

# Scottish Housing Market Review

July - September 2020

## Key points for this issue:

### Sales

- **There was a significant fall in residential property sales in Q2 2020**, largely due to the restrictions on home moves during the quarter. In Q2 2020, there were 9,387 residential property sales registered across Scotland, down by an annual 63.5% (Source: RoS).
- **Sales fell by a similar magnitude in Q2 2020 across the regions of Scotland**, with the largest annual fall in sales occurring in Edinburgh, Lothians and the Borders (-68%) and the lowest in Forth Valley (-58%).
- **Activity picked up strongly in July and August**, according to data on residential LBTT returns from Revenue Scotland. The percentage difference between weekly residential LBTT returns in 2020, and the corresponding weekly average from 2016-2019, has been narrowing since the end of June. It reached -14% in the final week of August.

### Prices

- **Scottish house price growth was in line with the trend level in Q2 2020, at 1.8%**. According to the UK HPI, the average property price in Scotland increased by an annual 1.8% in Q2 2020, to £154K. This is similar to the annual rate of change since the start of 2019, and just above the long-term average since 2010 of 1.6%.

### Lending

- **There has been a reduction in high LTV mortgage lending**. Data from the FCA for Q2 2020 shows that 4.9% of gross mortgage advances in the UK had an LTV ratio over 90%, down 0.6 percentage points on Q2 2019.
- **The cut in Bank Rate has fed through to variable rate mortgages, but not new fixed rates**. The average fixed mortgage rate on new lending stood at 1.76% in July 2020, down only 9 basis points since January 2020 (in the context of a 65 basis point fall in Bank Rate, to 0.1%, in March 2020).
- **High LTV mortgages have become relatively more expensive**. In August 2020, the spread between the average advertised 2 year fixed 90% LTV and 75% LTV mortgage rate was nearly double the amount in January 2020 (now 120 basis points). However, this is not out of line with the long-term spread since 2010.

### Residential LBTT

- **There has been a sharp fall in residential LBTT revenue**. From April to August 2020, residential LBTT liabilities (excluding ADS) totalled £55m, which is down 56% on the same period in 2019-20. This is due to the slowdown in housing market activity, as well as the Scottish Government raising the zero rate threshold for all buyers to £250K, which took effect on 15 July 2020.

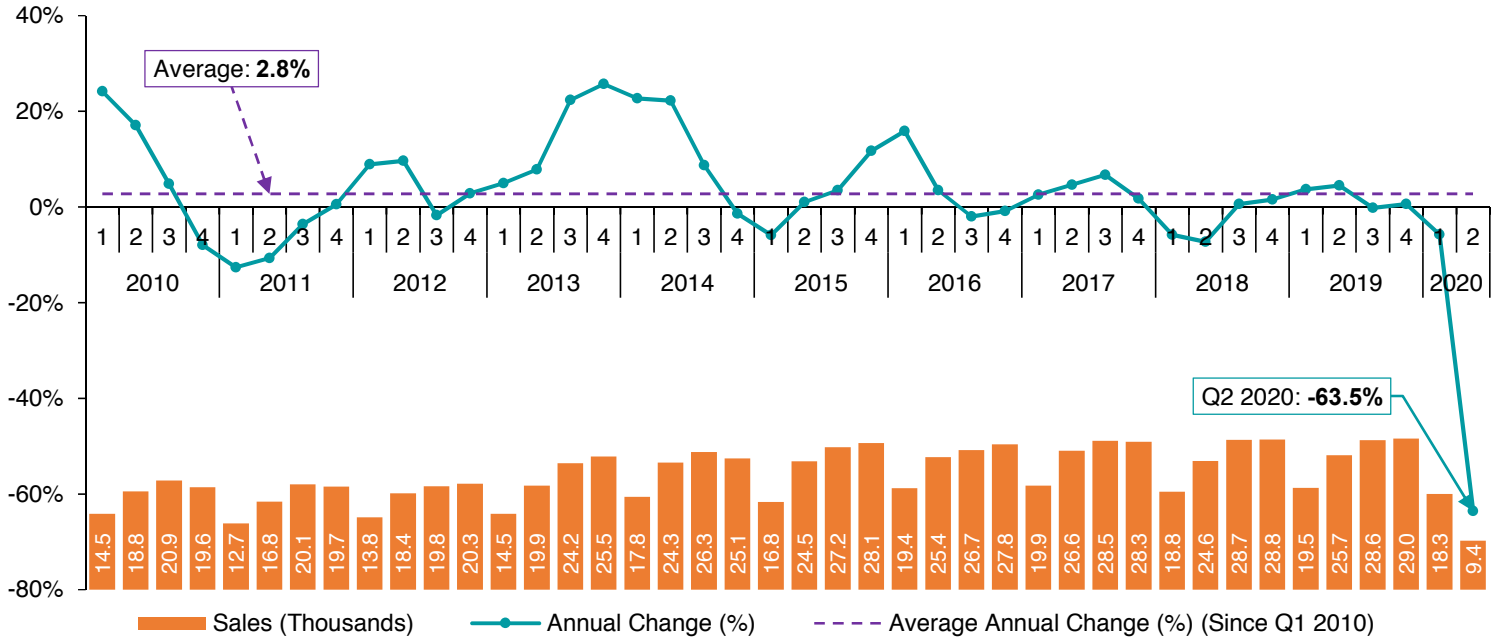
### Housing Supply

- **All sector new build completions in 2019 increased** by an annual 11.4% to 22,386, Scottish Government statistics show. This data does not yet cover the post-Covid-19 period.
- **AHSP completions fell on an annual basis in the year to end Q2 2020**. There were 8,228 completions, down by an annual 11.4%. This will partly reflect Covid-19 restrictions on construction activity in Q2 2020: 197 affordable homes were delivered in this quarter, an annual decrease of 84% (-1,058).
- **AHSP starts and approvals both increased in the year to end Q2 2020, pointing to an uptick in AHSP completions in the coming years**. There were 12,276 approvals in the year to end Q2 2020, up by an annual 13.2%.

# 1. Sales: National

**Chart 1.1 Number of Residential Property Sales Registered: Scotland (Quarterly)**

Source: Registers of Scotland



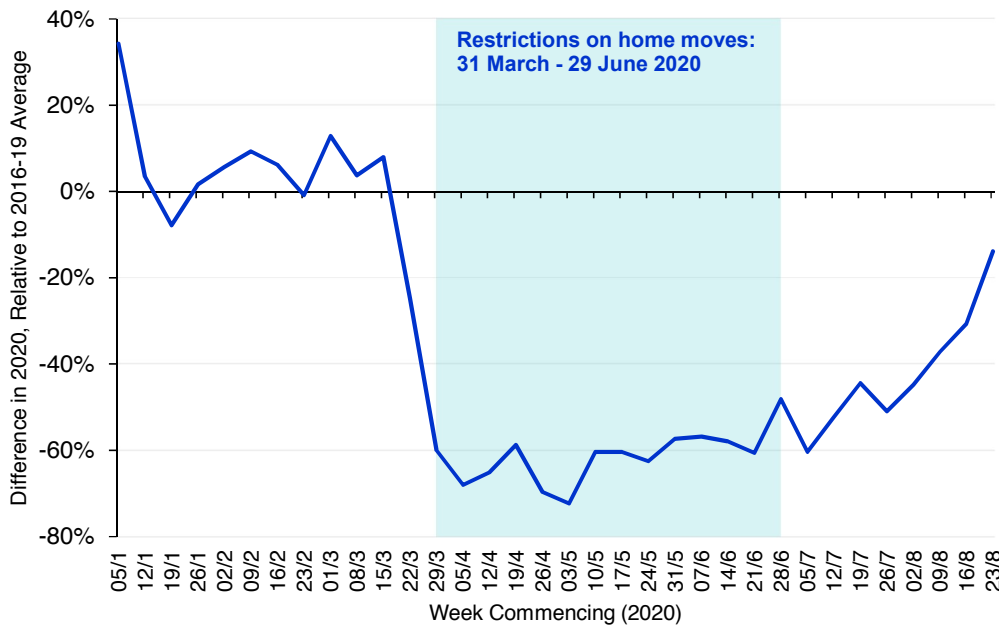
## Scottish Sales Performance: National

Housing market activity fell significantly in Scotland in Q2 2020. This was largely due to restrictions on home moves from 31 March 2020 until 29 June 2020. During this period, the Scottish Government advice was that home buyers should, where possible, delay moving home. Registers of Scotland statistics show that there were 9,387 residential property sales registered across Scotland in Q2 2020, down by an annual 63.5%. Owing to the time involved in completing a sale - usually 6 to 8 weeks - this data will likely include some sales agreed prior to restrictions on home moves coming into force.

