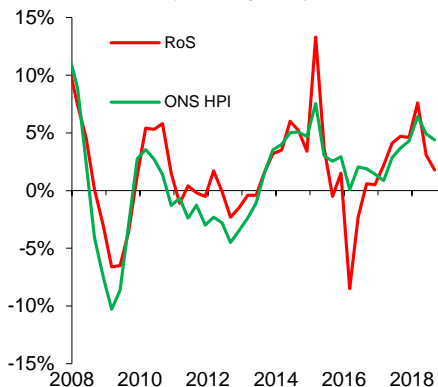
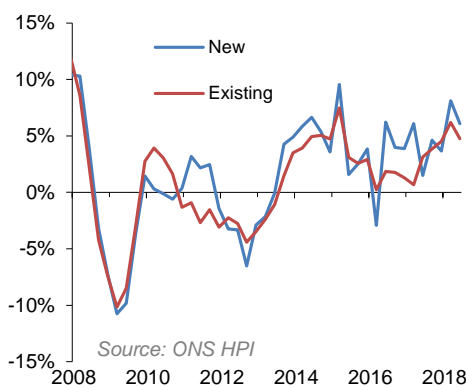


Annual house price growth: Scotland
(Quarterly data)



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



The annual growth rate of the ONS House Price Index (HPI) fell from 4.9% in Q2 2018 to 4.4% in Q3 2018.

In Q3 2018, the average (geometric mean) of ONS mix-adjusted house prices was £153k in Scotland, relative to £232k in the UK. The average (arithmetic mean) of non-mix-adjusted RoS data for all dwellings bought in Scotland in Q3 2018 was £182k, up 1.8% on Q3 2017.

The breakdown between new and existing build house price inflation (ONS HPI) is available with a lag. In Q2 2018, annual new build price growth decreased to 6.1%, down from 8.1% in Q1 2018. Annual price growth for existing properties decreased to 4.8% in Q2, down from 6.2% in the previous quarter.

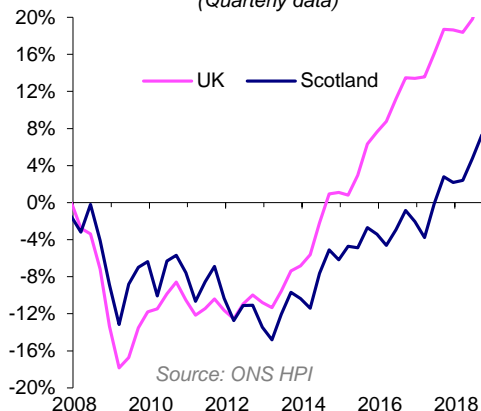
The Scottish Government's Draft Budget 2019/20, published on 12 December 2018, announced an increase in the Additional Dwelling Supplement from 3% to 4%. If approved by the Scottish Parliament, the rate change will come into force from 25 January 2019 but will not apply if the contract for a transaction was entered into prior to 12 December 2018.

RoS data show that in Q3 2018, the increase in house prices was widely spread across Scotland, with only Forth Valley experiencing a fall, of 1.6% on Q3 2017.

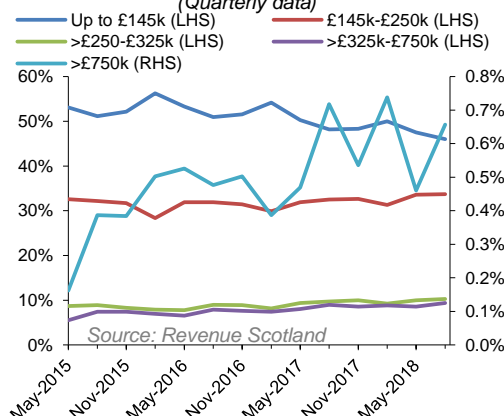
In Q3 2018, there were 28,721 sales in Scotland, according to data from RoS. This is an increase of 0.7% on Q3 2017; however, since the start of 2018 sales are down 3.8% on the same period last year. The largest annual increase in sales was in Ayrshires & Dumfries & Galloway, where sales increased by 4.9% on Q3 2017. In Edinburgh, Lothians & Borders, transactions fell by 7.7% on Q3 2017: this is the third consecutive quarter of negative annual sales growth.

