI, and the first release of the Scotland results lag the first release of those for England & Wales by one month
3. whilst the LSL Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months' prices, the LSL Acad 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 Acad E&W HPI. Since we provide only a national England & Wales average price in our current month LSL Acad E&W HPI and prices at region and lower levels are lagged one month, this procedure means that the LSL Acad Scotland HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales, Wales and the regions.
4. all LSL Acad Scotland HPI results are subject to change following receipt of updated data from Registers of Scotland
5. Acadata is an independent privately owned consultancy working with Dr Stephen Satchell, Economics Fellow Trinity College Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.

# Comparison of indices and RoS average prices

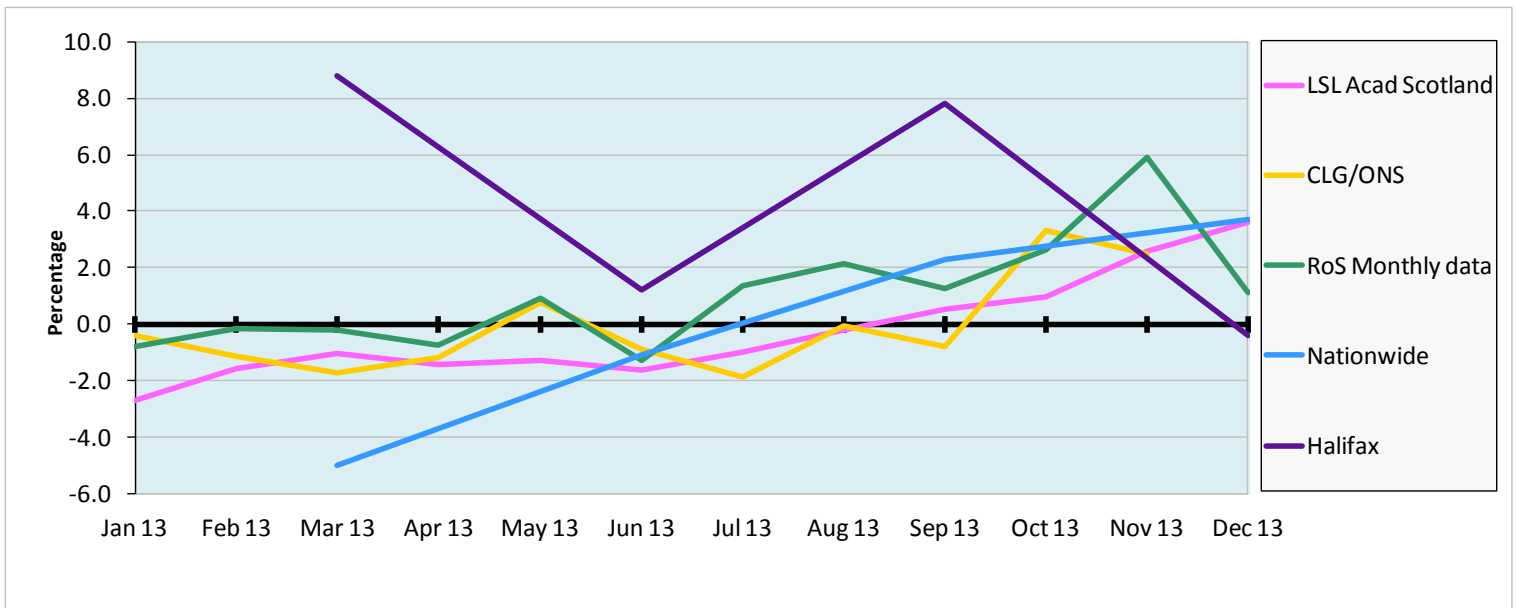


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

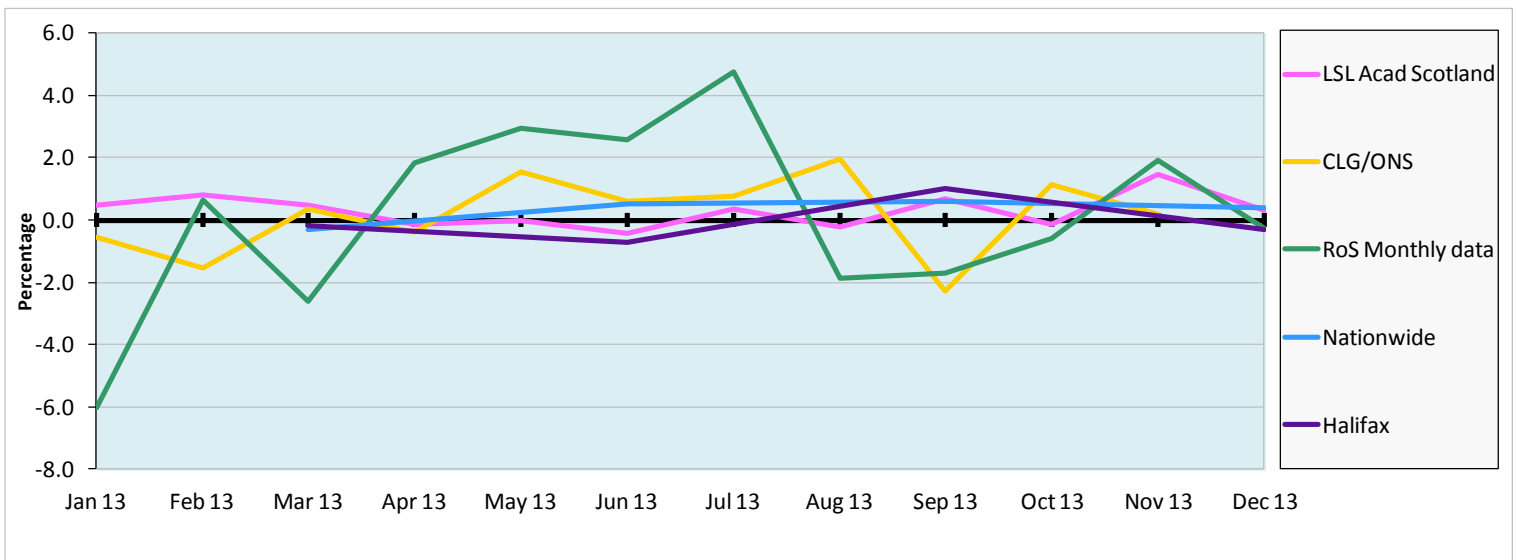


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES AND RoS CHART

[link to source Excel](#)

The charts above compare the main indices provided for Scotland and the RoS arithmetic average prices. It should be noted that Halifax and Nationwide provide prices for the Scottish market only on a quarterly basis and we have charted these by interpolating on a straight line basis.



