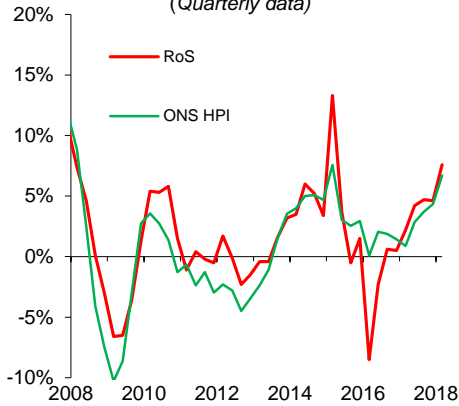
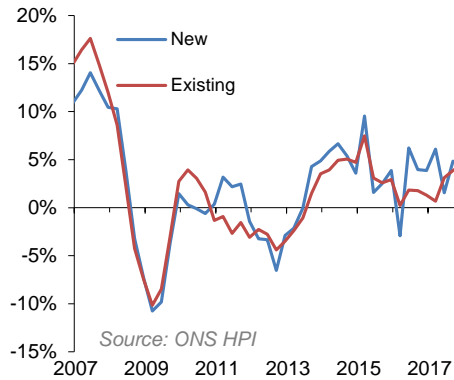


Annual house price growth: Scotland
(Quarterly data)



Annual house price growth by type of dwelling: Scotland
(Quarterly data)



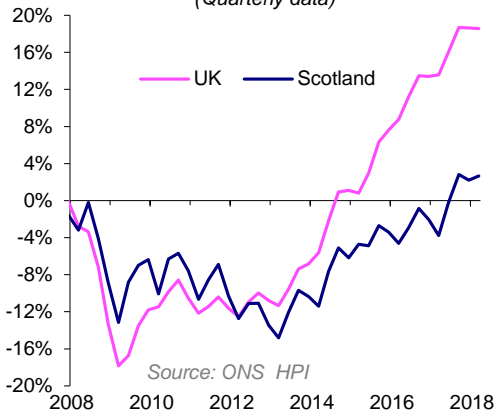
The annual growth rate of the ONS House Price Index (HPI) rose from 4.3% in Q4 2017 to 6.7% in Q1 2018.

In Q1 2018, the average (geometric mean) of ONS mix-adjusted house prices was £146k in Scotland relative to £225k in the UK. The average (arithmetic mean) of non-mix-adjusted RoS data for all dwellings bought in Scotland was £175k.

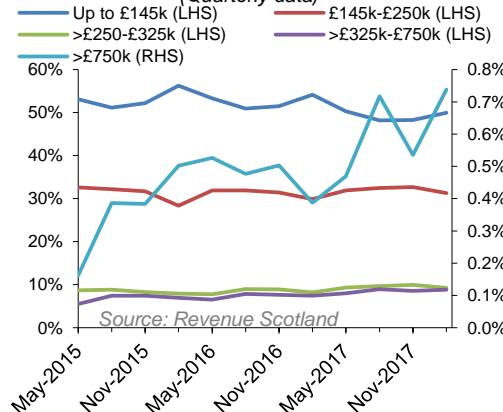
The breakdown between new and existing build house price inflation (ONS HPI) is available with a lag. In Q4 2017 annual new build price growth fell to 4.3%, down from 4.8% in Q3 2017. Annual price growth for existing build properties increased to 4.5% in Q4, up from 3.9% in Q3. The average price of a new dwelling in Scotland in Q4 2017 was £197k, while for an existing dwelling the average price was £144k.

ONS HPI data shows that the Scottish HPI was 2.7% above its pre-crisis peak during Q1 2018. The UK HPI for Q1 stood at 18.6% above its pre-crisis peak (60.0% above in London).

