

Autumn 2018

Headlines

LBTT revenue slowdown

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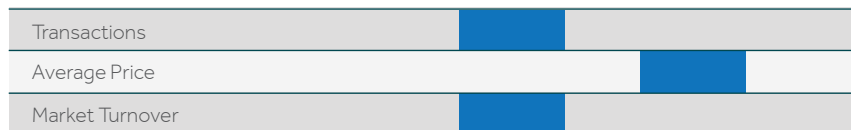
Scottish market bucks UK trends

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Remortgaging pushes lending to Q2 high

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Market Barometer (YoY)



-- significantly down
- slightly down
0 no change
+ slightly up
++ significantly up

Themes & Trend Analysis

Revenue from LBTT slows

The Scottish Property Federation has reported that over the first 4 months of this financial year, there was a 2% drop in LBTT revenue. This contrasts with the market in January to March. Since April, the market has weakened and shifted from the 15% year-on-year growth in revenue in Q1 to a 2% fall in Q2 compared to 2017.

Prices rise but transactions fall

A report by RICS has found the housing market in Scotland has continued to outperform national UK trends. There was a net balance of 36% more surveyors reporting an increase in prices in Scotland, with the positive momentum forecast for the rest of the year. Simon Rubinson, RICS chief economist, said: "As the latest RICS results highlights, in many parts of the country, including Scotland, the housing market remains quite firm." However, market activity in Scotland is down on 2017

Remortgages driving mortgage market

There was a strong upturn in remortgaging in the UK ahead of the August base rate announcement, leading to a year-on-year increase of 23.1% in the number of remortgages and 26.1% increase in the value of remortgaging in July. Elsewhere in the market, the number of loans to First Time Buyers (FTBs) increased 1% year-on-year, whilst mortgages for home purchase from home movers fell 3.8% nationally. In Scotland, the number of FTB loans were down -3% in Q2 2018 YoY and Scottish Homes movers down -2%.

Housing Market Statistics

Area	Average Price (RoS)				Transactions (RoS)				Total Market Value (RoS)			
	Q2 2017	Q2 2018	YoY Δ	YoY Δ %	Q2 2017	Q2 2018	YoY Δ	YoY Δ %	Q2 2017	Q2 2018	YoY Δ	YoY Δ %
Scotland	£170,932	£175,967	£5,035	2.9%	26,622	24,769	-1,853	-7.0%	£4,552,089,781	£4,358,522,625	£-193,567,156	-4.3%
Aberdeen	£202,064	£198,957	£-3,107	-1.5%	1,167	1,051	-116	-9.9%	£235,782,008	£209,103,692	£-26,678,316	-11.3%
Edinburgh	£248,065	£260,922	£12,857	5.2%	3,262	2,728	-534	-16.4%	£809,266,818	£711,795,796	£-97,471,022	-12.0%
East Dunbartonshire	£232,381	£241,749	£9,368	4.0%	504	445	-59	-11.7%	£117,119,968	£107,578,087	£-9,541,881	-8.1%
East Lothian	£214,838	£226,726	£11,887	5.5%	607	560	-47	-7.7%	£130,344,027	£126,966,322	£-3,377,705	-2.6%
East Renfrewshire	£257,421	£255,307	£-2,114	-0.8%	473	396	-77	-16.3%	£121,759,925	£101,101,560	£-20,658,365	-17.0%
Glasgow City	£150,111	£154,806	£4,694	3.1%	2,924	2,791	-133	-4.5%	£438,851,692	£432,062,411	£-6,789,281	-1.5%
Midlothian	£194,819	£218,645	£23,826	12.2%	480	454	-26	-5.4%	£93,513,221	£99,265,008	£5,751,787	6.2%
Perth & Kinross	£194,618	£186,359	£-8,259	-4.2%	758	793	35	4.6%	£147,879,966	£147,782,502	£-97,464	-0.1%
Scottish Borders	£172,822	£177,740	£4,919	2.8%	512	516	4	0.8%	£88,318,408	£91,714,081	£3,395,673	3.8%
Stirling	£188,402	£196,104	£7,702	4.1%	443	451	8	1.8%	£83,461,867	£88,442,757	£4,980,890	6.0%
West Lothian	£156,908	£173,225	£16,317	10.4%	807	804	-3	-0.4%	£126,587,555	£139,272,784	£12,685,229	10.0%

