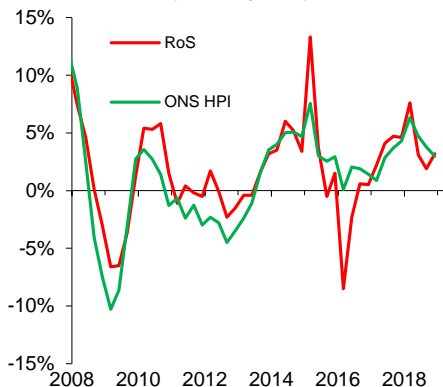
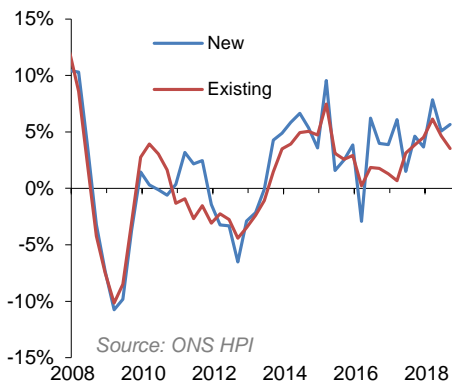


Annual house price growth: Scotland
(Quarterly data)



Annual house price growth by type of dwelling: Scotland
(Quarterly data)

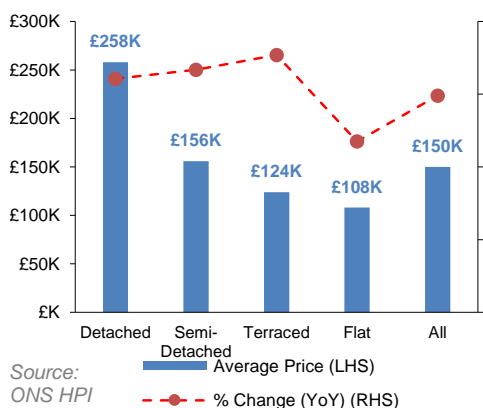


The annual growth rate of the ONS House Price Index (HPI) in Scotland fell from 3.8% in Q3 2018 to 3.0% in Q4 2018.

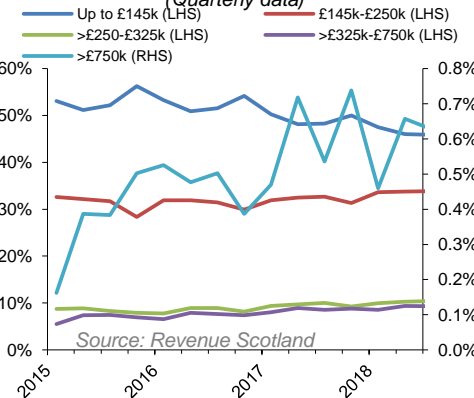
In Q4 2018, the average (geometric mean) of ONS mix-adjusted house prices was £150K in Scotland, relative to £231K in the UK. The average (arithmetic mean) of non-mix-adjusted RoS data for all dwellings bought in Scotland in Q4 2018 was £182K, up 3.2% on Q4 2017.

In Q3 2018, annual new build price growth increased to 5.7%, up from 5.1% in Q2 2018. Annual price growth for existing dwellings decreased to 3.5% in Q3 2018, down from 4.7% in the previous quarter.

Average House Price by Dwelling Type: Scotland
(Q4 2018, £000's)



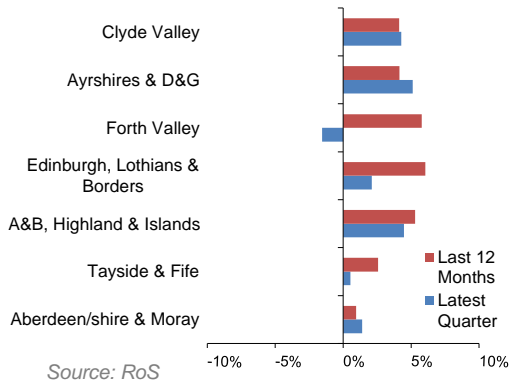
Share of Transactions by LBTT Band
(Quarterly data)



