

Headlines

Significant rise in New Build completions in 2018, but Q4 saw a dramatic fall in planning permissions in Q4 2018 in Scotland.

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Building Scotland Fund reaches £70m milestone

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SESPan 2 Rejected by Scottish Ministers

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Key Findings

Figures released by Homes for Scotland (HFS) show a dramatic fall in planning applications consents in Q4 2018, which questions the sustainability of the sharp rise in new build completion levels across Scotland.

Since launching in 2018 the Building Scotland Fund (BSF) has invested almost £70m in housing projects across Scotland, helping to boost new supply across the country.

The 20-year spatial plan covering Fife, Edinburgh, the Lothians and Borders has been rejected on transport grounds, raising serious questions about the region's ability to plan for growth.

Themes & Trend Analysis

A fall in planning consents raises questions over future levels of housing delivery.

Analysis by (HFS) has highlighted that while housing completions in 2018 were up 15%, the number of consented housing units in Scotland in Q4 2018 fell 44.5%. This decline has raised the question about the sustainability of current housing delivery levels. Nicola Barclay of HFS commented, "Although figures for housing completions are encouraging, there was a dramatic 44.5 per cent drop in the number of homes receiving planning consented in the last quarter of 2018. This must serve as a warning that we cannot be complacent if housing growth is to be sustained."

Almost half of the £150 BSF has now been invested to deliver homes for both sales and rent in Scotland.

Since launching last year, the £70m invested by the BSF has supported the development of over 5,500 new homes and around 600 new jobs. In addition to traditional build for sale development, such as the £12m loan to Stewart Milne to deliver 300 homes, a recent loan to Sigma Capital for £30m will aim to deliver 1,800 family homes for rent. This loan underpins the wider £43m investment of Sigma's Scottish Fund.

The SESPlan 2 is rejected on three grounds all relating to transport infrastructure.

Taking four years to create with the combined working of four planning authorities, the 400 page SESPlan 2 has been rejected by Scottish Government Ministers on the ground that it did not "properly acknowledge and address the region's infrastructure constraints". This step leaves the current plan outdated and raises questions about meeting housing delivery needs within the region.

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

Area	All Sector Starts				All Sector Completions			
	Year to Q4 2017	Year to Q4 2018	Y-on-Y Δ	Y-on-Y Δ%	Year to Q4 2017	Year to Q4 2018	Y-on-Y Δ	Y-on-Y Δ%
Scotland	19,634	22,099	2,465	13%	17,650	20,088	2,438	14%
Edinburgh	2,425	3,421	996	41%	1,999	2,633	634	32%
East Lothian	705	812	107	15%	919	812	-107	-12%
Glasgow	1,756	1,113	-643	-37%	1,450	1,448	-2	0%
Midlothian	459	552	93	20%	549	715	166	30%
Perth & Kinross	676	947	271	40%	510	816	306	60%
East Dunbartonshire	259	362	103	40%	351	297	-54	-15%
Scottish Borders	426	430	4	1%	189	361	172	91%
Stirling	209	179	-30	-14%	152	175	23	15%
West Lothian	800	1,028	228	29%	646	898	252	39%
Aberdeen	907	863	-44	-5%	1,058	1,151	93	9%

Source: Scottish Government 12 Month Period to Q2

Housing Market Indicators

New Homes Construction Material Price Index (2010=100)							Area	Commission of Housing & Wellbeing 2015 Min. 23,000 units pa	Last 4 Quarters All Sector Completions to Q2 2018	Current Annual Balance
2014	2015	2016	2017	2018	2019					
Annual Average	110.0	109.2	109.5	115.2	120.6	123.1	Scotland	23,000	20,088	-2,912
							City of Edinburgh	2,179	2,633	454
							East Lothian	423	812	389
							Glasgow City	2,718	1,448	-1,270
							Midlothian	360	715	355
							Perth & Kinross	631	816	185
							East Dunbartonshire	427	297	-130
							Scottish Borders	507	361	-146
							Stirling	367	175	-192
							West Lothian	722	898	176
							Aberdeen	1,005	1,151	146

