

Winter 2018/19

Headlines

Brexit fears contrast with rising prices

[Click here for the full story](#)

Q4 2018 figures up year-on-year

[Click here for the full story](#)

Affordability improves in Aberdeen & Perth

[Click here for the full story](#)

Market Barometer (YoY)

	--	-	0	+	++
Transactions					
Average Price					
Market Turnover					

-- significantly down
- slightly down

0
no change

++ significantly up
+ slightly up

Themes & Trend Analysis

Brexit fears contrast with housing market data	The latest market sentiment survey release by the Royal Institute of Chartered Surveyors (RICS) reported national sales volumes falling as a result of Brexit fears. However, conversely, figures for Q4 2018 in Scotland show both sales volumes and average prices up by 1.8% and 3.7% respectively when compared to Q4 2017. Scottish cities have also experienced some of the strongest price growth in the UK since the EU referendum in 2016.
Overall, 2018 closed down on 2017 in terms of transaction levels, but was up on average prices	A positive Q4 2018 did not overcome a slow start to the year. Over the whole calendar year, 2018 saw a 2% drop in market activity across Scotland. Falls in the cities, especially in Edinburgh & Glasgow, but rises in the regions may point to issues of supply as average house prices rose 6.6% in Edinburgh compared to 2017, and 5% in Glasgow, both outperforming the national 3.7% growth in average prices in 2018.
Aberdeen & Perth have seen improvements in their average house price to earnings ratio	Figures released by the Bank of Scotland show that, over the past 5 years, average house prices in Aberdeen have only risen 2%, compared to 30% nationally, resulting in the average house price to earnings ratio falling from 5.6 times income to 5, making housing more affordable in the city. Perth was the only other Scottish city to see a falling house price to earnings ratio, from 5.4 to 5.1 times. Affordability in Glasgow has declined the more than any other Scottish city over the past 5 years.

Housing Market Statistics

Area	Average Price (RoS)				Transactions (RoS)				Total Market Value (RoS)			
	Q4 2017	Q4 2018	YoY Δ	YoY Δ %	Q4 2017	Q4 2018	YoY Δ	YoY Δ %	Q4 2017	Q4 2018	YoY Δ	YoY Δ %
Scotland	£176,235	£181,820	£5,584	3.2%	28,344	28,862	518	1.8%	£4,995,213,912	£5,247,683,235	£252,469,323	5.1%
Aberdeen	£202,896	£194,219	−£8,677	−4.3%	1,053	1,027	−26	−2.5%	£213,649,564	£199,463,374	−£14,186,190	−6.6%
Edinburgh	£250,419	£272,694	£22,274	8.9%	3,318	3,188	−130	−3.9%	£830,891,415	£869,347,776	£38,456,361	4.6%
East Dunbartonshire	£248,440	£240,558	−£7,881	−3.2%	529	485	−44	−8.3%	£131,424,557	£116,670,692	−£14,753,865	−11.2%
East Lothian	£238,687	£250,389	£11,702	4.9%	561	710	149	26.6%	£133,903,182	£177,776,080	£43,872,898	32.8%
East Renfrewshire	£260,554	£253,828	−£6,726	−2.6%	507	475	−32	−6.3%	£132,100,757	£120,568,146	−£11,532,611	−8.7%
Glasgow City	£157,576	£162,496	£4,919	3.1%	3,294	3,233	−61	−1.9%	£519,056,915	£525,348,550	£6,291,635	1.2%
Midlothian	£201,936	£224,673	£22,736	11.3%	536	530	−6	−1.1%	£108,237,875	£119,076,542	£10,838,667	10.0%
Perth & Kinross	£192,498	£197,343	£4,845	2.5%	844	891	47	5.6%	£162,468,410	£175,832,582	£13,364,172	8.2%
Scottish Borders	£187,567	£178,654	−£8,912	−4.8%	623	675	52	8.3%	£116,853,936	£120,591,486	£3,737,550	3.2%
Stirling	£192,143	£212,707	£20,564	10.7%	497	472	−25	−5.0%	£95,495,298	£100,397,711	£4,902,413	5.1%
West Lothian	£167,468	£175,545	£8,077	4.8%	880	869	−11	−1.3%	£147,372,130	£152,548,812	£5,176,682	3.5%

