

Headlines

Social housing delivery leading the way in Glasgow

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Government overrules Edinburgh Council for 1,400 new homes

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Scottish construction pushes on but has price concerns

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Key Findings

Building on strong social housing delivery figures Glasgow City Council (GCC) have signed an agreement with Glasgow Housing Association (GHA) & Keepmoat Homes for the delivery +900 homes at the Sighthill TRA.

A £500 million development of 1,400 new homes near Edinburgh Airport could now go ahead after the Scottish Government overturned a city council decision.

The State of Trade Survey on the workload by construction companies by the Federation of Master Builders (FMB) reported a 19 percentage points rise in Q1 2018 compared to the previous quarter.

Themes & Trend Analysis

Social development leads new housing starts in Glasgow

The latest announcement by GCC follows on from strong social housing delivery in 2017. Q1 2017 in Glasgow saw a spike in social sector housing starts with 856 units in the first quarter contributing to a 170% year-on-year increase compared to 2016. This social sector increase outstripped the 30% increase seen in private sector figures to Q3 2017. Conversely Edinburgh saw an 8% drop in private completions to Q3 2017 and 12% drop in social over the whole year.

The Scottish Government has overruled a decision by the City of Edinburgh Council

The development proposal by West Craigs Ltd and Dunedin Canmore proposed 1,400 units on the 73-hectare site, 25% of which would be affordable. There had been resistance from the local community over concerns about the traffic burden that would be experienced on St John's Road.

The FMB survey of SME construction companies bounces back after a dip in performance in Q4 2017

The UK-wide State of Trade Survey by the Federation of Master Builders (FMB) reported that more construction SMEs predict rising workloads in the coming three months, up from 38% in the previous quarter to 49% in Q1 2018. The overall indicator for Scottish construction SMEs was up 19 percentage points in Q1 2018 compared with the previous quarter.

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

Area	All Sector Starts				All Sector Completions			
	Year to Q3 2016	Year to Q3 2017	Y-on-Y Δ	Y-on-Y Δ%	Year to Q3 2016	Year to Q3 2017	Y-on-Y Δ	Y-on-Y Δ%
Scotland	17,921	18,716	795	4%	16,665	17,499	834	5%
Edinburgh	2,512	2,339	-173	-7%	1,721	2,264	543	32%
East Lothian	627	538	-89	-14%	544	770	226	42%
Glasgow	818	1,781	963	118%	1,363	1,300	-63	-5%
Midlothian	901	554	-347	-39%	725	616	-109	-15%
Perth & Kinross	726	659	-67	-9%	660	480	-180	-27%
East Dunbartonshire	484	335	-149	-31%	357	439	82	23%
Scottish Borders	329	409	80	24%	334	280	-54	-16%
Stirling	221	183	-38	-17%	424	173	-251	-59%
West Lothian	957	537	-420	-44%	724	526	-198	-27%
Aberdeen	858	1,013	155	18%	651	851	200	31%

Source: Scottish Government

Housing Market Indicators

New Homes Construction Material Price Index (2010=100)							Area	Projected Annual Increase in the No. of Households, 2012-37	Current Annual Build Rate, Based on Completions	Current Annual Balance
2013	2014	2015	2016	2017	2018					
Annual Average	108.1	110.0	109.2	110.0	114.8	119.2	Scotland	13818	17499	3682
							City of Edinburgh	2803	2264	-539
							East Lothian	442	770	329
							Glasgow City	1857	1300	-557
							Midlothian	450	616	166
							Perth & Kinross	470	480	10
							East Dunbartonshire	230	439	210
							Scottish Borders	178	280	102
							Stirling	299	173	-126
							West Lothian	496	526	30
							Aberdeen	1003	851	-152

Source: HM Revenue & Customs

Number of Mortgage Advances and Values

	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4
Scottish First Time Buyers (FTB)	8,600	8,300	7,600	9,500	9,300	8,800
	(£940m)	(£910m)	(£810m)	(£1,060m)	(£1,040m)	(£1,010m)
Scottish Movers	8,500	8,300	6,700	9,300	9,500	9,100
	(£1280m)	(£1270m)	(£1,030m)	(£1,450m)	(£1,510m)	(£1,410m)

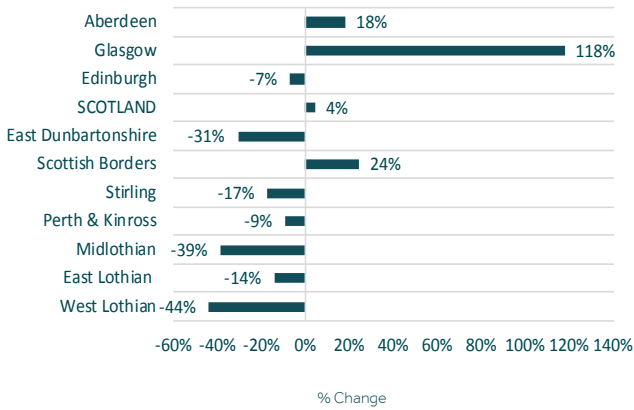
Source: Council of Mortgage Lenders

Source: NRS & Scottish Government

Housing starts fall in the East in 2016/17

Glasgow's high delivery was due to a spike housing starts in Q1 2017, with 930 units being commenced. Of this total, 856 units were in the social new build sector, highlighting the strong regeneration drivers in the city.

