

# Scottish Housing Market Review

July - September 2019

## Summary

The latest housing market statistics show that the Scottish housing market remains healthy, despite the significant uncertainty posed by Brexit. Residential property sales in Scotland were up by an annual 4.7% (+1,159) in Q2 2019, with this increase in sales spread across each of the residential LBTT price bands. Meanwhile, data from the ONS HPI shows that the average Scottish house price continued to tick up in Q2 2019 - albeit at a slowing rate - increasing by an annual 1.8% to £152K. The latest SG new build statistics suggest that new build activity does not, so far, appear to have been affected by Brexit uncertainty. There has been a sizeable increase in new build completions in 2018/19, which were up by an annual 20.8% (+3,669) to 21,292. Furthermore, as at 31 March 2019, there were 315,625 local authority dwellings in Scotland, an annual increase of 0.4% (+1,192). This is the first annual increase in the local authority housing stock since 1980. The special feature for this issue covers the Scottish Household Survey, which released its 2018 annual report on 10th September 2019.

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### READER SURVEY

We have made significant changes to the format of the Review in Q2 and Q3 2019 (which is different to the old format that ran until Q1 2019) and are carrying out a survey of readers to collect feedback on [this](https://response.questback.com/scottishgovernment/SHMR) new format and to better understand our readership. Please click this link <https://response.questback.com/scottishgovernment/SHMR> to complete the short survey (**it should take less than 5 minutes to complete**). The survey will close on 31st October 2019.

Contact: [Richard.Keatinge@gov.scot](mailto:Richard.Keatinge@gov.scot);  
[Bruce.Teubes@gov.scot](mailto:Bruce.Teubes@gov.scot)  
Data to: 24/09/2019

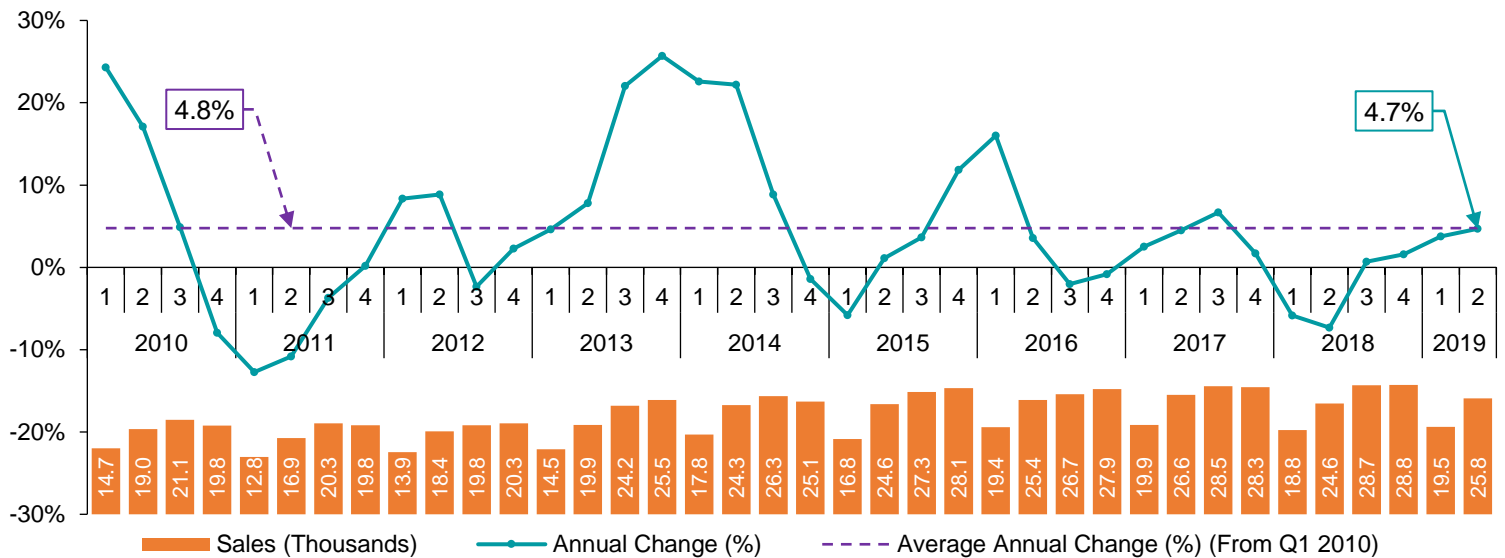


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# 1. Sales

## Chart 1.1 Annual Change in House Sales: Scotland (Quarterly)

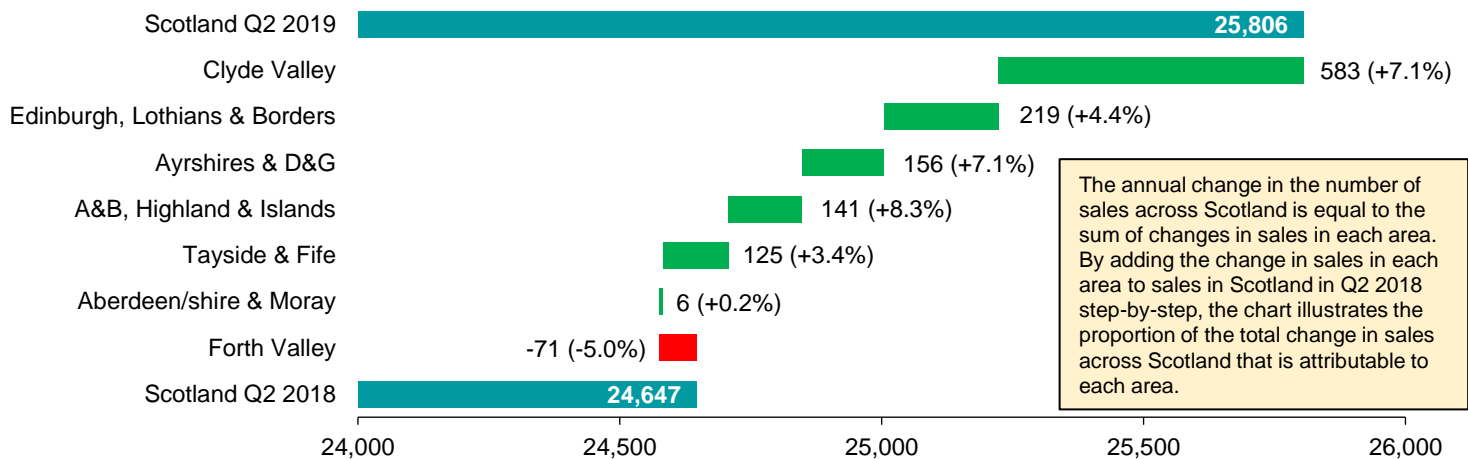
Source: Registers of Scotland



Registers of Scotland statistics show that there were 25,806 residential property sales registered in Q2 2019, an annual increase of 4.7% (+1,159). As shown in Chart 1.1, this is in line with the medium-term average annual change in sales since Q1 2010, which currently stands at 4.8%. While sales in Q2 2019 were up on the same period last year, they were slightly lower than the number of sales in Q2 2017 (-783). Nevertheless, these figures would suggest that the Scottish property market has, so far, remained healthy despite the significant uncertainty posed by Brexit.

## Chart 1.2 Regional Breakdown of Annual Change in House Sales

Source: Registers of Scotland



The annual change in the number of sales across Scotland is equal to the sum of changes in sales in each area. By adding the change in sales in each area to sales in Scotland in Q2 2018 step-by-step, the chart illustrates the proportion of the total change in sales across Scotland that is attributable to each area.

Chart 1.2 illustrates how the headline increase in sales of 4.7% (+1,159) was spread across Scotland. The largest increase in sales by volume was in Clyde Valley, where there were an additional 583 (+7.1%) sales registered in Q2 2019, compared with the same period last year. Meanwhile, Forth Valley was the only area to see an annual fall in sales in Q2 2019, down 71 (-5.0%) on Q2 2018.

The annual increase in sales in Q2 2019 was spread across the price distribution, with sales up annually across each of the LBTT price bands (see page 9 for more details). Furthermore, in the 12 months to June 2019, sales in the £145K - £250K, £250K - £325K and £325K - £750K LBTT price bands were all at their highest levels since Q4 2008, while sales above £750K (566) were just below their peak level (601) since Q4 2008 (this occurred in the year to end Q2 2015, coinciding with a period of forestalling prior to the introduction of LBTT).