## Average House Price

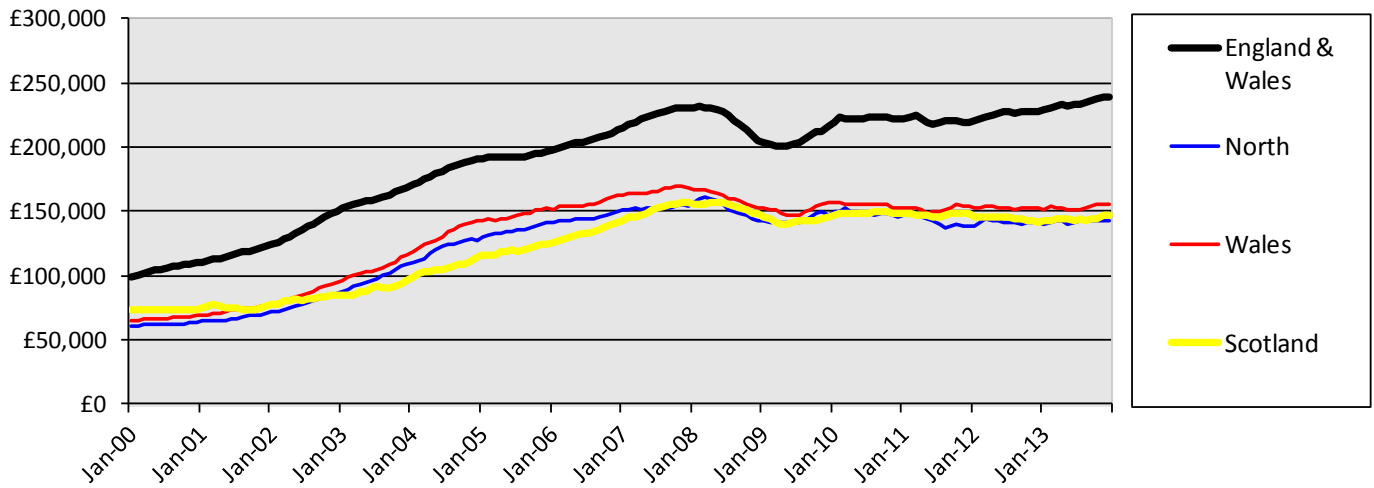


Figure 5. Scotland house prices, compared with England & Wales, Wales and the North for the period January 2000 - December 2013 [link to source Excel](#)

## Annual % change in Average House Prices

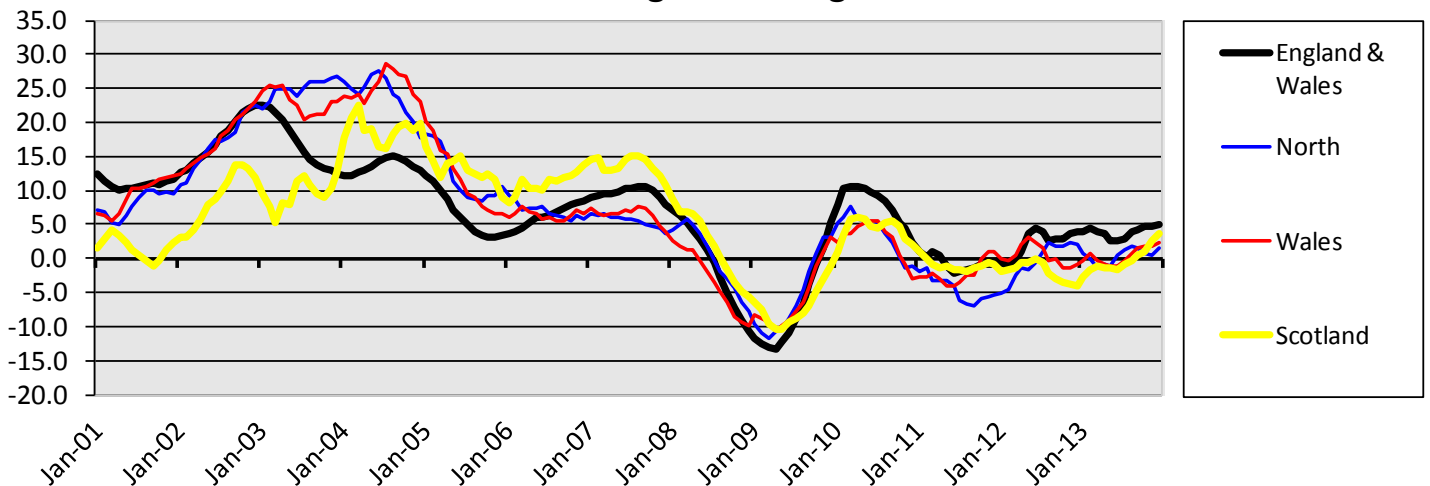


Figure 6. A comparison of the annual change in house prices in Scotland, England & Wales, Wales and the North for the period January 2001 – December 2013 [link to source Excel](#)



