

ABERDEEN HOUSING MARKET REPORT

FOURTH QUARTER 2016

Change in house prices

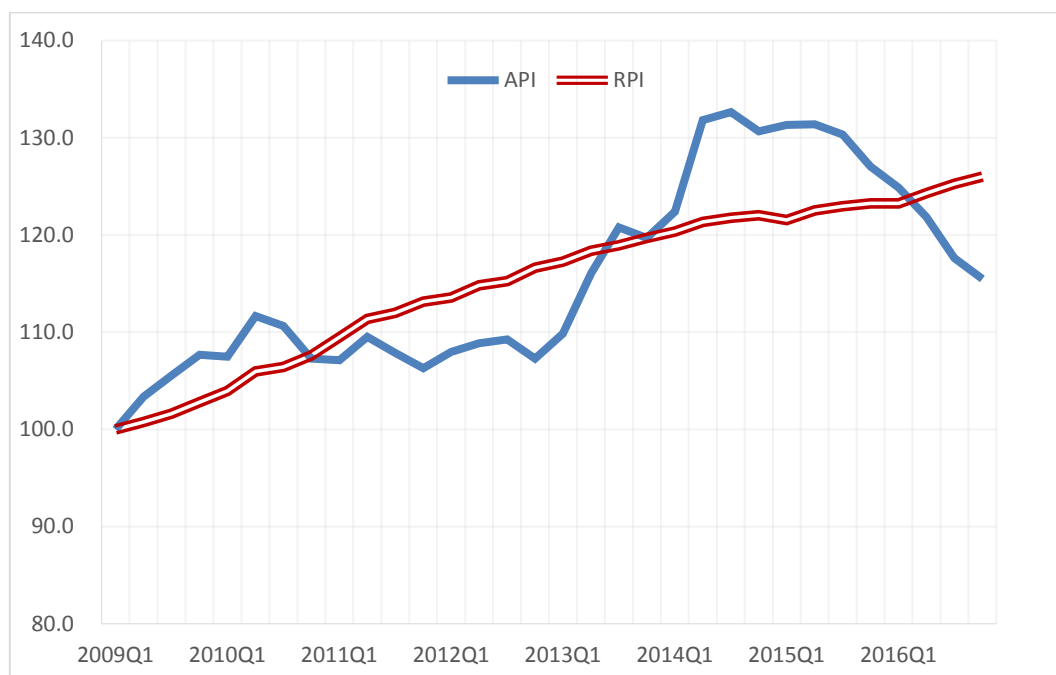
Table 1 shows the change in house prices in Aberdeen and Aberdeenshire to the end of the fourth quarter of 2016. Figure 1 plots the house price indices for Aberdeen City and suburbs jointly with the Retail Price Index.

- The quarterly house price change in Aberdeen City and suburbs is -1.8%.
- The annual house price change in Aberdeen City and suburbs is -9.1%.
- The annualised house price change over five years in Aberdeen City and suburbs is 1.7%.

Table 1: Change in house prices and retail price index in percent.

	Quarterly price change 2016Q4	Annual price change 2015Q4 to 2016Q4	Annualised price change over five years 2011Q4 to 2016Q4
Aberdeen City and suburbs	-1.8	-9.1	1.7
Ellon	-1.7	-7.3	1.4
Inverurie	-1.7	-6.5	1.6
Stonehaven	-0.7	-6.6	2.9
Other country areas	-2.0	-10.7	-1.2
Retail Price Index (ONS)	0.6	2.2	2.2

Figure 1: Aberdeen City and suburbs house price index (API) and retail price index (RPI) from 2009Q1 to 2016Q4 (2009Q1=100).



Level of prices

Table 2 gives estimated constant-quality prices for three dwelling types in different areas. Constant-quality means that standard characteristics for the different dwelling types are assumed.

Table 2: Estimated prices (£) for different dwelling types for current and previous quarter

Dwelling type	Period	Aberdeen City and suburbs	Ellon	Inverurie	Stonehaven	Other country areas
Flat	2016Q4	146,601	123,534	140,489	137,606	121,756
	2016Q3	149,859	127,159	141,867	139,799	125,366
Semi-detached	2016Q4	203,823	170,365	196,975	206,756	166,655
	2016Q3	207,625	173,364	200,324	208,132	170,073
Detached	2016Q4	309,526	242,252	271,745	299,349	276,384
	2016Q3	315,146	247,649	278,538	308,581	281,400

Volume of sales

Figure 2 shows the volume of sales per quarter in Aberdeen and Aberdeenshire over the recent five year period. Table 3 shows the change in the volume of sales for different dwelling types.