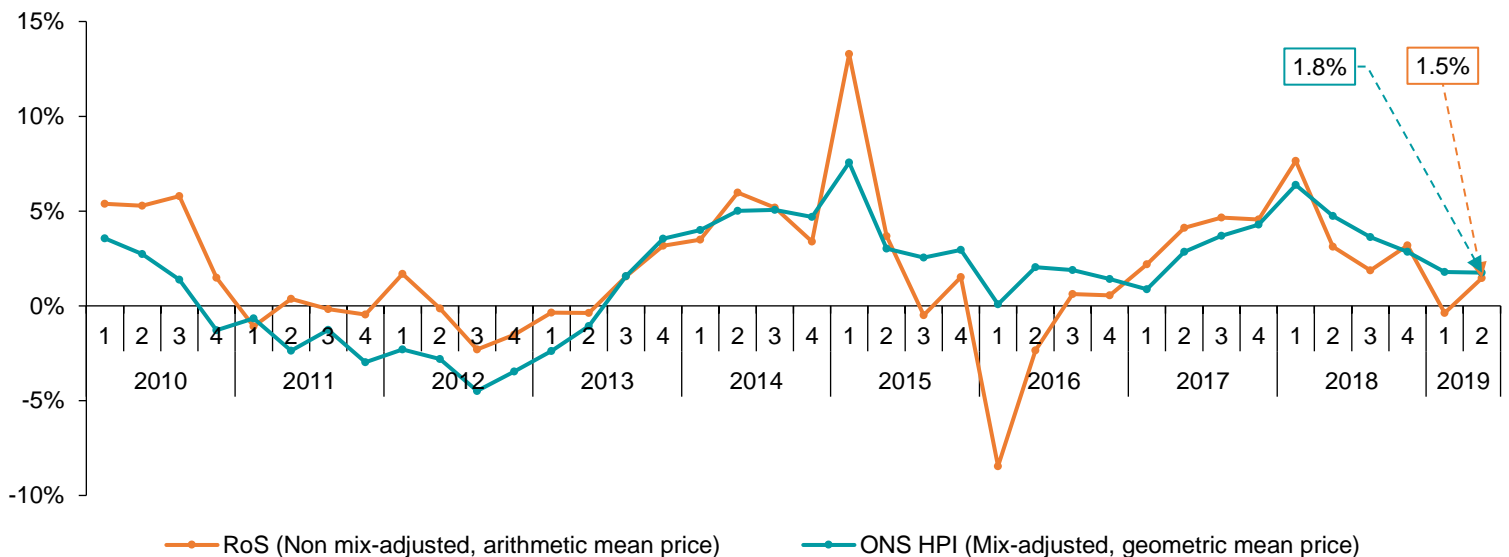
**House Sales**  
Q2 2019: Annual Change

**25,806**    **+1,159**    **+4.7%**

# 2. Prices

## Chart 2.1 Annual Change in House Prices: Scotland (Quarterly)

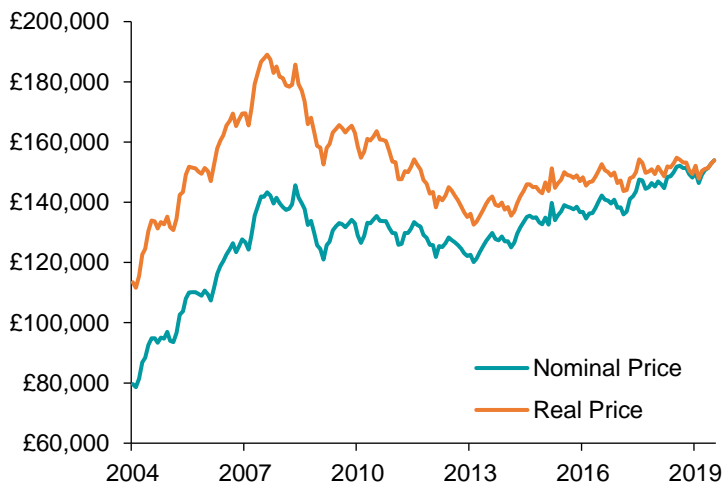
Source: Registers of Scotland/ONS HPI



The latest ONS HPI data shows that the average (mix-adjusted, geometric mean) house price in Scotland stood at £152K in Q2 2019, up by an annual 1.8%. While house price growth remains positive, the rate of house price growth has slowed since Q1 2018, as shown in Chart 2.1. The latest data point from the ONS HPI would suggest that this slowdown in the rate of house price growth has levelled off though, with house price growth in Q2 2019 mirroring the rate of growth seen in the previous quarter. Chart 2.2 offers a longer-term perspective of movements in the average Scottish house price, expressed in current and constant (2019) prices. This shows that, in real terms, house price growth has been relatively subdued since 2016, while real house prices remain below their peak level seen just before the 2008 financial crisis.

## Chart 2.2 Average Scottish House Price

Source: ONS HPI/CPI. Current & Constant (2019) Prices



## Chart 2.3 Annual Change in House Prices: Scotland Areas (Q2 2019)

Source: Registers of Scotland

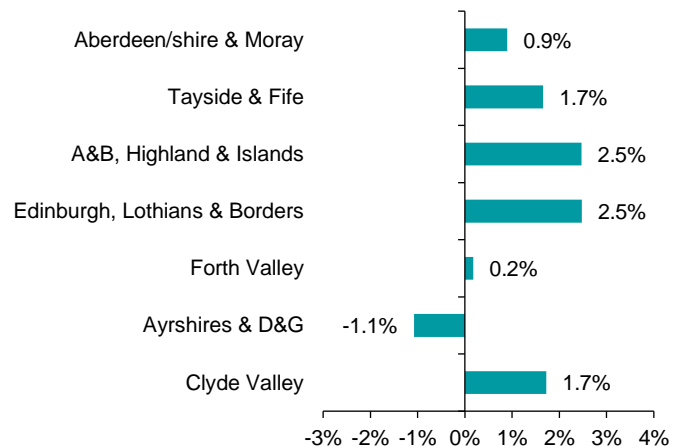


Chart 2.3 shows how house prices have performed across Scotland. House price growth was positive in all but one area of Scotland, with negative annual house price growth in Ayrshires & Dumfries and Galloway for the third consecutive quarter. With regard to property and buyer types, the latest ONS HPI data shows that the average price for new and existing build properties across Scotland both increased by an annual 1.8% in Q1 2019, to £207K and £146K, respectively. Meanwhile, the average first-time buyer (FTB) property price increased by an annual 1.5% in Q2 2019, to £123K.

ONS rental price index data shows that rental prices in Scotland increased by an annual 0.9% in August 2019 - rental price growth in Scotland has consistently been lower than across Great Britain since April 2015.

**Avg. House Price** £151,619 +£2,616 +1.8%

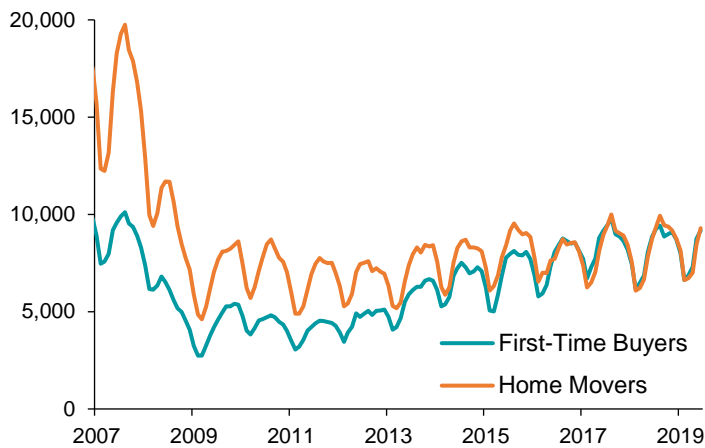
Q2 2019: Annual Change



# 3. Lending

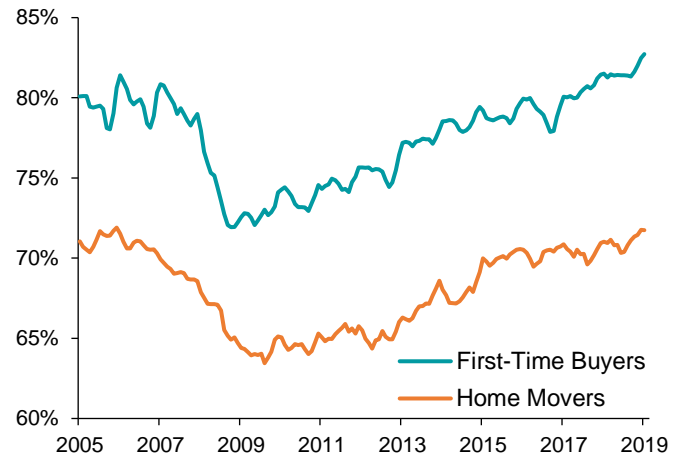
**Chart 3.1 Loans for House Purchase: Scotland (3 Month Moving Total)**