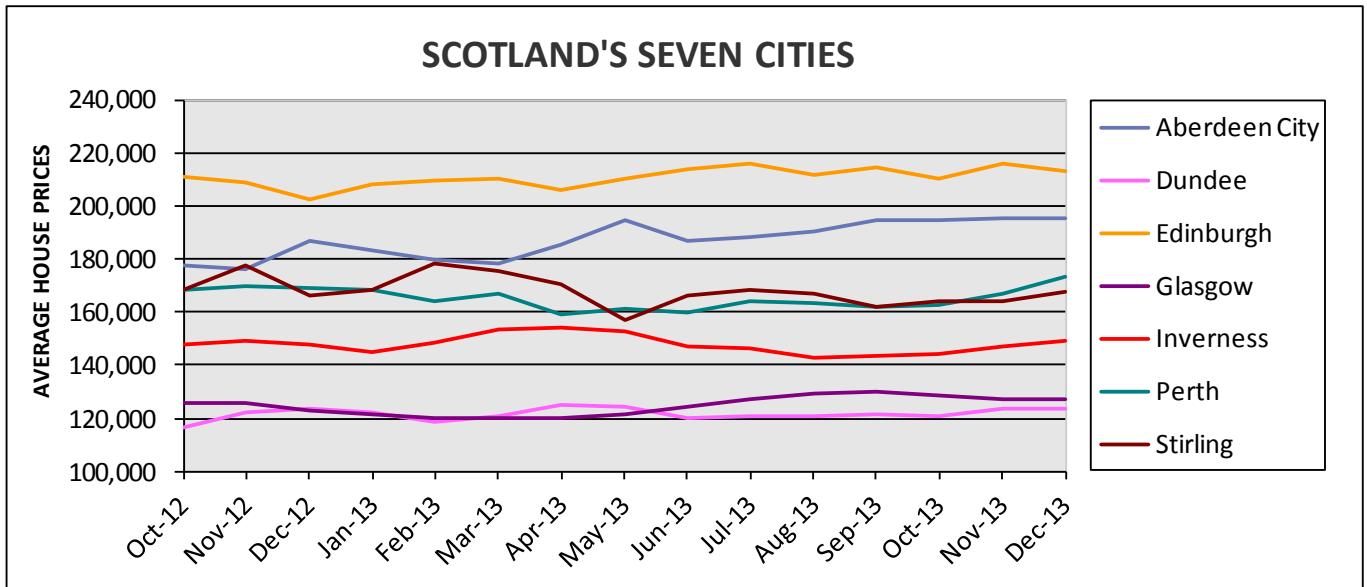


Figure 7. Average house prices for Scotland's seven cities from October 2012 – December 2013 [link to source Excel](#)

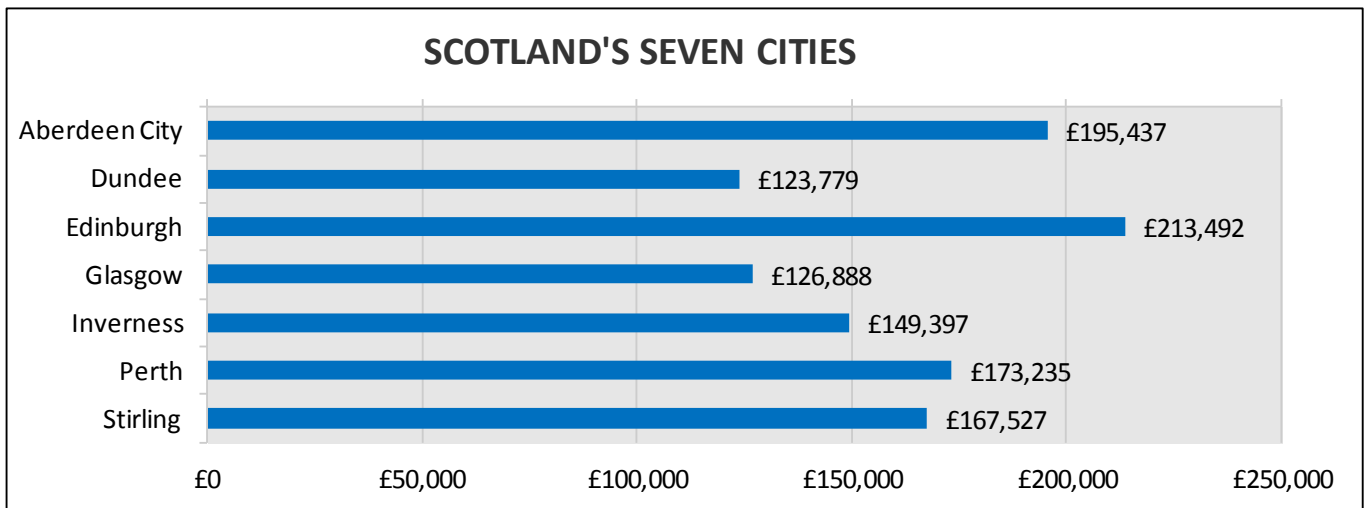


Figure 8. Average house prices for Scotland's seven cities December 2013 [link to source Excel](#)