ONS experimental statistics show that annual rental growth in Scotland was 0.6% in October 2018, slightly below annual rental growth in Great Britain of 0.9%.

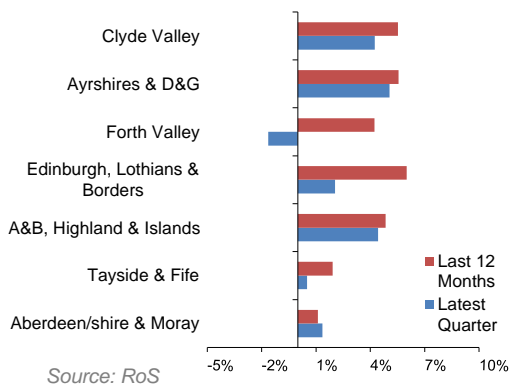
House prices relative to pre-crisis peak
(Quarterly data)



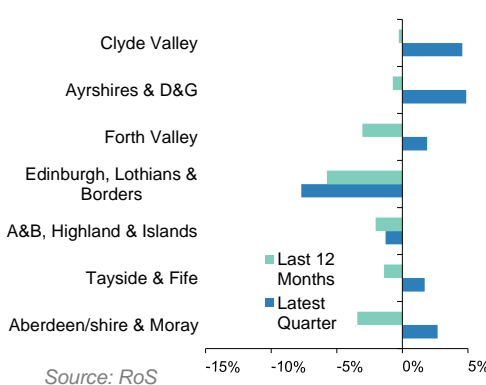
Share of Transactions by LBTT Band
(Quarterly data)



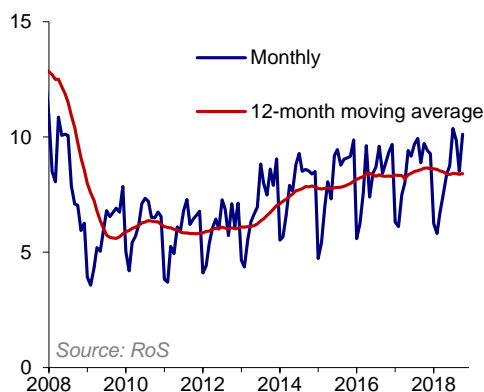
Annual house price growth: Scotland Areas
(Q3 2018)



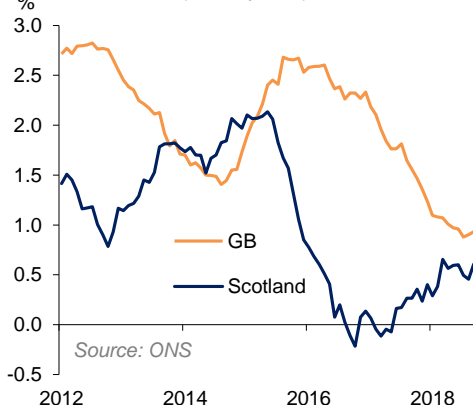
Annual growth in transactions: Scotland Areas
(Q3 2018)



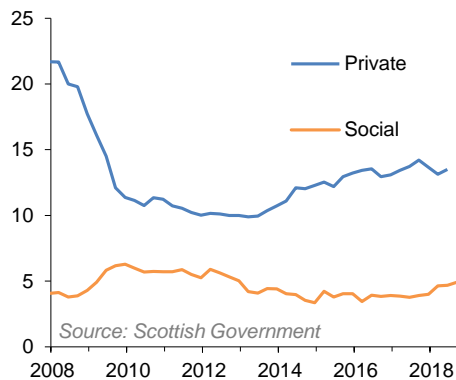
House sale transactions: Scotland
(000s)