House prices relative to pre-crisis peak
(Quarterly data)



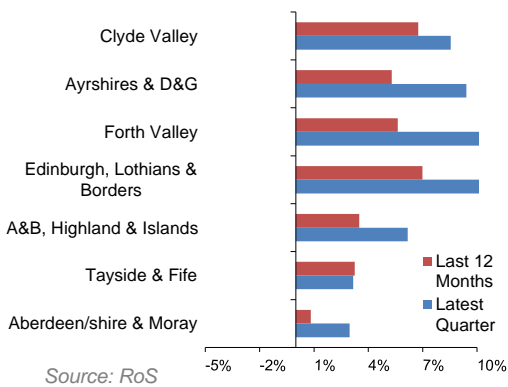
Share of Transactions by LBTT Band
(Quarterly data)



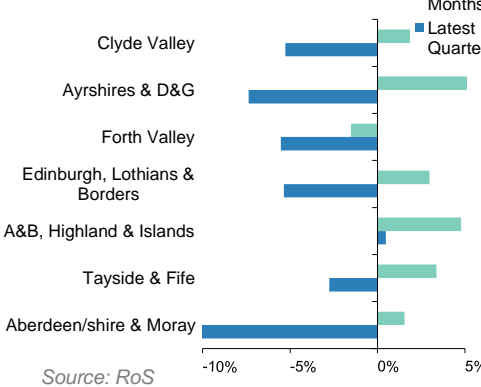
ONS HPI data shows that the Scottish HPI was 2.7% above its pre-crisis peak during Q1 2018. The UK HPI for Q1 stood at 18.6% above its pre-crisis peak (60.0% above in London).

According to data from Revenue Scotland, in Q1 2018 the share of properties above £325k increased by 1.7 percentage points on Q1 2017, whilst the share of properties under £145k fell by 4.2 percentage points. LBTT revenue (excluding ADS) totalled £50m in Q1 2018, up 14.9% on Q1 2017.

Annual house price growth: Scotland Areas
(Q1 2018)

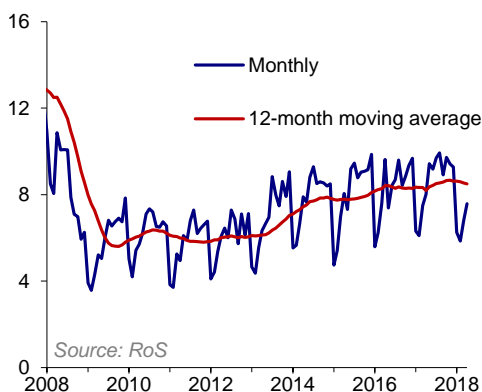


Annual growth in transactions: Scotland Areas
(Q1 2018)

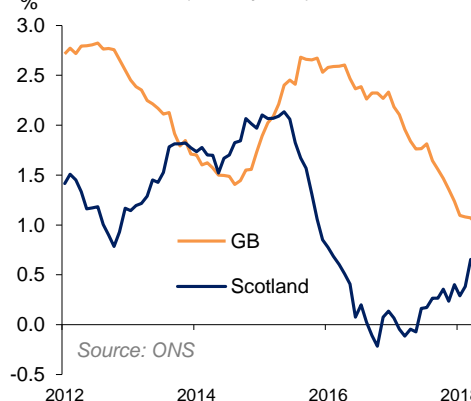


RoS data show that in Q1 2018, house prices grew by more than 10% on Q1 2017 in Edinburgh, Lothians & Borders (10.5%) and in Forth Valley (10.2%). The lowest annual house price growth was in Aberdeen/shire & Moray (3.0%) and Tayside & Fife (3.2%).

House sale transactions: Scotland
(000s)



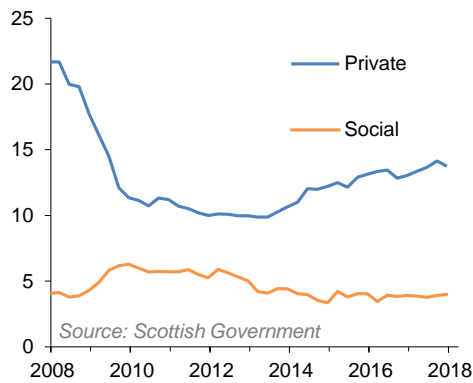
Annual rate of change in rental prices
(Monthly data)



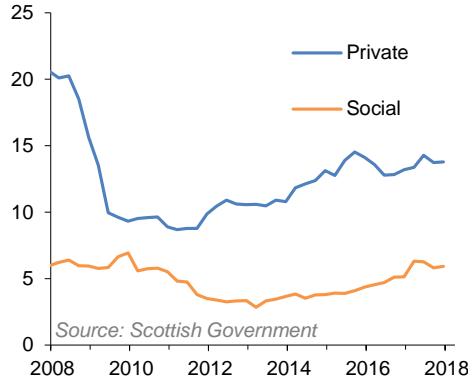
In Q1 2018, there were 18,894 sales in Scotland according to data from RoS. Although transactions were up 2.5% in 2017/18 on the previous year, sales in Q1 2018 were down 5.2% on Q1 2017. The largest fall in transactions in Q1 2018 was in Aberdeen/shire & Moray, where transactions fell by 10.3% on Q1 2017.