Year-on-year change in housing starts 2015/16 vs 2016/17

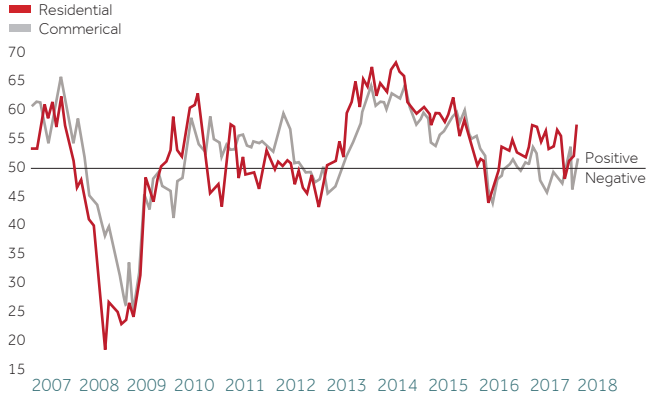


Source: Scottish Government

UK Construction Purchasing Managers Index Rebounds

The UK Construction Managers PMI in April saw a strong rebound from a 20-month low point in March. The strongest sector of growth was the residential sector, seeing its fastest rate increase since May 2017, as the overall sector recorded its fastest rise in 5 months.

UK Construction PMI

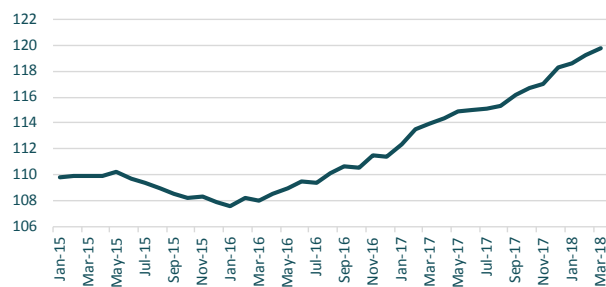


Source: Markit/CIPS

Building material prices continue to rise

The construction materials price index has continued its rising trend, which began in early 2016. The index is now approaching 120 from its 2010 base of 100. Continued issues surrounding labour, materials and Brexit are likely to continue to challenge the sector going forward.

Building Material Price Index (2010=100)

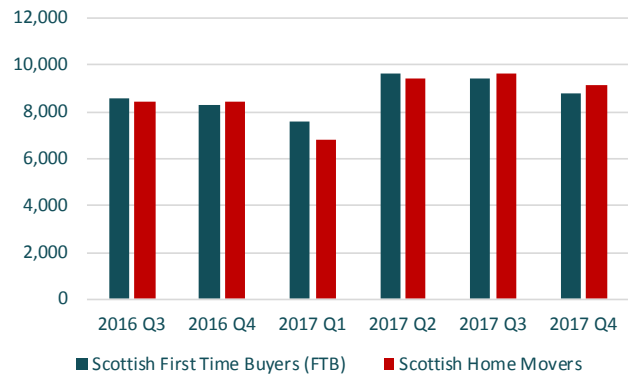


Source: ONS

Lending in Scotland remains strong

Home buyer lending in Scotland saw a strong finish to the year, up on the year before. Having led the market in the first two quarters, First Time Buyers became less dominant in the latter part of the year, suggesting a recovery over a wider market.

Scottish Mortgage Lending by Buyer Type

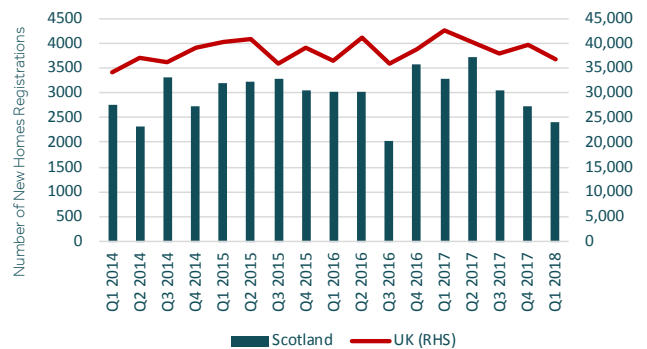


Source: CML

Scottish New Home Registrations Up 1% in FY2017/18

Scotland experienced a marginal uptick in new home registration in the FY 2017/18, while London and the south coast saw notable drops in activity. Overall UK-wide activity fell 2% from FY2016/17 to FY 2017/18.

New Homes Registrations (UK=RHS)

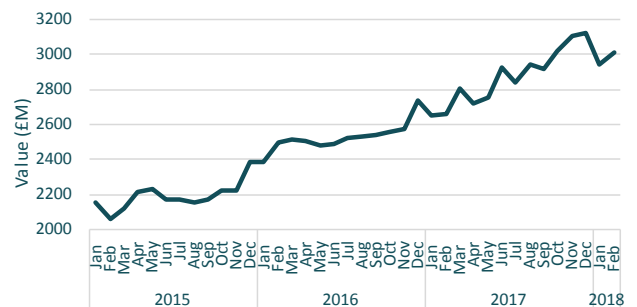


Source: NHBC

Construction housing output returns to growth

Construction output dipped at the start of 2018, having seen a strong finish to 2017. Figures for February 2018 show an upswing, continuing the trend of growth that started in late 2015.

Total Housing Output (UK)



Source: ONS