

Headlines

Questions over Scottish Government target of 50,000 new affordable homes by 2021.

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Scottish Government announce £1.75bn allocation for affordable housing.

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UK Construction Purchasing Manager Index shows slowdown.

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Key Findings

Recent ministerial comments suggest some doubt over the Government's commitment to their new affordable homes over the course of this parliament.

On the other hand, the Government claims to be demonstrating its commitment to the affordable housing target by allocating £1.75bn to Scottish councils.

Construction Purchasing Managers Index has shown a slowing in the construction sector, across all activities, from May to June 2017, suggesting sector slowdown.

Themes & Trend Analysis

Government targets for new affordable housing have been questioned by the opposition.

Housing minister Kevin Stewart commented that the "vast majority" of the 50,000 new affordable homes would be built, after an apparent cut in the budget. This has led to parliamentary opposition accusing the SNP-led Government of abandoning a target that the housing sector already saw as insufficient to meet current demand.

Affordable housing delivery is at its highest levels since the 1980s, according to new Government figures.

The Scottish Government has cited new statistics that show the level of affordable house building is at its highest level since the 1980s, with 10,276 affordable homes approved in 2016/17, an increase of 29% on the year before.

UK Construction Purchasing Managers Index sees growth slow but remain positive in June.

The rate of growth in the UK construction sector has slowed, with business activity, new work and employment all slowing in June compared to May. At 54.8 in June, down from 56.0 in May, this still remains in positive territory (50.0 being equal to no change). This would support the view of an improving market, but at a slower rate.

Housing Market Statistics (All Sectors - Rolling 4 Quarters to Latest Quarter)

Area	All Sector Starts				All Sector Completions			
	Year to Q4 2015	Year to Q4 2016	Y-on-Y Δ	Y-on-Y Δ%	Year to Q4 2015	Year to Q4 2016	Y-on-Y Δ	Y-on-Y Δ%
Scotland	17,766	16,900	-866	-5%	16,163	16,462	299	2%
City of Edinburgh	1,784	1,750	-34	-2%	997	1,630	633	63%
East Lothian	414	627	213	51%	329	544	215	65%
Glasgow	840	757	-83	-10%	879	658	-221	-25%
Midlothian	393	365	-28	-7%	305	458	153	50%
Perth & Kinross	529	773	244	46%	379	757	378	100%
East Dunbartonshire	322	513	191	59%	414	322	-92	-22%
Scottish Borders	320	328	8	2%	325	334	9	3%
Stirling	503	211	-292	-58%	334	424	90	27%
West Lothian	692	957	265	38%	702	724	22	3%
Aberdeen	752	710	-42	-6%	845	530	-315	-37%

Source: Scottish Government

Housing Market Indicators

New Homes Construction Material Price Index (2010=100)							Projected Annual Increase in the No. of Households, 2012-37			Current Annual Build Rate, Based on Completions			Current Annual Balance		
	2012	2013	2014	2015	2016	2017	Area								
Annual Average	107.2	108.1	110.0	109.2	110.0	114.1	Scotland	13,818		16,462		2,645			
							City of Edinburgh	2,803		1,630		-1,173			
							East Lothian	442		544		103			
							Glasgow City	1,857		658		-1,199			
							Midlothian	450		458		8			
							Perth & Kinross	470		757		287			
							East Dunbartonshire	230		322		93			
							Scottish Borders	178		334		156			
							Stirling	299		424		125			
							West Lothian	496		724		228			
							Aberdeen	1,003		530		-473			

Source: HM Revenue & Customs

Number of Mortgage Advances and Values

2015Q4 2016Q1 2016Q2 2016Q3 2016Q4 2017Q1

Scottish First Time Buyers (FTB)
8,000 6,200 8,500 8,600 8,300 7,600
(£870m) (£660m) (£920m) (£940m) (£910m) (£810m)

Scottish Movers
9,200 7,300 8,100 8,500 8,300 6,700
(£1400m) (£1100m) (£1220m) (£1280m) (£1270m) (£1,030m)

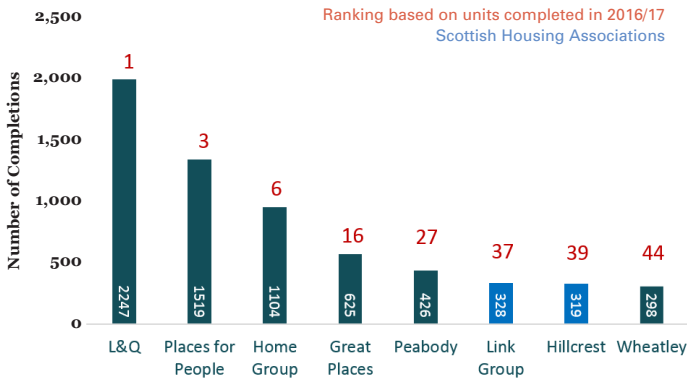
Source: Council of Mortgage Lenders

Source: NRS & Scottish Government

Scottish Housing Associations Break into Top Builders' List

Scottish Housing Associations, Link and Hillcrest, have broken into the Top 50 Housing Association Builders Chart in 2016/17 compiled by InsideHousing.co.uk. This growth was, in part, attributable to the growth of sub-market rent product.

