

Scottish Housing Market Review Q3 2021

September 2021

Scottish Housing Market Review

Q3 2021

Table of Contents

Key points for this issue	2
Sales	4
House Prices	7
Rental Prices	10
Lending To Homebuyers: Mortgage Approvals & LTVs	12
Lending To Homebuyers: Interest Rates	15
Lending To Homebuyers: Arrears and Possessions	17
Residential LBTT; Homelessness	20
Housing Supply: Starts and Completions	22
House Building: Lending and Construction Material Prices	25

Key points for this issue

Sales

- **Housing market activity appears to be stabilising at more normal levels**, with Registers of Scotland statistics showing that there were 26,324 residential property sales registered across Scotland in Q2 2021. Whilst this was an annual increase of 181.9%, this can be explained by the low level of transactions in Q2 2020 as a result of the home move restrictions. Relative to the 4 year average for Q2 (2016 – 2019), transactions were up by 2.2%.
- **The increase in transactions in the latest 12 months to Q2 2021 was experienced across Scotland**, with the largest increase in Aberdeen/shire and Moray, and the smallest in the Forth Valley. (Source: Registers of Scotland)
- More recent data using residential **LBTT returns indicates that housing market activity is returning to more normal levels**, with LBTT returns in August 2021 8.3% higher than the 2016-2019 average, down from 18.2% and 12.1% in June and July 2021. (Source: Revenue Scotland)

House Prices

- **The average Scottish house price increased by an annual 10.0% in Q2 2021**, the highest quarterly house price inflation rate since Q1 2008, prior to the financial crisis. (Source: UK HPI)
- **The strongest annual price growth by property type was for detached and terraced properties, 11.1% and 10.9% respectively**. Flats increased by the lowest amount, increasing by an annual 8.6%. (Source: UK HPI)

Rental Prices

- **Private housing rental price growth remains moderate**, rising by an annual 1.6% in nominal terms but falling by 1.6% in real terms in August 2021, due to a spike in CPI inflation in August. (Source: ONS)

Lending

- **There has been a reduction in high LTV mortgage lending due to the impact of Covid-19**. Data from the FCA for Q2 2021 shows that 2.0% of gross mortgage advances in the UK had an LTV ratio over 90%, down 2.8 percentage points on Q2 2020. (Source: FCA). However, recently there has been a strong recovery in the number of high LTV products, with the number of 95% LTV mortgages products increasing from 8 in December 2020 to 283 in September 2021. (Source: Moneyfacts Mortgage Treasury Report).
- **New mortgages to first-time buyers in Scotland increased by 35.0% over the one year period to Q2 2021 relative to the year prior, while new mortgages to home movers increased by 30.0%**. Relative to the 4 year average for Q2 (2016 – 2019), new mortgages advanced to first-time buyers are up 6.4%, whilst for home movers they have fallen 5.2% (Source: UK Finance)

- **The interest rate premium on high LTV mortgages has fallen since May 2021.** In August 2021, the spread between the average advertised 2 year fixed 90% LTV and 75% LTV mortgage rate was 124 basis points, down from 182 basis points in May 2021, potentially reflecting an increase in lender risk appetite. (Source: Bank of England)

Housing Supply

- **There were 15,852 new build homes completed over the one year period to September 2020, an annual decrease of 28% (6,132 homes) on the previous year,** with activity levels being affected by the introduction of COVID-19 lockdown measures from March to late June 2020. (Source: Scottish Government).
- **Private New Build Sales have increased since the restrictions on non-essential construction activity were lifted,** with the number of sales across the period January 2021 to May 2021 being broadly in line with activity levels seen in the 2019 pre-pandemic period. (Source: UK HPI)
- A total of **1,595 affordable homes were delivered in Q2 2021,** an annual increase of 1,398 on Q2 2020 during which activity was largely paused due to lockdown measures, although the number of homes delivered in the 12 months to Q2 2021 is down 5% (374 homes) to 7,864 completions, compared with the previous year. Over the last year, approvals have dropped by 36% to 7,972 whilst starts have increased by 3% to 11,097.

Housebuilding Material Prices

- **Construction material price inflation has accelerated since the early stages of the Covid-19 pandemic, when it was in negative territory, to stand at 19.8% in July 2021.**

Data to: 30 September 2021

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Sales

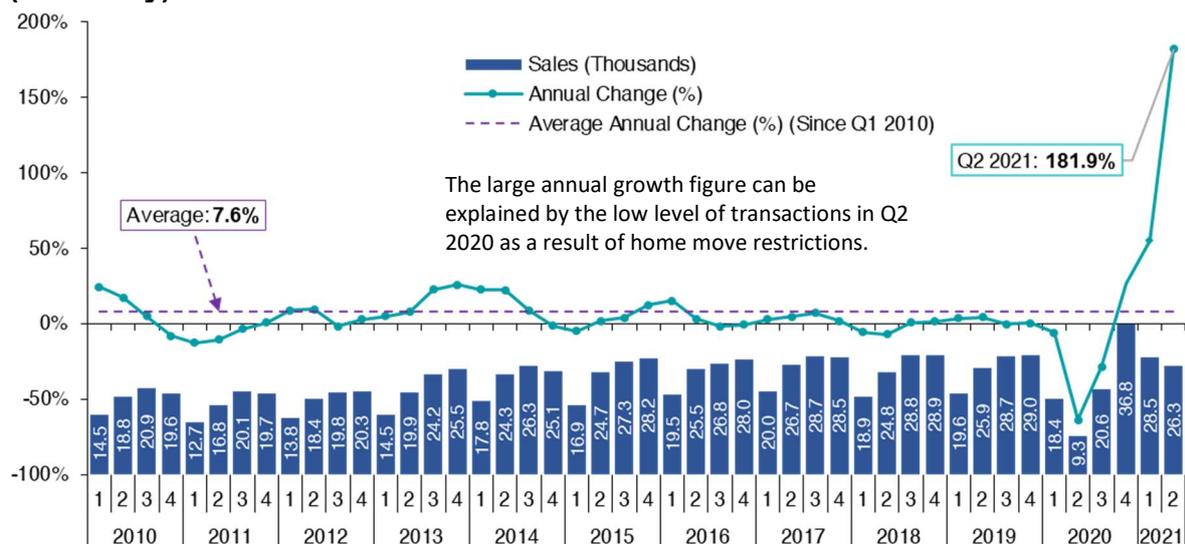
Key points

Housing market activity appears to be stabilising at more normal levels, with Registers of Scotland statistics showing that there were 26,324 residential property sales registered across Scotland in Q2 2021. Whilst this was an annual increase of 181.9%, this can be explained by the low level of transactions in Q2 2020 as a result of the home move restrictions. Relative to the 4 year average for Q2 (2016 – 2019), transactions were up by 2.2%.

More recent data using residential LBTT returns indicates that housing market activity could be gradually returning to pre-pandemic levels, with LBTT returns in August 2021 8.3% higher than the 2016-2019 average.

National

Chart 1.1 Number of Residential Property Sales Registered: Scotland (Quarterly)



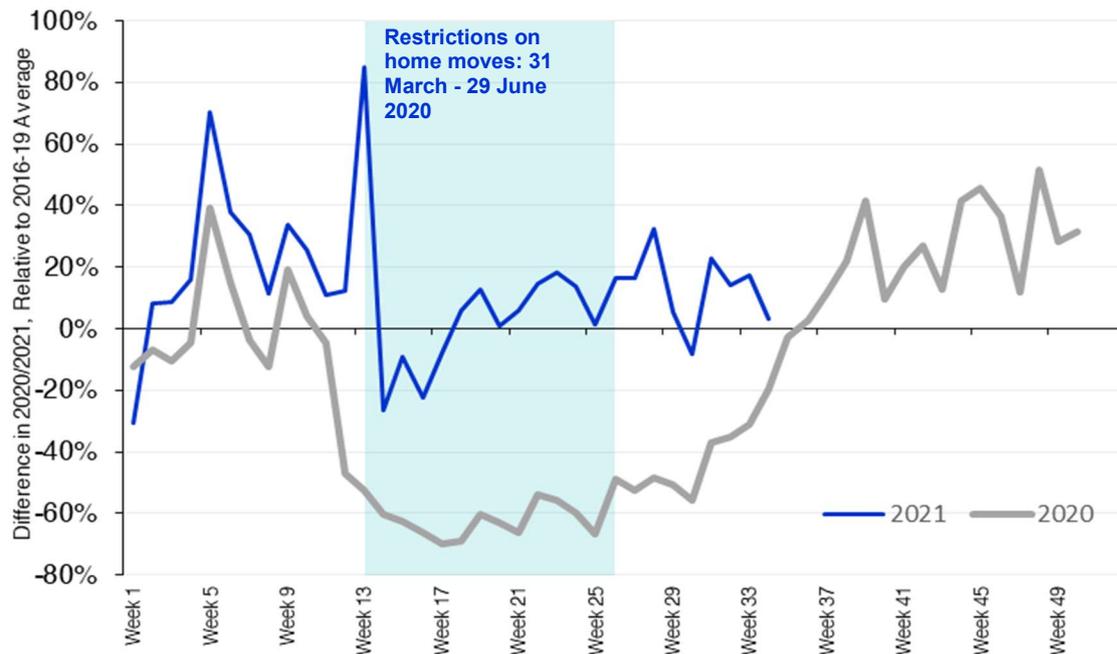
Source: Registers of Scotland

Scottish Sales Performance: National

Following the surge in transactions after home move restrictions were lifted in late June 2020, which was fuelled by pent-up demand as well as the temporary reduction in LBTT (which ended on 31 March 2021), data for Q2 2021 suggests that housing market activity has stabilised at more normal levels, with Registers of Scotland statistics showing that there were 26,324 residential property sales registered across Scotland. Whilst this was an annual increase of 181.9%, this can be explained by the low level of transactions in Q2 2020 as a result of the home move restrictions. Relative to Q2 2019, transactions in Q2 2021 were up by 1.7%, while comparing to the 4 year average for Q2 (2016 – 2019), transactions were up by 2.2%.