ONS experimental statistics show that annual rental growth in Scotland was 0.6% in May 2018, compared to 1.0% in Great Britain.

New build completions: Scotland
(4-quarter moving total, 000s)



New build starts: Scotland
(4-quarter moving total, 000s)

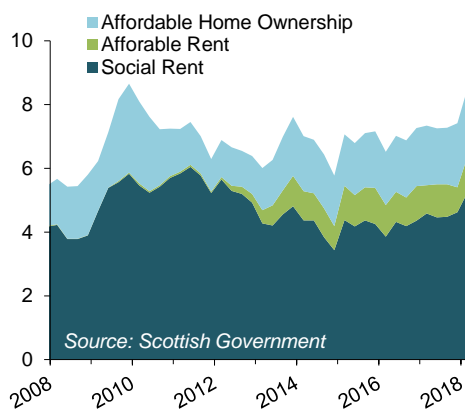


Across all sectors, 17,739 new build homes were completed in the year to end December 2017, a 4.8% annual increase. Meanwhile, there were 19,702 starts, up by 7.6%.

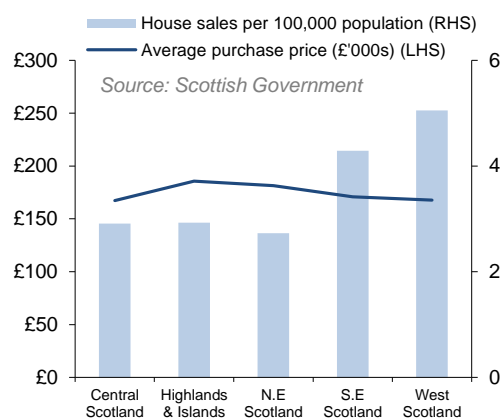
Private sector completions in the year to end December 2017 totalled 13,750, up by an annual 5.5%. Meanwhile, private sector starts totalled 13,774 - up by an annual 4.4%.

Social new build completions totalled 3,989 in the year to end December 2017, a 2.4% annual increase. Meanwhile, social new build starts were up by an annual 15.7% (at 5,928).

Affordable Housing Supply Programme
(4-quarter moving total completions, 000s)



Help to Buy (Scotland)
(April 2017 - March 2018)



In the year to end March 2018, there were 8,534 completions through the Affordable Housing Supply Programme (AHSP), up by an annual 16.3%. In the same period, there were 11,677 approvals through AHSP, up by an annual 13.6%, and 10,569 starts, up by an annual 13.5%.

In 2017/18, there were 2,290 sales through Help to Buy (Scotland). The Scottish Government has recently published a report on the characteristics of households who participated in Help to Buy (Scotland) for 2016/17, which is available at: <https://beta.gov.scot/policies/homeowners/help-to-buy/>

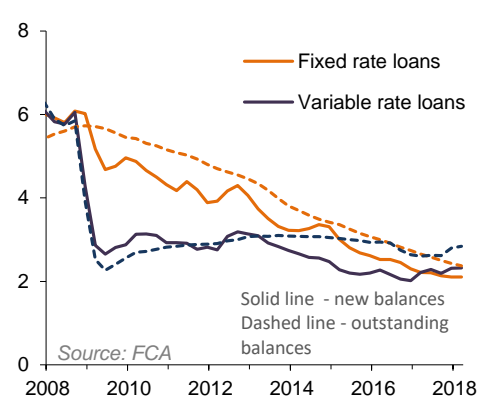
FCA data show that in Q1 2018 the average interest rate for new variable and fixed rate lending remained steady, at 2.3% and 2.1%, respectively.