Source: Registers of Scotland

Housing Market Indicators

Type	Mortgage Rates (BoE)						Number of Mortgage Advances and Value (CML)					
	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
2 Year (90% LTV) Fixed	2.37	2.28	2.27	2.11	2.24	2.24	9600	9400	8800	6800	9200	8900
2 Year (75% LTV) Fixed	1.73	1.73	1.75	1.71	1.79	1.73	(£1070m)	(£1050m)	(£980m)	(£780m)	(£1080m)	(£1040m)
5 Year (75% LTV) Fixed	2.03	2.05	2.03	2.01	2.07	2.01	9400	9600	9100	6500	9100	9500
Standard Variable Rate	4.06	4.1	4.35	4.39	4.45	4.4	(£1460m)	(£1530m)	(£1370m)	(£1030m)	(£1440m)	(£1530m)

Source: CML

House Price to Earnings Ratio

Official Bank Rate	0.5	0.5	0.75	0.75	0.75	0.75
Scotland FTB	3.3	3.3	3.2	3.2	3.3	3.2

Mortgage Repayments as Percentage of Income

Scotland FTB	20.7	20.4	19.8	19.9	20.2	-
--------------	------	------	------	------	------	---

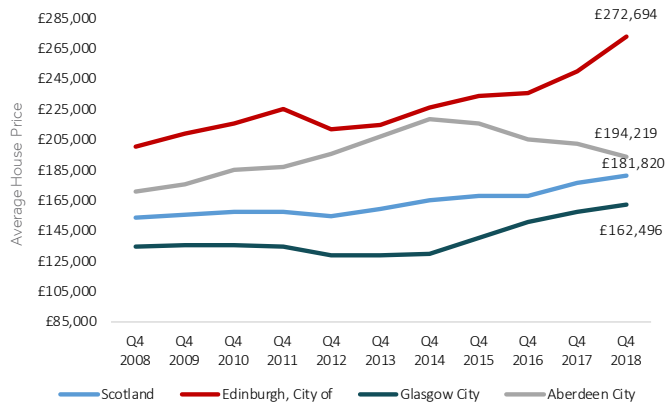
Source: Nationwide

Source: Bank of England

Average house prices continue to rise

Scotland's average house price rose 3.7% in 2018, closing the year at just under £184,000. All of the main Scottish cities saw positive growth over the year, with the exception of Aberdeen, which experienced a slide of -1.9%. Edinburgh rose 6.6%, followed by Glasgow at 5% and Dundee with 2.6%.

Average House Prices in Scotland and Main Cities, 2008-18

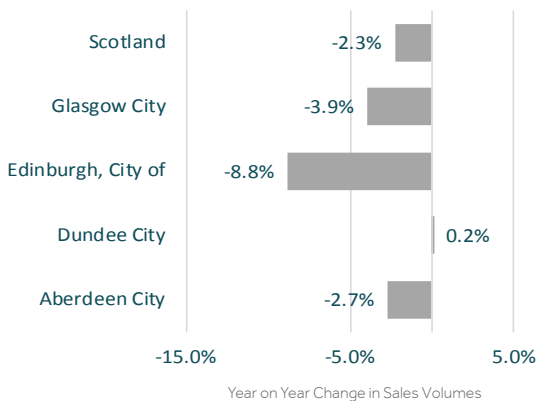


Source: Registers of Scotland

Transaction levels fall across most of Scotland

Most council areas across Scotland experienced a fall in the number of transactions in 2018, compared to the previous year. This fall was largely due to a weak start to the year. Overall, transactions fell by nearly 9% in Edinburgh, nearly 4% in Glasgow and close to 3% in Aberdeen.

Change in Sales Volumes 2018 vs 2017

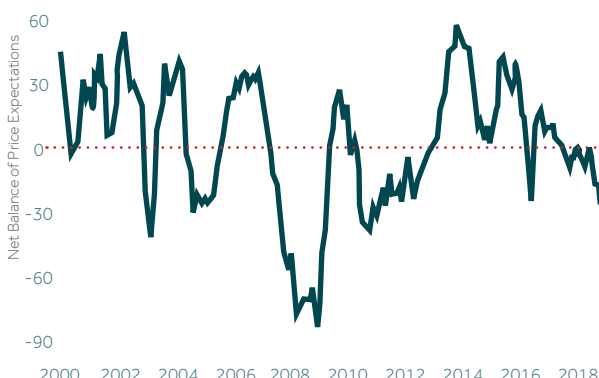


Source: Registers of Scotland

RICS Residential Market Survey was downbeat

The December 2018 RICS UK Residential Market Survey reported weakening market sentiment, with key indicators slipping in the wake of political uncertainty emanating from Brexit. Notably, price expectations fell to around the same level as at the time of the original referendum.

