

ABERDEEN HOUSING MARKET REPORT

THIRD QUARTER 2013

Change in house prices

Table 1 shows the change in house prices in Aberdeen and Aberdeenshire to the third quarter of 2013. It also shows the change in house prices for Scotland and the UK as measured by the Halifax house price indices.¹ Figure 1 plots the house price indices for Aberdeen City and suburbs, Scotland, and the UK jointly with the Retail Price Index.

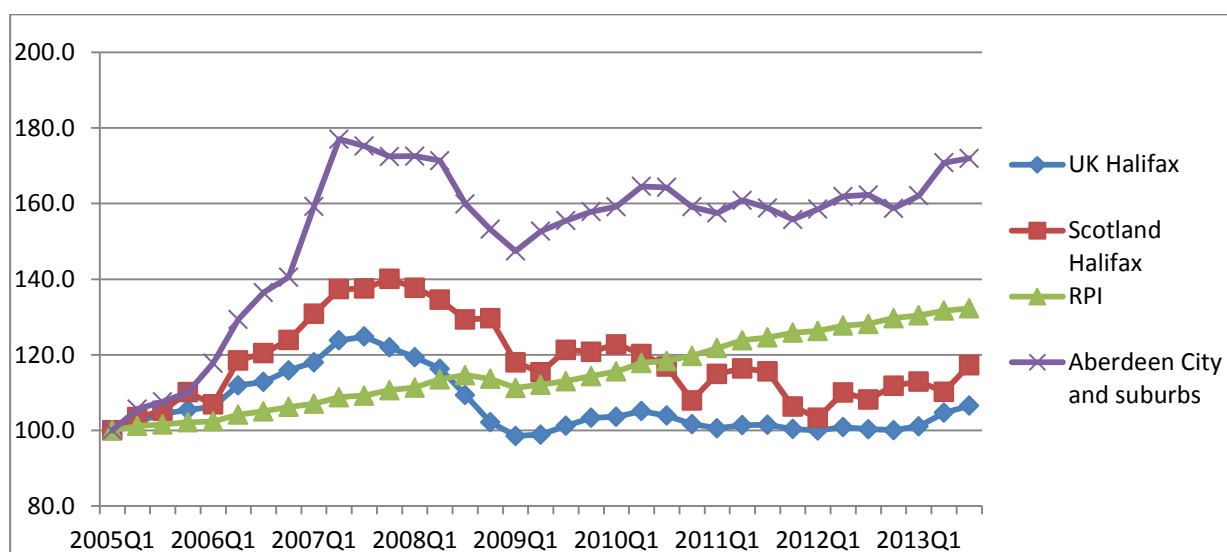
- In the second quarter of 2013, house prices in Aberdeen City and suburbs increased by 0.7%. Over the same period, house prices in Scotland increased by 3.2% and increased by 2.0% in the UK.
- The annual house price change in Aberdeen City and suburbs is 6.0%. The annual house price change is 8.4% in Scotland and 6.2% in the UK.
- The annualised house price change over five years in Aberdeen City and suburbs is 1.5%. The annualised house price change over the same period is -1.9% in Scotland and -0.5% in the UK.

Table 1: Change in house prices for different areas

	Quarterly price change 2013Q3	Annual price change 2012Q3 to 2013Q3	Annualised price change over 5 years 2008Q3 to 2013Q3
Aberdeen City and suburbs	0.7%	6.0%	1.5%
Ellon	-0.1%	2.4%	1.0%
Inverurie	0.8%	3.2%	1.1%
Stonehaven	0.9%	6.1%	0.3%
Other country areas	-0.3%	1.3%	-0.5%
Scotland (Halifax)¹	3.2%	8.4%	-1.9%
UK (Halifax)¹	2.0%	6.2%	-0.5%
Retail Price Index (ONS)	0.5%	3.2%	2.9%

¹http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp. The quarterly price change is seasonally adjusted.

Figure 1: House price indices for Aberdeen City and suburbs, Scotland, UK, and Retail Price Index from 2005Q1 to 2013Q3 (2005Q1=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.