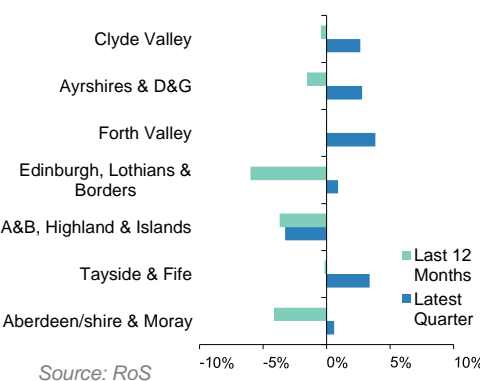
Revenue Scotland data show that in 2018, the number of residential LBTT returns under £250K were down 4.5% on 2017, while returns above £250K were up 5.0% on 2017. Overall, the number of residential LBTT returns in 2018 were down 2.8% on 2017.

Terraced properties experienced the largest increase in price across property types in Scotland in Q4 2018, up 3.5% on Q4 2017 according to the ONS HPI. The most expensive property type was detached houses, with an average (geometric mean) price of £258K, while flats were the cheapest property type, at £108K.

Annual house price growth: Scotland Areas
(Q4 2018)



Annual growth in transactions: Scotland Areas
(Q4 2018)

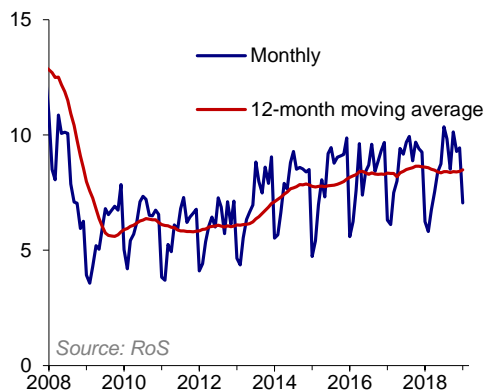


RoS Data show that in Q4 2018, house prices increased in all areas in Scotland apart from Forth Valley, compared to Q4 2017. In 2018, the greatest increase in house prices was in Edinburgh, Lothians & Borders at 6.1% on 2017, but this growth has slowed towards the end of the year.

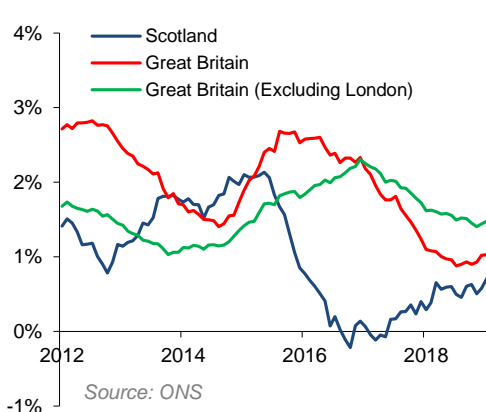
In Q4 2018, there were 28,862 sales in Scotland, according to data from RoS. This is an increase of 1.8% on Q4 2017; however, there were 2.3% fewer sales in 2018 than in 2017. In Q4 2018, sales in Edinburgh, Lothians & Borders recovered after 3 consecutive quarters of negative transactions growth. Transactions grew by 0.9% on Q4 2017, but over 2018 as a whole were down 6.0% on 2017.

ONS experimental statistics show that annual rental growth in Scotland was 0.7% in February 2019, slightly below annual rental growth in Great Britain of 1.1%.

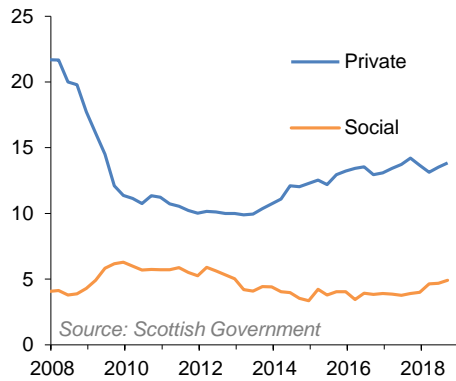
House sale transactions: Scotland
(000s)



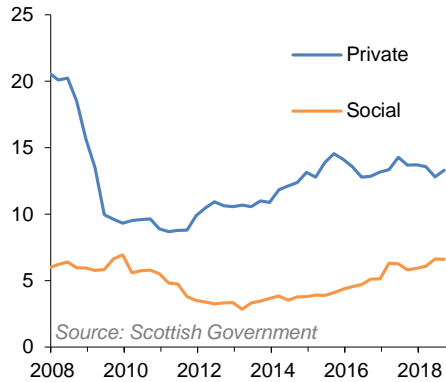
Annual rate of change in rental prices
(Monthly Data)