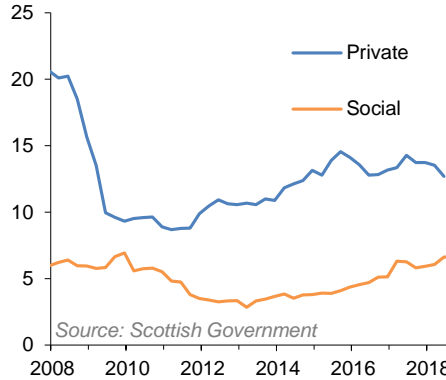
Annual rate of change in rental prices
(Monthly data)



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



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

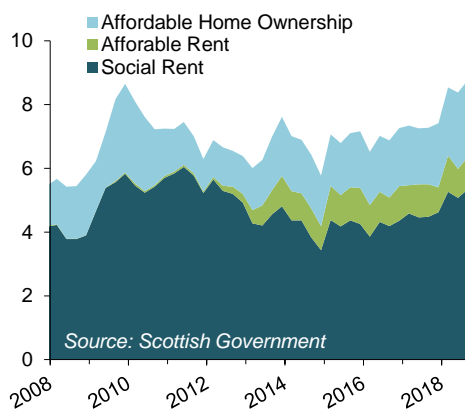


Across all sectors, 18,182 new build homes were completed in the year to end June 2018, a 4.0% annual increase. Meanwhile, there were 19,303 starts, down 6.0%.

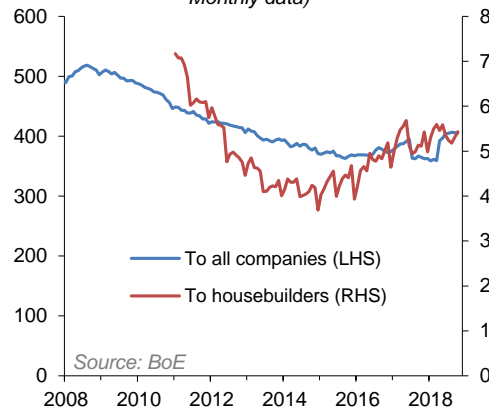
Private sector completions in the year to end June 2018 totalled 13,494, down by an annual 1.7%. Meanwhile, private sector starts totalled 12,686, down by an annual 11.2%.

Social new build completions totalled 4,688 in the year to end June 2018, an annual increase of 24.5%. Meanwhile, social new build starts totalled 6,617, up by an annual 5.8%.

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



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

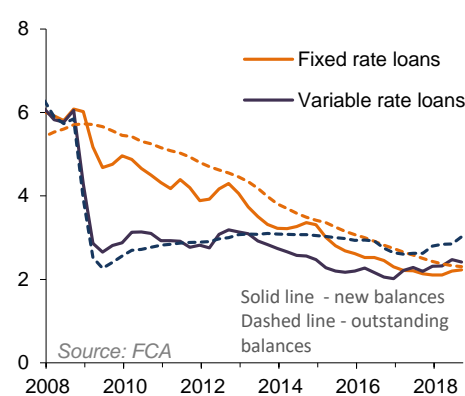


In the year to end September 2018, there were 8,767 completions through the Affordable Housing Supply Programme (AHSP), up by an annual 20.6%. In the same period, there were 11,565 approvals through AHSP, up by an annual 8.5%, and 10,198 starts, up by an annual 2.1%.

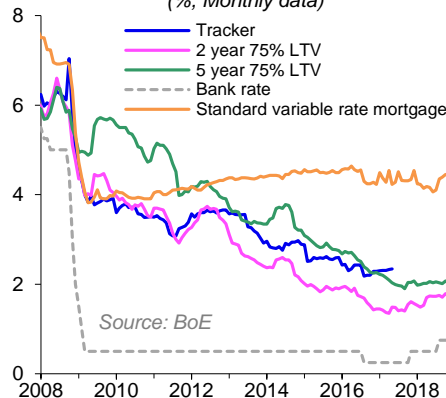
Net bank lending to house builders in the UK stood at £15.9bn in Q3 2018, up 4.5% on Q3 2017.

FCA data show that in Q3 2018 there were only minor movements in the average interest rate for new variable and fixed rate lending, which stood at 2.4% and 2.2%, respectively.