Source: UK Finance



**Chart 3.2 Mean LTV for House Purchase: Scotland (3 Month Moving Average)**

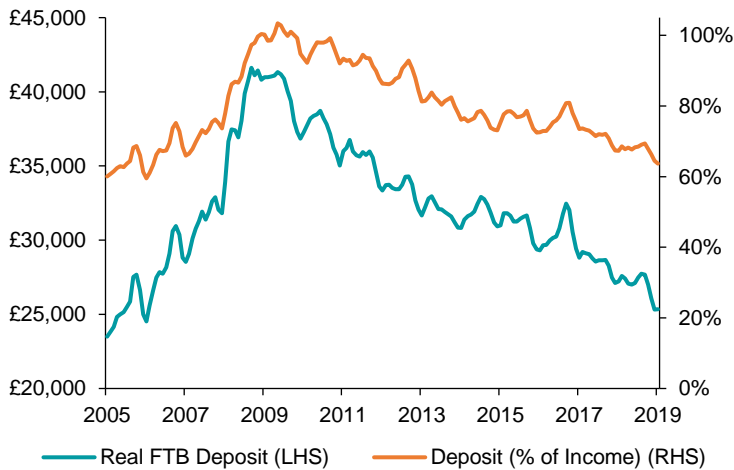
Source: UK Finance



In the three months to June 2019, there were 18,470 new loans for house purchase across Scotland according to UK Finance, up by an annual 5.1% (+890). Of these, 9,180 were loans to first-time buyers (FTB), up by an annual 3.7% (+330), and 9,290 were loans to home movers, up by an annual 6.4% (+560). Meanwhile, the latest data from the Bank of England shows that in the three months to July 2019, there were 226,995 mortgage approvals for house purchase across the United Kingdom, up by an annual 1.7% (mortgage approvals are the firm offers of lenders to advance a loan to a customer, secured on a dwelling).

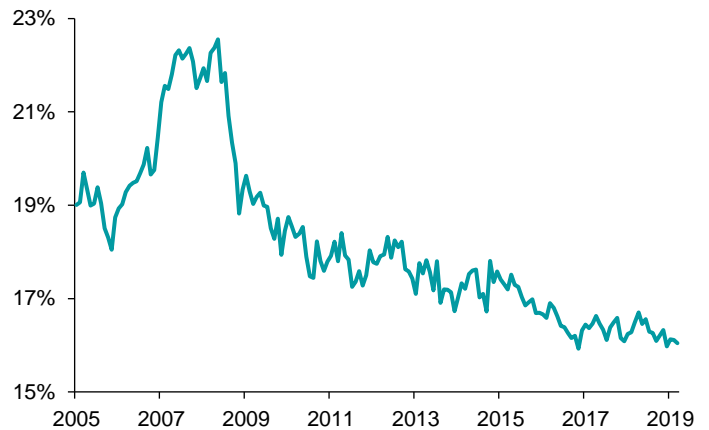
**Chart 3.3 Mean Scottish FTB Deposit (Constant (2019) Prices, 3 Month Moving Average)**

Source: UK Finance/ONS CPI



**Chart 3.4 Mean Scottish FTB Mortgage Repayments (Share of Income)**

Source: UK Finance



The latest UK Finance data suggests that deposit constraints are continuing to ease for FTBs in Scotland. Loan-to-value (LTV) ratios on new loans for house purchase have continued their upward trend in Q2 2019, UK Finance data shows (Chart 3.2)). In Q2 2019, the mean LTV on new loans for house purchase for FTBs stood at 82.7%, up 1.2 percentage points on the same period last year. Meanwhile, the mean LTV ratio for home movers stood at 71.7% in Q2 2019, up 0.7 percentage points. This upward trend in LTV ratios for FTBs has contributed to the real terms reduction in the mean Scottish FTB deposit. In Q2 2019, this stood at £25K, down 6.9% (-£2K) on the same period last year and down 38.1% (-£16K) over the past 10 years (both in real terms). UK Finance data also shows that mean Scottish FTB mortgage repayments (capital and interest repayments) as a share of FTB income have gradually been trending downwards since the 2008 financial crisis. In Q2 2019, the mean monthly FTB mortgage repayment cost was £540.

**New Mortgages**

Q2 2019: Annual Change

**18,470**

**+890**

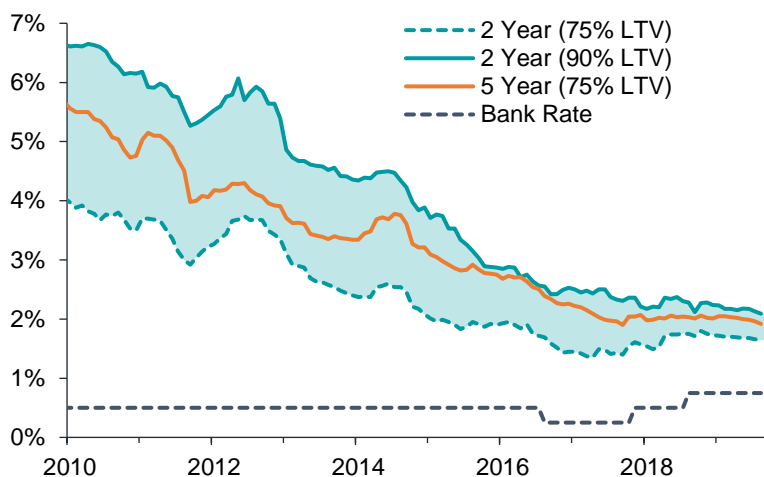
**+5.1%**



# 3. Lending (Continued)

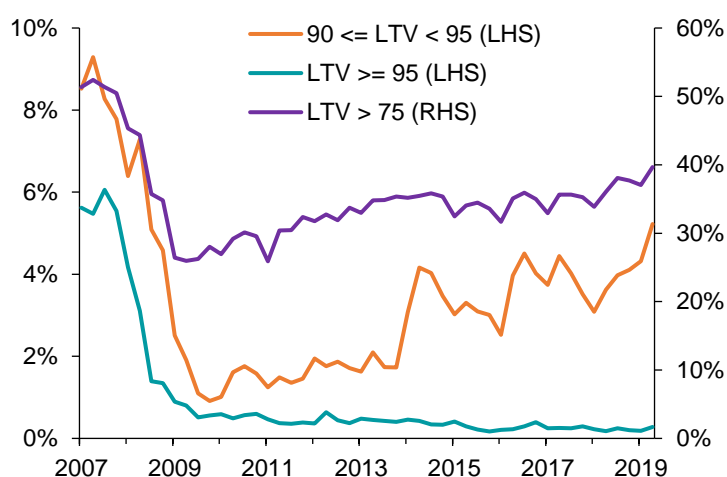
**Chart 3.5 Mortgage Interest Rates: UK (Monthly)**