More timely statistics from Revenue Scotland on the weekly number of residential LBTT returns submitted show some improvement in housing market activity since the end of June. Chart 1.2 plots the percentage difference between weekly residential LBTT returns in 2020, and the average from 2016 to 2019 for the corresponding week. This shows that during the period of restrictions on home moves, returns were down by an average of 62%. However, following the easing of restrictions the number of residential LBTT returns submitted has started to pick up strongly. In the most recent week for which there is data (week commencing 23 August 2020), residential LBTT returns were down 14% on the weekly average from 2016 to 2019.

**Chart 1.2 Weekly Residential LBTT Returns: Percentage Difference Between 2020 and 2016-2019 (Weekly Average)**

Source: Revenue Scotland



## Key Points

Residential property sales fell significantly across Scotland in Q2 2020, largely due to restrictions on home moves.

More recent data is showing a strong recovery in activity. Residential LBTT returns were down 62% on the corresponding weekly average from 2016 to 2019 during the period of restrictions on home moves. This gap had narrowed to 14% by the end of August.

# 1. Sales: Regional

## Scottish Sales Performance: Regional

Housing market activity fell significantly across all areas of Scotland in Q2 2020. The greatest fall in residential property sales occurred in Edinburgh, Lothians and the Borders, where sales fell by an annual 68%. Within this region, sales in Edinburgh fell by the largest amount (down 73% annually). Sales in Forth Valley fell by the lowest amount in Scotland in Q2 2020, down 58% on the same period last year; however, housing market activity was relatively subdued in this area prior to Covid-19, with five consecutive quarters of negative annual growth in residential property sales registered prior to Q2 2020. A summary of residential property sales activity by Scottish region is included below. This contains the number of residential property sales registered in Q2 2020, the annual change, as well as the annual change in sales in the year to end Q2 2020. The latter is included to smooth out volatility in quarterly data. This highlights that residential property sales fell by a similar magnitude across Scotland in Q2 2020.

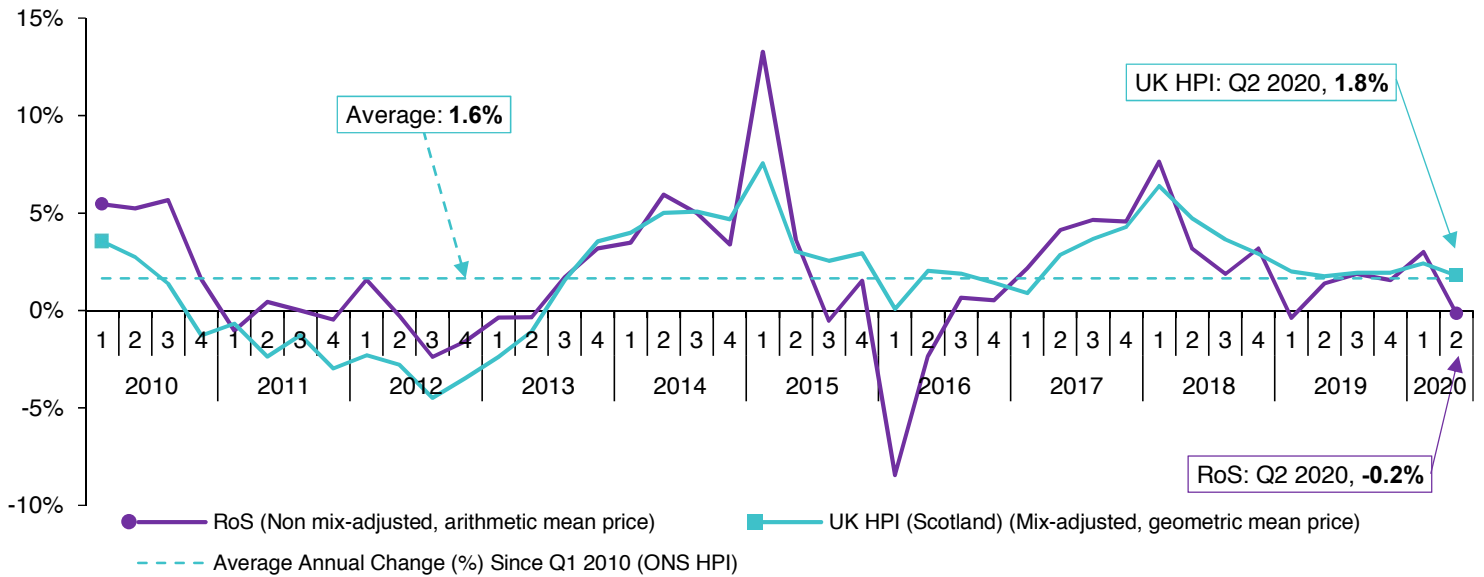
It is too early to determine whether there has been any marked regional variation in housing market activity following the easing of restrictions on home moves in Scotland on 29 June 2020. At the time of publication, only data for sales registered in July 2020 was available from RoS. Monthly housing market data is typically volatile, especially for rural local authorities where sales numbers are usually relatively small. As such, drawing conclusions on activity levels in these areas, or how they compare to other areas, on the basis of one months' data is usually advised against. Furthermore, it is likely that the uptick in sales activity illustrated in Chart 1.2 will only be apparent in later months' data published by RoS, given a buyer must submit an LBTT return prior to registration of a sale.

<b>Aberdeen/shire &amp; Moray</b>		<b>A&amp;B, Highland &amp; Islands</b>		<b>Ayrshires &amp; D&amp;G</b>	
Sales - Q2 2020	<b>957</b>	Sales - Q2 2020	<b>748</b>	Sales - Q2 2020	<b>899</b>
12 Month Change	<b>-60.1%</b>	12 Month Change	<b>-59.3%</b>	12 Month Change	<b>-61.8%</b>
YTE Q2 2020 12 Month Change	<b>-17.2%</b>	YTE Q2 2020 12 Month Change	<b>-14.7%</b>	YTE Q2 2020 12 Month Change	<b>-15.9%</b>
<b>Clyde Valley</b>		<b>Edinburgh, Lothians &amp; Borders</b>		<b>Forth Valley</b>	
Sales - Q2 2020	<b>3,116</b>	Sales - Q2 2020	<b>1,678</b>	Sales - Q2 2020	<b>573</b>
12 Month Change	<b>-64.5%</b>	12 Month Change	<b>-68.0%</b>	12 Month Change	<b>-57.8%</b>
YTE Q2 2020 12 Month Change	<b>-16.3%</b>	YTE Q2 2020 12 Month Change	<b>-18.8%</b>	YTE Q2 2020 12 Month Change	<b>-15.9%</b>
<b>Tayside &amp; Fife</b>		<b>Scotland</b>			
Sales - Q2 2020	<b>1,416</b>	Sales - Q2 2020	<b>9,387</b>		
12 Month Change	<b>-62.6%</b>	12 Month Change	<b>-63.5%</b>		
YTE Q2 2020 12 Month Change	<b>-17.6%</b>	YTE Q2 2020 12 Month Change	<b>-16.9%</b>		

## 2. House Prices: National

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

Source: Registers of Scotland/UK HPI (Scotland)



### Scottish House Price Performance: National

The average property price in Scotland stood at £154K in Q2 2020, an annual increase of 1.8%, according to the UK HPI (Scotland). There has been little variation in the rate of change in the average Scottish house price since the start of 2019, as shown in Chart 2.1. Furthermore, the rate of change in Q2 2020 was just above the average annual rate of change since Q1 2010. Meanwhile, data from Registers of Scotland suggests that the average house price in Scotland fell slightly in Q2 2020, by 0.2 percent, relative to Q2 2019 (although this data is not mix-adjusted, so could be affected by the composition of properties sold).