More recent Bank of England data show that the average interest rate on 2 year fixed mortgages increased by 0.23 percentage points to 1.72% in the three months to May 2018. The average interest rates on 3, 5 and 10 year fixed rate mortgages also increased slightly. These increases were due to financial markets expecting a rise in Bank Rate in May (which did not occur).

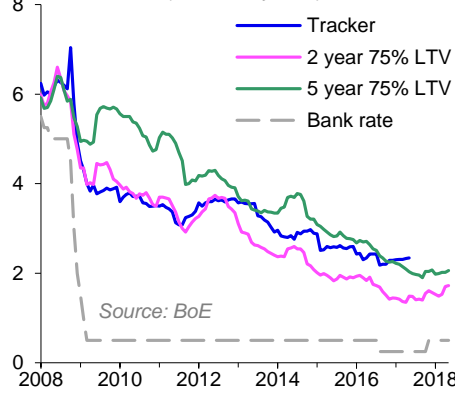
There has been a marginal increase on the previous quarter in the share of new lending at fixed rates, which stood at 90.7% in Q1 2018.

Net bank lending to housebuilders in the UK totalled £16.4bn in Q1 2018, up 4.1% on Q1 2017.

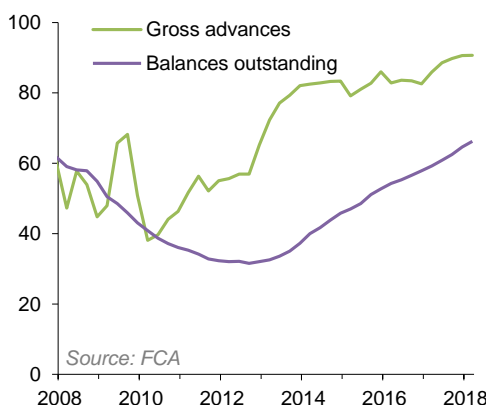
Average interest rate on residential loans to individuals: UK (% Quarterly data)



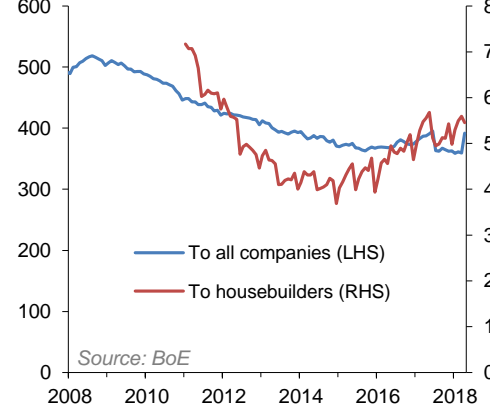
Mortgage interest rates: UK (% Monthly data)

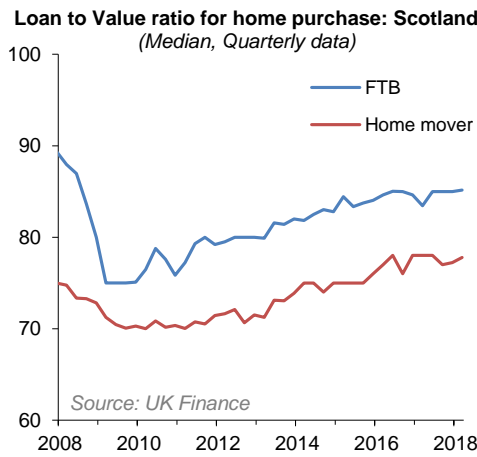
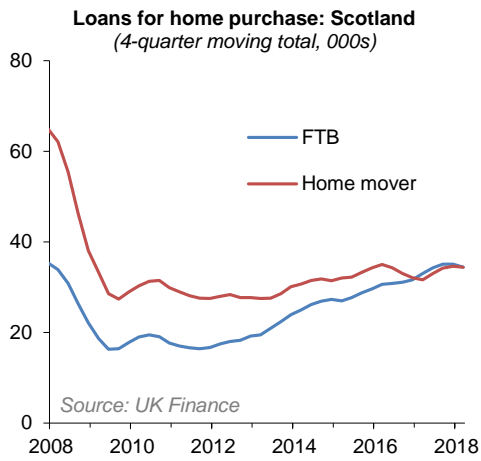