Source: Bank of England



**Chart 3.6 Gross Advances by LTV: UK (Quarterly)**

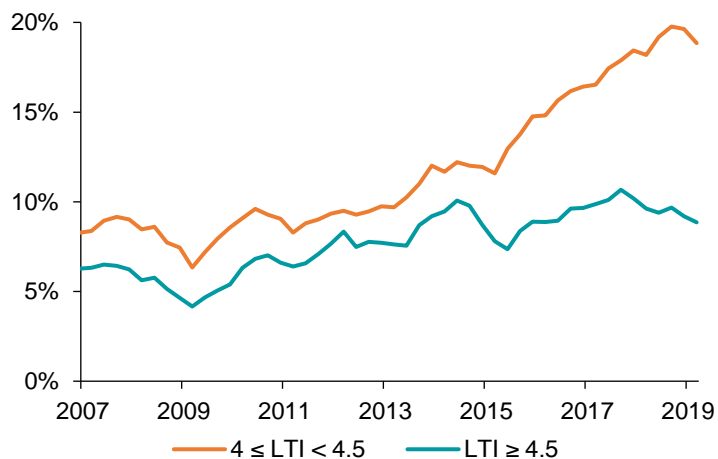
Source: FCA



Mortgage interest rates remain at historically low levels, Bank of England data show (Chart 3.5). The average interest rate on a 2 year fixed rate 75% LTV mortgage in August 2019 stood at 1.64%, down 8 basis points since the start of 2019. Meanwhile, the average interest rate on a 5 year fixed rate 75% LTV mortgage stood at 1.92% in August 2019, just 28 basis points above the average interest rate on a 2 year fixed rate 75% LTV mortgage. This spread is currently at its third lowest level since January 2010. Meanwhile, the spread between 2 year 75% LTV & 90% LTV remains narrow at 45 basis points - the second lowest level since January 2010. These last two points reflect strong price competition currently seen in the UK mortgage market. With regard to high LTV lending, FCA data report that the share of mortgages advanced across the UK with an LTV greater or equal to 90% stood at 5.5% in Q2 2019. This is the highest level since Q4 2008 (see Chart 3.6). FCA MLAR statistics also show that nearly two-fifths (39.7%) of mortgages advanced across the UK had an LTV ratio exceeding 75%, the highest share since Q2 2008.

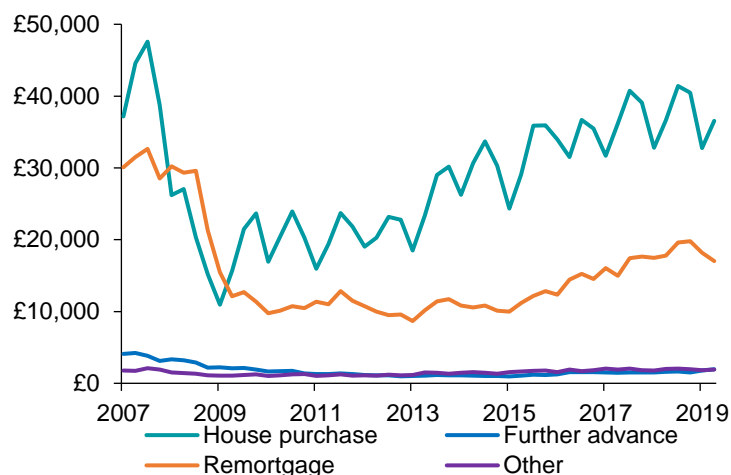
**Chart 3.7 Share of Lending at High LTI Ratios: UK (Quarterly)**

Source: Bank of England



**Chart 3.8 New Lending by Purpose: UK (Quarterly, £m)**

Source: FCA



Across the UK, the latest Bank of England data shows that in Q1 2019, just over one quarter (27.7%) of new mortgages advanced had a loan-to-income (LTI) multiple of 4 or above. As shown Chart 3.7, this is a slight dip on the peak seen in Q3 2018. The share of mortgages advanced with an LTI greater or equal to 4.5 has remained fairly steady over the past 5 years. This is partly due to the FPC recommending in June 2014 that only 15% of the flow of new mortgages could be at LTI ratios of 4.5 or above, with lenders factoring in a buffer to prevent them from exceeding this share. Meanwhile, the value of new loans for remortgaging across the UK dipped in Q2 2019, down 4.3% annually.

**Avg. FTB Deposit**

Q2 2019: Annual Change

**£25,348**

**−£1,881**

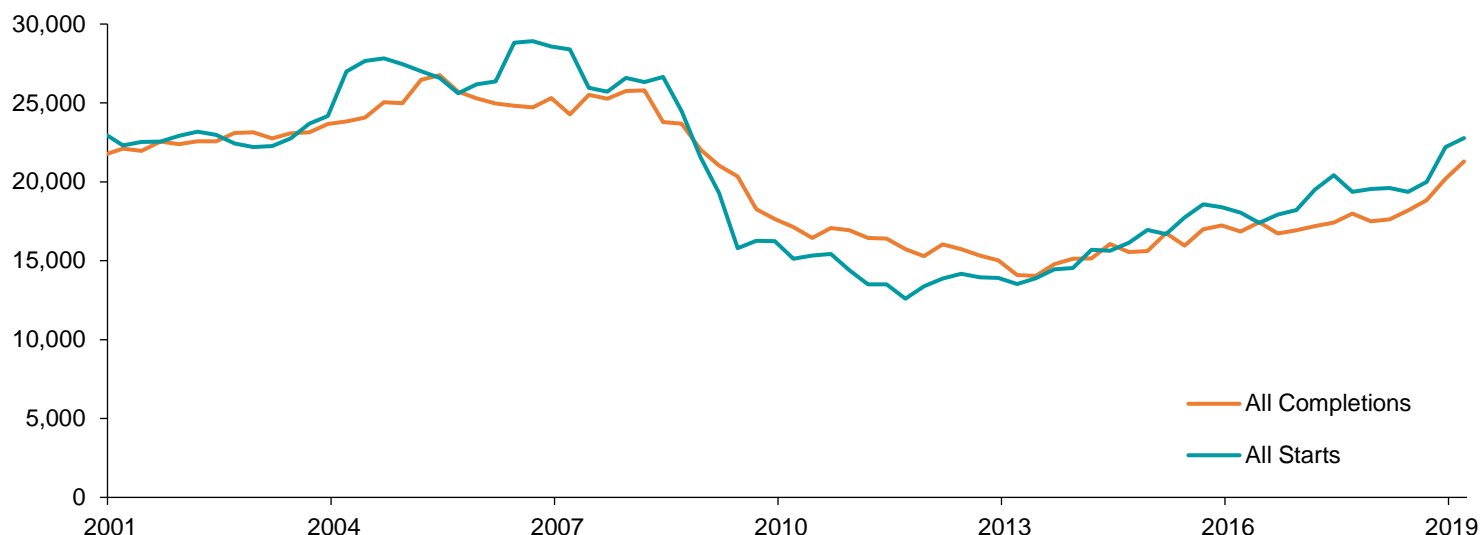
**−6.9%**



# 4. House Building

## Chart 4.1 Scottish New Builds (4Q Moving Total, to Q1 2019)

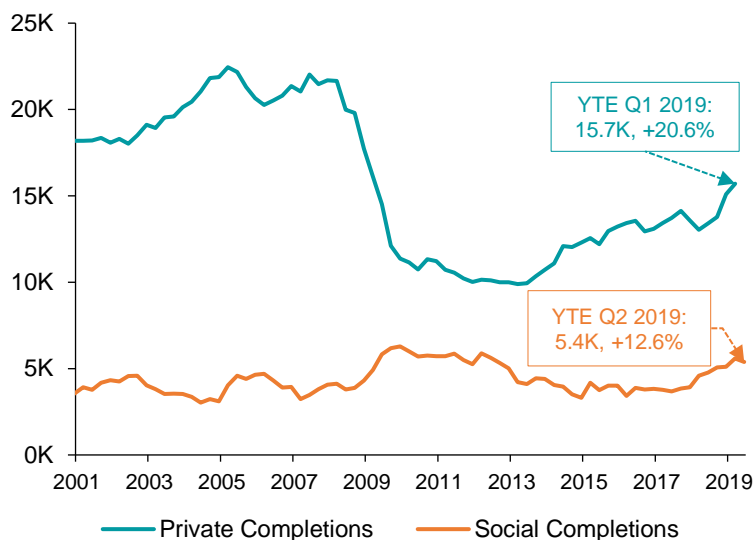
Source: SG



The latest Scottish Government new build statistics show that, in the year to end Q1 2019, there were 21,292 new build completions across Scotland, up by an annual 20.8% (+3,669). On a rolling 4-quarterly basis, this is the highest yearly level of new build completions since the 2008 financial crisis. Meanwhile, there were 22,764 new build starts over the same period, up by an annual 16.1% (+3,160). These statistics also showed that in the year to end 31st March 2019, there were 315,625 local authority dwellings in Scotland, an annual increase of 0.4% (+1,192). This is the first annual increase in the local authority stock since 1980, and will have been supported by the abolition of the Right to Buy in Scotland, as well as the resumption of SG funding for council new build in 2009.

