

# BULLETIN | SALES HOMES SCOTTISH HOUSING MARKET

Winter 2017/18



## Headlines

Prime LBTT revenues retreat, but up year-on-year

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UK house price growth slowing

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Mortgage lending remains at decade long high

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## Market Barometer (YoY)

--      -      0      +      ++

Transactions		
Average Price		
Market Turnover		

-- significantly down  
- slightly down

0  
no change

++ significantly up  
+ slightly up

## Themes & Trend Analysis

LBTT revenue figures fall back from summer highpoint.	Having recorded record revenues from transactions between £350k and £750k (£15.4m in August) and over £750k (£6.3m in August), tax receipts have retreated in October falling back -17% and -49% respectively in these price bands. However, revenues between £350k and £750k are still 22% higher than in October 2016.
Figures from Halifax & Nationwide suggest UK house price growth in the UK is slowing	Halifax figures suggest that average house prices in November rose by 3.9% year on year, down from 4.5% the previous month. This is higher than figures from Nationwide for November which reported an annual growth rate of 2.5%, making it lower than the rate of inflation.
Mortgage lending in Scotland has remained strong Q3 2017.	Figures from the Council of Mortgage Lenders (CML) for Q3 2017 show that gross lending in Scotland has remained at its highest point since 2007. In Q3 2017, the balance between First Time Buyers and Home Buyers lending reversed, with Home Buyers now accounting for over half gross lending. Re-mortgaging also increased 10% YoY.

## Housing Market Statistics

Area	Average Price (RoS)				Transactions (RoS)				Total Market Value (RoS)			
	Q3 2016	Q3 2017	YoY Δ	YoY Δ %	Q3 2016	Q3 2017	YoY Δ	YoY Δ %	Q3 2016	Q3 2017	YoY Δ	YoY Δ %
Scotland	£170,383	£177,978	£7,595	4.5%	26,721	28,650	1,929	7.2%	£4,552,802,852	£5,099,082,171	£546,279,319	12.0%
Aberdeen	£200,917	£202,043	£1,126	0.6%	1,034	1,041	7	0.7%	£207,747,958	£210,326,712	£2,578,754	1.2%
Edinburgh	£241,993	£257,348	£15,355	6.3%	3,293	3,510	217	6.6%	£796,883,279	£903,293,221	£106,409,942	13.4%
East Dunbartonshire	£221,114	£231,044	£9,930	4.5%	560	588	28	5.0%	£123,823,825	£135,854,058	£12,030,233	9.7%
East Lothian	£223,269	£239,159	£15,890	7.1%	537	644	107	19.9%	£119,895,464	£154,018,123	£34,122,659	28.5%
East Renfrewshire	£245,967	£259,594	£13,627	5.5%	518	480	-38	-7.3%	£127,411,025	£124,605,319	£-2,805,706	-2.2%
Glasgow City	£147,943	£157,710	£9,767	6.6%	3,124	3,363	239	7.7%	£462,172,502	£530,378,484	£68,205,982	14.8%
Midlothian	£196,014	£210,484	£14,470	7.4%	589	482	-107	-18.2%	£115,451,984	£101,453,333	£-13,998,651	-12.1%
Perth & Kinross	£190,849	£204,551	£13,702	7.2%	815	902	87	10.7%	£155,541,991	£184,505,396	£28,963,405	18.6%
Scottish Borders	£176,729	£189,384	£12,655	7.2%	533	618	85	15.9%	£94,196,471	£117,039,537	£22,843,066	24.3%
Stirling	£192,712	£210,793	£18,081	9.4%	498	532	34	6.8%	£95,970,406	£112,141,694	£16,171,288	16.9%
West Lothian	£158,523	£164,683	£6,160	3.9%	870	972	102	11.7%	£137,915,271	£160,071,422	£22,156,151	16.1%