Both the UK HPI and RoS statistics are calculated on completed transactions. Given the time lag involved in completing a sale - usually 6 to 8 weeks - the data for Q2 2020 will include some sales that were agreed prior to restrictions on home moves coming into force.

### Key Points

The average Scottish house price increased by an annual 1.8% in Q2 2020, to £154K.

House price growth has been relatively stable since the start of 2019, and is in line with the long-term trend since 2010 (Source: UK HPI).

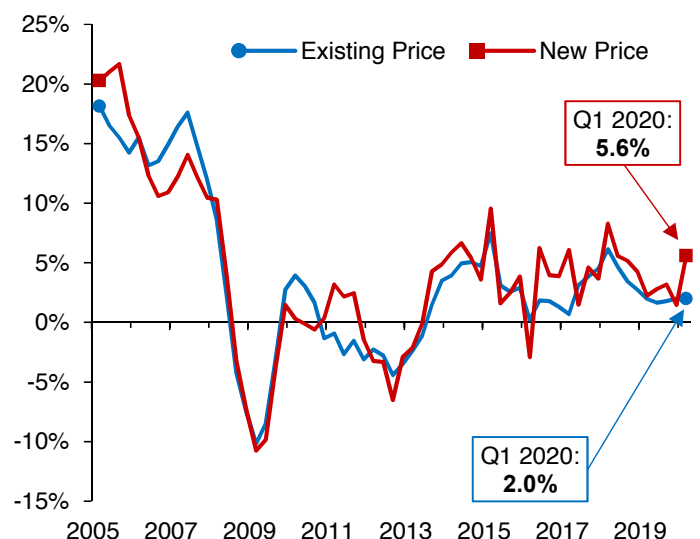
### Scottish House Price Performance by Dwelling/Buyer Type

Chart 2.2 shows the rate of change in the average new and existing build property price in Scotland. This data is published with a lag. In Q1 2020, the rate of change in the average Scottish new build property price increased relatively sharply, relative to existing build price growth (2.0%), by an annual 5.6% to £220K. This increase in the spread between new and existing build price growth was also seen across the UK, where new build price growth increased by 2.7 percentage points more than existing build price growth.

The UK HPI also shows that the average first-time buyer property price in Scotland increased by an annual 1.0% in Q2 2020, to £125K. Meanwhile, the average price of a property purchased by a former owner occupier increased by an annual 2.7% in Q2 2020, to £185K.

**Chart 2.2 Average Scottish House Price Growth by Dwelling Type (Quarterly)**

Source: UK HPI (Scotland)



## 2. House Prices: Regional

### Scottish House Price Performance: Regional

Across Scotland, the highest rate of house price growth in Q2 2020 occurred in Forth Valley, where the average property price increased by an annual 7.7%, to £172K. While this is relatively high, the rate of house price growth has been fairly volatile in Forth Valley recently. The average annual rate of house price growth in Forth Valley has been 3.2% over the past two years, just more than double that of the Scottish average (1.5%) (Source: RoS).

House prices in Argyll and Bute, the Highlands and Islands did not increase at a greater rate than other areas of Scotland in Q2 2020, data from RoS shows. House prices in this area increased by an annual 0.7% in Q2 2020, which continues a gradual downward trend in the rate of house price growth since the start of 2018. In Aberdeen/shire & Moray, house prices remain depressed following the adverse shock in 2015, caused by the fall in the price of oil. Over the past five years, the average annual rate of change in the average house price in this region has been -2.2%, relative to 1.5% across Scotland (Source: RoS).

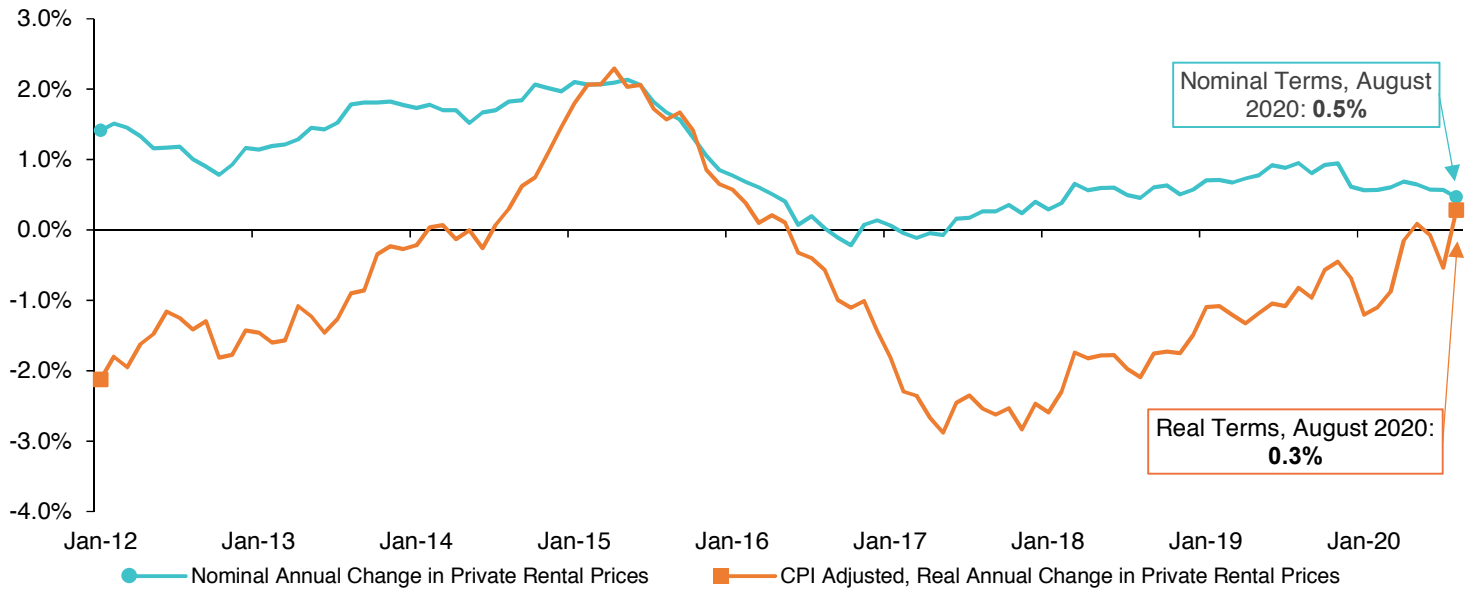
A summary of the average house price in Q2 2020 by Scottish region is included below. This also includes the annual change in the average house price in Q2 2020, as well as the annual change in the year to end Q2 2020 average house price, which smooths out volatility in quarterly data (Source: RoS).