## Chart 4.2 New Build Completions by Sector (4Q Moving Total)

Source: SG



## Chart 4.3 AHSP Completions (4Q Moving Total, to Q2 2019)

Source: SG

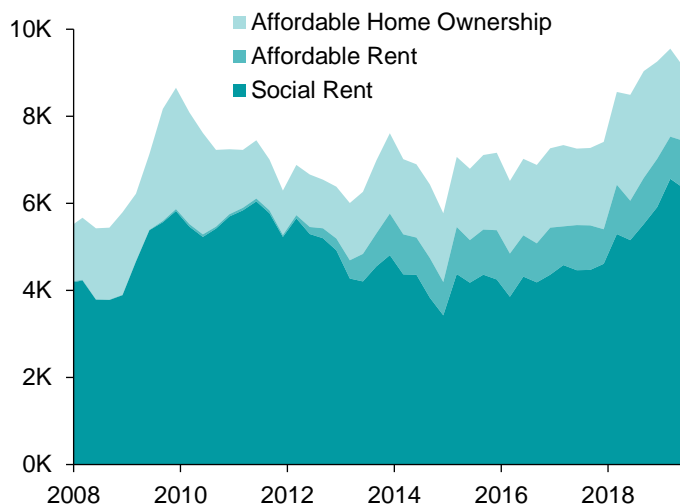


Chart 4.2 includes a breakdown of new build completions by sector, showing that private new build completions in the year to end Q1 2019 were at their highest level since the 2008 financial crisis.

There were 9,128 completions through the Affordable Housing Supply Programme (AHSP) in the year to end Q2 2019, up by an annual 7.5% (+633). Since Q2 2016, there have been 26,581 completions through the AHSP.

**AHSP Completions**

Year to Q2 '19: Annual Change

**9,128**

**+633**

**+7.5%**



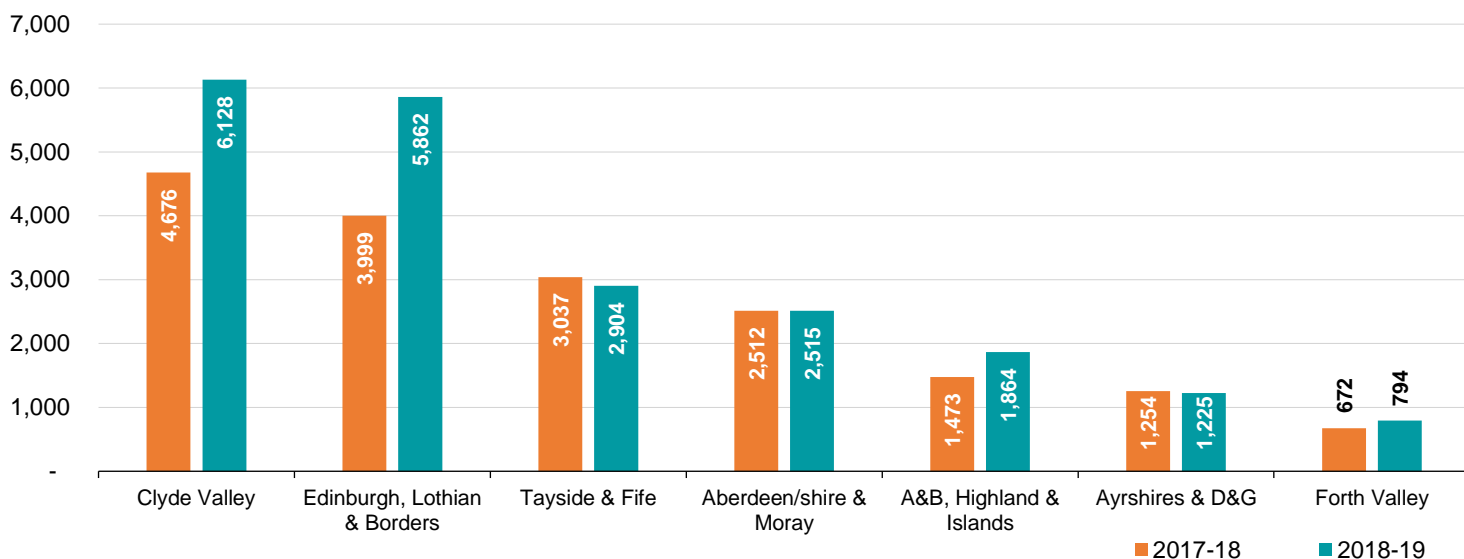
## 4. House Building (Continued)

Chart 4.4 illustrates the geographic spread of new build completions in 2018-19 and 2017-18. There was a substantial annual increase in new build completions across Clyde Valley and Edinburgh, Lothian & Borders, with new build completions up by an annual 31.1% (+1,452) and 46.6% (+1,863), respectively, as well as a similarly large increase in percentage terms in Argyll & Bute, Highland and Islands of 26.5% (+391). However, in the remaining Scotland areas, new build completions grew relatively modestly or fell slightly.

Chart 4.5 expresses new build completions in each of the Scotland areas for 2018/19 per 10,000 households, to adjust for variation in local authority size. This shows that there were 129.3 new build completions per 10,000 households in Edinburgh, Lothian & Borders, 50% higher than the Scottish average and 154% more than in Ayrshires & Dumfries and Galloway.

**Chart 4.4 Regional Breakdown of All New Build Completions: Scotland**

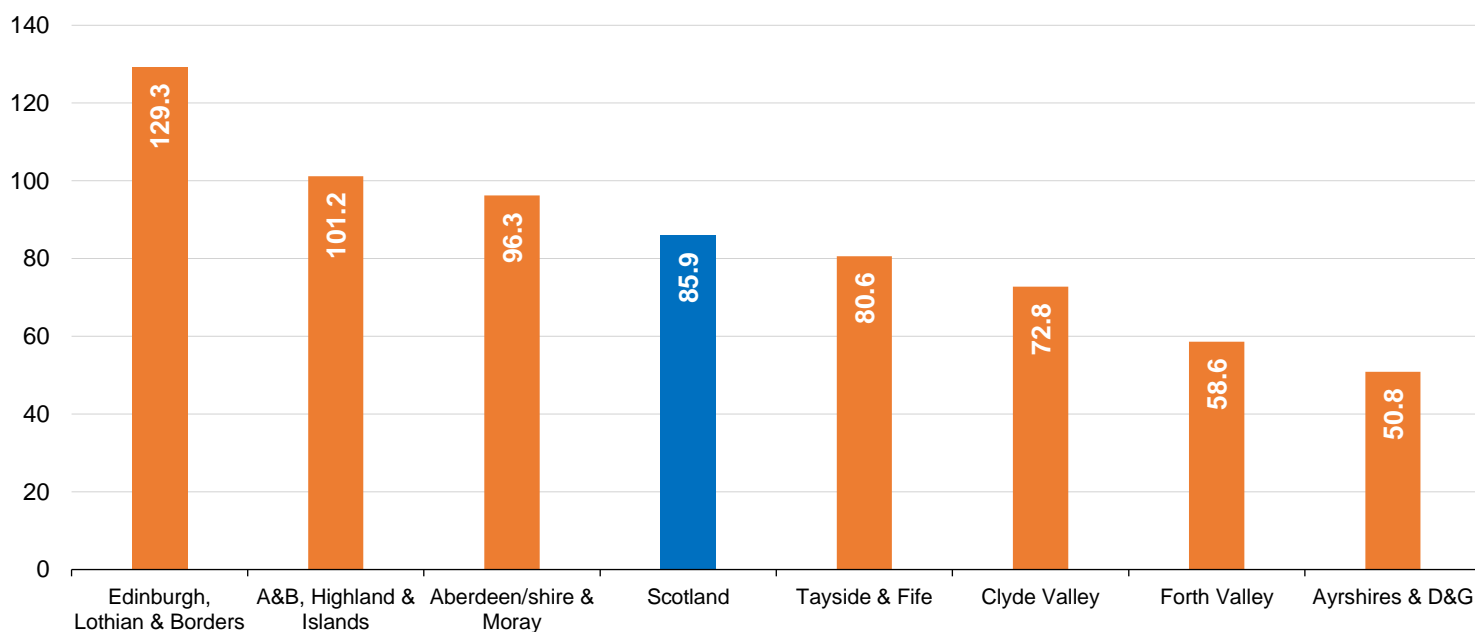
Source: SG



**Chart 4.5 New Build Completions per 10,000 Households: Scotland**

All new build completions in Scotland in 2018/19 expressed per 10,000 households (NRS 2018)

