

ABERDEEN HOUSING MARKET REPORT FIRST QUARTER 2015

Change in house prices

Table 1 shows the change in house prices in Aberdeen and Aberdeenshire to the end of the first quarter of 2015. 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.

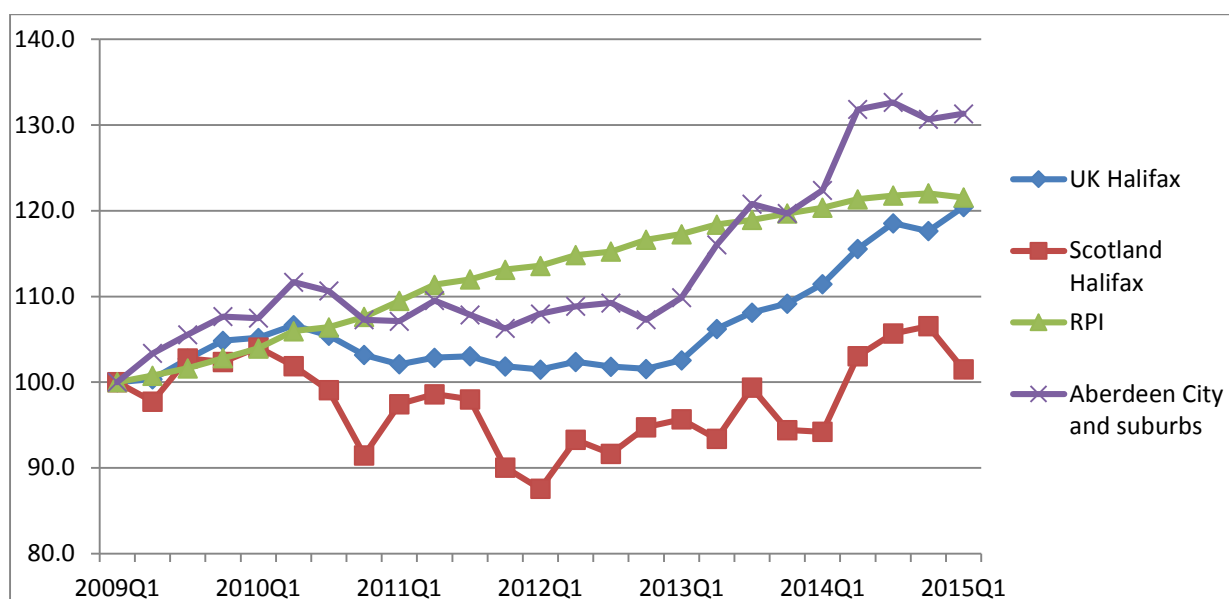
- In the first quarter of 2015, house prices in Aberdeen City and suburbs increased by 0.5%. Over the same period, house prices in Scotland decreased by 2.9% and increased by 2.6% in the UK.
- The annual house price change in Aberdeen City and suburbs is 7.3%. The annual house price change is 7.7% in Scotland and 8.1% in the UK.
- The annualised house price change over five years in Aberdeen City and suburbs is 4.1%. The annualised house price change over the same period is -0.5% in Scotland and 2.7% in the UK.

Table 1: Change in house prices for different areas

	Quarterly price change 2015Q1	Annual price change 2014Q1 to 2015Q1	Annualised price change over 5 years 2010Q1 to 2015Q1
Aberdeen City and suburbs	0.5%	7.3%	4.1%
Ellon	0.7%	6.6%	2.5%
Inverurie	0.7%	6.9%	3.5%
Stonehaven	0.5%	8.0%	4.3%
Other country areas	0.4%	5.5%	0.7%
Scotland (Halifax)	-2.9%	7.7%	-0.5%
UK (Halifax)	2.6%	8.1%	2.7%
Retail Price Index (ONS)	-0.4%	1.0%	3.2%

¹www.lloydsbankinggroup.com/Media/economic-insight/regional-house-prices/. The quarterly price change is seasonally adjusted.

Figure 1: House price indices for Aberdeen City and suburbs, Scotland, UK, and Retail Price Index from 2009Q1 to 2015Q1 (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.

