

Spring 2018

Headlines

Scottish house price growth outstrips UK

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LBTT revenue exceeds forecasts

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Edinburgh's Prime Market grows

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Market Barometer (YoY)

-- - 0 + ++

Transactions	
Average Price	
Market Turnover	

-- significantly down 0 no change ++ significantly up
- slightly down + slightly up

Themes & Trend Analysis

House price growth in Scotland is at its highest year-on-year level since 2008

28 of the 32 local authorities in Scotland have seen year-on-year house price growth, with 10 areas reporting record high levels. Edinburgh has been responsible for 28% of the increase in Scottish house prices, with Glasgow contributing 14% of house price growth in Scotland.

Residential revenue from LBTT above expectations

Land and Building Transaction Tax (LBTT) between April 2017 and March 2018 raised £570m, 12% more than the forecast £507m for the Scottish Government. Residential receipts totalled £260m, up 22% over the same period, with Additional Dwelling Supplement (ADS) up 36% in the same period.

£1m+ market has been driven by the Edinburgh market

Recent analysis from the Bank of Scotland, reflecting Rettie & Co. research published in March, shows the rising number of £1m+ houses being sold in Scotland rose most significantly in the Edinburgh and the Lothians.

Housing Market Statistics

Area	Average Price (RoS)				Transactions (RoS)				Total Market Value (RoS)			
	Q1 2017	Q1 2018	YoY Δ	YoY Δ %	Q1 2017	Q1 2018	YoY Δ	YoY Δ %	Q1 2017	Q1 2018	YoY Δ	YoY Δ %
Scotland	£162,524	£174,900	£12,376	7.6%	19,935	18,894	-1,041	-5.2%	£3,239,906,790	£3,304,562,507	£64,655,717	2.0%
Aberdeen	£193,530	£191,692	-\$1,838	-0.9%	728	695	-33	-4.5%	£140,890,028	£133,225,945	-\$7,664,083	-5.4%
Edinburgh	£237,936	£261,192	£23,256	9.8%	2,245	2,248	3	0.1%	£534,165,296	£587,159,003	£52,993,707	9.9%
East Dunbartonshire	£216,260	£240,330	£24,070	11.1%	434	374	-60	-13.8%	£93,856,908	£89,883,452	-\$3,973,456	-4.2%
East Lothian	£212,336	£226,305	£13,969	6.6%	410	347	-63	-15.4%	£87,057,603	£78,527,898	-\$8,529,705	-9.8%
East Renfrewshire	£225,613	£263,383	£37,770	16.7%	321	316	-5	-1.6%	£72,421,644	£83,228,878	£10,807,234	14.9%
Glasgow City	£141,101	£154,981	£13,880	9.8%	2,477	2,212	-265	-10.7%	£349,506,811	£342,817,738	-\$6,689,073	-1.9%
Midlothian	£188,625	£206,759	£18,134	9.6%	357	330	-27	-7.6%	£67,339,211	£68,230,460	£891,249	1.3%
Perth & Kinross	£188,837	£189,623	£786	0.4%	592	544	-48	-8.1%	£111,791,281	£103,154,811	-\$8,636,470	-7.7%
Scottish Borders	£171,971	£179,627	£7,656	4.5%	439	382	-57	-13.0%	£75,495,273	£68,617,649	-\$6,877,624	-9.1%
Stirling	£186,449	£187,219	£770	0.4%	305	350	45	14.8%	£56,866,838	£65,526,607	£8,659,769	15.2%
West Lothian	£141,901	£161,328	£19,427	13.7%	660	581	-79	-12.0%	£93,654,792	£93,731,448	£76,656	0.1%

Source: Registers of Scotland

Housing Market Indicators

Type	Mortgage Rates (BoE)						Number of Mortgage Advances and Value (CML)					
	Oct 17	Nov 17	Jul 17	Aug 17	Sep 17	Oct 17	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
2 Year (90% LTV) Fixed	2.36	2.36	2.21	2.15	2.21	2.19	8600	8300	7600	9500	9300	8800
2 Year (75% LTV) Fixed	1.55	1.61	1.41	1.42	1.4	1.56	(£940m)	(£900m)	(£810m)	(£1060m)	(£1040m)	(£1010m)
5 Year (75% LTV) Fixed	2.04	2.04	1.97	1.96	1.9	2.03	8400	8300	6700	9300	9500	9100
Standard Variable Rate	4.31	4.34	4.51	4.32	4.31	4.31	(£1280m)	(£1270m)	(£1030m)	(£1450m)	(£1510m)	(£1410m)

Source: CML

Interest Rates (BoE)						
Official Bank Rate	0.25	0.4886	0.5	0.5	0.5	0.5
3 Month Libor	0.35	0.4364	-	-	-	-

Source: Bank of England

House Price to Earnings Ratio						
2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q3	
Scotland FTB	3.3	3.3	3.3	3.3	3.2	

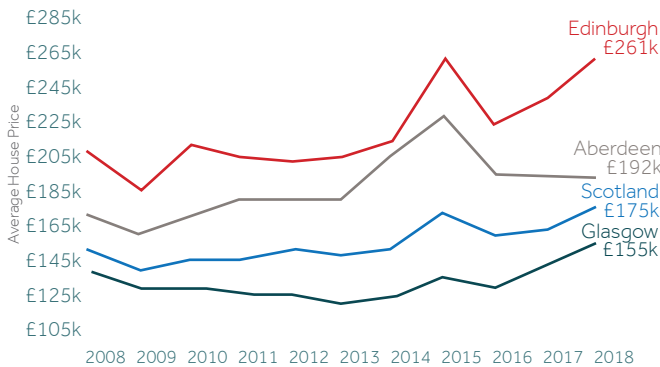
Mortgage Repayments as Percentage of Income						
Scotland FTB	21.5	20.7	20.7	20.5	20.4	-

Source: Nationwide

Low supply supports house prices rises

Low supply in the key markets have supported continued price growth across Scotland, with prime markets seeing the strongest uplift in values. The average house price in Edinburgh in Q1 2018 is £261k, up from £238k, in Q1 2017, an increase of 9.8%.