Aberdeen/shire & Moray		A&B, Highland & Islands		Ayrshires & D&G	
Average Price	<b>£196K</b>	Average Price	<b>£175K</b>	Average Price	<b>£142K</b>
12 Month Change	<b>-2.1%</b>	12 Month Change	<b>0.7%</b>	12 Month Change	<b>6.3%</b>
YTE Q2 2020 12 Month Change	<b>-0.9%</b>	YTE Q2 2020 12 Month Change	<b>2.2%</b>	YTE Q2 2020 12 Month Change	<b>1.3%</b>
Clyde Valley		Edinburgh, Lothians & Borders		Forth Valley	
Average Price	<b>£157K</b>	Average Price	<b>£240K</b>	Average Price	<b>£172K</b>
12 Month Change	<b>-2.0%</b>	12 Month Change	<b>1.0%</b>	12 Month Change	<b>7.7%</b>
YTE Q2 2020 12 Month Change	<b>3.1%</b>	YTE Q2 2020 12 Month Change	<b>2.0%</b>	YTE Q2 2020 12 Month Change	<b>5.3%</b>
Tayside & Fife		Scotland			
Average Price	<b>£169K</b>	Average Price	<b>£179K</b>		
12 Month Change	<b>2.5%</b>	12 Month Change	<b>-0.2%</b>		
YTE Q2 2020 12 Month Change	<b>1.9%</b>	YTE Q2 2020 12 Month Change	<b>1.9%</b>		

# 3. Rental Prices

**Chart 3.1 Annual Change in Private Housing Rental Prices (Monthly): Scotland**

Source: ONS Rental Price Index, Consumer Price Inflation (CPI)



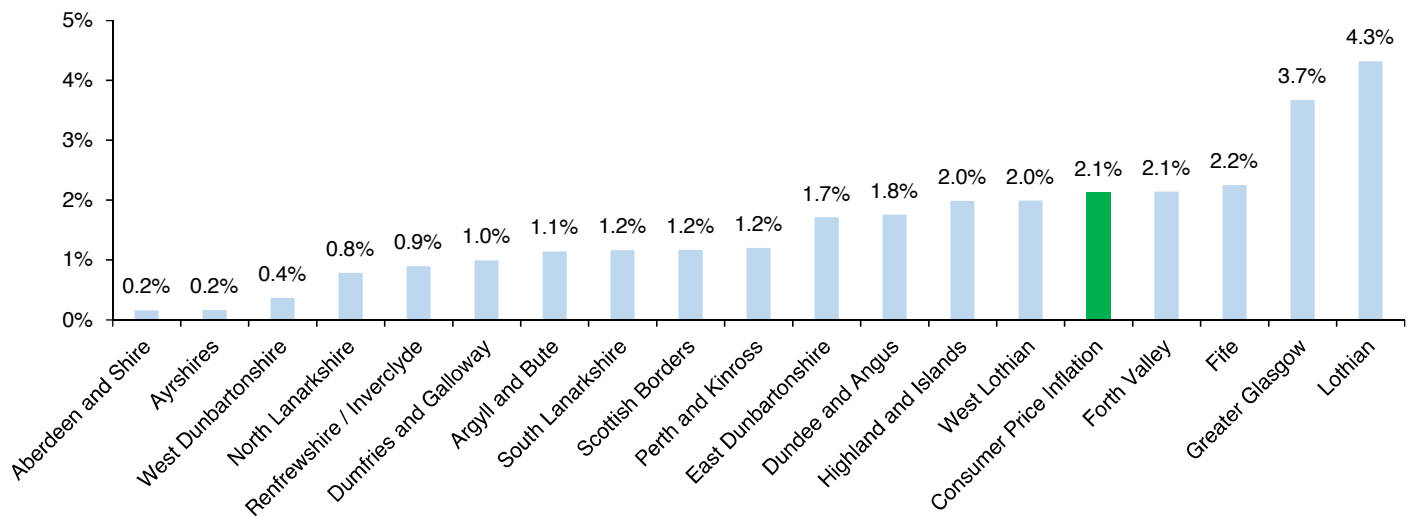
## Private Housing Rental Prices

Private housing rental prices increased by 0.5% annually in Scotland in August 2020 (not adjusting for inflation). This continues a period of relative stability in private rental price growth. Since June 2017, the annual rate of change in rental price growth has been between 0% and 1% (0.6% on average), which is a slower rate of change than from 2012 to 2015. The mean annual rate of change in rental prices over this period was 1.6%. In real terms (adjusting for the effect of inflation, using CPI), the annual change in rental prices in August 2020 stood at 0.3%. The rate of growth in CPI has slowed since April 2020, with the 12 month change in August 2020 standing at just 0.2%. This has contributed to the jump in the real terms annual change in private housing rental prices in August 2020 of 0.3%, as shown in Chart 3.1. The chart also shows that in real terms, the annual rate of change in Scottish private rental prices has been negative for most of the period from 2012 to 2020. Since 2017, the real terms change in private rental prices has been negative in all but two months, but has been trending upwards.

While the annual rate of change in Scottish private rental prices has, for most of the period from 2012 to August 2020, been negative in real terms, this masks significant regional variation in rental price growth across Scotland. Scottish Government statistics (almost entirely based on advertised rents, and produced separately to the ONS Rental Price Index) show that from 2010 to 2019 (years to end September), the annualised average rate of change in mean rent for a 2 bedroom property was approximately double that of inflation (CPI) (2.1%) in both the Lothian (4.3%) and Greater Glasgow (3.7%) BRMA's. Meanwhile, the annualised average rate of change was below that of inflation (CPI) in 14/18 BRMA's.

**Chart 3.2 Annualised Average Rate of Change in Mean Rent (2 Bedroom Property), YTE Sept-10 to YTE Sept-19, by BRMA**

Source: SG/ONS CPI



# 4. Lending To Homebuyers: Mortgage Approvals & LTV's

## New Mortgage Advances

Chart 4.1 plots the monthly number of new mortgages advanced to first-time buyers and home movers in Scotland. There were 3,660 new mortgages advanced to first-time buyers in Scotland in Q2 2020, an annual decrease of 59% (-5,160). Meanwhile, there were 3,210 new mortgages advanced to home movers in Scotland in Q2 2020, down by an annual 64% (-5,710) (Source: UK Finance)

## Mortgage Approvals

Chart 4.2 plots the monthly number of mortgage approvals across the UK for house purchase (Source: BoE). Mortgage approvals for house purchase are the firm offers of lenders to advance credit fully secured on dwellings by a first charge mortgage. This data is a leading indicator of mortgage sales as it reflects activity early in the buying process.

Mortgage approvals for house purchase across the UK fell significantly in April and May 2020, down by an annual 82% when taken together, but have since picked up. In July 2020, the number of mortgage approvals was at a similar level to July 2019.

## Loan-to-Value (LTV) Ratios

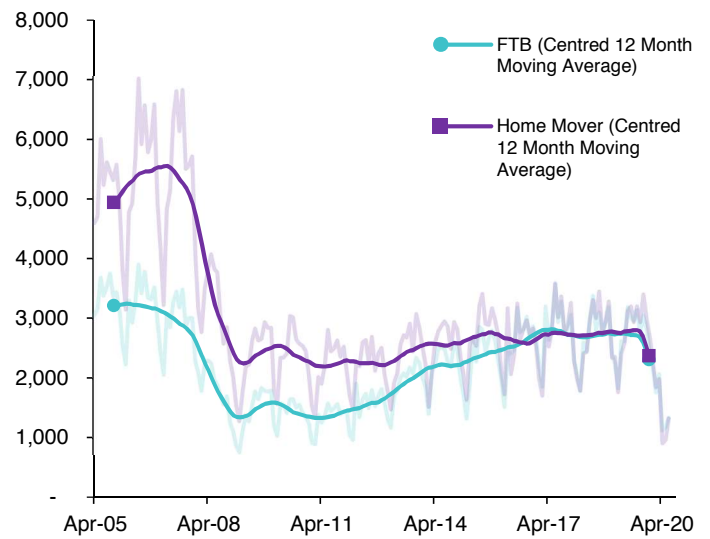
In Q2 2020, the mean Loan-to-Value (LTV) ratio on new mortgages advanced to first-time buyers in Scotland stood at 80.6%. This is down 0.9 percentage points on Q1 2020 and down 2.1 percentage points annually. This likely reflects the reduction in the availability of high LTV ratio mortgages (discussed below). Meanwhile, the mean LTV ratio for home movers in Scotland stood at 72.2% in Q2 2020, up 0.4 percentage points on Q1 2020 and up by an annual 0.5 percentage points. This is shown in Chart 4.3 (Source: UK Finance).