Proportion of residential loans at fixed rates: UK (% Quarterly data)



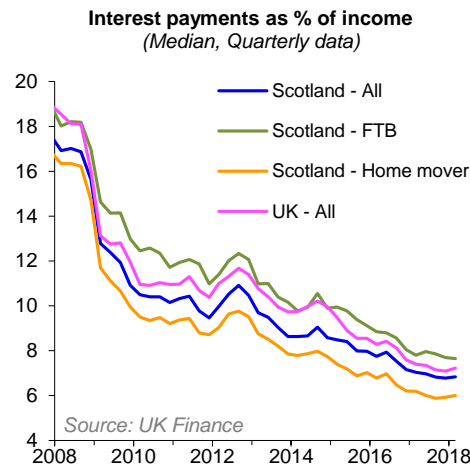
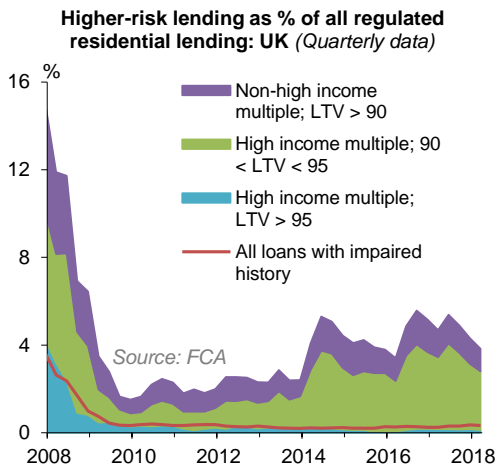
Financial institutions' net loans outstanding: UK (£bn Monthly data)





According to UK Finance data, there were 13,500 new loans for home purchase in Scotland in Q1 2018, down by an annual 6.3%. Loans to FTBs were down by an annual 9.2% and loans to Home Movers fell by 2.9%.

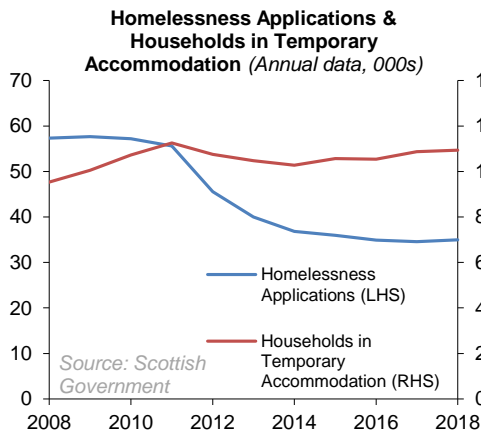
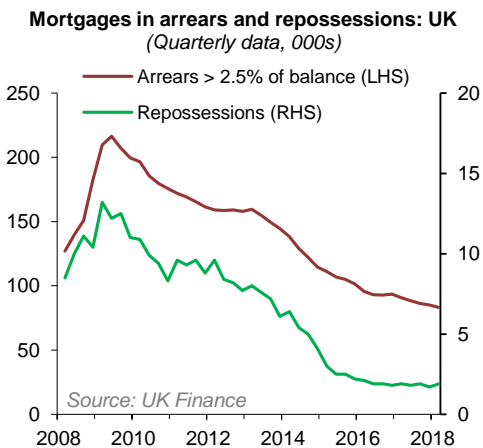
In Q1 2018, the average LTV ratio for FTBs in Scotland remained at 85% whilst the LTV for home movers increased to 78%. The average FTB deposit is approximately £18,900 - equivalent to 54% of average annual FTB income, down from a peak of over 90% during the credit crunch.