Source: Registers of Scotland

Housing Market Indicators

Type	Mortgage Rates (BoE)						Number of Mortgage Advances and Value (CML)					
	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
2 Year (90% LTV) Fixed	2.21	2.36	2.36	2.37	2.28	2.28	7600	9600	9400	8800	6800	9300
2 Year (75% LTV) Fixed	1.49	1.7	1.7	1.73	1.73	1.75	(£820m)	(£1070m)	(£1050m)	(£980m)	(£780m)	(£1100m)
5 Year (75% LTV) Fixed	1.99	2.02	2.02	2.03	2.05	2.04	6800	9400	9600	9100	6500	9200
Standard Variable Rate	4.23	4.18	4.18	4.06	4.1	4.33	(£1040m)	(£1460m)	(£1530m)	(£1370m)	(£1030m)	(£1460m)

Source: CML

House Price to Earnings Ratio

Category	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18
Official Bank Rate	0.5	0.5	0.5	0.5	0.5	0.75
Scotland FTB	3.3	3.3	3.3	3.3	3.2	3.3

Mortgage Repayments as Percentage of Income

Scotland FTB	20.7	20.4	20.5	20.4	19.9	-
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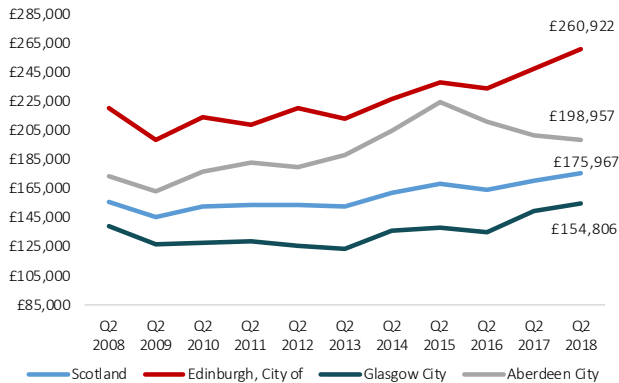
Source: Nationwide

Source: Bank of England

Average house prices rise with low supply

Average house prices have seen positive growth in both Edinburgh and Glasgow as low supply and falling transactions have supported values. In Q2 2018, average values in Edinburgh were up 5.2% year-on-year, whilst Glasgow outperformed the national average of 2.9% growth by returning 3.1% YoY. Aberdeen saw a slight fall of -1.5% during this period.

Average House Prices in Scotland and Main Cities, 2008-18

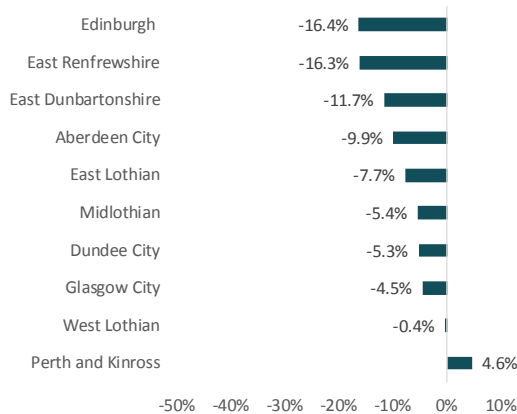


Source: Registers of Scotland

Transaction levels fall across most of Scotland

Affordability pressures, limited available housing stock and low levels of house building have meant that transaction volumes in many parts of Scotland have been falling. This trend has been most pronounced in markets with higher average house prices.

Change in Sales Volumes Q2 2018 vs Q2 2017

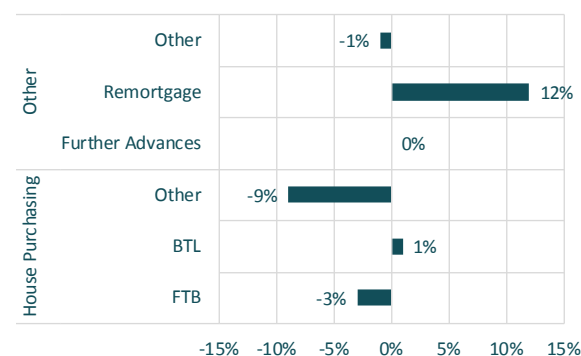


Source: Registers of Scotland

Remortgaging drives mortgage lending to decade high

Remortgaging ahead of the base rate announcement in August increased the total of Bank of England gross advances to £66.7bn in Q2, a 6.4% increase on the previous year. A review of the breakdown of lending shows that remortgaging filled the space left by falling forms of other lending, especially for house purchase.