Source: HM Revenue & Customs

Number of Mortgage Advances and Values

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Scottish First Time Buyers (FTB)	8,180	6,470	8,850	8,660	8,710	6,760
	£940m	£750m	£1,040m	£1,010m	£1,040m	£800m
Scottish Movers	8,440	6,210	8,730	9,220	8,750	6,620
	£1,320m	£990m	£1,390m	£1,480m	£1,140m	£1,080m

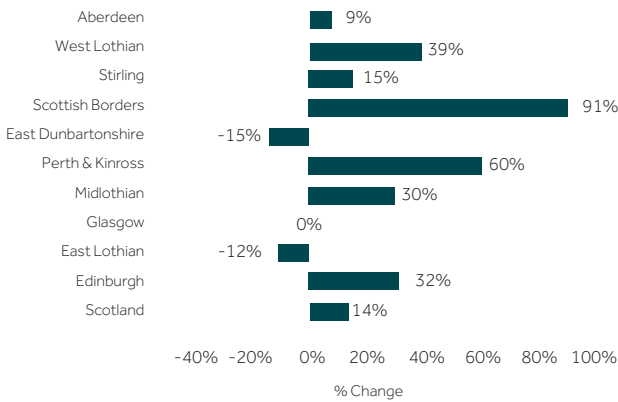
Source: Council of Mortgage Lenders

Source: NRS & Scottish Government *12 month period to Q1 & Commission of Housing & Wellbeing: A blueprint for Scotland's Future 2015. Target allocated by 2017 distribution of households by Council Area.

Regions lead the way in New Homes completions

An upturn in housing completions in areas that had previous low volumes of completions, such as Perth & Kinross and the Scottish Borders, have seen these regions lead the way in improvement in housing delivery in the last year. Housing demand in and around the Capital is supporting continuing housing delivery in the East of Scotland.

Year-on-year change in housing completions Year to Q2 2018 vs 2017

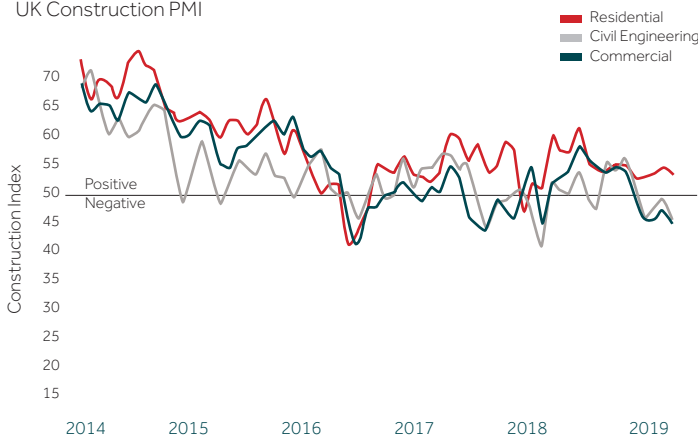


Source: Scottish Government

Housebuilding growth boosts construction sector

Construction output has risen in April for the first time in 2019. At 50.5 this represents a positive level above the 50 neutral level. House building was the strongest of the property sectors, recording the highest rate of growth since December 2018.

UK Construction PMI

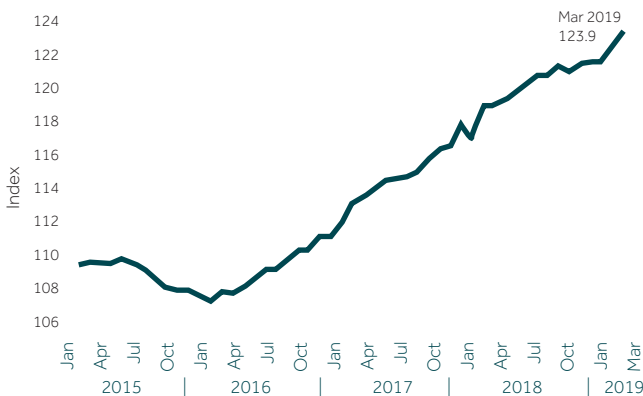


Source: Markit/CIPS

Building material prices still rising

The building material index has continued to rise as uncertainty over the supply chain persists. Reaching a new high of 123.9 in March 2019, the index has been on an upward trend since the start of 2016.