Source: SG/NRS



**All Completions**  
Year to Q1 '19: Annual Change

**21,292**

**+3,669**

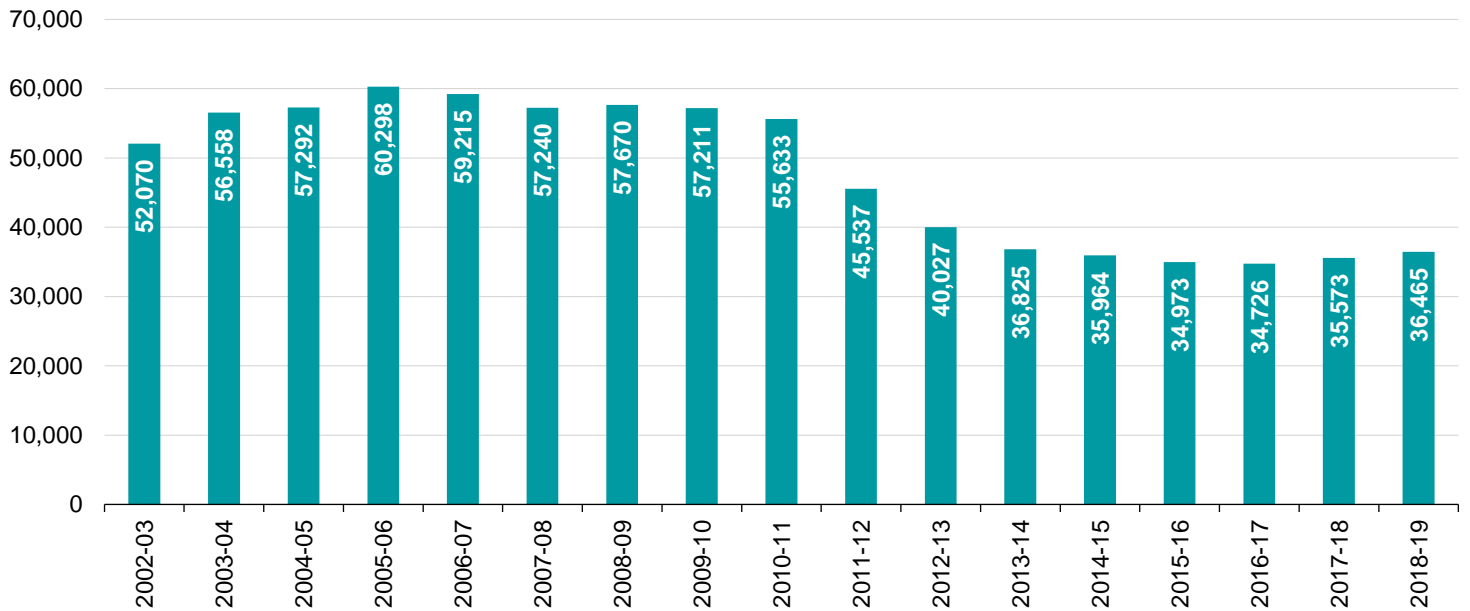
**+20.8%**



# 5. Homelessness

## Chart 5.1 Homelessness Applications: Scotland

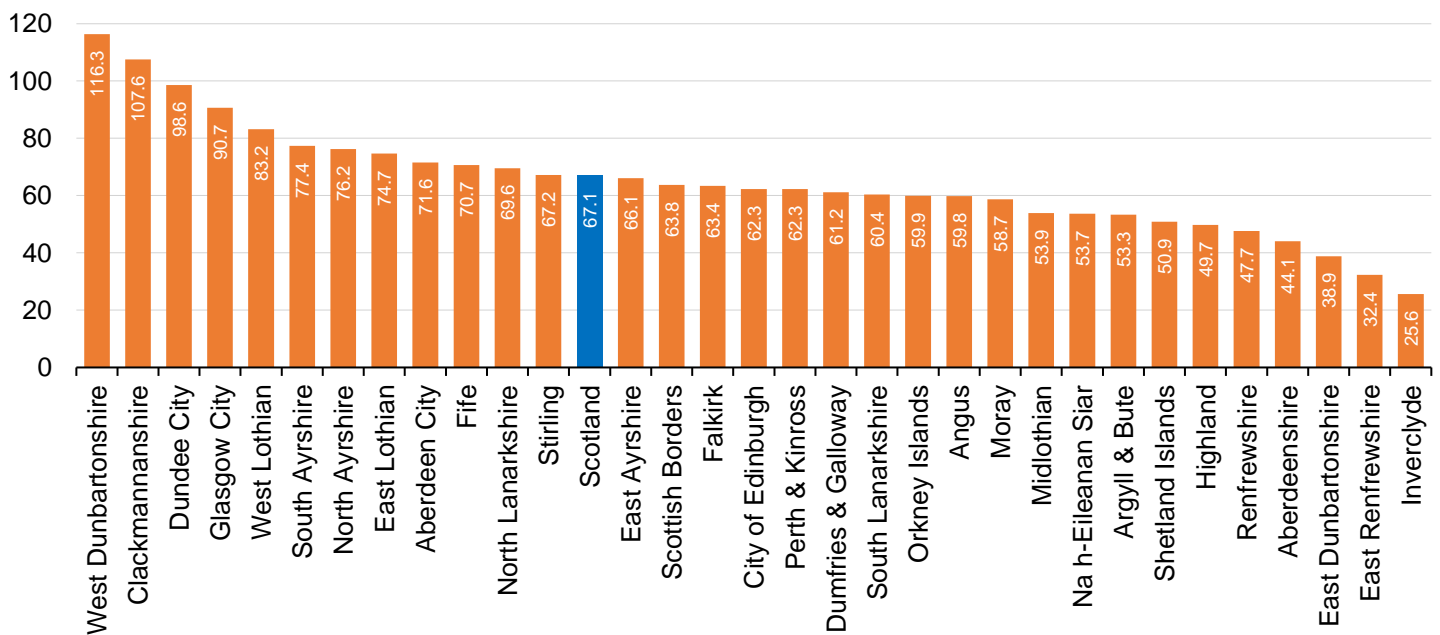
Source: SG



There were 36,465 homelessness applications in Scotland in 2018-19, an annual increase of 2.5% (+892). Chart 5.2 shows the number of homelessness applications in each local authority per 10,000 people, using the latest NRS mid-year population estimates (2018). This shows that, in 2018/19, there were just over four times as many homelessness applications per 10,000 people in West Dunbartonshire (116.3) as there were in Inverclyde (25.6), which had the fewest number of homelessness applications per 10,000 people.