There has been a reduction in new lending at high LTV mortgage ratios across the UK since March 2020, data from the FCA shows. The share of gross mortgage advances across the UK in Q2 2020 with an LTV ratio greater than 90% was 4.9%, 0.6 percentage points below the share in Q2 2019.

There has also been a reduction in high LTV and LTI (loan-to-income) lending. This is classified as an LTV over 90% and an income multiple greater or equal to 3.5 for single income purchasers, or greater or equal to 2.75 for joint income purchasers. The share of gross advances classified as high LTV and LTI was 3.7% in Q2 2020, down 0.4 percentage points on Q2 2019.

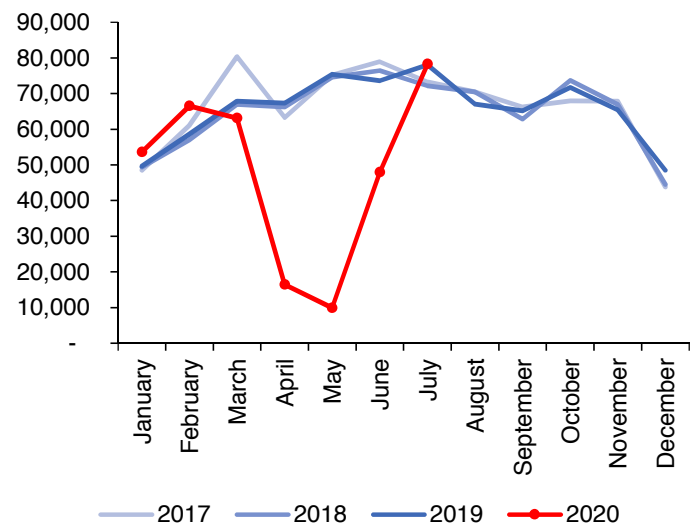
**Chart 4.1 New Mortgage Advances for Home Purchase (Monthly), Scotland**

Source: UK Finance



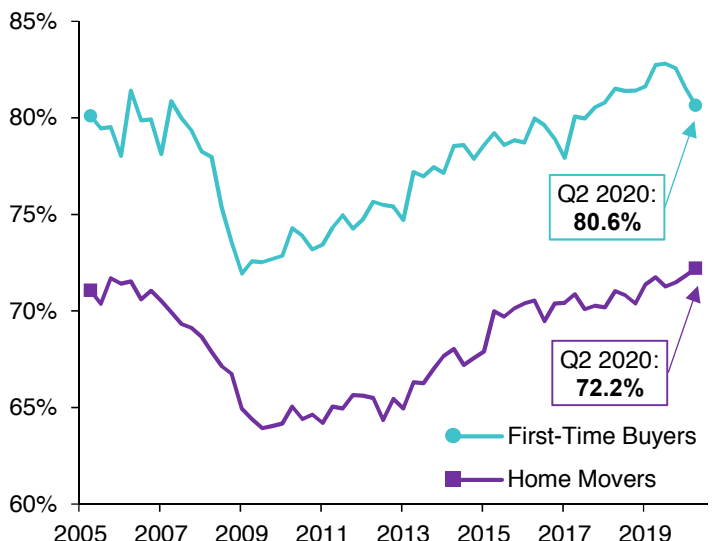
**Chart 4.2 Mortgage Approvals - House Purchase (Monthly) (UK)**

Source: Bank of England



**Chart 4.3 Mean Loan to Value Ratio (Quarterly), Scotland**

Source: UK Finance

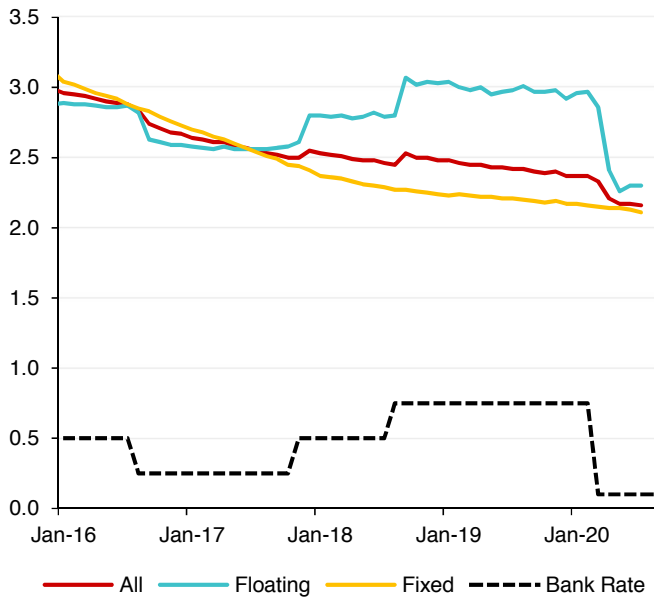


# 4. Lending To Homebuyers: Interest Rates

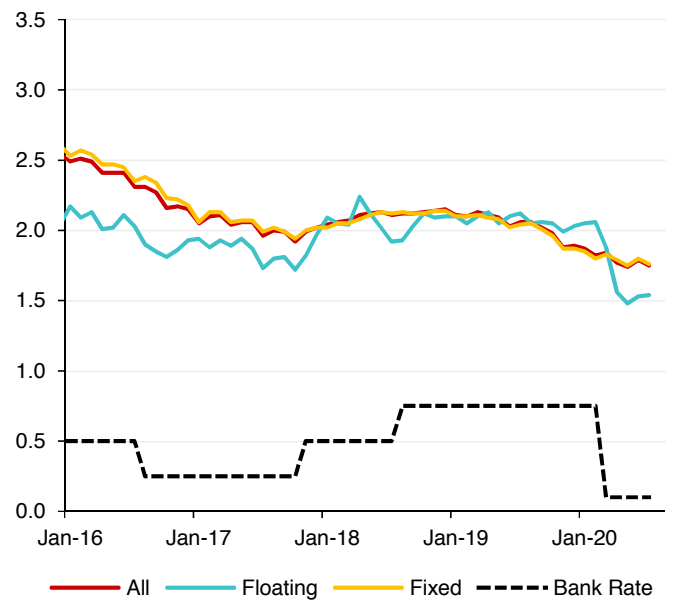
**Charts 4.4 (L) and 4.5 (R): Effective Monthly Mortgage Interest Rate (UK) (%)**

Source: Bank of England

**Outstanding Balances (%)**



**New Mortgages (%)**



## Mortgage Interest Rates

Charts 4.4 & 4.5 show the effective interest rate on outstanding mortgage balances and new mortgage advances (Source: BoE). The effective interest rate is the average rate charged on the stock of loans/new lending in a given month.