More timely statistics from Revenue Scotland on the number of residential LBTT returns submitted confirm that the housing market is returning to more normal levels. Chart 1.2 plots the percentage difference between weekly residential LBTT returns in 2021 and 2020, and the average from 2016 to 2019 for the corresponding week. In March 2021, residential LBTT returns were 55.1% above the 2016-2019 average. This has since fallen to 18.2% in June 2021, 12.1% in July 2021 and 8.3% in August 2021.

Chart 1.2 Weekly Residential LBTT Returns: Percentage Difference Between 2020 & 2021 and 2016-2019 (Weekly Average)



Source: Revenue Scotland

Scottish Sales Performance: Regional

Registers of Scotland data shows that the strong growth in housing market activity in Q2 2021 was experienced across the different regions of Scotland. The largest increase in residential property sales occurred in Edinburgh, Lothians and the Borders, where sales rose by an annual 206.3%. Sales in the Forth Valley increased by the lowest amount in Scotland but this remains a sizeable increase in transactions, up by 129.9% on the same period last year.

Analysing the annual change using a rolling four quarters method, it can be seen that the increase in transactions for the one year period to Q2 2021 relative to the year prior has also been experienced in a broadly uniform manner across Scotland. The largest increase in sales on a rolling four quarter basis was in Aberdeen/shire & Moray by 36.5% and the lowest increase in sales was in the Forth Valley by 25.9%.

A summary of residential property sales activity by Scottish region is included below. This contains the number of residential property sales registered in Q2 2021, the annual change, as well as the annual change in sales using a rolling four quarter period to Q2 2021. The latter is included to smooth out volatility in quarterly data.

Table 1. Regional residential transactions

Aberdeen/shire & Moray Sales – Q2 2021 2,741 12 Month Change 188.8% Annual change (rolling 4 quarters) 36.5%	Edinburgh, Lothians & Borders Sales – Q2 2021 5,091 12 Month Change 206.3% Annual change (rolling 4 quarters) 32.9%
A&B, Highland & Islands Sales – Q2 2021 1,804 12 Month Change 144.4% Annual change (rolling 4 quarters) 26.1%	Forth Valley Sales – Q2 2021 1,313 12 Month Change 129.9% Annual change (rolling 4 quarters) 25.9%
Ayrshires & D&G Sales – Q2 2021 2,478 12 Month Change 175.3% Annual change (rolling 4 quarters) 31.8%	Tayside & Fife Sales – Q2 2021 3,997 12 Month Change 183.3% Annual change (rolling 4 quarters) 35.0%
Clyde Valley Sales – Q2 2021 8,900 12 Month Change 186.4% Annual change (rolling 4 quarters) 29.1%	Scotland Sales – Q2 2021 26,324 12 Month Change 181.9% Annual change (rolling 4 quarters) 31.2%

Source: Registers of Scotland

House Prices

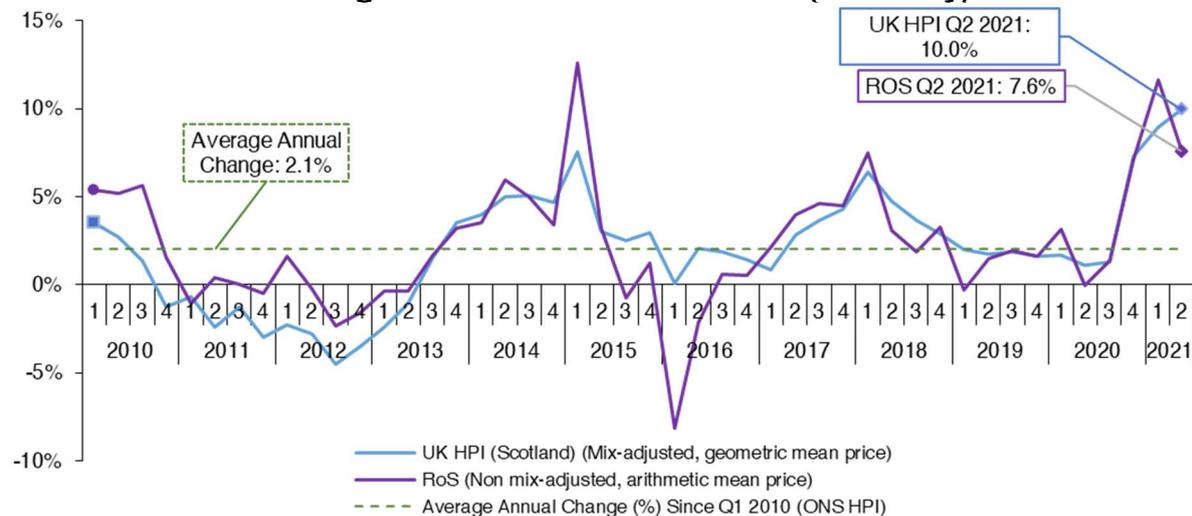
Key Points

The average Scottish house price increased by an annual 10.0% in Q2 2021, to £169K (UK HPI).

Analysing the HPI data in more detail, it can be seen that strongest annual price growth was for detached and terraced properties, 11.1% and 10.9% respectively. Flats increased by the lowest amount, increasing by an annual 8.6%.

National

Chart 2.1 Annual Change in House Prices: Scotland (Quarterly)



Source: Registers of Scotland / UK HPI

Scottish House Price Performance: National

House price inflation in Scotland, as measured by UK HPI, increased in Q2 2021 by 10.0% relative to Q2 2020. This is the highest quarter of house price inflation since Q1 2008, prior to the financial crisis. The average property price in Scotland stood at £169k in Q2 2021.

Data from Registers of Scotland shows a slightly lower increase in annual house price inflation in Q2 2021, of 7.6%. However, this data is not mix-adjusted, so could be affected by the composition of properties sold. This is supported by looking at the number of transactions in greater detail, with transactions for flats increasing to a greater extent than other property types and making up the largest proportion of transactions since Q2 2009.

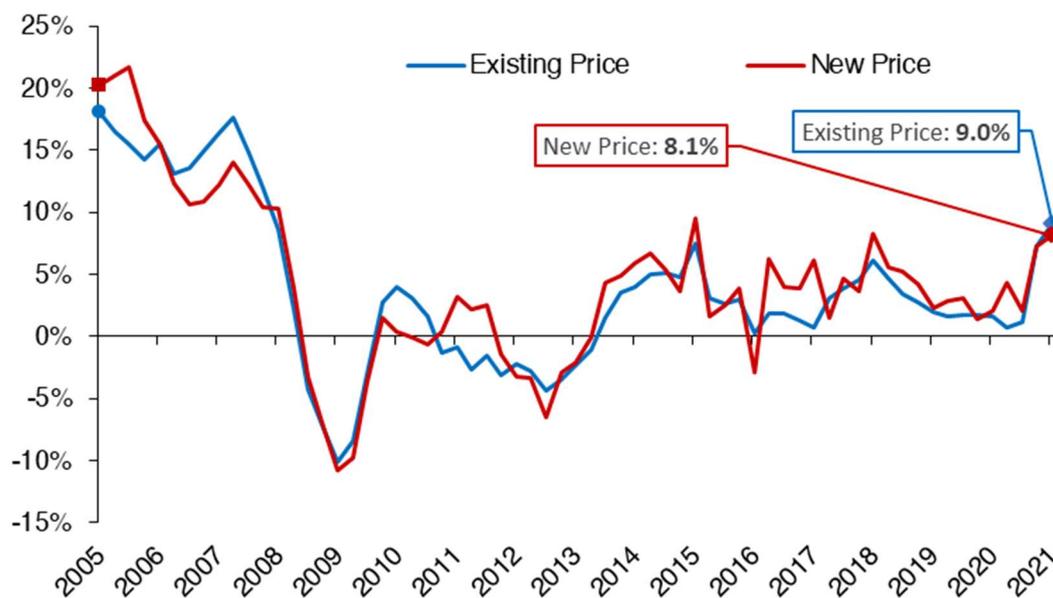
Annual price growth to Q2 2021 was highest for detached properties (11.1%), marginally higher than for terraced properties (10.9%). Flats increased by the lowest amount, increasing by an annual 8.6%, as measured by UK HPI.

Scottish House Price Performance by Dwelling/Buyer Type

Chart 2.2 shows the rate of change in the average new and existing build property price in Scotland. This data is published with a lag relative to the headline HPI. In Q1 2021, the average Scottish existing build property price increased to a greater extent than the new build price, rising by 9.0% to £162K. The average new build price rose by 8.1% to £229K.