Price Expectation (Net Balance %) SA - Next 12 Months

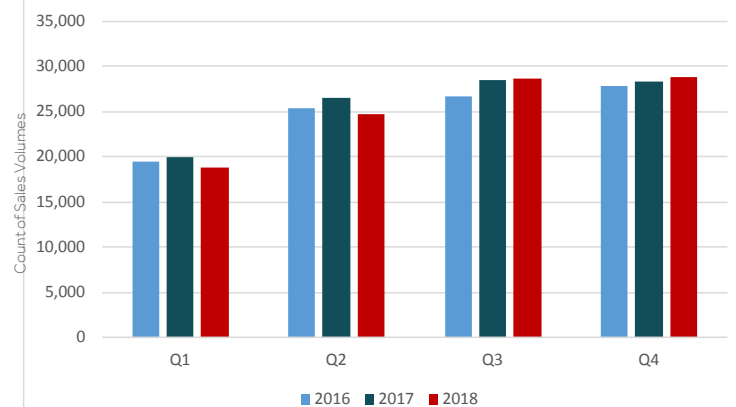


Source: Bank of England

Sales volumes finished 2018 strongly

While the total number of transactions across Scotland fell c.2.3%, the total value of transactions was up due to rising house prices and a strong finish to the year. The second half of 2018 actually saw transactions up 1.3% year-on-year, but this recovery was not enough to mitigate a comparatively weak start to the year.

Sales Volume of Property in Scotland, 2016-18

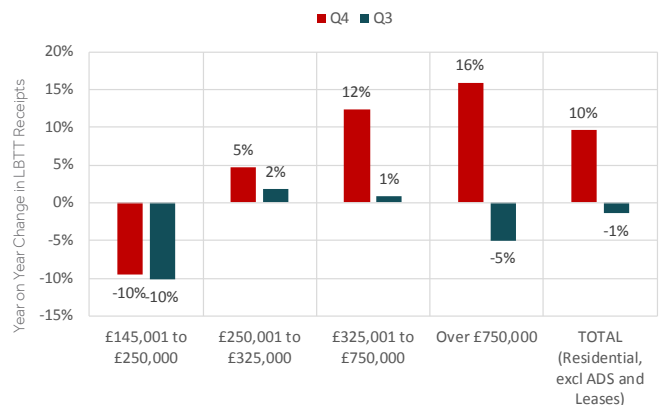


Source: Registers of Scotland

LBTT revenue up in higher brackets

The year-on-year change in LBTT revenue for Q3 and Q4 2018, compared to the same quarters in 2017, was up for transactions over £250,000, while falling for transactions between £145,000 and £250,000. Transactions were also down 3% - 6% for sales under the £145,000 price bracket where LBTT is charged. This points to demand remaining high in the prime areas of the market.

Year-on-Year change in LBTT tax receipts by 2018 quarter and price band

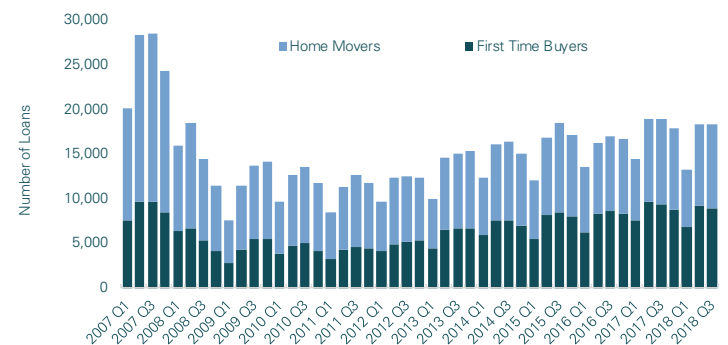


Source: Revenue Scotland

Scottish FTB and Home Mover lending weakens

Reflecting sales activity, mortgage lending in Q2 and Q3 2018 was above the long-term average of the past decade. However, mortgage lending in Scotland did experience a fall in this period, down 5% in volume terms, around 1% in total value for first time buyers and 1% in terms of numbers for home movers.

Mortgage Lending in Scotland by Buyer Type, 2005-16



Source: Council of Mortgage Lenders