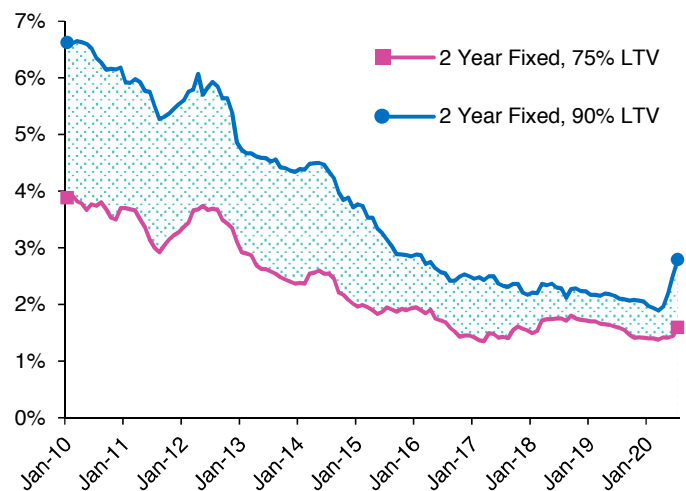
In March 2020, Bank Rate was cut by a cumulative total of 65 basis points, leaving it at 0.1%. This has now largely been fed through to variable rate mortgages. Since January 2020, the average mortgage rate on outstanding mortgages with a variable rate has fallen from 2.96% to 2.3% in July 2020 (-66bp), while the average mortgage rate on new mortgages with a variable rate has fallen from 2.05% to 1.54% (-51bp). There has been less movement in the average fixed rate on new mortgages. Since January 2020, the average rate has fallen from 1.85% to 1.76% in July 2020, a decrease of only 9 basis points (Source: BoE).

There has been a noticeable jump in the spread between the average advertised rate on 2 year fixed 90% and 75% LTV mortgages, as shown in Chart 4.6. High LTV mortgages are now relatively more expensive. In August 2020, the spread stood at 120 basis points, up from 64 basis points in January 2020. This could reflect a decrease in lender risk appetite and/or the reduced availability of high LTV mortgages, increasing prices. However, as chart 4.6 shows, the spread is still relatively narrow in the long-term context (Source: BoE).

Chart 4.7 shows that the vast majority of new mortgage lending (90.2%), as well as most outstanding mortgages (77.2%), are on fixed rates, as of Q2 2020 (Source: FCA).

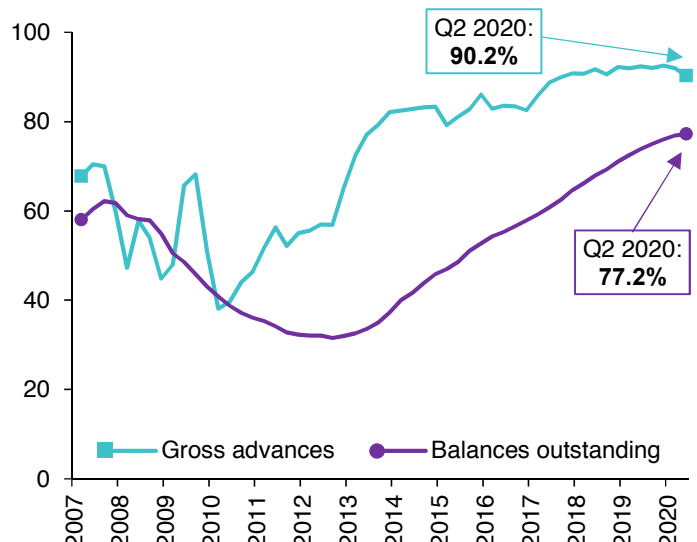
**Chart 4.6 Average 2 Year Fixed 90% and 75% LTV Mortgage Rates (Advertised)**

Source: Bank of England



**Chart 4.7 Share of Mortgage Lending at Fixed Rates: UK, % (Quarterly)**

Source: FCA





# 4. Lending To Homebuyers: Arrears

## Arrears

There were 11,248 regulated mortgages that went into arrears across the UK in Q2 2020, a decrease of 10.6% (-1,331) on Q2 2019. Covid-19 related mortgage payment deferrals are not considered to be formal arrears. As shown in Chart 4.8, this is still significantly lower than levels following the 2008 financial crisis, when the number of regulated mortgages that went into arrears peaked at 39,556 in Q4 2008.

The share of lenders' mortgage balances outstanding that were in arrears stood at 0.89% at the end of Q2 2020, which is down slightly on Q2 2019 (0.92%). Chart 4.9 plots the share of lenders' outstanding balances that were in arrears by degree of severity. Arrears reported in the FCA MLAR data relate only to loans where the amount of actual arrears is 1.5% or more of the borrower's current loan balance.

UK Finance data show that there were 5,000 buy-to-let mortgages in arrears of 2.5% or more of the outstanding balance across the UK in Q2 2020. This is up by an annual 6%. This is still low relative to the period of the 2008 financial crisis.

## Possessions

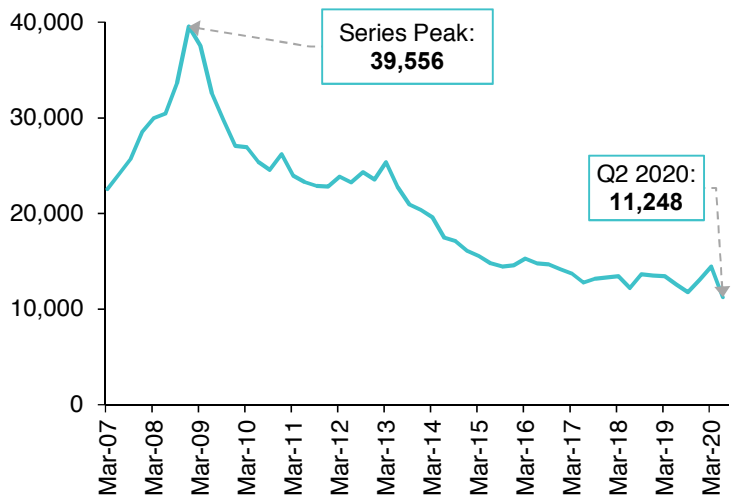
There were 109 new possessions across the UK in Q2 2020, which is down considerably on Q1 2020 (-90%). The FCA expects lenders to stop repossession action until 31 October 2020, to help customers affected by Covid-19. Mortgage borrowers can still request their home be repossessed if they believe it's in their best interest, e.g. they have made plans for other accommodation (Source: FCA).

## FCA Covid-19 Mortgage Guidance - September Update

The FCA has published updated advice for mortgage lenders, outlining their expectations of how customers whose financial situation has been affected by Covid-19 should be treated. This came into effect on 16 September 2020. From 31 October 2020, the FCA expects lenders to offer tailored support to borrowers who cannot continue their regular mortgage payments. If a borrower is given support with their payments (in the form of reduced or no payments) after this date, or at the end of a mortgage payment deferral period initiated prior to 16 September 2020, the lender is expected to report this to credit reference agencies. This could affect these borrowers' ability to obtain credit, and/or its cost, at a later date. The revised guidance also confirms that firms can commence or continue repossession action after 31 October 2020. The FCA's guidance is under regular review, and more detail on this guidance can be found on their website.

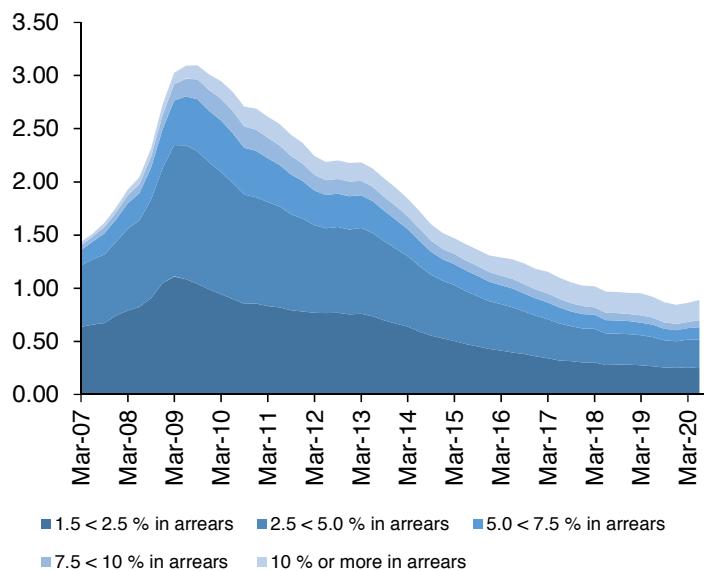
**Chart 4.8 Number of Mortgage Loan Accounts Entering Arrears: UK (Quarterly)**