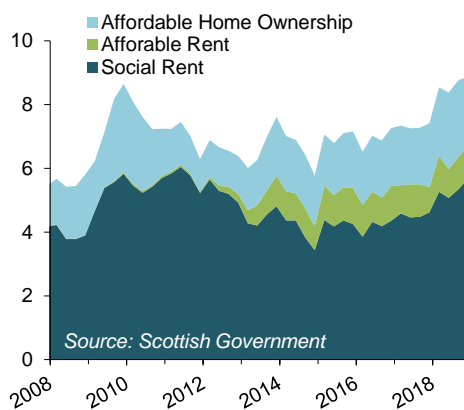
New build completions: Scotland
(4-quarter moving total, 000s)



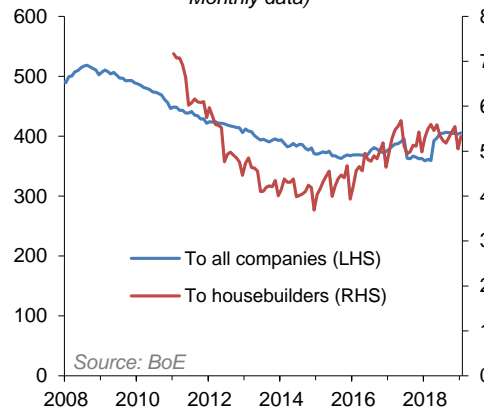
New build starts: Scotland
(4-quarter moving total, 000s)



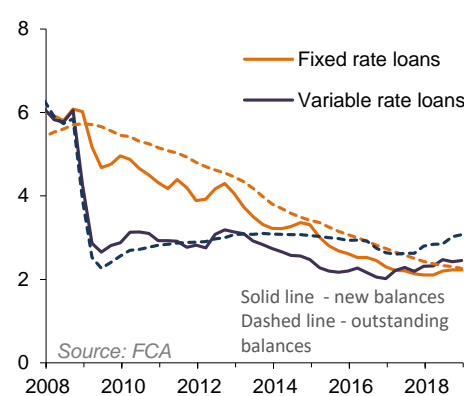
Affordable Housing Supply Programme
(4-quarter moving total completions, 000s)



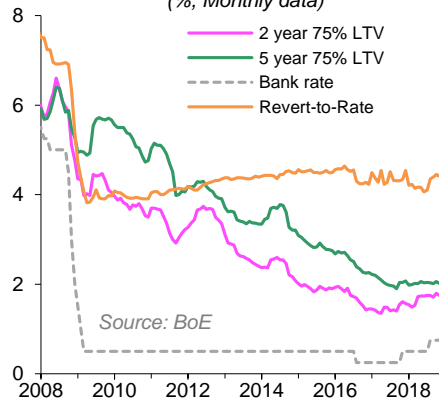
Financial institutions' net loans outstanding: UK (£bn, Monthly data)



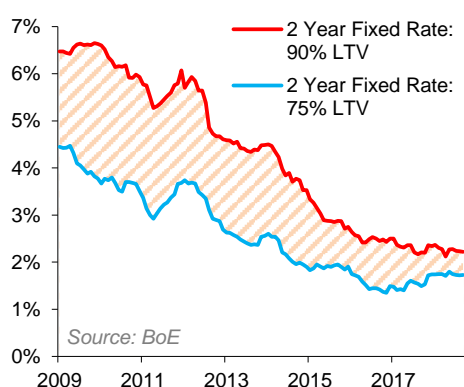
Average interest rate on residential loans to individuals: UK (Regulated Loans, %, Quarterly)



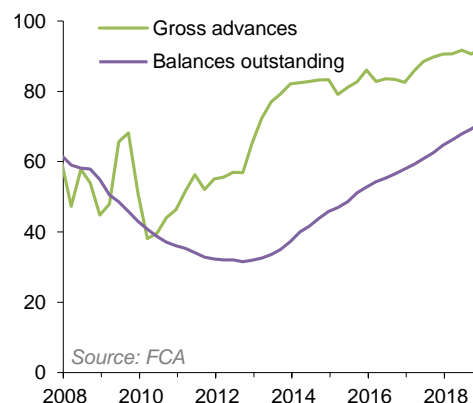
Mortgage interest rates: UK (% Monthly data)



Spread on 2 Year Fixed Mortgage Interest Rates (% Monthly Data)



Proportion of residential loans at fixed rates: UK (Regulated Loans, %, Quarterly data)



Across all sectors, 18,750 new build homes were completed in the year to end September 2018, a 3.5% annual increase. Meanwhile, there were 19,900 starts, up 2.1%.