The UK HPI also shows that the average former owner occupier property price in Scotland increased by an annual 10.3% in Q2 2021, to £203K. Meanwhile, the average price of a property purchased by a first-time buyer increased by an annual 9.6% in Q2 2021, to £136K.

Chart 2.2 Average Scottish House Price Growth by Dwelling Type (Quarterly)



Source: UK HPI (Scotland)

Scottish House Price Performance: Regional

Registers of Scotland data show that house prices for Scotland rose in Q2 2021 and this growth was strong across Scotland. The largest increase was in the Clyde Valley, where house prices increased 10.0% annually to 172k (average arithmetic mean price; prices not mix-adjusted). The smallest increase was in Aberdeen/shire & Moray, which increased by 3.2% annually to £202k. Over the five year period to Q2 2021, the annualised house price inflation rate in Aberdeen/shire & Moray was -0.1%, relative to 3.1% across Scotland. This can in part be explained by lower oil prices, which have led to a decline in the oil industry, a crucial component of the Aberdeen economy, and therefore, the regional housing market. There was a further sharp fall in oil prices due to the initial impact of Covid-19 on the world economy during Q1 2020, although they have now recovered to pre-Covid levels.

The longer-term trend (as measured by the change in house prices over the 4 quarter period to Q2 2021 on the same period a year ago) shows that house price growth has been positive in all areas of Scotland. The strongest price growth was

seen in Ayrshires, Dumfries & Galloway, where house prices increased by 10.4%, whilst the smallest increase in house prices was seen in Aberdeen/shire and Moray, where house prices increased by 2.0%.

A summary of the average house price in Q2 2021 by Scottish region is included below. This also includes the annual change in the average house price in Q2 2021, as well as the annual change in the average house price using a rolling four quarter period to Q2 2021, which smooths out volatility in quarterly data (Source: RoS).

Table 1. Regional house prices

<p>Aberdeen/shire & Moray Average Price – Q2 2021 £202K 12 Month Change 3.2% Annual change (rolling 4 quarters) 2.0%</p>	<p>Edinburgh, Lothians & Borders Average Price – Q2 2021 256K 12 Month Change 6.9% Annual change (rolling 4 quarters) 6.8%</p>
<p>A&B, Highland & Islands Average Price – Q2 2021 £188K 12 Month Change 7.7% Annual change (rolling 4 quarters) 6.9%</p>	<p>Forth Valley Average Price – Q2 2021 £179K 12 Month Change 3.9% Annual change (rolling 4 quarters) 7.6%</p>
<p>Ayrshires & D&G Average Price – Q2 2021 £148K 12 Month Change 4.9% Annual change (rolling 4 quarters) 10.4%</p>	<p>Tayside & Fife Average Price – Q2 2021 £178K 12 Month Change 5.3% Annual change (rolling 4 quarters) 7.8%</p>
<p>Clyde Valley Average Price – Q2 2021 £172K 12 Month Change 10.0% Annual change (rolling 4 quarters) 6.1%</p>	<p>Scotland Average Price – Q2 2021 £192K 12 Month Change 7.6% Annual change (rolling 4 quarters) 6.7%</p>

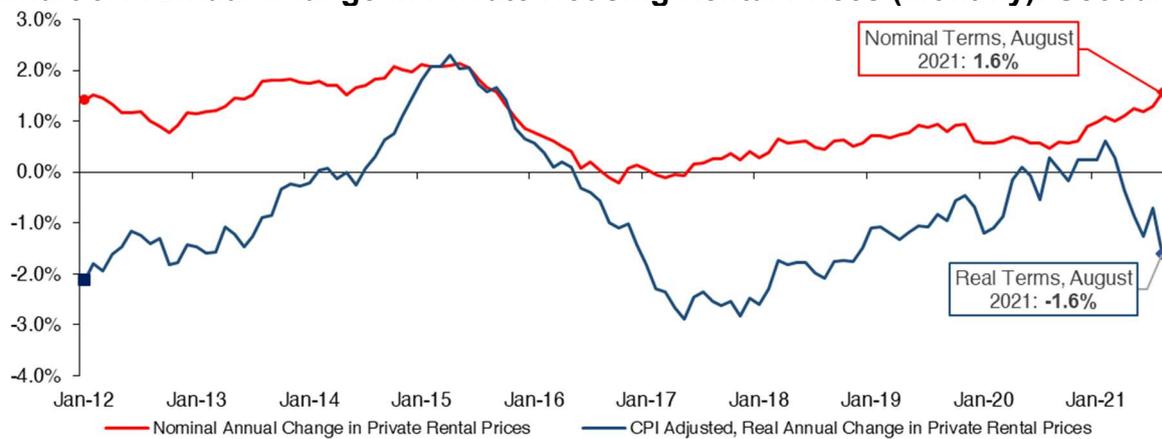
Source: Registers of Scotland

Rental Prices

Private Housing Rental Prices

Private housing rental prices increased by 1.6% annually in Scotland to August 2021. This continues a period of relative stability in nominal private rental price growth. Since June 2017, rental price growth has ranged between 0% and 2%, with an average of 0.7%. In real terms (adjusting for inflation, using CPI), the annual change in August 2021 was -1.6%. Chart 3.1 shows that the annual change in real private housing rental prices rose towards positive territory as CPI inflation fell due to the impact of Covid-19, but it has returned to negative territory with the recent increase in CPI inflation, which reached 3.2% in August 2021. The heightened level of CPI inflation can be partly explained by a base effect, with discounted restaurant and café prices due to the Eat Out to Help Out Scheme in August 2020 and reductions in VAT for the same sector.

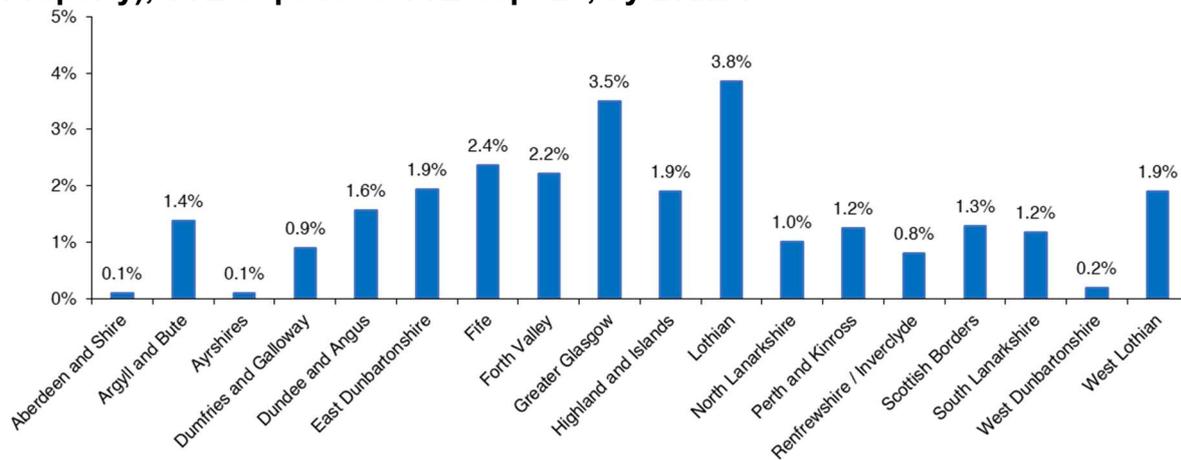
Chart 3.1 Annual Change in Private Housing Rental Prices (Monthly): Scotland



Source: ONS Rental Price Index, Consumer Price Inflation (CPI)

The moderate growth in average rents across Scotland masks significant regional variation. Scottish Government statistics show that from 2010 to 2020 (years to end September), the annualised average rate of change in mean rent for a 2 bedroom property was over double that of inflation (CPI) (1.4%) in both Greater Glasgow (3.5%) and Lothian (3.8%) Broad Rental Market Areas ("BRMA"). Meanwhile, the annualised average rate of change was equal to or below that of inflation (CPI) in 10/18 BRMAs.