Source: FCA



**Chart 4.9 Balances in Arrears by Severity: UK, % (Quarterly) (to Q2 2020)**

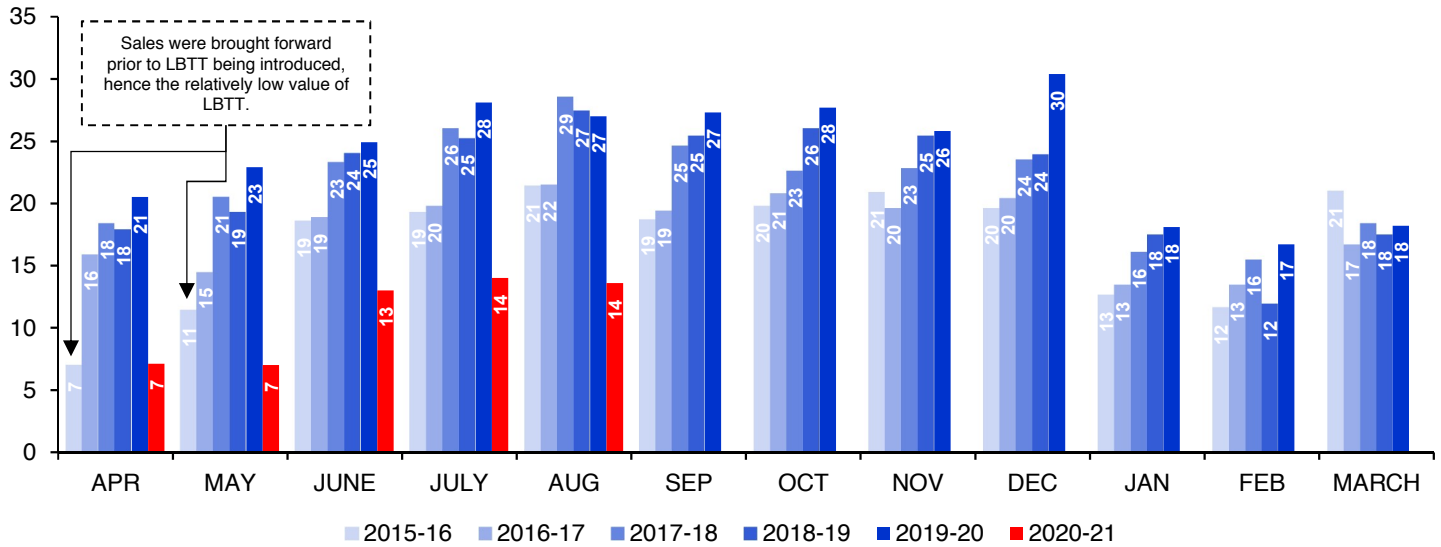
Source: FCA



# 5. Residential LBTT; Homelessness

**Chart 5.1 Residential LBTT Revenue (Excluding ADS, Monthly, £ millions)**

Source: Revenue Scotland



## Residential LBTT

There has been a sharp fall in residential LBTT revenue in 2020-21, which is primarily due to the slowdown in housing market activity. In addition, the Scottish Government raised the zero rate threshold for all buyers to £250K (from £175K for first-time buyers, and £145K for other buyers), which took effect on 15 July 2020. It is estimated that this will result in around eight out of ten buyers paying no LBTT (excluding the Additional Dwelling Supplement), and will save buyers up to £2,100 in tax paid.

From April to August 2020, residential LBTT liabilities excluding ADS totalled £55m, which is down 56% on the same period in 2019-20. Meanwhile, gross ADS liabilities totalled £33m from April to August 2020, down by an annual 54%. Revenue Scotland data also show that the fall in residential LBTT returns over this period has been at a similar rate across each of the original residential LBTT price bands.

## Homelessness

There were 36,855 homelessness applications in Scotland in 2019-20, which is a similar level to 2018-19 (up by 84 applications, 0.2%). There was a reduction in homelessness applications from 2018-19 to 2019-20 in 19 Scottish local authorities, and an increase in the remaining 13.

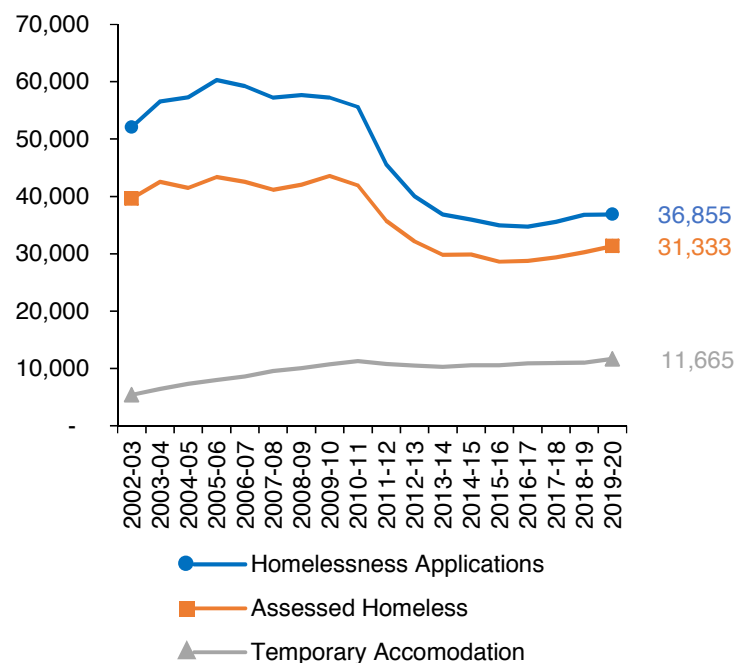
Of the 36,855 homelessness applications, 31,333 households were assessed as being homeless (including those threatened with homelessness), up by an annual 3.6%. This included 35,654 adults (69%) and 15,711 children (31%).

On a per capita basis, West Dunbartonshire had the highest number of homeless households per 1,000 population (aged 16+) in 2019/20, at 12.1. This was followed by Clackmannanshire (10.0) and Glasgow City (9.9). This compares to a Scottish average of 6.9.

The Scottish Government is publishing monthly statistics on homelessness applications and households in temporary accommodation. This shows that at the end of August 2020 there were 14,397 households in temporary accommodation, up 23% on the position at the end of March 2020.

**Chart 5.2 Homelessness in Scotland (Annual)**

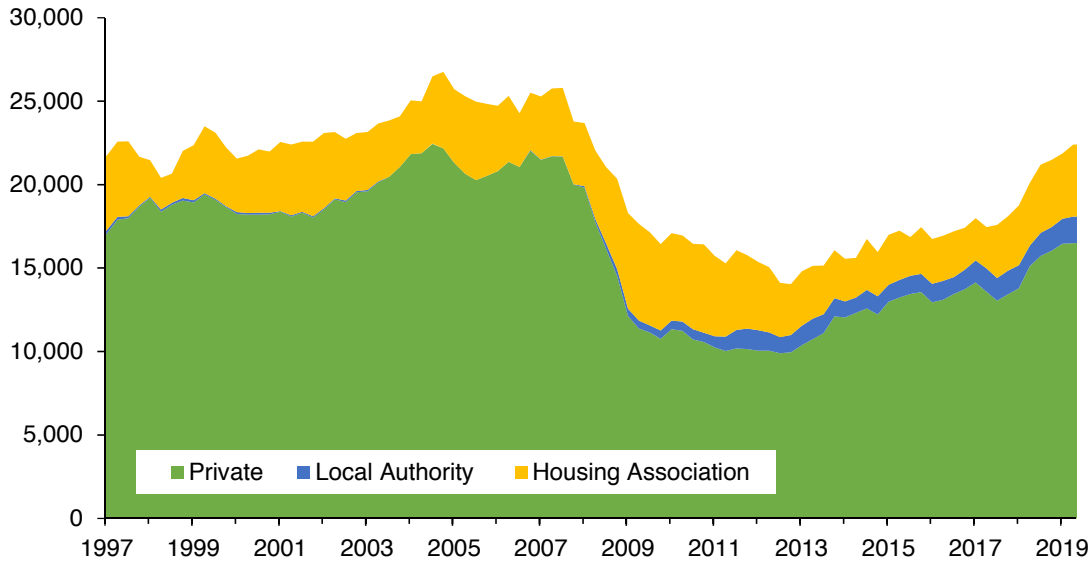
Source: Scottish Government



# 6. Housing Supply: Starts and Completions

**Chart 6.1 Scottish New Build Completions by Sector (4Q Moving Total, to Q4 2019)**

Source: Scottish Government



## Key Points

All sector new build completions in the year to end Q4 2019 were up by an annual 11.4%, standing at 22,386. Meanwhile, there were 23,672 new build starts across all sectors in the year to end Q4 2019, up by an annual 7.4% (+1,639).