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

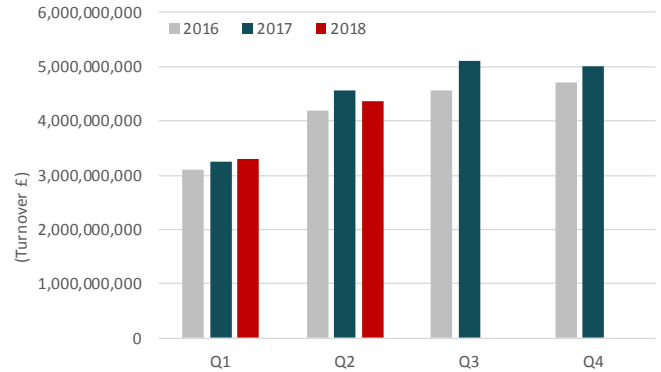


Source: Bank of England

Market turnover retreats in Q2 2018 in Scotland

The downturn in market transaction activity has meant that despite rising average house prices the overall market value has retreated in 2018 by c.1.8% in the first half of 2018 compared to 2017. This has mainly been due to a weak Q2 which saw a -4.3% fall in turnover.

Market Turnover of Property in Scotland, 2015-18

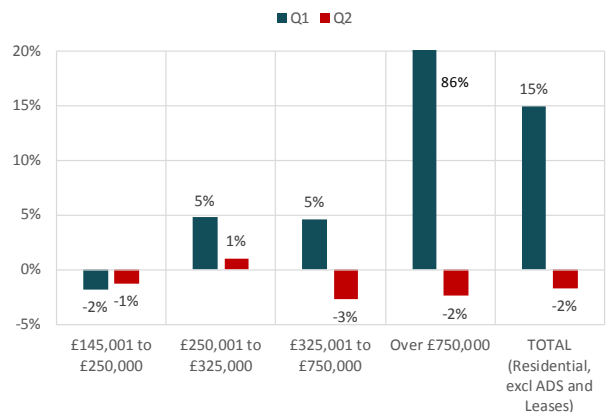


Source: Registers of Scotland

LBTT revenue falls with weakening transaction levels

Having started the year positively with strong year-on-year growth in receipts, especially in the higher value brackets, Q2 saw weakening activity impact on revenues. Overall, Q2 recorded a 2% fall in revenue, led by declines in the lucrative price brackets over £325k, where the majority of tax revenue is collected.

Year on Year change in LBTT tax receipts by 2018 quarter

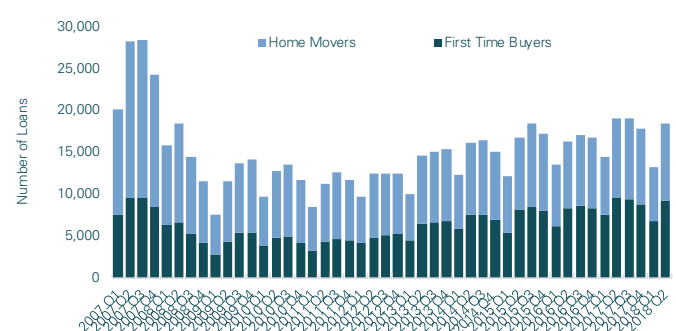


Source: Revenue Scotland

Scottish FTB and Home Mover lending weakens

In Scotland, the level of mortgage lending to FTB and Home Movers for purchase have fallen back 5% year-on-year in the first half of 2018 compared to the same period in 2017. An 11% fall in the number of FTB loans in Q1 2018 contributed to the overall fall.

Mortgage Lending in Scotland by Buyer Type, 2005-16



Source: Council of Mortgage Lenders