

ABERDEEN HOUSING MARKET REPORT

FOURTH QUARTER 2013

Change in house prices

Table 1 shows the change in house prices in Aberdeen and Aberdeenshire to the fourth 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.

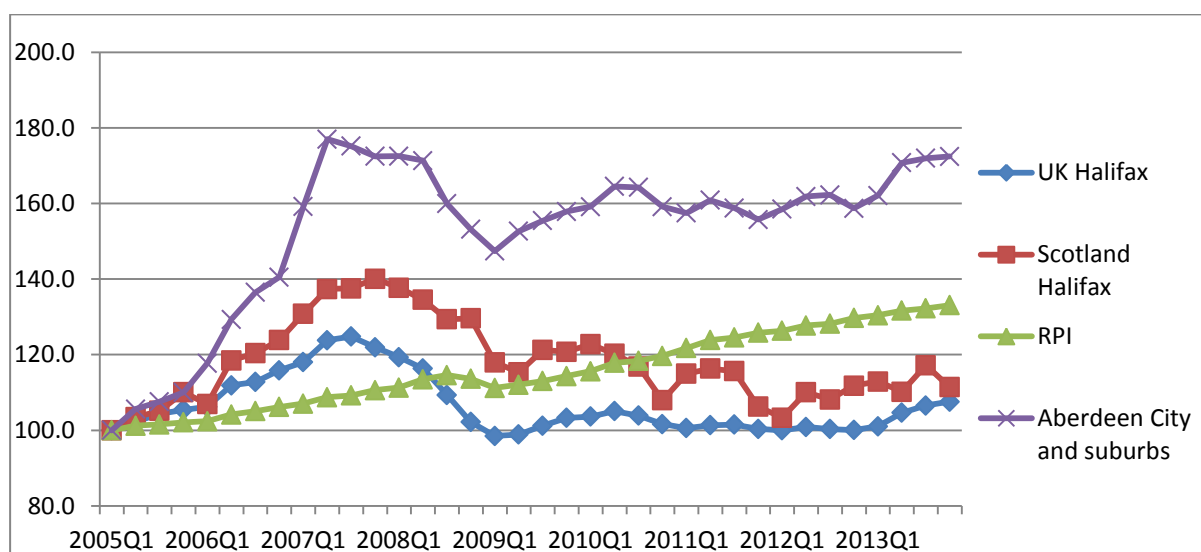
- In the fourth quarter of 2013, house prices in Aberdeen City and suburbs increased by 0.3%. Over the same period, house prices in Scotland decreased by 0.8% and increased by 1.9% in the UK.
- The annual house price change in Aberdeen City and suburbs is 8.6%. The annual house price change is -0.4% in Scotland and 7.5% in the UK.
- The annualised house price change over five years in Aberdeen City and suburbs is 2.4%. The annualised house price change over the same period is -3.0% in Scotland and 1.0% in the UK.

Table 1: Change in house prices for different areas

| | Quarterly price change 2013Q4 | Annual price change 2012Q4 to 2013Q4 | Annualised price change over 5 years 2008Q4 to 2013Q4 |
|---------------------------------------|-------------------------------|--------------------------------------|---|
| Aberdeen City and suburbs | 0.3% | 8.6% | 2.4% |
| Ellon | 0.6% | 5.0% | 2.0% |
| Inverurie | 0.1% | 7.0% | 1.8% |
| Stonehaven | 1.3% | 10.0% | 1.7% |
| Other country areas | -0.2% | 5.2% | 0.4% |
| Scotland (Halifax)¹ | -0.8% | -0.4% | -3.0% |
| UK (Halifax)¹ | 1.9% | 7.5% | 1.0% |
| Retail Price Index (ONS) | 0.6% | 2.6% | 3.2% |

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 2013Q4 (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.