Housing Association Completions in 2016/17

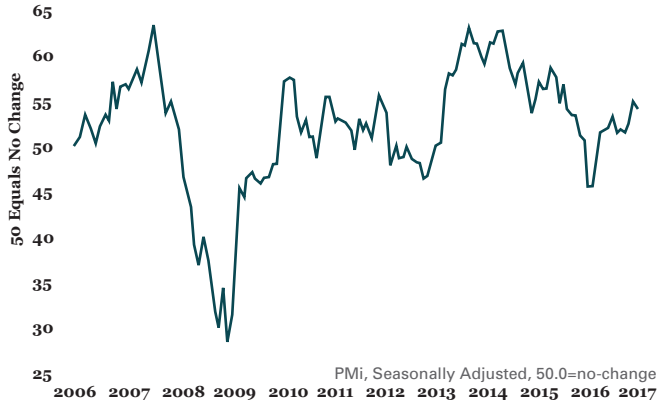


Source: Inside Housing

UK Construction Purchasing Managers Weakens

The UK Purchasing Manager Index has seen a further decline at the beginning of 2017, following a recovery in the latter half of 2016 after the EU Referendum. The Construction PMI sits below both the other indicators at 52, compared to 55 for Services and 54 for Manufacturing in January 2017.

Markit/CIPS PMI Output Activity

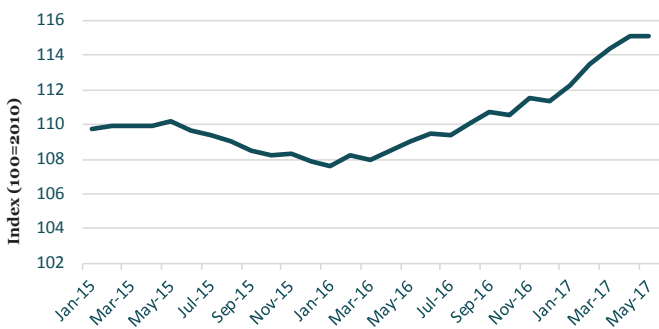


Source: Markit/CIPS

Building and Material Components Becoming More Expensive

Building material prices have continued their rising trend. The rate of the increase seems to have slowed at the start of the 2017 summer, with both the ONS statistics and the HIS Market Procurement and Executives Group Engineering and Construction Index reporting a slowdown in June compared to May.

Building Materials & Components Index (100=2010)

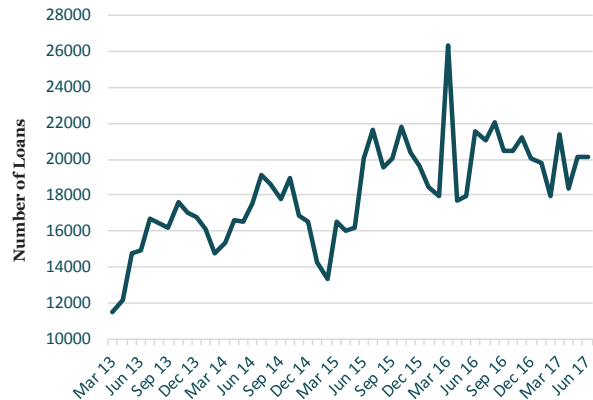


Source: ONS

Gross Mortgage Lending Flattens in Early 2017

Gross mortgage lending in the UK stayed flat in June, but was down 7% on the same period last year. Lending in H1 2017 overall has fallen back c.6% on the previous quarter and is 2% down on H1 2016. This would support commentary reporting a wider housing market and economic slowdown.

Scottish Mortgage Lending

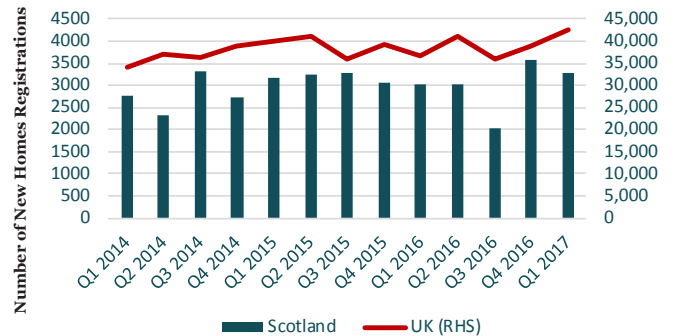


Source: CML

New Home Registrations Are Up YoY

New home registrations, as registered by NHBC, have seen a strong start to the year, with over 42,000 new homes being registered in the UK in Q1 2017. This is an increase of 17% year-on-year. In Scotland, while figure fell QoQ from a previous high watermark, YoY registrations were up 9%.

New Homes Registrations (UK=RHS)

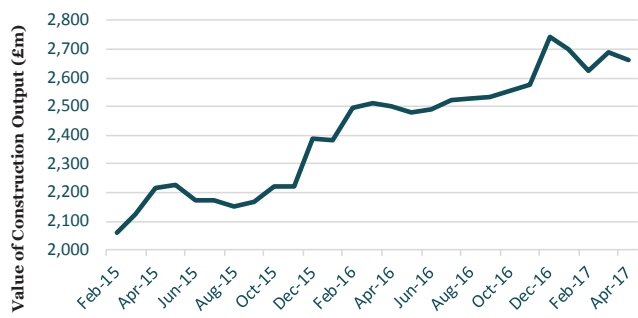


Source: NHBC

Construction Housing Output Starts 2017 Strongly

Having experienced double digit growth in new home construction output over the course of 2016, this growth rate slowed in the first quarter of 2017, again supporting the conclusion that the rate of growth in the sector has weakened in 2017.

UK Construction Output (Value in £m)



Source: ONS