## Chart 5.2 Homelessness Applications Per 10,000 of Local Authority Population: 2018/19

Source: SG/NRS



Homelessness Applications  
2018/19: Annual Change

**36,465**

**+892**

**+2.5%**

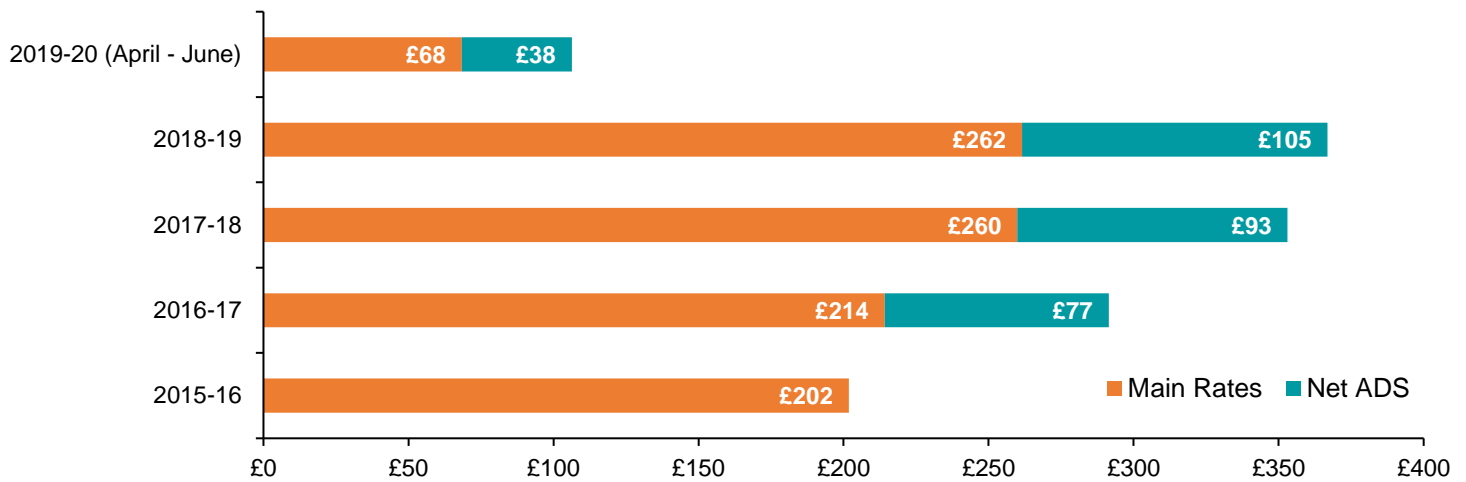




## 6. Residential Land & Buildings Transaction Tax (LBTT)

**Chart 6.1 Residential LBTT Revenue (£ millions)**

Source: Revenue Scotland

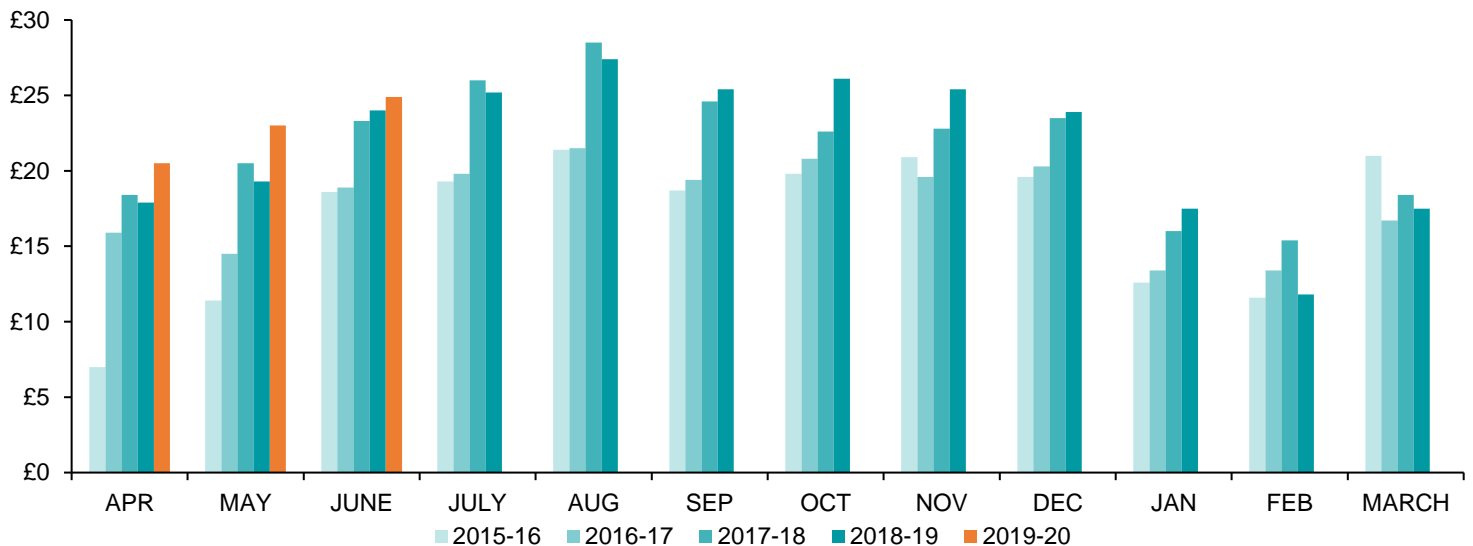


Revenue Scotland LBTT statistics show that from April - June 2019, residential LBTT revenue from the main rates of LBTT increased by an annual 11.8%, to £68.4 million. A year on year comparison is not suitable for revenue from the Additional Dwelling Supplement (ADS) due to the rate change on 25th January 2019; however, net ADS revenue in the three months to June 2019 stood at £37.9 million (defined as ADS liabilities paid minus repayments of ADS).

Revenue Scotland has recently published statistics on the number of first-time buyers benefiting from the Scottish Government's first-time buyer relief. In the year from July 2018 - June 2019, 11,150 buyers claimed the relief, which saves first-time buyers up to £600 on the purchase of their home.

**Chart 6.2 Residential LBTT Revenue (Excluding ADS, Monthly, £ millions)**

Source: Revenue Scotland



### Residential LBTT Tax Schedule

Home Movers	LBTT Rate	First-Time Buyers	LBTT Rate
Up to £145,000	0%	Up to £175,000	0%
£145,001 to £250,000	2%	£175,001 to £250,000	2%
£250,001 to £325,000	5%	£250,001 to £325,000	5%
£325,001 to £750,000	10%	£325,001 to £750,000	10%
Over £750,000	12%	Over £750,000	12%
<b>Additional Dwelling Supplement</b>	<b>4%</b>		

LBTT is payable at different rates on each portion of the purchase price within specified bands.

ADS is payable on the total purchase price of an additional dwelling of £40,000 or more.

# Special Feature: Scottish Household Survey

This quarter's special feature covers the Scottish Household Survey (SHS), Scotland's largest face-to-face random survey. The Survey, which provides essential information on a range of topics from housing to employment, health to views on local public services, has been running continuously since 1999. On 10<sup>th</sup> September 2019, the 2018 SHS annual report was published. This quarter's special feature hears from Dr Emma McCallum, project manager for the SHS, who explains the why the Survey is run and how the data collected is used, as well as summarises the key points from the housing chapter.



## **Why is the Scottish Household Survey important?**

Without the government collecting views from its citizens, policies and laws would be made without understanding the impact on those they apply to. The face-to-face interviews carried out with individuals through the SHS enable the government to check if policies are having the intended effect and helps us to design laws appropriately. SHS data is also used to identify which people or areas need funding most.

## **How is the data used?**

SHS data is frequently used to help inform the Scottish Government's housing policies. For example, the SHS is the only source of Fuel Poverty evidence and the only nationally representative source of data on energy efficiency, house conditions and quality. This evidence is used extensively in the design, targeting and funding allocations for SG energy efficiency programmes (SEEP).



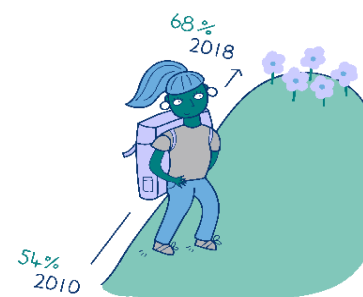
Much of the SHS data is used for key performance monitoring frameworks, including: 13 out of 80 of Scotland Performs indicators, half of the Housing & Regeneration Outcome Indicators, over half of Active Scotland Outcome Indicators, and over a quarter of the Child Poverty Measurement Framework Indicators. All local authorities in Scotland use the data in their Single Outcome Agreements; the Improvement Service use data for the Local Government Benchmarking Framework; Community Planning Partnerships to understand and improve local needs and circumstances.



## **How do you communicate the results of the SHS?**

The Scottish Household Survey publishes results in a 300 page report once a year. This is followed by release of all the same information contained in the annual report for each local authority in Scotland. This year, the local authority tables will be released on 8th October.

In order to extend the reach of the statistics to new audiences, we have been developing the dissemination of SHS results. We wanted to find a way to communicate statistics in an easy-to-follow and accessible way, so we worked with external academics and a professional illustrator who brought our analysis to life using clear text and illustrations, inspired by the visual language of comics. This was the first time data comics had been used to communicate statistics by the Scottish Government and it has helped to tackle complex issues such as inequality. On the back of the new approach, the team has received a number of recognitions and awards for innovation. This year, we have produced a visual summary to accompany our technical report and trialled a story-telling report alongside our physical activity statistics. We've made a film, recorded a podcast and are about to launch an animation. We have produced an interactive dashboard for users to generate their own tables and charts and this year are producing a more user friendly version of the local authority tables.