Private sector completions in the year to end September 2018 totalled 13,831, down by an annual 2.6%. Meanwhile, private sector starts totalled 13,293, down by an annual 2.9%.

Social new build completions totalled 4,919 in the year to end September 2018, an annual increase of 25.6%. Meanwhile, social new build starts totalled 6,607, up by an annual 13.9%.

In the year to end December 2018, there were 8,867 completions through the Affordable Housing Supply Programme, up by an annual 19.6%. In the same period, there were 12,570 approvals through AHSP, up by an annual 22.3%, and 9,659 starts, down 12.7%.

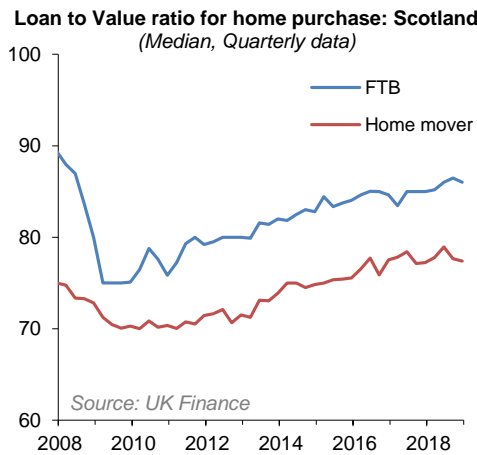
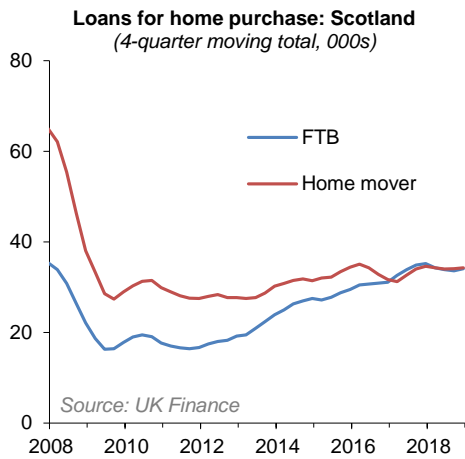
Net bank lending to house builders in the UK stood at £16.0bn in Q4 2018, up 3.4% on Q4 2017.

FCA data shows that in Q4 2018 there was minimal movement in the average interest rate for new variable and fixed rate lending, which stood at 2.4% and 2.2%, respectively. The average interest rate on new loans was 2.2% in Q4 2018, up 12bps on Q4 2017.

The latest Bank of England data shows that in February 2019, the average interest rate on 2 year fixed rate mortgages was 1.7%, and 2.1% on 5 year fixed rate mortgages. The revert-to-rate (formally Standard Variable Rate) was 4.3% in February 2019, double that of the average 5 year fixed rate.

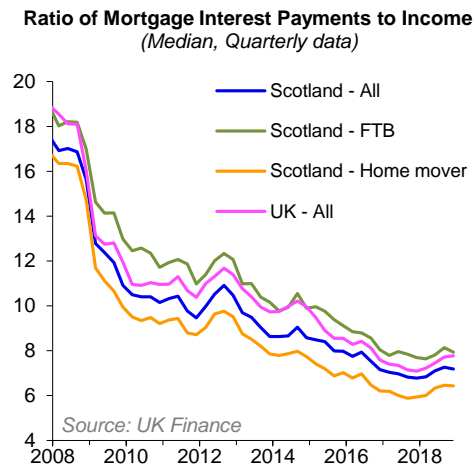
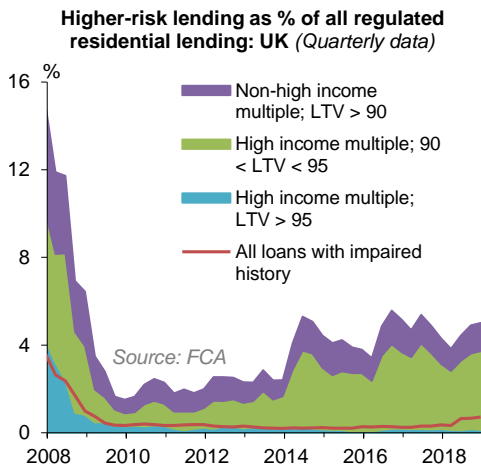
Bank of England data also suggests that there is increased risk appetite among lenders. The spread between 2 year fixed rate mortgage interest rates for 90% LTV and 75% LTV loans has narrowed recently, and stands at 49bps. This is down 23bps since last year, and down 174bps since 2012.