Chart 3.2 Annualised Average Rate of Change in Mean Rent (2 Bedroom Property), YTE Sept-10 to YTE Sept-20, by BRMA



Source: SG/ONS CPI

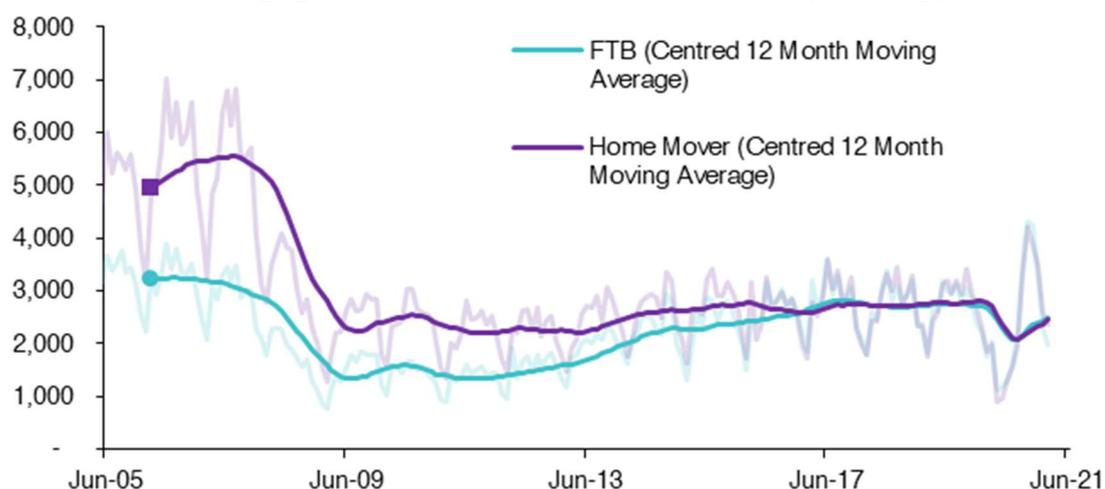
** Note: Scottish Government statistics are based almost entirely on advertised rents at point of new let, and thus will tend to be higher than the ONS data which makes an allowance for rent changes in existing lets. In addition, chart 3.2 looks solely at 2 bedroom properties, whilst 3.1 looks at the entire market*

Lending To Homebuyers: Mortgage Approvals & LTVs

New Mortgage Advances

Chart 4.1 plots the monthly number of new mortgages advanced to first-time buyers and home movers in Scotland. There were 9,270 new mortgages advanced to first-time buyers in Scotland in Q2 2021, an annual increase of 157.5% (+5,670). Meanwhile, there were 8,120 new mortgages advanced to home movers in Scotland in Q2 2021, an annual increase of 156.2% (+4,950). Whilst the annual increases for first-time buyers and home movers are large, this can be explained by the restrictions on home moves in Q2 2020. Relative to the 4 year average for Q2 (2016 – 2019), new mortgages advanced to first-time buyers are up 6.4%, whilst for home movers they have fallen 5.2%. For the one year period to Q2 2021 relative to the year prior, the increase in the number of new mortgages advanced was higher for first-time-buyers (35.0%) than for home movers (30.0%) (Source: UK Finance).

Chart 4.1 New Mortgage Advances for Home Purchase (Monthly), Scotland



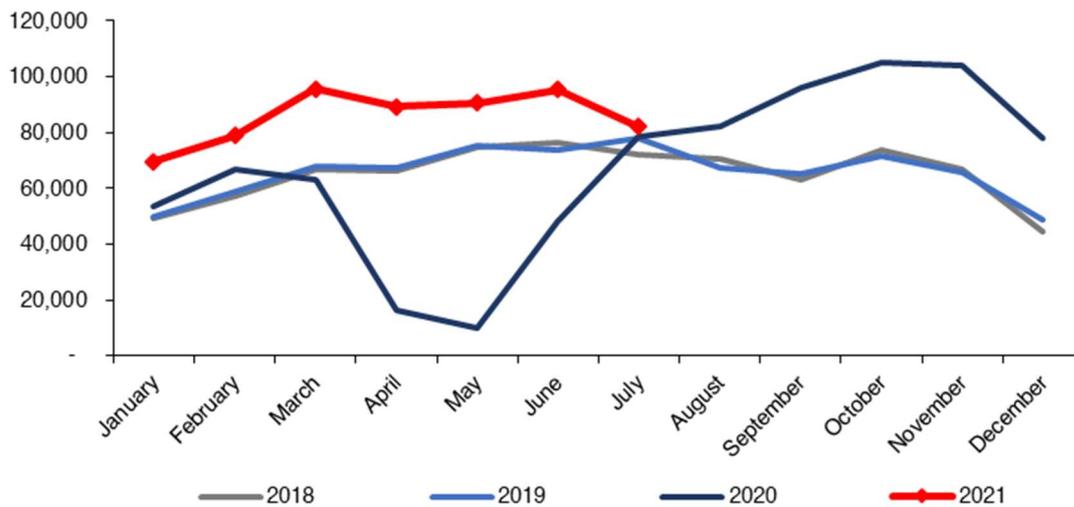
Source: UK Finance

Mortgage Approvals

Chart 4.2 plots the monthly number of mortgage approvals across the UK for house purchase (Source: BoE). Mortgage approvals for house purchase are the firm offers of lenders to advance credit fully secured on dwellings by a first charge mortgage. This data is a leading indicator of mortgage sales as it reflects activity early in the buying process.

Mortgage approvals for house purchase across the UK have rebounded strongly since May 2020, with mortgage approvals increasing from 9,922 to 104,053 in November 2020 (see Chart 4.2). Mortgage approvals for house purchase have reduced since November but remain higher than the same month in years prior, with mortgage approvals rising by an annual 5% in July 2021.

Chart 4.2 Mortgage Approvals - House Purchase (Monthly) (UK)

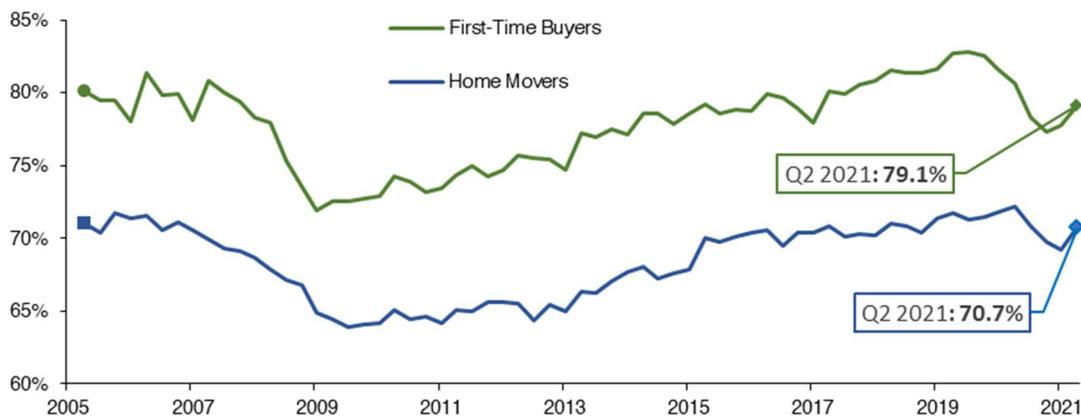


Source: Bank of England

Loan-to-Value (LTV) Ratios

In Q2 2021, the mean Loan-to-Value (LTV) ratio on new mortgages advanced to first-time buyers in Scotland stood at 79.1%, down 1.5 percentage points annually. This likely reflects the reduction in the availability of high LTV ratio mortgages since the start of the coronavirus pandemic. Meanwhile, the mean LTV ratio for home movers in Scotland stood at 70.7% in Q2 2021, also down 1.5 percentage points over the one year period. This is shown in Chart 4.3 (Source: UK Finance).

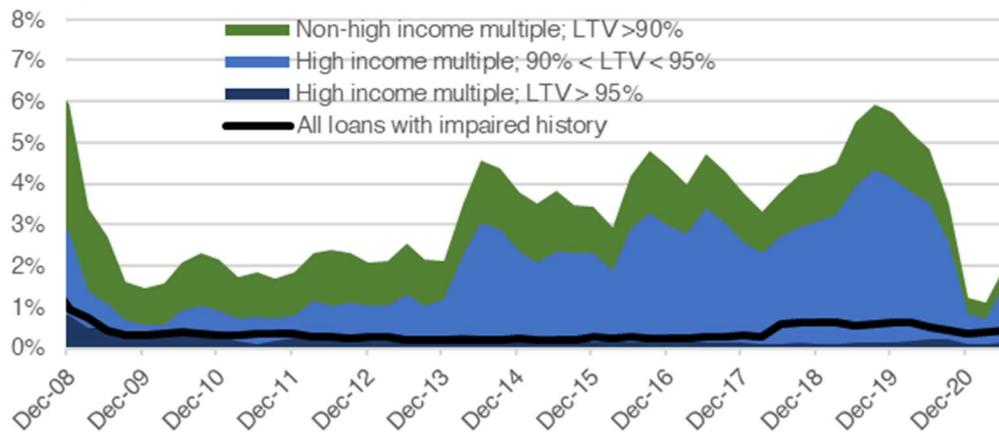
Chart 4.3 Mean Loan to Value Ratio (Quarterly), Scotland



Source: UK Finance

Chart 4.4 shows that there was a reduction in new lending at high LTV mortgage ratios across the UK since March 2020. The share of gross mortgage advances across the UK in Q2 2021 with an LTV ratio greater than 90% was 2.0%, 2.8 percentage points below the share in Q2 2020. There has also been a reduction in lending which is both high LTV and high LTI (loan-to-income). The share of gross advances classified as high LTV and LTI was 1.7% in Q2 2021, down 2.1 percentage points on Q2 2020.

Chart 4.4 Higher Risk Lending* as a % of all Residential Lending (Quarterly), UK



Source: FCA

There has been a substantial increase in the number of high LTV products offered by mortgage lenders, with the number of 95% LTV mortgages products increasing from 8 in December 2020 to 283 in September 2021. While this recovery could in part reflect the UK Government's Mortgage Guarantee scheme, a number of high LTV products have been introduced outside this scheme (Source: Moneyfacts Mortgage Treasury Report).