Source: Registers of Scotland

## Housing Market Indicators

Type	Mortgage Rates (BoE)						Number of Mortgage Advances and Value (CML)					
	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Base Rate Tracker	2.33	2.34	-	-	-	-	8300	8600	8300	7600	9500	9300
2 Year (75% LTV) Fixed	1.35	1.49	1.41	1.42	1.4	1.56	(£920m)	(£940m)	(£900m)	(£810m)	(£1060m)	(£1040m)
5 Year (75% LTV) Fixed	2.09	2.03	1.97	1.96	1.9	2.03	8000	8400	8300	6700	9300	9500
Standard Variable Rate	4.54	4.23	4.51	4.32	4.31	4.31	(£1220m)	(£1280m)	(£1270m)	(£1030m)	(£1450m)	(£1510m)

Source: CML

Interest Rates (BoE)						
Official Bank Rate	0.25	0.25	0.25	0.25	0.25	0.25
3 Month Libor	0.33	0.3267	0.32	0.31	0.32	0.35

Source: Bank of England

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

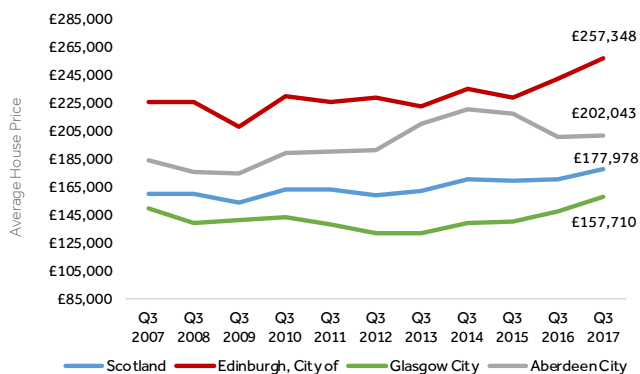
Mortgage Repayments as Percentage of Income						
Scotland FTB	22.1	21.5	20.7	20.7	20.5	-

Source: Nationwide

## Average house prices continue to rise

Average house prices continued to see positive growth in Q3 2017, rising 4.5% nationally year-on-year according to Registers of Scotland. Edinburgh and Glasgow both experienced growth of over 6%, while values in Aberdeen remained flat, as did transaction levels, supporting the view that the Aberdeen market has found its granite bedrock.

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

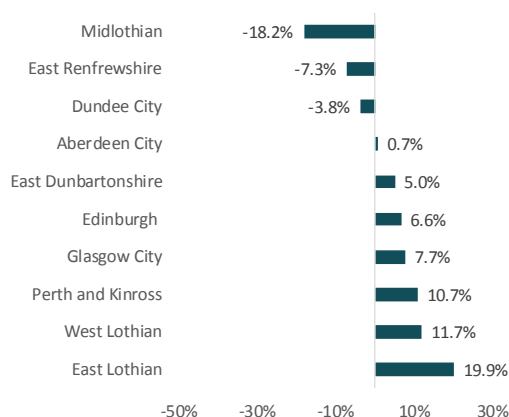


Source: Registers of Scotland

## East Lothian transaction levels rise

New build supply has had a significant impact on the market in the Lothians, as demand has overflowed from Edinburgh. After strong levels of transactions in Midlothian over the past few years, the market has dropped back this year. East Lothian, which is also experiencing strong new build supply, has seen a strong upturn year-on-year in 2017.

### Change in Sales Volumes Q2 2017 vs Q2 2016

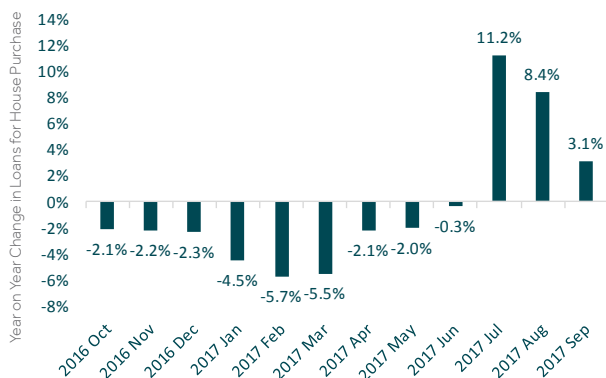


Source: Registers of Scotland

## Mortgage lending reflects strong summer market

The strong upturn in mortgage lending for house purchase, which occurred in July, has continued through Q3, albeit at a weakening YoY rate. This reversal in trend, mirrors the increase in activity seen in the sales market and LBTT revenue figures for Q3 2017.