The recent trend in remortgaging (see special feature) has pushed up the share of balances outstanding on fixed rates, which stood at 71.1% in Q4 2018.



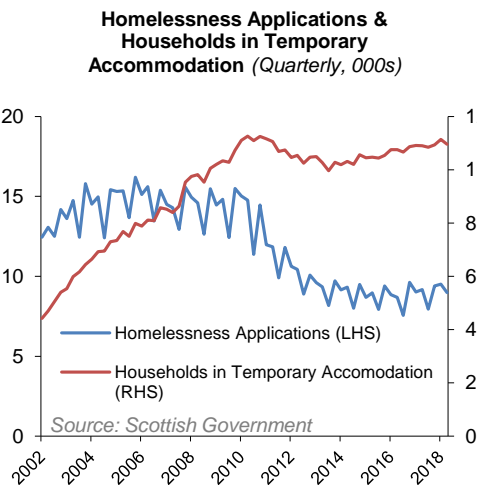
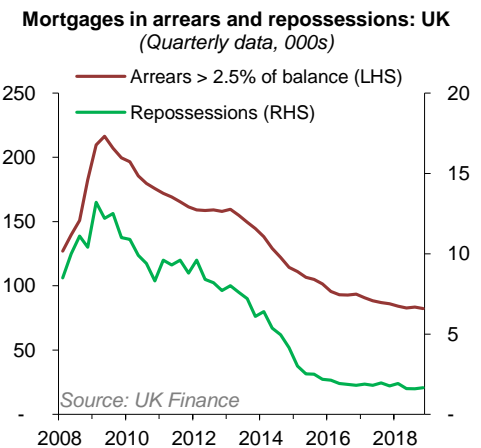
According to UK Finance data, there were 18,000 loans for home purchase in Scotland in Q4 2018, up by an annual 4.0%. There were an equal number of loans to FTBs and home movers. Loans to FTBs were up by an annual 5.9%, while loans to home movers were up by an annual 2.3%.

In Q4 2018, the median LTV ratio for FTBs was 86.0%, down 0.5 percentage points on the previous quarter. Meanwhile, the LTV for home movers fell slightly to 77.4%, down 0.3 percentage points on the previous quarter.

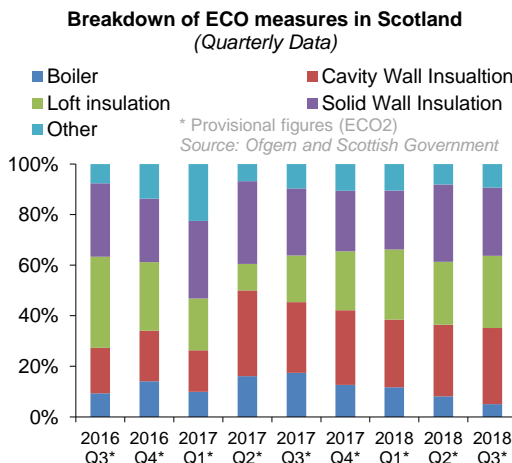
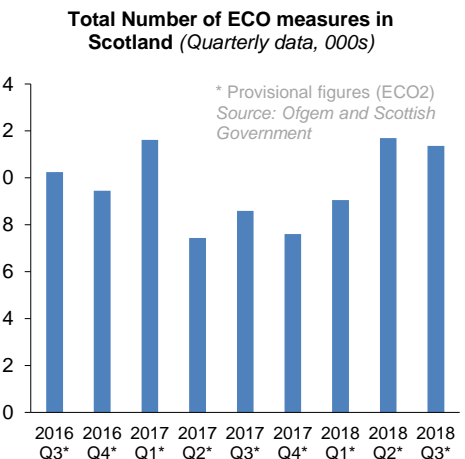


According to FCA data, the proportion of all regulated residential loans in the UK with an LTV above 90% increased to 5.0% in Q4 2018. This is up 0.1 percentage points on the previous quarter and up 0.7 percentage points on Q4 2017.