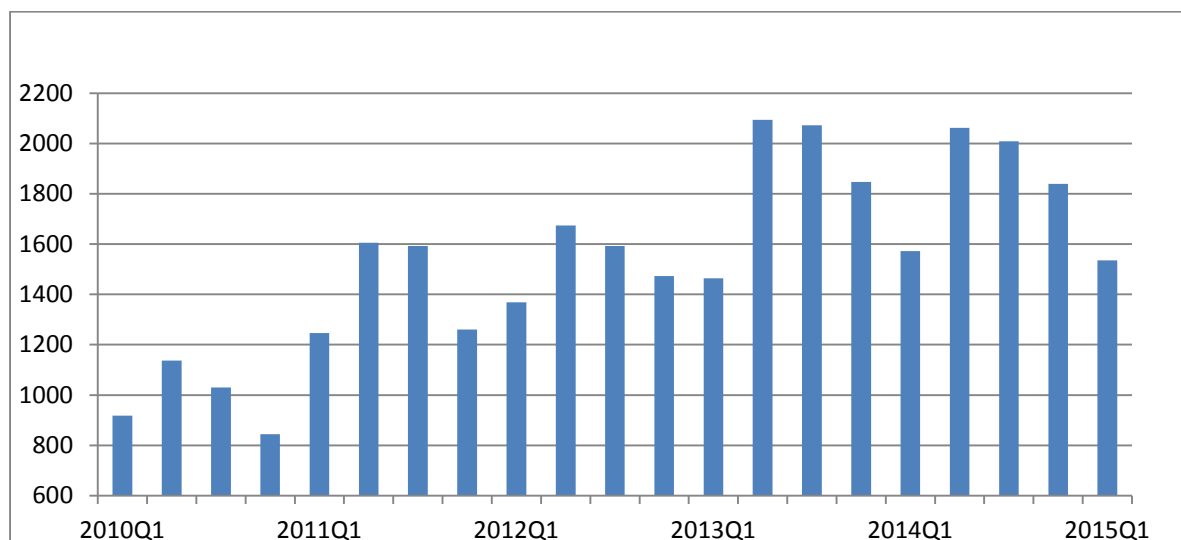
Table 2: Estimated prices for different dwelling types for the current and the previous quarter

Dwelling type	Period	Aberdeen City and suburbs	Ellon	Inverurie	Stonehaven	Other country areas
Flat	2015Q1	£167,586	£142,646	£149,562	£150,193	£140,320
	2014Q4	£166,404	£140,996	£146,725	£148,141	£140,935
Semi-detached	2015Q1	£231,758	£181,812	£219,026	£226,641	£187,821
	2014Q4	£230,621	£180,592	£217,454	£225,420	£187,071
Detached	2015Q1	£354,147	£277,795	£304,525	£346,076	£319,243
	2014Q4	£351,569	£275,995	£302,684	£350,032	£316,474

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 2010Q1 to the current quarter



In the first quarter of 2015, the volume of sales was 1,536, a decrease of 16.5% from the previous quarter and a decrease of 2.3% compared with the volume of sales a year ago (2014Q1).

- The sales volume of flats decreased by 13.6%, the sales volume of semi-detached houses decreased by 15.6%, and the sales volume of detached houses decreased by 20.9%.

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

Period	Flat	Semi-Detached	Detached
2015Q1	567	519	450
2014Q4	656	615	569
Percentage change	-13.6%	-15.6%	-20.9%

Comment by John MacRae

The first quarter figures for 2015 were awaited, by me, with some interest. The background to the housing market in the first quarter of 2015 was more complex than usual in that certain novel or unusual features came into play.

The first, and novel, factor influencing the market was the well-publicised change, in Scotland, from Stamp Duty Land Tax to Land and Buildings Transaction Tax. Much had been made in the public forum, before the changeover, of the adverse effect LBTT would have on the housing market, despite ASPC's sales figures showing that over 80% of transactions were below the point where LBTT takes more than SDLT. It was noticeable that, in the last 6 months, a greater number of higher end houses came on the market as people, thinking of moving, sought to beat the deadline.

The second factor coming into play, which is not unknown, is the decrease in the oil price and the effect it would have on the market. As can be seen from the figures, the undoubted concern in the oil industry is not yet reflected in house prices but, there is a small decrease in

volume which may indicate how the market is going to go. Because the oil companies and their employees have been here before, there is some expectation that the oil price fluctuation and its consequences will be managed. If that is so, then there is reasonable optimism that the effect of the oil price will not be as manifest as contemplated.

The third factor that has come into play, this year, is the general election - thankfully almost upon us. The indication from the polls is that the result of the election may be too close to forecast, and such uncertainty may affect general confidence in the community until such time as we know how things are going to progress.

For the foregoing reasons, therefore, it is all too easy to imagine our local market becoming depressed but I have some grounds for optimism that this will not happen. The fact is that the market for starter homes is still very active. Mortgages have never been so cheap and there is increasing competition to provide very attractive fixed term rates from the main lenders. Because of those factors it is likely that reasonably priced properties will still find a ready market. I am convinced that there is still demand out there for first time purchases and that this will filter up the market. There will be some effect felt from the uncertainties outlined above but I do not think we should be unduly concerned.

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.