1. LSL Acad 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. LSL Acad Scotland HPI includes cash purchase prices and is the only index 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; a valuation series (whether the values are professionally estimated at e.g. time of mortgage offer or by an estate agent) is not the same as a price series; a price series, such as LSL Acad Scotland HPI or ONS HPI, can be prepared only when the prices at which properties have been transacted have been recorded at RoS (LSL Acad Scotland HPI) or when firm prices at mortgage completion have been made available by lenders (ONS HPI); valuation series can be prepared whenever the data e.g. asking or mortgage offer prices 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. LSL Acad E&W HPI overcomes delay in the availability of all transactions for any given month from LR with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell Economics Fellow Trinity College Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School. Forecasting is assisted by the provision by LR of “emergent data”, being those current month transactions for which LR have received prompt notification.

3. The “emergent” data for Scotland necessary to repeat the E&W forecasting methodology are as yet unavailable from RoS, such that LSL Acad Scotland HPI incorporates no forecasting procedure. Whilst the LSL Acad Scotland HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months’ prices, the LSL Acad 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 Acad E&W HPI. Please note that:

- we provide only a current month average price for England & Wales as a whole in our LSL Acad E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 98% of the transaction 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 LSL Acad 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 Acad E&W HPI. Our intention is to align the procedure for LSL Scotland HPI with that used for LSL Acad E&W HPI, as soon as the necessary data may be available. Meanwhile, 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 Acad E&W HPI provides prices from January 2000. 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 LSL Acad 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 filled using the same procedure used in LSL Acad E&W and, by Eurostat, in preparing seasonal data.

5. Note that LSL Acad Scotland HPI is unable to identify different prices according to e.g. numbers of bedrooms; the lender hedonic indices and the ONS mix adjusted HPI do so. RoS data, and hence LSL Acad 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. LSL Acad 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 LSL Acad 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; LSL Acad 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 LSL Acad Scotland HPI, together with historic data, can be purchased from Acadata.

8. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acad E&W HPI was published, it was prepared by Acadametrics as was the LSL Acad 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.



## **LSL PROPERTY SERVICES PLC**

LSL is one of the leading residential property services companies in the UK and provides a broad range of services to a wide range of customers including mortgage lenders together with buyers and sellers of residential properties.

LSL's operations cover four key areas; surveying; estate agency; corporate services; financial services.

### **Surveying**

LSL's [surveying](#) business operates under e.surv Chartered Surveyors, Chancellors Associates and Barnwoods brands. e.surv is one of the largest employers of residential Chartered Surveyors in the UK and is the largest distributor and manager of mortgage valuations and private surveys.

### **Estate Agency**

LSL's [estate agency](#) business operates under the Your Move, Reeds Rains, Intercounty and several independent brands. Your Move is the single largest estate agency brand in the UK.

In January 2010 the acquisition of the Halifax Estate Agency (HEA) business from Lloyd Banking Group saw LSL increase in size to become the second largest UK estate agency network - with around 570 branches. It is also the largest letting agency in the UK.

### **Corporate Services**

LSL Corporate Client Services was launched in 2008 to provide asset management and lettings property portfolio management services to corporate clients. This business has grown through the addition of St Trinity Asset Management - which previously operated as HEA Corporate Services - and Templeton LPA, which LSL acquired in February 2010.

### **Financial Services**

LSL offers financial services across its entire branch network. In May 2010 LSL acquired over 450 advisers from leading financial services network Home of Choice - these advisers now operate under the brand of First Complete.

In October 2010 LSL also announced the acquisition of mortgage distribution company, Advance Mortgage Funding Limited (trading as Pink Home Loans) and its subsidiary business BDS Mortgage Group Limited, (together known as Pink), from Skipton Building Society. It further confirmed LSL's position as one of the largest mortgage advisory businesses in the UK today.

For further information see [www.lslps.co.uk](http://www.lslps.co.uk)