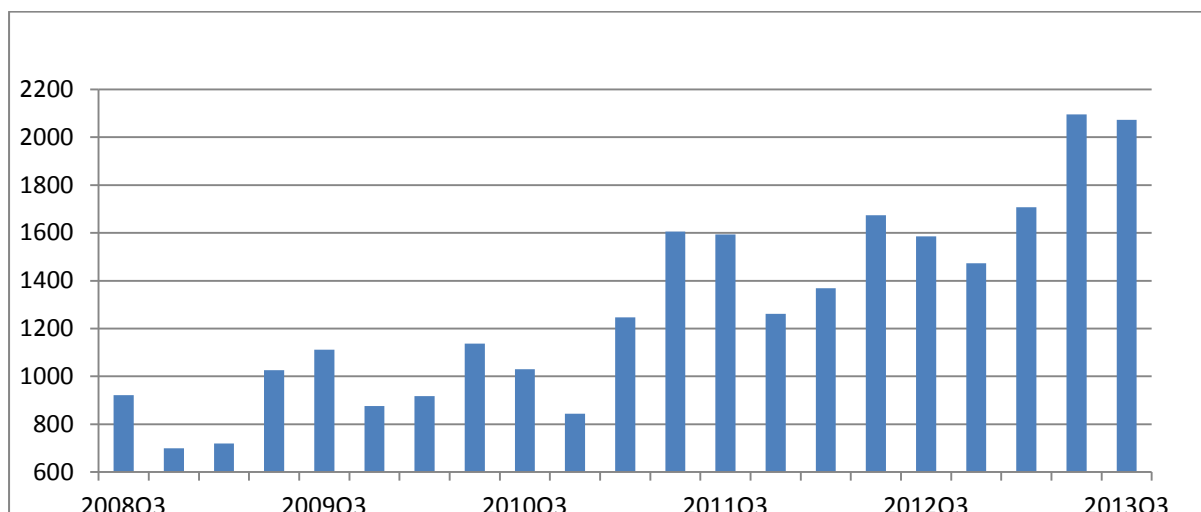
Table 2: Estimated prices for different dwelling types for the current and the previous quarter

Dwelling type	Period	Aberdeen City and suburbs	Ellon	Inverurie	Stonehaven	Other country areas
Flat	2013Q3	£154,148	£145,627	£136,749	£142,856	£128,061
	2013Q2	£152,540	£142,220	£136,837	£141,810	£128,196
Semi-detached	2013Q3	£205,405	£166,425	£192,335	£187,809	£176,618
	2013Q2	£204,021	£166,587	£190,795	£186,108	£177,101
Detached	2013Q3	£ 328,600	£ 255,845	£ 284,126	£ 304,302	£ 303,700
	2013Q2	£326,734	£255,811	£280,223	£301,516	£304,688

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.

Figure 2: Volume of sales from 2008Q2 to the current quarter



- In the third quarter of 2013, the volume of sales was 2,073, a decrease of 1.1% from the previous quarter and an increase of 30.8% compared with the volume of sales a year ago (2012Q3).
- The sales volume of flats increased by 1.1%, the sales volume of semi-detached houses decreased by 5.7%, and the sales volume of detached houses increased by 1.8%.

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

Period	Flat	Semi-Detached	Detached
2013Q3	760	676	637
2013Q2	752	717	626
Percentage change	1.1%	-5.7%	1.8%

Comment by John MacRae

The figures for the third quarter are welcome. The local market has continued to recover from the banking crisis. In my note to the 2nd Quarter figures, I made mention of the significant increase in prices disclosed there. I was concerned at the substantial nature of the increase. The figures for the third quarter are more in line with what I would expect for the third quarter, when a slight decrease in activity is to be expected. The current situation appears to be continuing good volume of transactions, but with less upward pressure on price.

Of some concern, regarding pressure on prices, is the government backed scheme to assist buyers, by guaranteeing a percentage of the loan, thus reducing the risk to lenders in granting high loan to value mortgages. We are seeing greater advertising of loans, of up to 95% of valuation, and one cannot blame purchasers for seeking such mortgages. There are two immediate concerns in this.

The first is the (comparatively) high rate of interest being charged by lenders. It is difficult to understand why, given the government underwriting of the “top” 15% of the loan, in cases of default, the lenders seek to charge a higher than normal rate.

The second concern is the pressure on demand. This may cause further imbalance in the supply and demand position, already slightly skewed against supply. Competition for available property, coupled with higher levels of available finance, may lead to higher prices.

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.² 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/aberdeen-house-price-index-156.php>

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² 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.