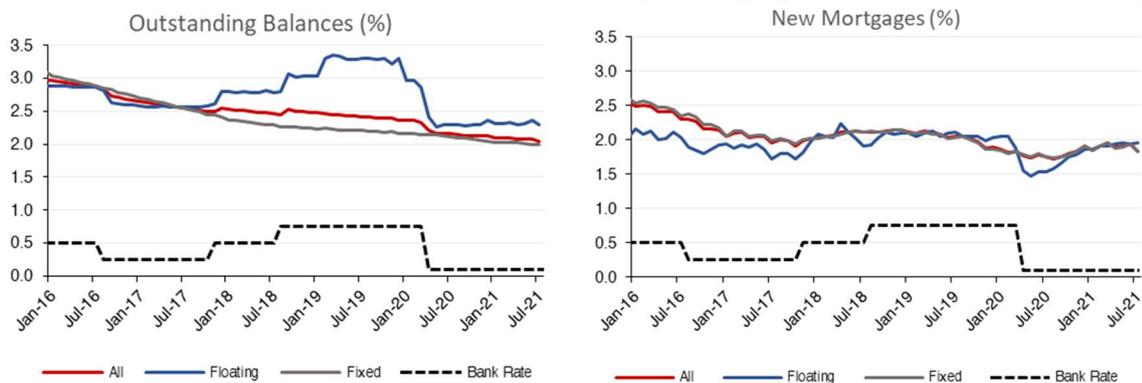
Lending To Homebuyers: Interest Rates

Mortgage Interest Rates

Charts 4.5 & 4.6 show the effective (or average) interest rate on outstanding mortgage balances and new mortgage advances.

In March 2020, Bank Rate was cut by a total of 65 basis points, leaving it at 0.1%. The reduction in Bank Rate has fed through to outstanding variable rate mortgages, with the average interest rate falling from 2.97% in February 2020 to 2.30% in June, before stabilising, with the level at 2.29% in July 2021. The average interest rate on new variable rate mortgages fell from 2.06% in February 2020 to 1.53% in June 2020, although it has since increased to 1.96% in July 2021. The average fixed rate on new mortgages has been relatively stable throughout the period of Covid-19, standing at 1.83% in July 2021. (Source: BoE)

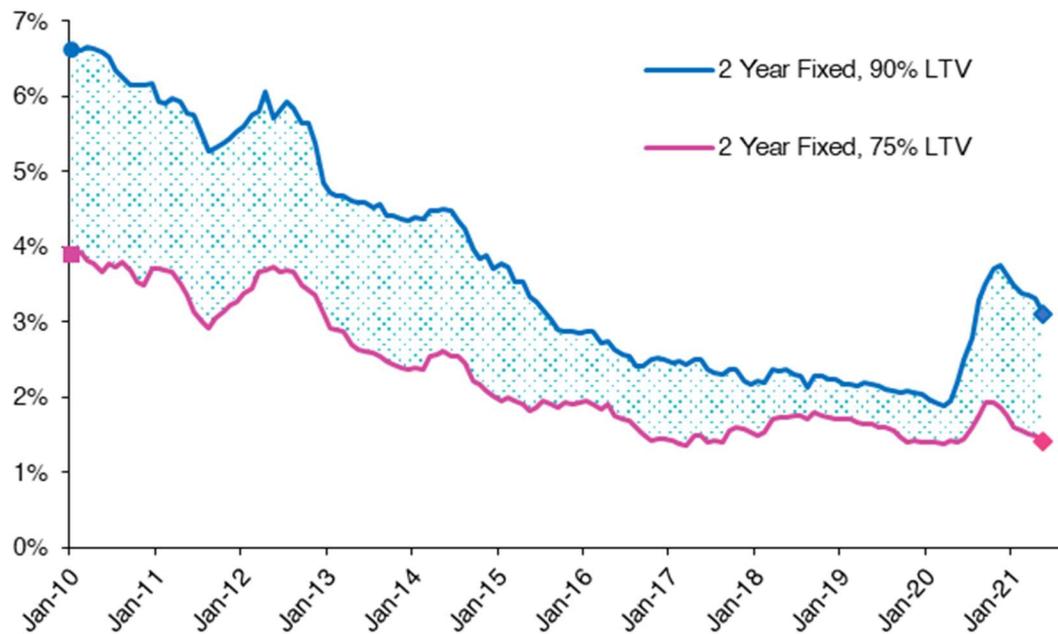
Charts 4.5 (L) and 4.6 (R): Effective Monthly Mortgage Interest Rate (UK) (%)



Source: Bank of England

The spread between the average advertised rate on 2 year fixed 90% and 75% LTV mortgages increased during the pandemic from 54 basis points in May 2020 to 188 basis points in February 2021, as shown in Chart 4.7. However, since May 2021 the spread has fallen from 182 basis points to 124 basis points in August 2021, potentially reflecting an increase in lender risk appetite. (Source: BoE)

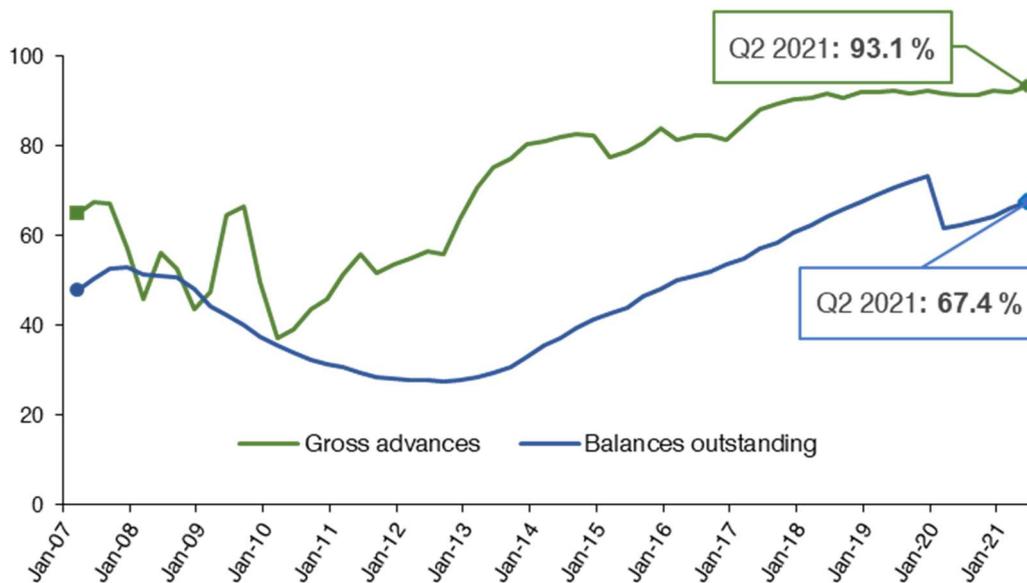
Chart 4.7 Average 2 Year Fixed 90% and 75% LTV Mortgage Rates (Advertised)



Source: Bank of England

Chart 4.8 shows that the majority of new mortgage lending (93.1%) is on fixed rates. The share of outstanding mortgages on fixed rates fell from 73.2% in Q4 2019 to 61.6% in Q1 2020, possibly due to borrowers whose fixed rate mortgages reached their end of term either choosing to remain on default variable rates, since these had fallen, or being unable to switch immediately to a new fixed rate mortgage due to lender capacity constraints during lockdown. The share has since increased to 67.4% in Q2 2021. (Source: FCA)

Chart 4.8 Share of Mortgage Lending at Fixed Rates: UK, % (Quarterly)



Source: FCA

Lending To Homebuyers: Arrears and Possessions

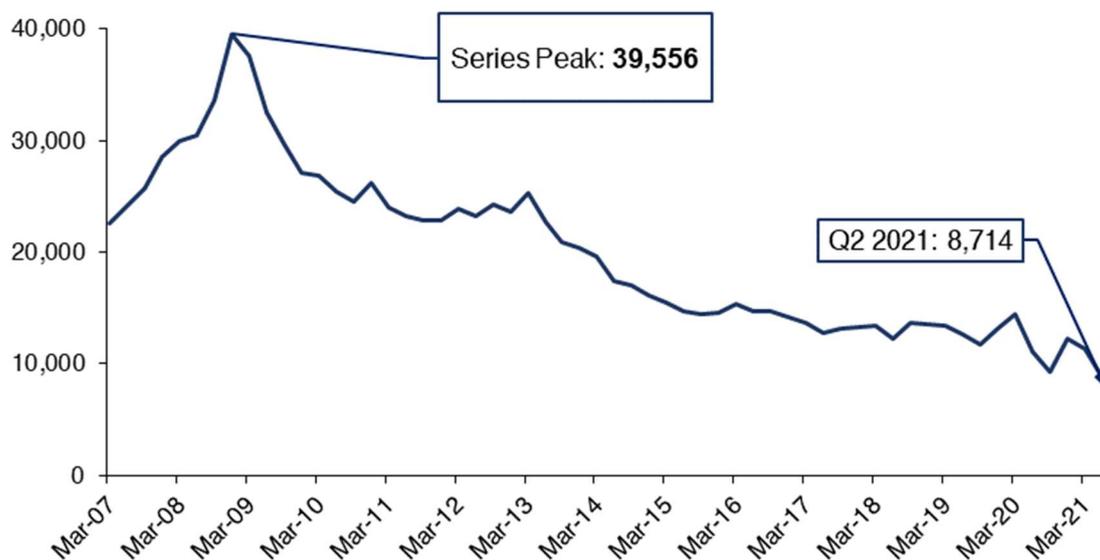
Arrears

Please note: Covid-19 related mortgage payment deferrals are not considered to be formal arrears, and so will not be reflected in the statistics below.