Average interest rate on residential loans to individuals: UK (Regulated Loans, %, Quarterly)



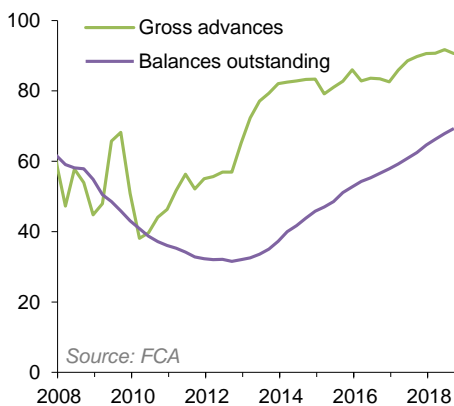
Mortgage interest rates: UK (% Monthly data)



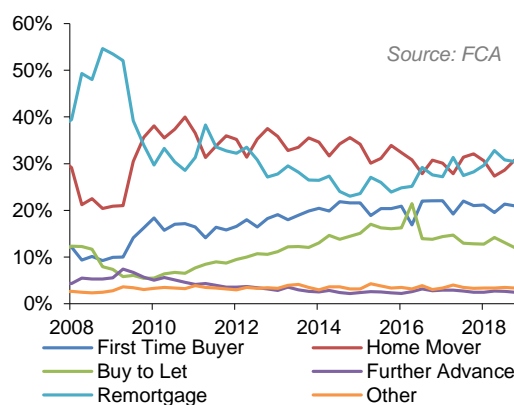
Bank of England and FCA data point to a decreasing margin between lending rates and Bank Rate in the past two years. In the two years to November 2018, the average interest rate on 5 year fixed rate lending has fallen by 0.23 percentage points, despite Bank Rate increasing by 0.5 percentage points over the period. Similarly, the increase in the average interest rate on 2 year fixed rate lending has been less than the rise in Bank Rate over the same period.

Overall, the share of gross advances at rates less than 2 percentage points above Bank Rate was 84.1% in Q3 2018, up 14.5 percentage points on Q3 2017 (and is the highest share since Q3 2008).

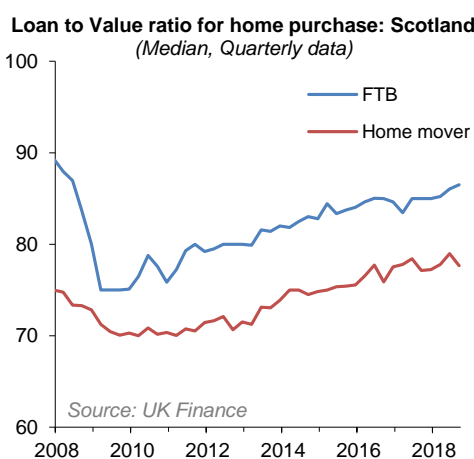
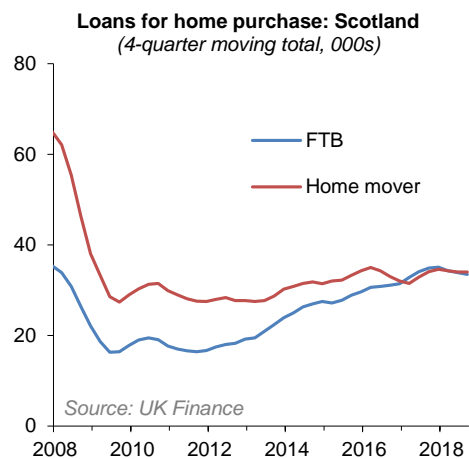
Proportion of residential loans at fixed rates: UK (Regulated Loans, %, Quarterly data)



Gross Advances by Purpose: UK (All Loans (Regulated & Non-Regulated), Quarterly Data)