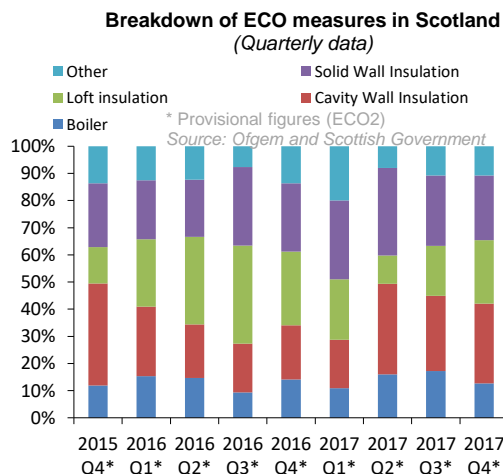
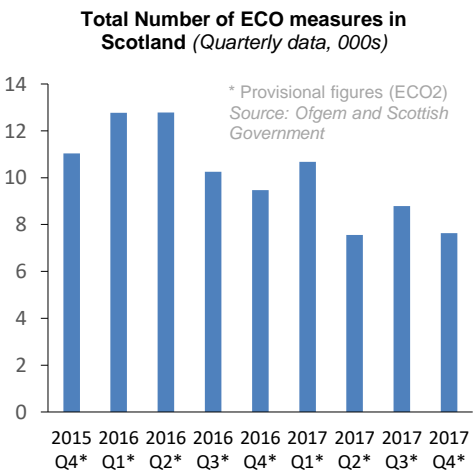
According to FCA data, the proportion of all regulated residential loans with an LTV above 90% fell slightly to 3.83% in Q1 2018 - down from 4.31% in Q4 2017 and 4.68% in Q1 2017.

UK Finance data show that for all Scottish buyers, the average mortgage interest payment to income ratio remained at 6.8% in Q1 2018, compared to 7.2% for the UK.

UK Finance data also show that in Q1 2018 the total number of loans in the UK with arrears equivalent to 2.5% or more of the mortgage balance was 83,200, down by an annual 8.3%. The number of repossessions in Q1 2018 totalled 1,900, the same number as in Q1 2017.



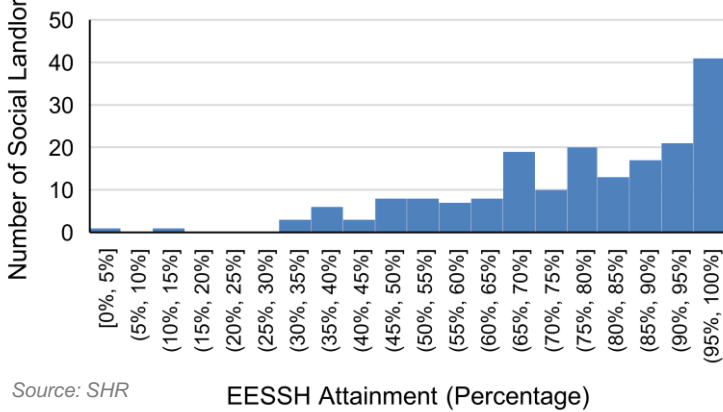
There were 34,972 homelessness applications in 2017/18, up by 1.2% on the previous year. The number of households in temporary accommodation was 10,933 in 2017/18, up by 0.6% on the previous year.



The number of ECO (Energy Company Obligation) measures delivered in Scotland in Q4 2017 was 7,627 compared to 9,464 in the same quarter of 2016. The most common measure installed in Q4 2017 was Cavity Wall Insulation (29% of measures), followed by Solid Wall Insulation (24%).

Special Feature: Energy Efficiency in the Social Sector

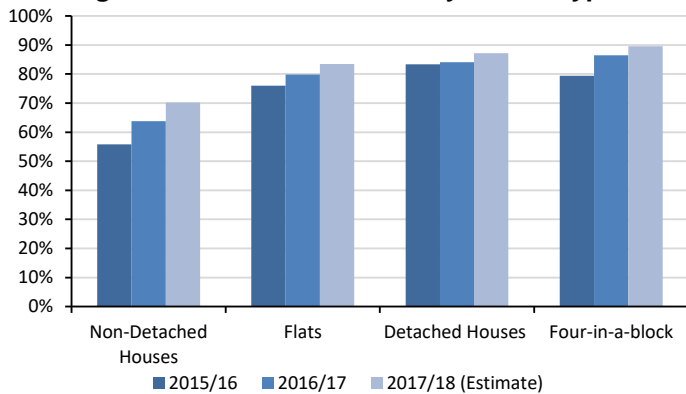
Figure 1. EESSH Attainment Across Social Landlords (2016/17)