UK Finance data show that for FTBs in Scotland, the median ratio of mortgage interest payments to income decreased slightly to 7.9% in Q4 2018, down 0.2 percentage points on Q3 2018. This is 0.5 percentage points less than across the UK. For home movers, the median ratio of mortgage interest payments to income fell marginally to 6.4%. This is 0.7 percentage points less than across the UK.



UK Finance data also show that in Q4 2018, the total number of loans in the UK with arrears equivalent to 2.5% or more of the mortgage balance was down by an annual 4.3% to 82,310 - the lowest number since the 2008 financial crisis. There were 1,650 repossessions across the UK in Q4 2018, down 6.8% on Q4 2017.

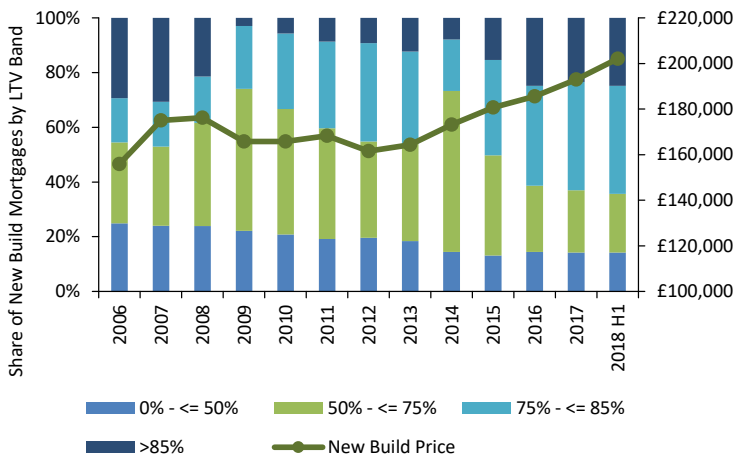


There were 8,984 homelessness applications in Q3 2018, down 2.1% on Q3 2017. The number of households in temporary accommodation increased slightly in Q3 2018, at 10,955, up 0.5% on Q3 2017.

The number of ECO (Energy Company Obligation) measures delivered in Scotland in Q3 2018 was 11,360, up 32% on Q3 2017. The most common measure installed was cavity wall insulation (30%), with over 3,400 upgrades delivered.

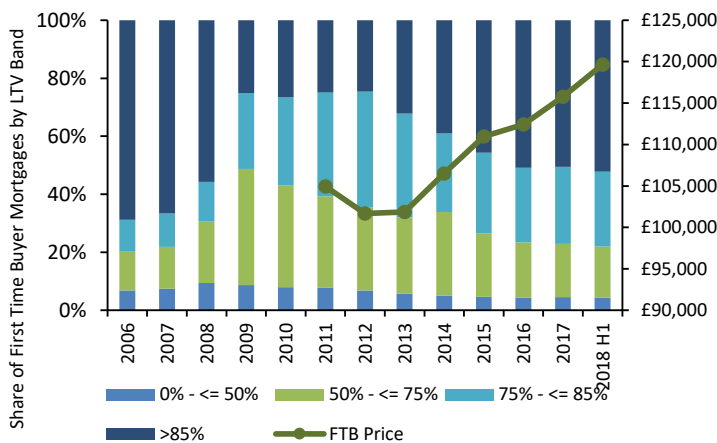
Special Feature: Mortgage Lending Trends

Chart 1. New Build Mortgages in Scotland (by LTV)