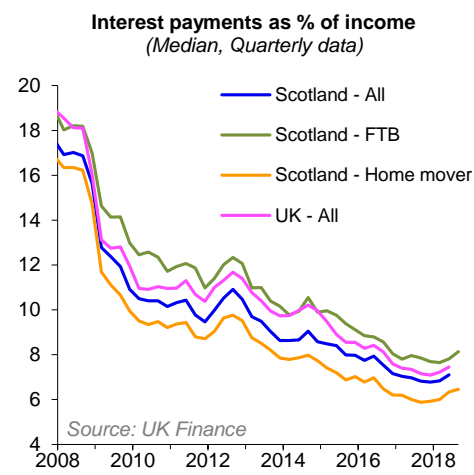
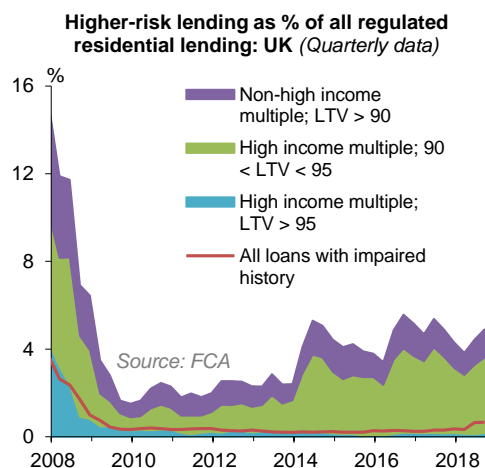


Data from the FCA also show that across the UK, the share of gross advances for remortgaging increased to 30.4% in Q3 2018, up 2.1 percentage points on Q3 2017 and up 7.4 percentage points on Q3 2014, which was a 10 year low.



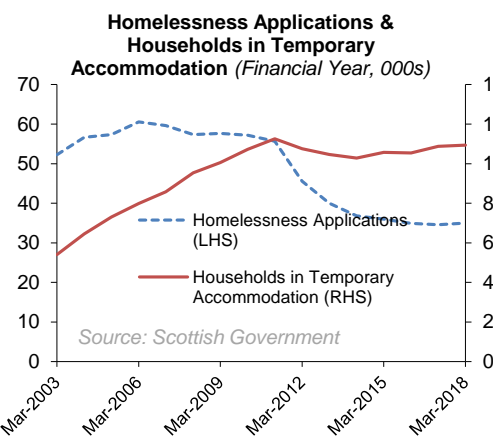
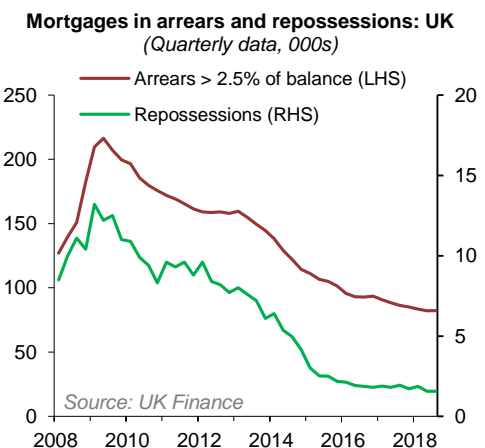
According to UK Finance data, there were 18,500 new loans for home purchase in Scotland in Q3 2018, down by an annual 2.6%. Loans to FTBs were down by an annual 4.3% - the third consecutive quarter of negative growth - while there was no change in the number of loans to home movers on last year.

In Q3 2018, the median LTV ratio for FTBs in Scotland ticked up to 86.5%, up 0.5 percentage points on the previous quarter. Meanwhile, the LTV for home movers fell to 77.7%, down 1.3 percentage points on the previous quarter.

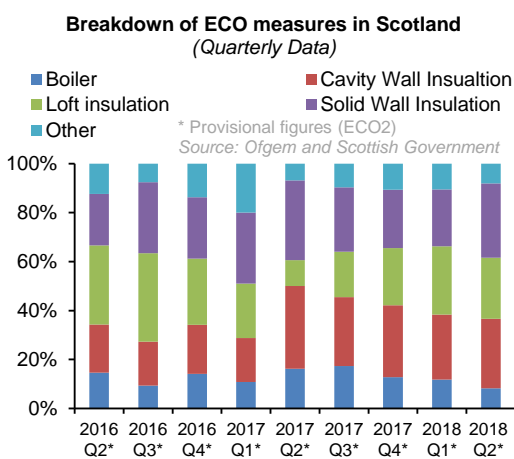
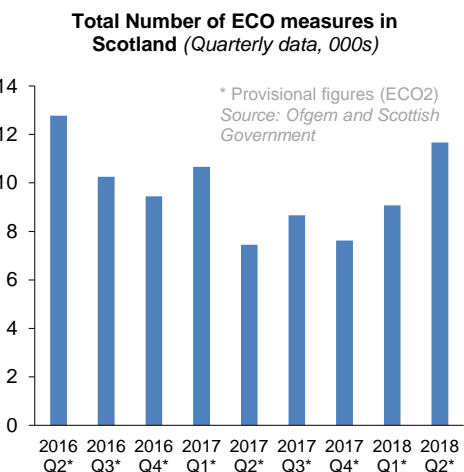