There were 8,714 regulated mortgages that went into arrears across the UK in Q2 2021, a decrease of 21.6% (2,401) on Q2 2020. As shown in Chart 4.9, this is also significantly lower than levels following the 2008 financial crisis, when the number of regulated mortgages that went into arrears peaked at 39,556 in Q4 2008.

(Source: FCA)

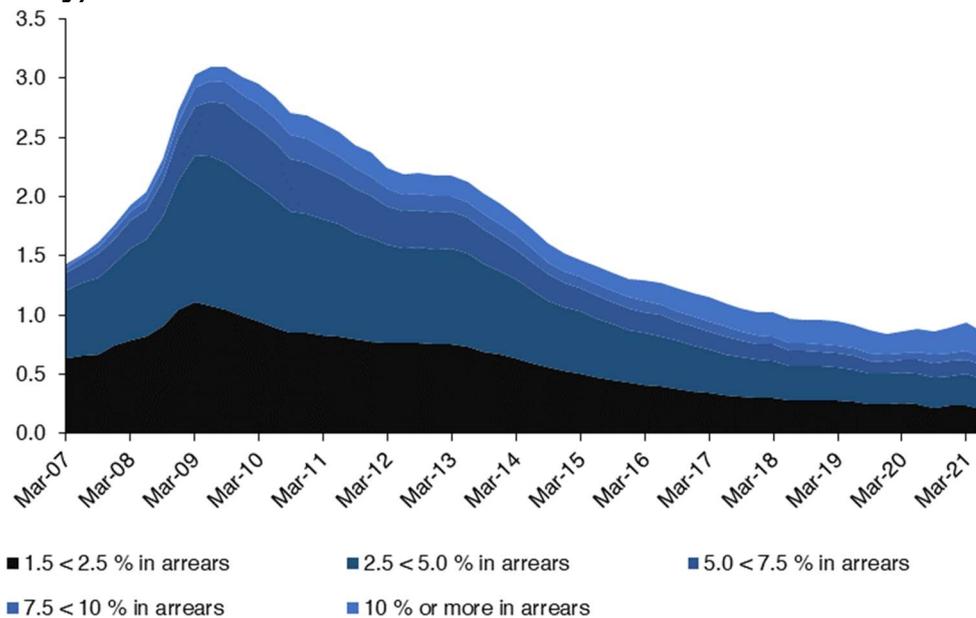
Chart 4.9 Number of Mortgage Loan Accounts Entering Arrears: UK (Quarterly)



Source: FCA

The share of lenders' outstanding regulated mortgage balances that were in arrears stood at 0.86% at the end of Q2 2021. This has remained broadly stable during the pandemic, with arrears at 0.88% at the end of Q2 2020. Chart 4.10 plots the share of lenders' outstanding balances that were in arrears by degree of severity. Arrears reported in the FCA MLAR data relate only to loans where the amount of actual arrears is 1.5% or more of the borrower's current loan balance.

Chart 4.10 Regulated Mortgage Balances in Arrears by Severity: UK, % (Quarterly)



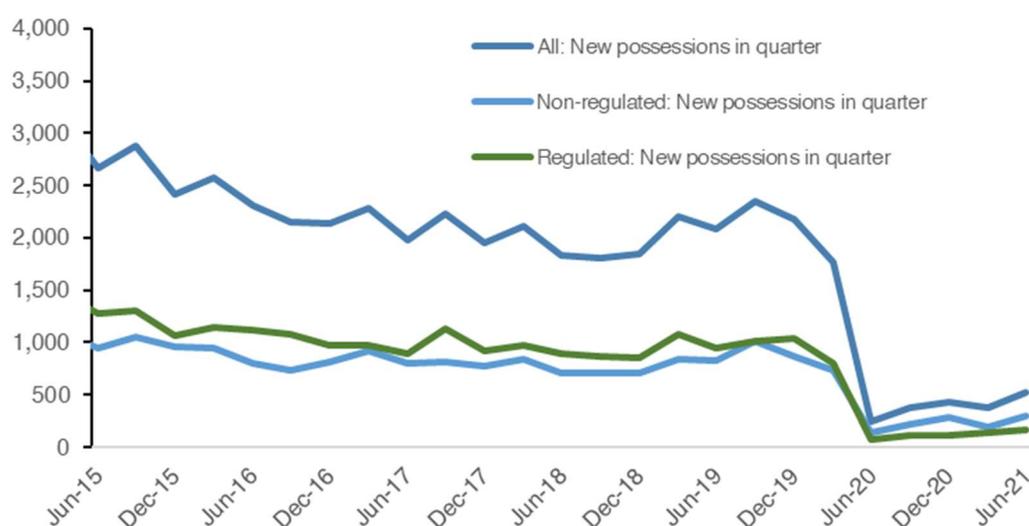
Source: FCA

UK Finance data show that there were 6,020 buy-to-let mortgages in arrears of 2.5% or more of the outstanding balance across the UK in Q2 2021. This is up by an annual 20.2%, although, this growth comes from a low base. This is still low relative to the period of the 2008 financial crisis. The number of buy-to-let mortgages in arrears of 2.5% or more as a percentage of the total number of mortgages in arrears of 2.5% or more is 7.3% as at Q2 2021, up from 6.3% in Q2 2020.

Possessions

There were 227 new regulated mortgage possessions across the UK in Q2 2021, an increase relative to Q1 2021 of 44 (24%) as can be seen in Chart 4.11. However, this is significantly less than pre-pandemic levels, with possessions down by 83% relative to Q4 2019. It can also be seen that regulated and non-regulated possessions moved in a similar direction over the recent period.

Chart 4.11 New Possessions in quarter by type (Quarterly)



Source: FCA

Guidance on evictions and repossessions

A ban on the enforcement of eviction orders in areas in Levels 3 and 4 is in place until 30 September 2021, although all areas in Scotland are currently in Level 0 or lower. The Coronavirus (Extension and Expiry) (Scotland) Bill, passed on 24 June 2021, has extended additional protections for tenants to 31 March 2022: in particular, measures increasing the notice period for social and private evictions to 6 months in most cases, giving the First Tier Tribunal discretion when considering all grounds for eviction in the private rented sector, and requiring private landlords seeking eviction on rent arrears grounds to follow Pre-Action Requirements. The Scottish Government recently announced a £10 million tenant grant fund for councils to support tenants struggling to pay their rent as a direct result of Covid-19 and who are at risk of eviction. This is part of a package of measures available to local authorities to prevent homelessness, alongside Discretionary Housing Payments and advice on maximising income. The grants come on top of the Scottish Government's £10 million Tenant Hardship Loan Fund.

The FCA published finalised guidance for mortgage lenders in March 2021, outlining that repossessions can be enforced from 1 April 2021 but this must be in accordance with FCA guidance and regulatory requirements, which mean that repossessions should only take place as a last resort, if all other reasonable attempts to resolve the situation have failed.

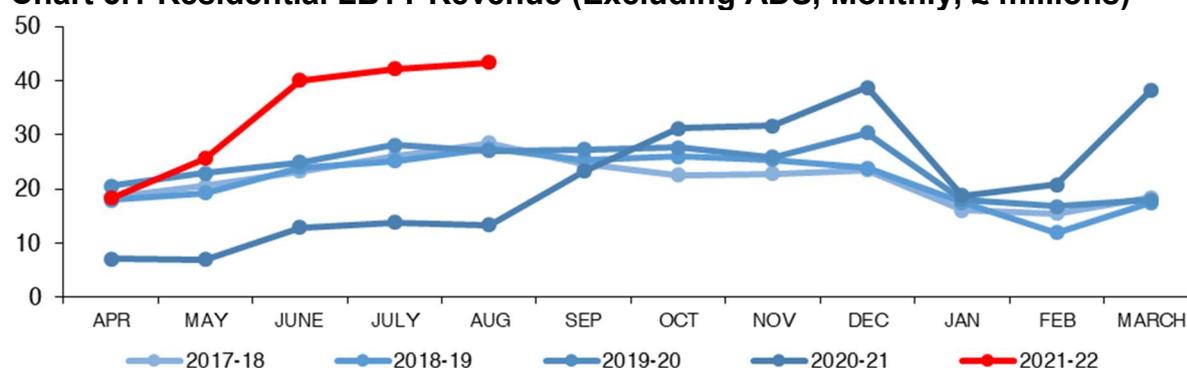
The FCA guidance also recognises that lenders will need to comply with relevant regulatory and legislative requirements in the different jurisdictions across the UK. (Source: FCA). The Scottish Government extended the ban on repossession of mortgaged properties in areas under level 3 or 4 restrictions until 30 September 2021, subject to review every three weeks. However, there are no areas in Scotland currently under level 3 or 4 restrictions.

Residential LBTT; Homelessness

Residential LBTT

Residential LBTT revenues excluding ADS rose sharply from £20.8m in February 2021 to £38.3m in March, before falling to £18.3m in April, as transactions were brought forward due to the temporary increase of the zero rate threshold for all buyers to £250K (from £175K for first-time buyers, and £145K for other buyers), which took effect on 15 July 2020 and ended on 31 March 2021. Residential LBTT revenue has picked up since April 2021, with revenue for the first 5 months of the financial year 52.4% higher for 2021-22 relative to a 4 year average (2016-17 to 2019-20).