## **Any final messages?**

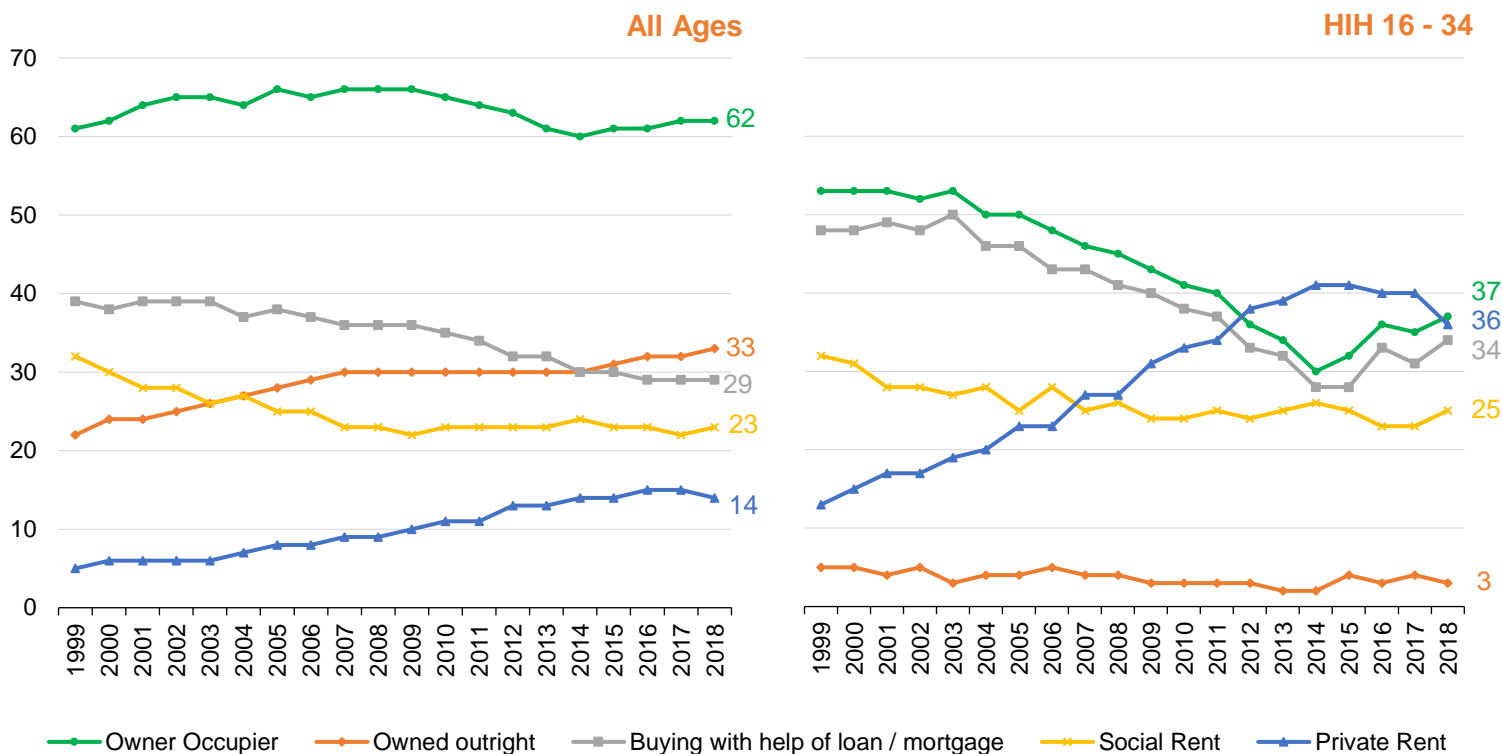
If you are selected to participate in the SHS, you will receive an advance letter and a leaflet through the post about the survey. Please take part and encourage any friends or family selected to take part. Thank you to any of you who have taken part already.



# Special Feature: Scottish Household Survey

## Tenure of Households by Year (%)

Source: SG
















The latest SHS annual report (2018) shows that the share of households in owner occupation (owning outright or with a mortgage or loan) grew steadily from 1999 to 2009, increasing by 5 percentage points to 66% (+220,000 households). However, from 2009 to 2014 (in the aftermath of the 2008 financial crisis) it dropped by 6 percentage points to 60% (-100,000 households). This was driven by a decline in the share of households owning their property with a mortgage or loan, which fell from 36% of all households in 2009 to 30% in 2014. Since then, this figure has remained at similar levels, standing at 29% in 2018. This has helped stabilise the share of households in owner occupation, which has also remained at approximately the same level since 2014, standing at 62% in 2018. In terms of the absolute number of households in owner occupation, there has been an increase of approximately 5% from 2014 to 2018 (reflecting the growth in the total number of households in Scotland).

The share of households in the private rented sector saw marked growth from 1999 to 2016, increasing from 5% of all households in 1999 to 15% in 2016. The absolute number of households in this tenure approximately tripled over this period, to stand at 370,000 in 2016. However, since 2016 the share has decreased to 14%, which equates to 340,000 households. With respect to the social rented sector, the share of households in this tenure fell sharply from 32% in 1999 to 23% in 2007, an estimated decrease of 150,000 households. However, since 2007, this share has fluctuated between 22% and 24%, and stood at 23% in 2018. A key factor in the initial decrease was Right to Buy sales, with a total of 113,800 sales made from 1999 to 2007. The Right to Buy has now been abolished in Scotland.

Within these overall tenure trends, there have been even more significant changes for households of different ages. While the share of all households owning with a mortgage or loan has remained relatively unchanged in the past few years, this is not the case for households with a highest income householder (HIH) aged between 16 and 34. The share of younger households owning with a mortgage or loan has increased from 28% in 2015 to 34% in 2018 (+30,000 households). This increase is likely to have been driven by an improvement in lending conditions (noted in the main section of the Review) as well as SG financial support for first-time buyers, such as the Open Market Shared Equity (OMSE) and New Supply Shared Equity (NSSE) schemes, which comprise the SG's Low Cost Initiative for First-time Buyers (LIFT), as well as Help to Buy (Scotland), with approximately 82% of Help to Buy (Scotland) sales in 2018/19 being to first-time buyers. As a result of it becoming easier for younger households to access home ownership, the recent fall in the share of households in the private rented sector has been more pronounced for younger households, falling from 41% in 2015 to 36% in 2018 (-20,000 households) for this age group.

# Key Figures

	Latest Period	Latest Value	Annual Change			
			+/-	%		
<b>Number of Sales</b>	Q2 2019	25,806	+1,159	+4.7%		
Source: RoS						
<b>Average House Price</b>	Q2 2019	£151,619	£2,616	+1.8%		
Source: ONS HPI						
<b>New Mortgages</b>	Q2 2019	18,470	+890	+5.1%		
Source: UK Finance						
<b>Average FTB Deposit</b>	Q2 2019	£25,348	-£1,881	-6.9%		
Source: UK Finance						
<b>Average FTB LTV Ratio</b>	Q2 2019	82.7%	1.2%			
Source: UK Finance						
<b>Average Home Mover LTV Ratio</b>	Q2 2019	71.7%	0.7%			
Source: UK Finance						
<b>Average 2 Year Fixed 75% LTV IR (UK)</b>	August 2019	1.64%	-0.11%			
Source: BoE						
<b>Average 2 Year Fixed 90% LTV IR (UK)</b>	August 2019	2.09%	-0.19%			
Source: BoE						
<b>All New Build Completions</b>	Q1 2019	21,292	+3,669	+20.8%		
Source: SG						
<b>AHSP Completions</b>	Q2 2019	9,128	+633	+7.5%		
Source: SG						
<b>Private New Build Completions</b>	Q1 2019	15,710	+2,679	+20.6%		
Source: SG						
<b>Social New Build Completions</b>	Q2 2019	5,378	+600	+12.6%		
Source: SG						
<b>Homelessness Applications</b>	2018-19	36,465	+892	+2.5%		
Source: SG						

## READER SURVEY

We have made significant changes to the format of the Review in Q2 and Q3 2019 (which is different to the old format that ran until Q1 2019) and are carrying out a survey of readers to collect feedback on [this](https://response.questback.com/scottishgovernment/SHMR) new format and to better understand our readership. Please click this link <https://response.questback.com/scottishgovernment/SHMR> to complete the short survey (it should take less than 5 minutes to complete). The survey will close on 31st October 2019.