Average House Prices in Scotland and Main Cities, 2007-17

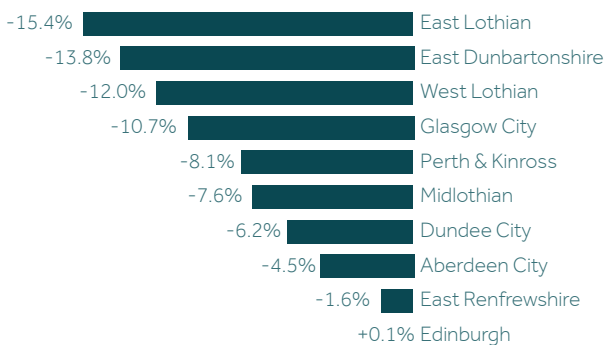


Source: Registers of Scotland

Transaction levels fall across most of Scotland

Based on Q1 year-on-year growth, only 7 council areas in Scotland have seen higher transactions, with Edinburgh only recording a 0.1% increase. This downturn has been due to supply rather than demand factors within the market, with limited new stock being built and parts of the market choosing not to participate.

Change in Sales Volumes Q1 2018 vs Q1 2017

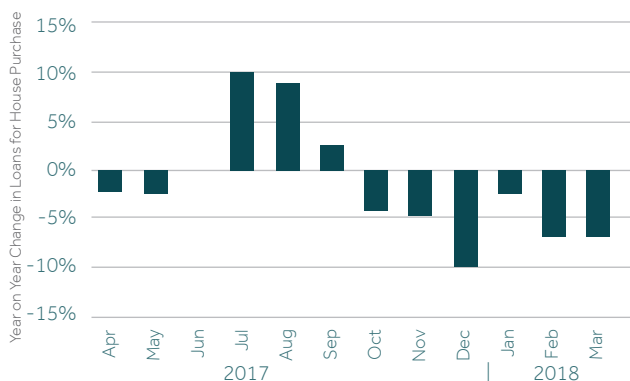


Source: Registers of Scotland

National mortgage lending falls year-on-year

National mortgage lending has seen a year-on-year fall, down 6.8%. However, figures for the Scottish market, at the end of 2017, showed both First Time Buyers and Home Movers experiencing double digit year-on-year growth, as market demand bucked national trends suppressed by falling transaction levels in London.

% Change YoY in Number of Approvals for House Purchase in UK



Source: Bank of England

Total market value rises year-on-year as prices rise

An annual increase in average house prices of 7.6% between Q1 2017 and Q1 2018 has been the driver of a 2% increase in market turnover (value of property sold) during this period. Transaction levels during this same time have fallen 5.2% as supply coming to the market has reduced activity but supported prices.

Market Turnover of Property in Scotland, 2015-17

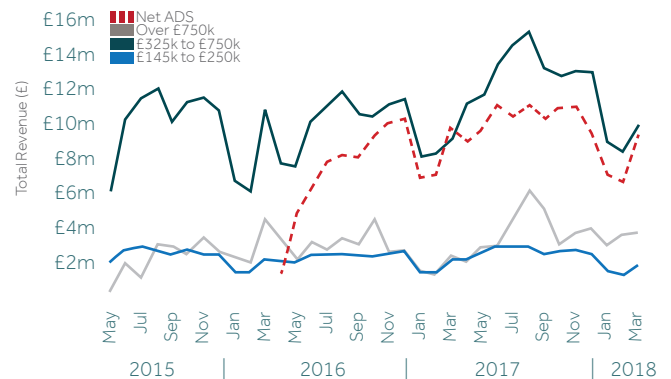


Source: Registers of Scotland

LBTT falls back in Autumn but remains high

LBTT receipts are up 11% in March 2018 compared to a year earlier. This increase has been supported by transactions above £250k, and specifically above the £325k threshold. Both Additional Dwelling Supplement (ADS) and lower values transactions returned lower revenue in March compared to a year earlier.

LBTT Revenues by Property Price Band, 2015-17

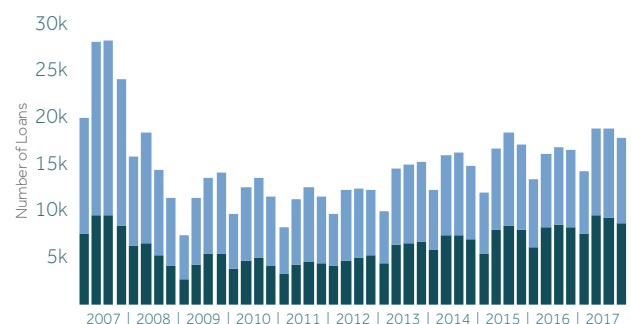


Source: Revenue Scotland

Scottish FTB & Home Mover lending stays strong in Q4

The combination of strong FTB and Home Mover activity saw 2017 close out the year with the 4th highest recorded lending since the market peak. FTB lending was up 11% year-on-year, while lending to Home Movers rose 12% year-on-year. Both FTB and Home Movers saw over £1bn in lending in the final quarter of 2017.

Mortgage Lending in Scotland by Buyer Type, 2005-16



Source: Council of Mortgage Lenders