Chart 5.1 Residential LBTT Revenue (Excluding ADS, Monthly, £ millions)



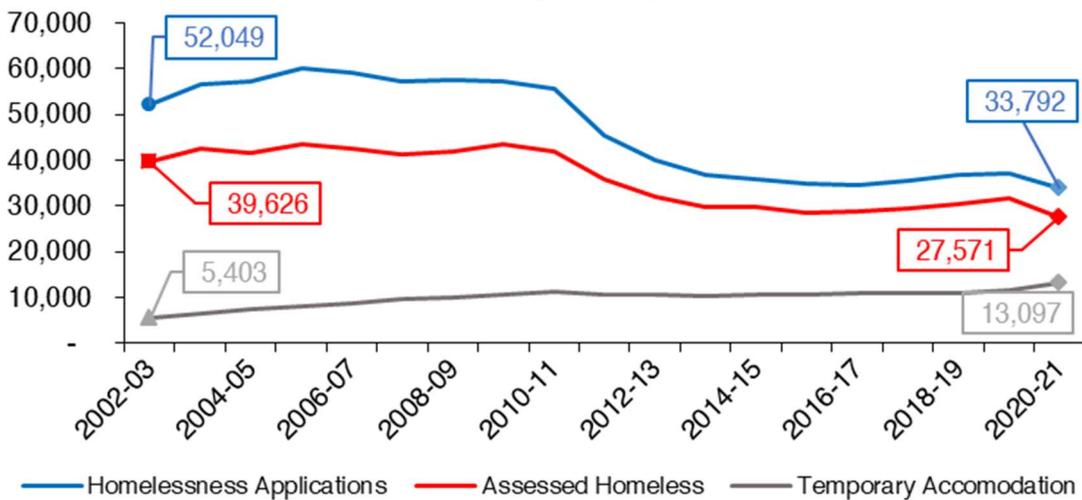
Source: Revenue Scotland

Homelessness

2020/21 saw 33,792 homelessness applications in Scotland, an annual decrease of 8.8% (-3,251), as illustrated in Chart 5.2. 27,571 households were assessed as being homeless (including those threatened with homelessness), a reduction relative to 2019/20 of 12.7% (-4,010). This included 30,345 (-15.5%) adults and 11,804 (-26.5%) children. There were 13,097 households in offered temporary accommodation as at 31 March 2021, an annual increase of 12.3% (+1,432).

On a per capita basis, West Dunbartonshire has the highest number of households assessed as homeless per 1,000 population (aged 16+) in 2020/21, at 11.9. This compares to a Scottish average of 6.1.

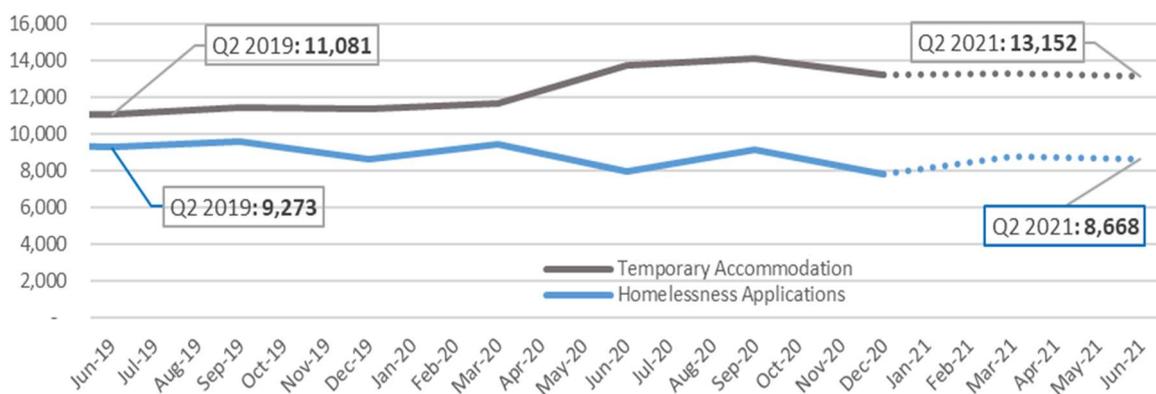
Chart 5.2 Homelessness in Scotland (Annual)



Source: Scottish Government

Chart 5.3 plots how homelessness applications and households in temporary accommodation have progressed since the start of the covid-19 pandemic on a quarterly basis, although note that this is not directly comparable to the official homelessness statistics. This chart uses Scottish Government statistics to Q4 2020 (solid line) and the Scottish Housing Regulator from Q1 2021 (dashed line) due to data availability. The quarterly data shows that since the start of the pandemic, homelessness applications continue to be below pre-pandemic levels. The 8,668 applications in Q2 2021 is 7% less than the same period in 2019. The number of households in temporary accommodation on the other hand increased during the pandemic from 11,345 in Q4 2019 to a peak of 14,151 (+25%) in Q3 2020 but has since fallen to 13,152 in Q2 2021.

Chart 5.3 Homelessness in Scotland (Quarterly)



Source: Scottish Government and SHR

Housing Supply: Starts and Completions

Key Points

Private New Build Sales have increased since the restrictions on non-essential construction activity, with the number of transactions across the latest months Jan 2021 to May 2021 being broadly in line with activity levels seen in the 2019 pre-pandemic period. However, on a rolling 1 year basis private new build sales remain negative (-5.3%)

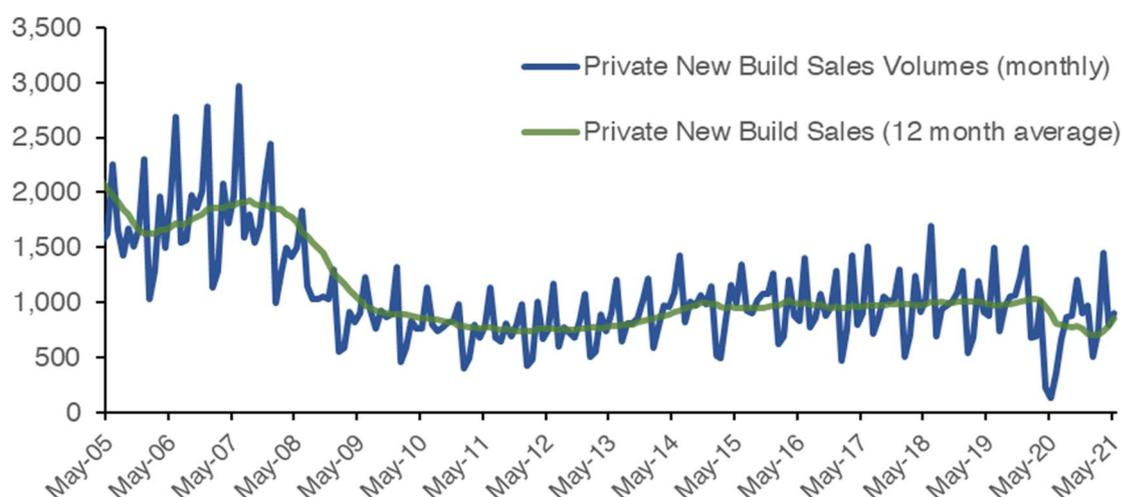
A total of 1,595 affordable homes were delivered in Q2 2021, an increase of 1,398 on Q2 2020 during which activity was largely paused due to lockdown measures, although the number of homes delivered in the 12 months to Q2 2021 is down 5% (374 homes) to 7,864 completions, compared with the previous year.

The most recent published Scottish Government figures cover the year to end September 2020, in which there were 15,852 new build homes completed across all sectors in Scotland, a decrease of 28% (6,132 homes) on the previous year, with activity levels being affected by COVID-19 lockdown measures.

Private New Build Sales: Scotland

While more recent data on private completions is not available due to delays as a result of Covid-19-related data supply issues, the UK HPI does include private new build sales, which provide a good indication. This shows that private new build sales decreased during the restrictions on non-essential construction activity in Q2 2020, as can be seen in Chart 6.1, with sales falling by 85% annually in May 2020. Sales have recovered strongly since then, increasing on an annual basis by 571.6% to May 2021, with the large growth figure due to the lockdown in place the previous year. However, on a rolling 1 year basis private new build sales remain negative (-5.3%).