### New Build: All Sectors

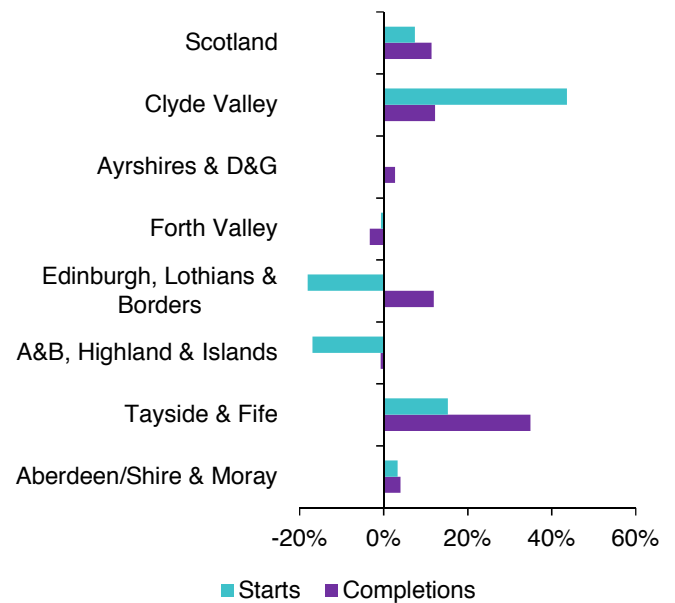
There were 22,386 new build completions across all sectors in Scotland in the year to end Q4 2019, an annual increase of 11.4% (+ 2,291). This is reflected in Chart 6.1, which includes the composition of new build completions by sector. Just over one-quarter (26.4%) of new build completions in the year to end Q4 2019 were attributable to the social sector. Meanwhile, there were 23,672 new build starts across all sectors in the year to end Q4 2019, up by an annual 7.4% (+1,639).

### Geographic Trends

In the year to end Q4 2019, all sector new build completions increased annually in 19/32 Scottish local authorities. The largest percentage increase was in the region Tayside & Fife, up 34.9% (+818) to 3,159 completions (as shown in Chart 6.2). Meanwhile, in the year to end Q4 2019 new build starts increased annually in 19/32 Scottish local authorities. The largest percentage increase in new build starts was in the Clyde Valley region (43.6%, +2,603), with 8,569 new build starts (Source: SG).

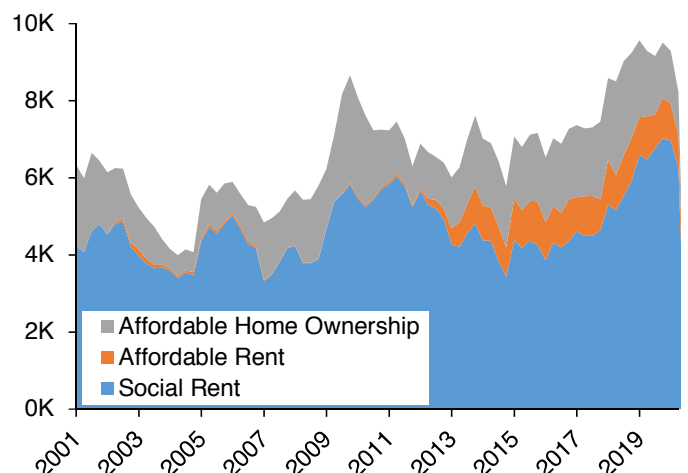
**Chart 6.2 Annual Change in New Build Starts and Completions (YTE Q4 2019)**

Source: Scottish Government



**Chart 6.3 AHSP Completions (4Q Moving Total, to Q2 2020)**

Source: Scottish Government



### Affordable Housing Supply Programme

Restrictions on non-essential construction activity in Q2 2020 lowered the amount of activity over this period, relative to what would otherwise have been the case. As such, only 197 affordable housing completions were recorded in Q2 2020, an annual decrease of 84%. This brings the total for the year to end Q2 2020 to 8,228, down by an annual 11% (1,055 homes), but an increase of 17% on the 7,021 homes delivered in the year to June 2016. Starts and approvals were also adversely affected by Covid-19 disruption in Q2 2020. There were 10,701 starts in the year to end Q2 2020, up by an annual 1.8% (+186). Approvals were also up, totalling 12,276 in the year to end Q2 2020, an increase of 13.2% (+1,436) (Source: SG).

# 7. House Building: Lending

## Lending to House Builders

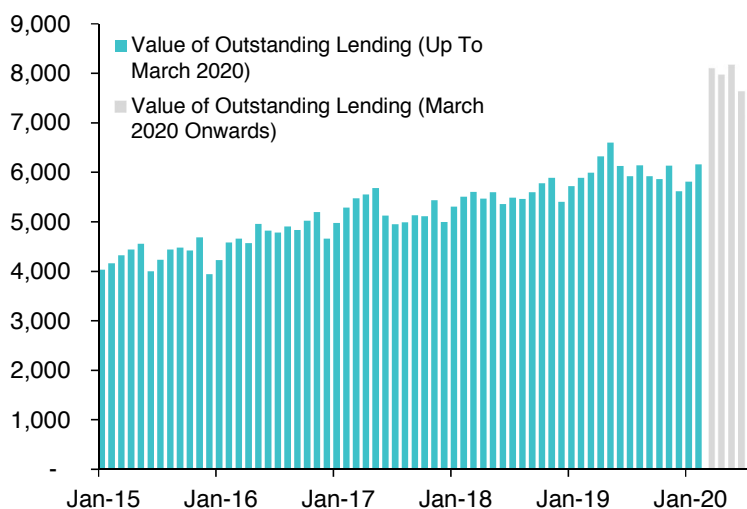
The value of loans outstanding to UK firms involved in the construction of domestic dwellings jumped by nearly one-third from February to March 2020, increasing by £1.9bn (+31%), as shown in Chart 7.1. This likely reflected the need for credit to fund short-term liabilities owing to Covid-19 restrictions on construction activities and home moves, in turn adversely affecting firms' income. In addition, firms may have drawn down funds as a precaution, given the economic uncertainty. Since the end of May 2020, the value of outstanding lending has reduced slightly, and stood at £7.1bn at the end of July.

## Construction Material Prices

Data from BEIS on the cost of construction materials used in new house building show that in August 2020, the cost fell by 1.0% annually. Since the start of 2020, the 12 month change in the index has been negative. This follows a spike in the cost of construction materials from mid-2016 to 2019 (shown in Chart 7.2), coinciding with the depreciation of Sterling after the Brexit referendum.

**Chart 7.1 Loans Outstanding to Firms Involved in Construction of Domestic Buildings: UK (£ Millions)**

Source: Bank of England



**Chart 7.2 Annual Change in Price of Construction Materials for New Build Housing: UK (Monthly)**

Source: BEIS