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

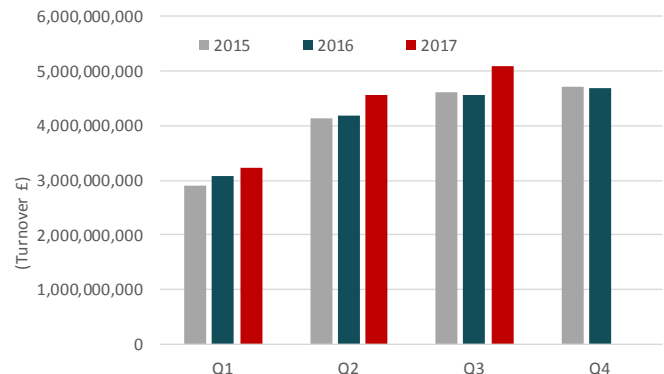


Source: Bank of England

## A strong Autumn market continues YoY turnover growth

Housing market turnover in Scotland rose 12% year-on-year. Edinburgh and Glasgow both outperformed the national average, rising 13.4% and 14.8% respectively. Growth in both average house prices and transaction level contributed to this increase.

### Market Turnover of Property in Scotland, 2015-17

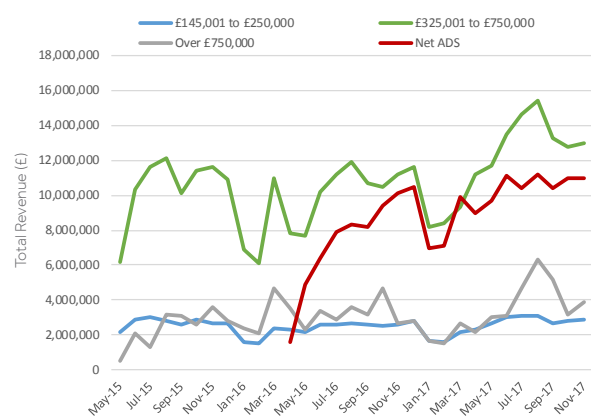


Source: Registers of Scotland

## LBTT falls back in Autumn but remains high

The sharp upturn in LBTT revenue figures from Spring onwards, have fallen back in the latter months of the year as market activity peaked earlier in 2017 than previous years. Transactions in tax brackets over £325k, which saw increases in tax burden with the introduction of LBTT, have performed most strongly.

### LBTT Revenues by Property Price Band, 2015-17

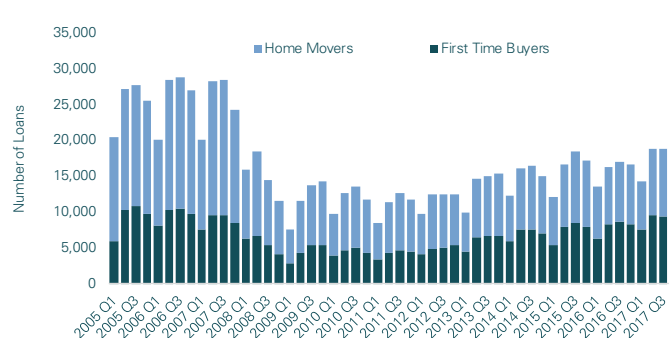


Source: revenue.scot.nhs.uk

## FTB and Home Mover Lending stays strong in Q3

Having set a new decade high watermark in Q2 2017, gross mortgage lending in Scotland remained at the same level in Q3 2017. While the balance shifted from first time buyers to home movers, both lending groups remained strong, leading to a 1.6% increase in the total value of lending from Q2 to Q3 2017.

### Mortgage Lending in Scotland by Buyer Type, 2005-16



Source: Council of Mortgage Lenders