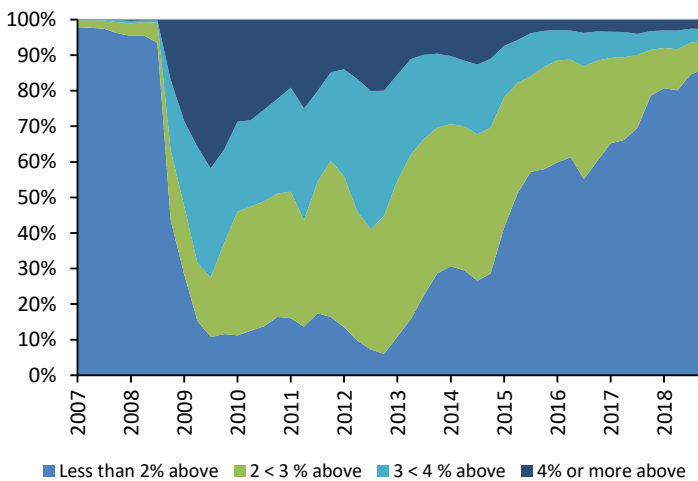
*New build data became mandatory from 2015, thus previous years contain a sample of all new build sales. Source: FCA PSD/ONS HPI

Chart 2. FTB Mortgages in Scotland (by LTV)



Source: FCA PSD/ONS HPI

Chart 3. Gross Advances (Regulated): Per cent of Business Above Bank Rate (UK)



Source: FCA MLAR

This quarter's special feature looks at key trends in mortgage lending and draws on new data from the Financial Conduct Authority (FCA) on lending conditions in Scotland.

The FCA have recently published their Product Sales Data with a country and regional breakdown, which includes new data on loan-to-value (LTV) ratios for new build properties and first-time buyer (FTB) sales purchased with a mortgage in Scotland. Chart 1 summarises the share of new build sales with a mortgage by LTV in Scotland. In the first half of 2018 (2018H1), one-quarter of new build mortgages in Scotland had an LTV greater than 85 per cent, and nearly two-thirds (64 per cent) of new build mortgages had an LTV greater than 75 per cent. This is a significantly higher proportion than in England (36 per cent), and greater than in Wales and Northern Ireland (both 51 per cent), where new build prices are more comparable with those in Scotland. Since the 2008 financial crisis, the share of new mortgages for new build properties with an LTV above 85 per cent has been slowly recovering. In 2017, the latest full year of data, 23 per cent of mortgages for new build properties had an LTV greater than 85 per cent, compared to 31 per cent in 2007. In addition, the share of new mortgages for new build properties with an LTV above 75 per cent in 2017 was 16 percentage points higher than in 2007, at 63 per cent. This is in the context of new build house prices in Scotland increasing by just under one-fifth (19%) since Q3 2008, to £208K in Q3 2018.

In terms of the distribution of FTB mortgages by LTV, in 2018H1 the majority (52 per cent) of FTB mortgages in Scotland had an LTV greater than 85 per cent. Furthermore, nearly four-fifths (78 per cent) of FTB mortgages in Scotland had an LTV greater than 75 per cent. Across the United Kingdom, the distribution of mortgages for FTBs by LTV is largely uniform. Chart 2 shows how LTVs on mortgages for FTBs have developed since the 2008 financial crisis. The share of FTB mortgages with an LTV greater than 85 per cent has been recovering strongly since 2008 financial crisis; however, it is still just below pre-2008 financial crisis levels. Meanwhile, the average FTB price has increased by 17% in the 7 years to Q4 2018, to £121K.

Another key trend in mortgage lending is that there has been a significant increase in the volume and value of remortgaging activity in Scotland. Following the 2008 financial crisis, the number of home-owner loans for remortgaging steadily declined, reaching a low of 23,200 in 2014. In contrast, the number of home mover loans fell sharply following the 2008 financial crisis but increased by 25 per cent from the low of 2009 to 2014. Since 2014, the number and value of home-owner loans for remortgaging has increased significantly. In 2018, there were 35,400 loans for remortgaging, up 53 per cent on 2014, with a value of £4.45bn. This is 72 per cent higher than the value of loans for remortgaging in 2014.

Part of the reason for this increase in the number and share of residential loans to home-owners for remortgaging is that low interest rates are incentivising home-owners to remortgage to lower, fixed rate loans. FCA data shows that the share of business less than 2% above bank rate for gross advances has increased significantly, from a low of 6 per cent in Q4 2012 to a post-recession peak of 86 per cent in Q4 2018, as shown in Chart 3.

The Scottish Housing Market Review is now published on a different website. It can be found here:

<https://www.gov.scot/publications/scottish-housing-market-review-2019/>

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