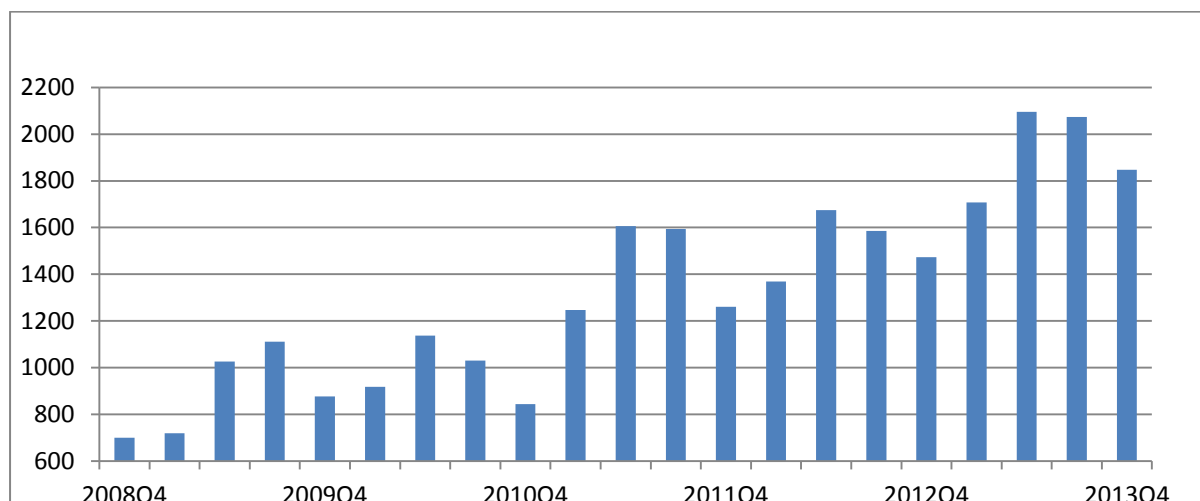
Table 2: Estimated prices for different dwelling types for the current and the previous quarter

| Dwelling type | Period | Aberdeen City and suburbs | Ellon | Inverurie | Stonehaven | Other country areas |
|---------------|--------|---------------------------|-----------|-----------|------------|---------------------|
| Flat | 2013Q4 | £154,044 | £143,594 | £137,135 | £144,005 | £129,403 |
| | 2013Q3 | £154,148 | £145,627 | £136,749 | £142,856 | £128,061 |
| Semi-detached | 2013Q4 | £205,962 | £167,482 | £192,599 | £190,264 | £176,179 |
| | 2013Q3 | £205,405 | £166,425 | £192,335 | £187,809 | £176,618 |
| Detached | 2013Q4 | £329,978 | £257,659 | £286,227 | £307,054 | £304,760 |
| | 2013Q3 | £ 328,600 | £ 255,845 | £ 284,126 | £ 304,302 | £ 303,700 |

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 2008Q4 to the current quarter



- In the fourth quarter of 2013, the volume of sales was 1,847, a decrease of 10.9% from the previous quarter and an increase of 25.4% compared with the volume of sales a year ago (2012Q4).
- The sales volume of flats decreased by 13.7%, the sales volume of semi-detached houses decreased by 10.7%, and the sales volume of detached houses decreased by 7.8%.

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

| Period | Flat | Semi-Detached | Detached |
|-------------------|-------|---------------|----------|
| 2013Q4 | 656 | 604 | 587 |
| 2013Q3 | 760 | 676 | 637 |
| Percentage change | -13.7 | -10.7 | -7.8 |

Comment by John MacRae

The fourth quarter figures normally demonstrate a fall back in activity in the market, caused by the time of year. In the fourth quarter of 2014, however, they show a small quarterly increase of 0.3% in the City and Suburbs. Across the range of the Aberdeen local housing market area, the quarterly price change is, statistically, very small. Looking at the annual price change however, comparing the fourth quarter of 2013 to the fourth quarter of 2012, we can see that 2013 was a year of substantial increase more or less across the area. In the City, the annual price change was 8.6%, Ellon had the smallest increase but even that was 5% and Stonehaven showed a 10% increase. One anecdotal piece of information regarding the fourth quarter is that first time purchasers entered the market very strongly due, doubtless, to the relaxation in lending criteria by lenders. This has resulted in a large number of prospective purchasers looking to buy starter flats of 1 and 2 bedrooms and demand in this sector probably exceeds supply. Certainly in the last quarter - and resuming in the first quarter of 2014 - there is every sign that the strong demand will continue. In the past, activity in this section of the market tends to percolate through the market increasing activity in other sectors and it will be interesting to see if this occurs in 2014.

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.