Building Materials & Components Index (100=2010) to October 2018

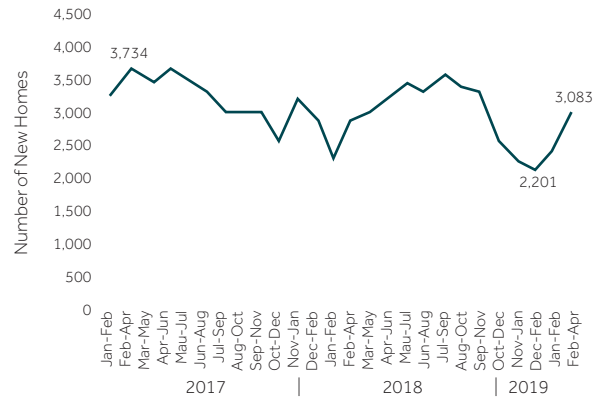


Source: ONS

New Homes rebound at the start of 2019

New homes registrations recorded in Scotland by the NHBC have shown registrations up c.2% year-on-year. Completions in February to April rose above 3,000 for the first time since late 2018.

New Home Registrations 2017-2019 (UK=RHS)

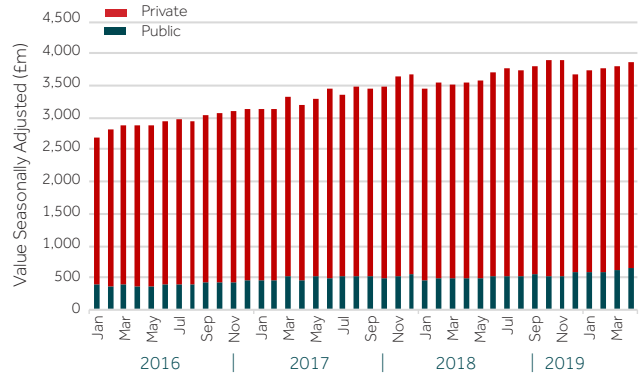


Source: NHBC

Total value of new housing output is up according to ONS Figures

Figures from the Office of National Statistics for the first quarter of 2019 have shown a year-on-year increase in the total value of new housing output, up 8% on the same period in 2017. Public sector housing output was up 25% in the UK compared to a 5% increase in private sector output.

New Housing Output (UK)

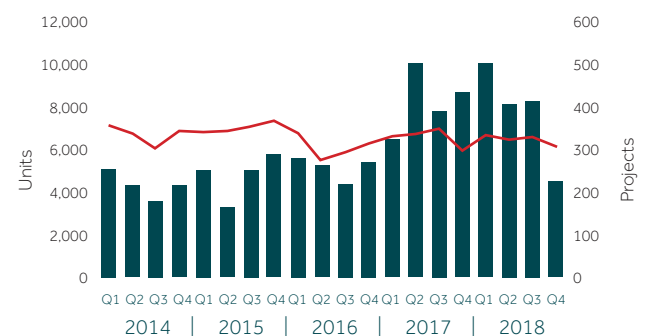


Source: Scottish Government

Planning consents in Scotland down 44.5%

The number of homes that received planning consent in the last quarter of 2018 was down 44.5%. This fall contrasts with the increase of housing completions of 15% in 2018. This quarterly fall has raised questions regarding future levels of housing delivery.

Residential Planning Approvals (Quarterly)



Source: Homes for Scotland