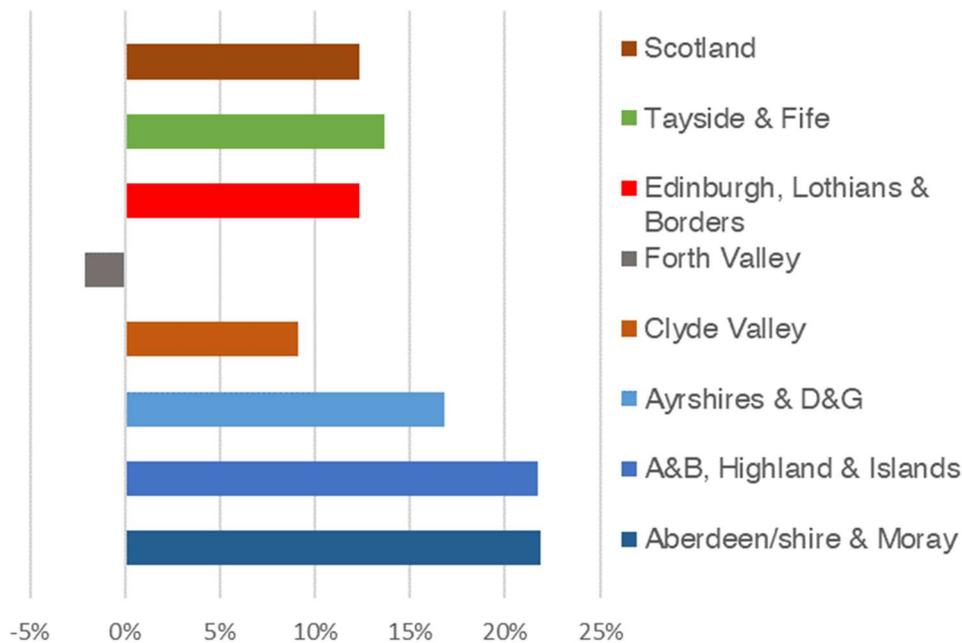
Chart 6.1 Scottish Private New Build Sales to May 2021



Source: UK HPI (Scotland)

Chart 6.2 provides the annual growth in private new build sales by region from Q1 2020 to Q1 2021. Private new build sales increased by an annual 12.4% for Scotland as a whole. Analysing the data by region, it can be seen that private new build sales have increased in the majority of regions over the one year period, with the largest increase in private new build sales in Aberdeen/shire and Moray (21.9%) and the only decrease in private new build sales was in the Forth Valley, a reduction of 2.1% annually. (Source: UK HPI).

Chart 6.2 Annual Growth in Scottish Private New Build Sales by Local Authority to Q1 2021

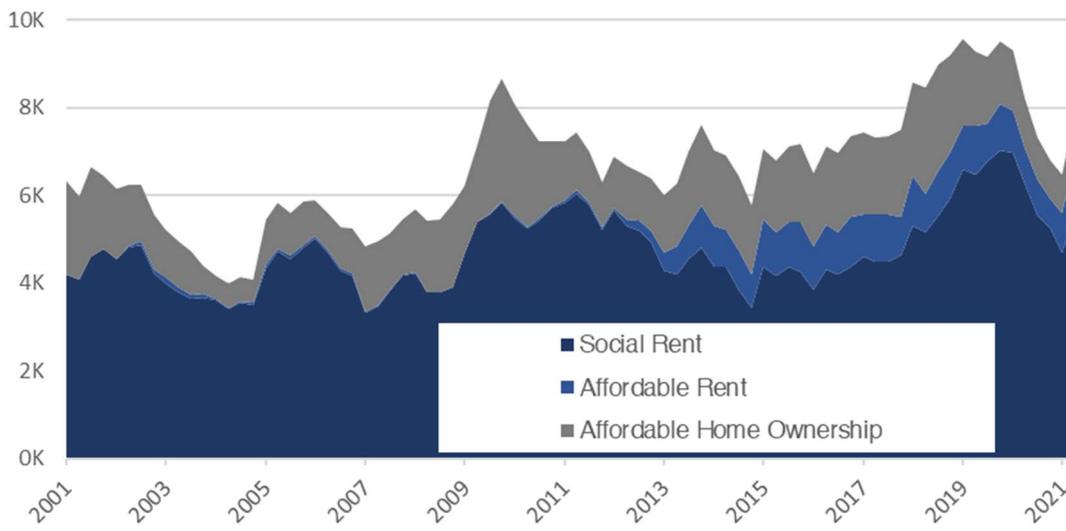


Source: UK HPI (Scotland)

Affordable Housing Supply Programme

Chart 6.3 shows that the supply of affordable housing has increased since the restrictions on non-essential construction activity in Q2 2020, although supply remains below the Q1 2020 level. 1,595 affordable housing completions were recorded in Q2 2021, an increase of 1,398 on Q2 2020 during which activity was largely paused due to lockdown measures although the number of homes delivered in the 12 months to Q2 2021 is down 5% (374 homes) to 7,864 completions, compared with the previous year. Over the last year, approvals have dropped by 36% to 7,972 whilst starts have increased by 3% to 11,097. (Source: SG).

Chart 6.3 AHSP Completions (4Q Moving Total, to Q2 2021)



Source: Scottish Government

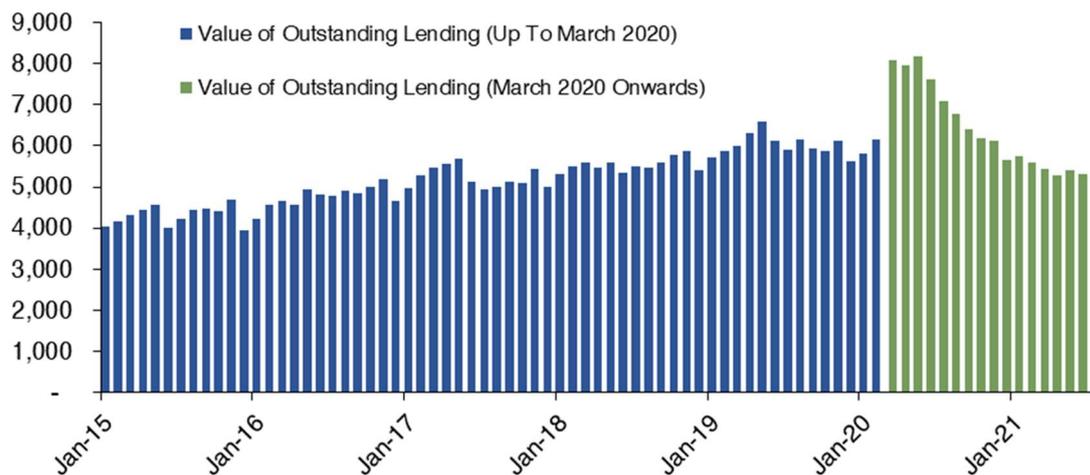
House Building: Lending and Construction Material Prices

Lending to House Builders

The value of loans outstanding to UK firms involved in the construction of domestic dwellings rose by £1.9bn from February to March 2020, an increase of nearly one-third (31%), as shown in Chart 7.1. The sudden increase likely reflected the need for credit to fund short-term liabilities owing to Covid-19 restrictions on construction activities and home moves, which had adversely affected firms' income. In addition, firms may have drawn down funds as a precaution, given the economic uncertainty.

However, since January 2021 the value of loans has steadily decreased. As at July 2021, the value of loans stood at £5.2bn, £933m (or 15.1%) lower than the value of loans at February 2020 (£6.2bn).

Chart 7.1 Loans Outstanding to Firms Involved in Construction of Domestic Buildings: UK (£ Millions)



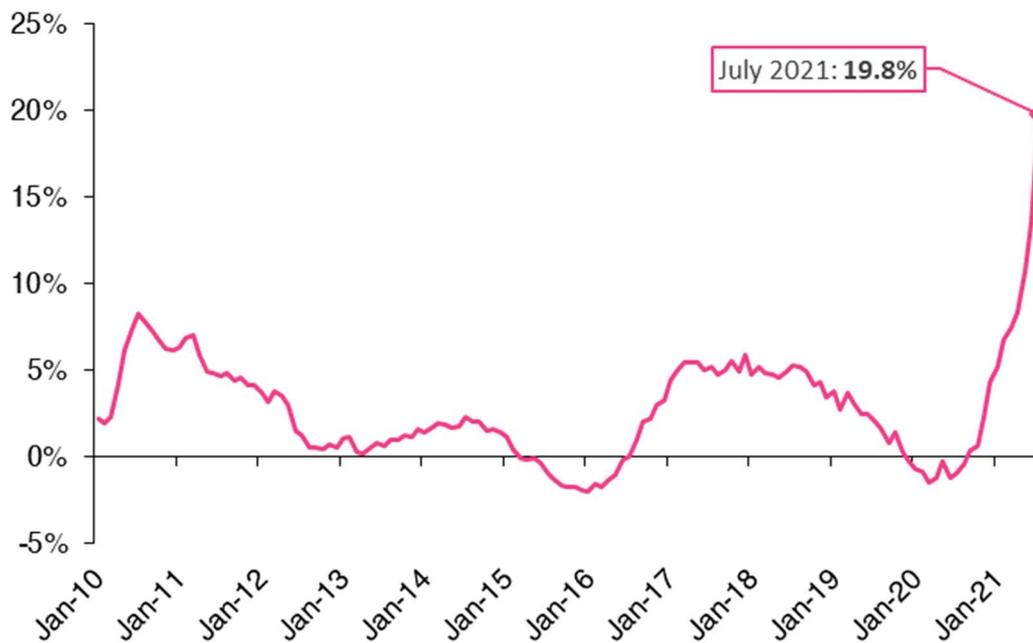
Source: Bank of England

Construction Material Prices

Data from BEIS on the cost of construction materials used in new house building (Chart 7.2) shows that construction material price inflation has accelerated since the early stages of the Covid-19 pandemic, when it was in negative territory, to stand at 19.8% in July 2021.

The annual increase in prices has been driven by certain products, namely imported plywood (+81.7%), fabricated structural steel (+64.7%) and imported sawn or planed wood (64.2%), with the only notable fall in prices seen for screws and other similar products (-14.1%).

Chart 7.2 Annual Change in Price of Construction Materials for New Build Housing: UK (Monthly)



Source: BEIS



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