Source: SHR

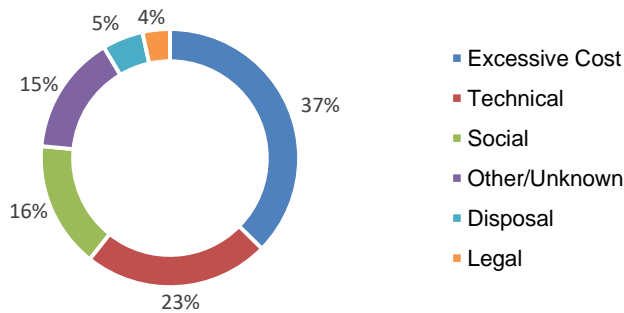
EESSH Attainment (Percentage)

Figure 2. EESSH Attainment by House Type



Source: SHR

Figure 3. Reasons for Anticipated EESSH Exemptions by 2020



Source: SHR

Table 1. EESSH 2 Proposals (EPC Bands, SAP 2012)

Dwelling	Gas	Electric	Biomass	Other
Flats	B	B	B	C
Four-in-a-block	B	B	B	C
Non-Detached Houses	B	B	B	C
Detached Houses	C	C	C	C

Source: Scottish Housing Regulator (EESSH data) Available at <https://www.scottishhousingregulator.gov.uk/publications/energy-efficiency-standard-social-housing-eessh-data-all-social-landlords-dataset>.

The Energy Efficiency Standard for Social Housing (EESH) was introduced in March 2014, with the objective of improving the energy efficiency of social housing in Scotland by raising the minimum Energy Efficiency ratings (which vary by dwelling and fuel type) from those set by the Scottish Housing Quality Standard. Social landlords must meet the first EESH milestone by 31 December 2020, and the Scottish Government is currently seeking views on milestones post-2020 (EESH 2). There is still time to respond to the consultation, which closes on 27 July 2018 (see <https://consult.gov.scot/>).

In 2016/17, there was a marked increase in progress towards meeting the EESH. According to the most recent Scottish Housing Regulator (SHR) data, 25,777 properties were brought up to the EESH in 2016/17, 38% more than in 2015/16. As a result, 75% of social rented properties in scope of EESH met the standard by the end of 2016/17, an increase of 6 percentage points on the previous year. Attainment of the EESH is, however, subject to a large degree of variation amongst social landlords, as shown in Figure 1. For one third of social landlords, at least 90% of their properties in scope of EESH have met the standard (9% of all social landlords have a 100% attainment rate). In contrast, for a quarter of social landlords, attainment of the EESH is less than 66%. This variability in EESH attainment amongst social landlords is expected to narrow. Of the 27,356 properties expected to be brought up to the EESH in 2017/18, 44% are attributable to social landlords in the bottom quartile of EESH attainment.

The SHR data also suggests that meeting the EESH varies across house types, with current EESH attainment for non-detached houses lagging other dwelling types. Figure 2 shows that while the EESH attainment rates for flats, four-in-a-block and detached properties are all over 80%, it is only 64% for non-detached houses. In addition, while only 4.5% of non-detached houses in scope of EESH are expected to be exempt from the EESH in 2020, this is nearly double the proportion of detached houses, and four times the proportion of four-in-a-block dwellings that are anticipated to be exempt from the EESH by 2020.

Across all dwelling types, landlords are anticipating that approximately 3% of the stock of housing in scope of EESH will be exempt from the EESH by 2020. The primary reason that properties are not anticipated to meet the EESH is excessive cost (37%), which is applicable when the cost of installing energy efficiency measures far exceeds potential benefits to tenants. This is followed by technical reasons (23%), where energy efficiency measures are unsuitable due to the construction or design features of the property, and social reasons (16%) which apply when tenants and/or owner occupiers refuse to participate in the installation of energy efficiency measures. A breakdown of the reasons for anticipated exemptions is shown in Figure 3.

To achieve the EESH, social landlords have made significant improvements to the quality of social housing. Yet, 200,000 social rented households still live in fuel poverty. To improve the energy efficiency of social housing, EESH 2 is proposing to maximise the number of homes in the social rented sector attaining Energy Performance Certificate (EPC) rating B by 2032 (or C for detached houses and "other" fuels, as outlined in Table 1). In addition, the consultation proposes a floor of EPC D as the minimum energy efficiency standard for social housing to be let from 2025.