- In the fourth quarter of 2016, the volume of sales was 1,170, an decrease of 10.2% from the previous quarter and a decrease of 20.0% compared with the volume of sales a year ago (2015Q4)
- The sales volume of flats decreased by 7.2%, the sales volume of semi-detached houses decreased by 13.5%, and the sales volume of detached houses decreased by 8.9%.

Figure 2: Volume of sales from 2011Q4 to the current quarter

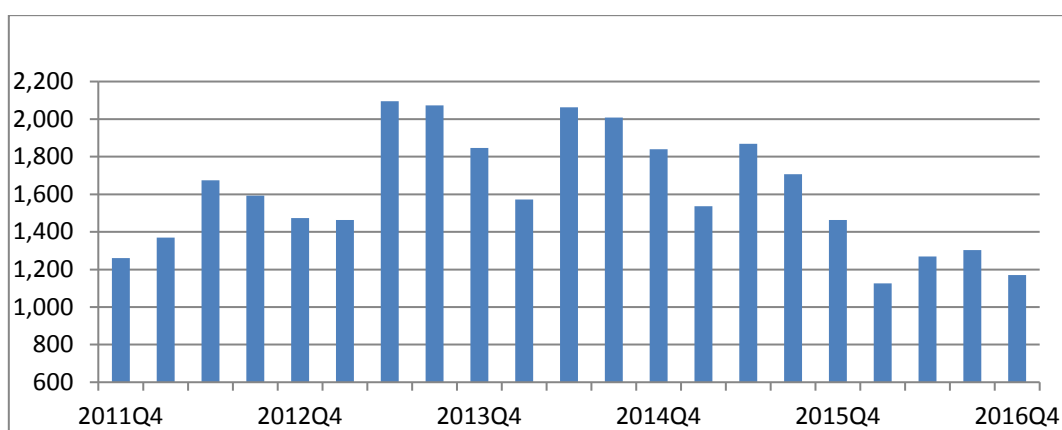


Table 3: Volume of sales by dwelling type for the current and the previous quarter

Period	Flat	Semi-Detached	Detached
2016Q4	374	450	346
2016Q3	403	520	380
Percentage change	-7.2	-13.5	-8.9

Comment by John MacRae

The fourth quarter figures for 2016 contained within the Aberdeen Housing Market report prepared by the University of Aberdeen, Centre for Real Estate Research, utilising ASPC statistical data continues the trend of a quiet local housing market caused by the economic situation. Until now, there has been a steady gradual decline in activity over the last 3 years and at the end of 2016, activity (number of sales in the

year) was down 20% compared to 2015 and it is hardly surprising that the reduced level of activity is reflected in a drift downwards in average prices.

It is not all gloom, however, as there is some anecdotal evidence, amongst members of the profession, suggesting that the decline may have bottomed out and it was encouraging in the latter half of 2016 to hear that there is a faint stirring of new activity in the oil industry combined with more encouraging news regarding the oil price. It will be interesting to see if 2017 bears out the small degree of optimism being felt amongst member firms although I fully expect the current market to continue during 2017.

The Aberdeen Housing Market is not alone, however, as contact with colleagues in other areas of Scotland indicates that they are feeling a Brexit effect.

Note on methods

The information in this report is based on data provided by the Aberdeen Solicitors' Property Centre (ASPC) to the Centre for Real Estate Research, University of Aberdeen.

The price changes shown in Table 1 are calculated after having controlled for the quality of houses that are sold, thereby providing a reliable indication of the underlying market trend.¹ Three price changes are reported: The quarterly price change shows the percentage change in house prices over the past three months; the annual price change shows the percentage change in house prices measured over the most recent twelve month period; and the annualised price change over five years shows the average annual change in house prices calculated over a five year holding period. Table 1 also includes the Retail Price Index to show how the prices of goods and services in the economy have changed over the same time period.

The estimated price levels in Table 2 assume characteristics that are "standard" for the dwelling type in the respective area. For example, the standard semi-detached house in the Aberdeen City and suburb area has three bedrooms, two public rooms, one bathroom. Full details of the characteristics are available on the link below.

<http://www.abdn.ac.uk/business/research/crer.php#-nbspaberndeen-house-price-indexnbsp->

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¹ This differs from the information reported in previous Aberdeen House Price Reports where price changes were calculated as the differences in the average prices between two periods.