According to FCA data, the proportion of all regulated residential loans in the UK with an LTV above 90% increased to 4.9% in Q3 2018. This is up 0.5 percentage points on the previous quarter (4.4%) and unchanged on Q3 2017.

UK Finance data show that for FTBs in Scotland, the median mortgage interest payment to income ratio increased slightly to 8.1% in Q3 2018, up 0.3 percentage points on Q2 2018. The median mortgage interest payment to income ratio for home movers in Scotland increased to 6.5% in Q3, up 0.1 percentage points on Q2.



UK Finance data also show that in Q3 2018, the total number of loans in the UK with arrears equivalent to 2.5% or more of the mortgage balance was 82,260, down by an annual 4.6% but marginally up on Q2. There were 1,570 repossessions across the UK in Q3 2018, down 19.1% on Q3 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 Q2 2018 was 11,667, up 57% on Q2 2017. The most common measure installed was solid wall insulation (30%), with over 3,500 upgrades delivered.

Special Feature: Housing Beyond 2021

On 25 September 2018, the Cabinet Secretary for Communities and Local Government, Aileen Campbell MSP, launched a programme of work to develop a vision for how our homes and communities should look and feel in 2040 and the options and choices to get there. The focus of this work is on the whole housing system, not just housing supply. There are a number of Scotland-wide challenges which our approach to Housing Beyond 2021 needs to address such as: providing health, care and housing for an ageing population; ending homelessness and tackling child poverty, as well as fuel poverty (as set out in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill 2018); and improving the energy efficiency of our stock by 2040, reflected in the Energy Efficient Scotland Routemap, which will also help meet our climate change targets. The Scottish Government remains committed to promoting increased supply across all tenures. We need to put in place plans for short, medium and long term interventions that complement the approach to our existing stock. This quarter's special feature highlights some of the challenges that Scotland faces over the next two decades to 2040, and details of how you can get involved in Housing Beyond 2021.

Demographic Changes: The latest NRS household projections show that the composition of households in Scotland is set to change over the next two decades to 2041. It is projected that there will be an additional 12,700 households per annum up to 2041 (but see below for possible impact of Brexit), and these households will, on average, be smaller with one person households set to become the most common household type. This is explained by Scotland's ageing population: the number of households headed by someone aged over 70 is projected to increase by 58% by 2041, compared to just 2% for those under 70. This will not only affect what new houses are built, but also how we adapt the existing stock with 80% of homes expected to be in use in 2050 having already been built.

Homelessness: Scotland has among the strongest rights in Europe for people facing homelessness, and reducing homelessness is a vital part of tackling poverty. In the decade to 2017-18, the number of homelessness applications in Scotland has decreased by nearly 40%; however, there were still 34,972 homelessness applications in 2017-18. Ending homelessness is a priority for the Scottish Government, and interventions taken now can help us work towards ending homelessness in Scotland.

Brexit: Brexit has the potential to affect both the demand and supply of housing in the two decades to 2040. A restriction to the free movement of EU nationals could not only affect population growth across Scotland, as shown in Chart 4, but it could also have an asymmetric effect on the demand for different forms of housing tenure. EU nationals are more likely to live in the private rented sector than UK nationals: according to the Annual Population Survey (2016) nearly two-fifths of EU nationals in Scotland live in the PRS, which is around three times the share of all UK nationals in Scotland who live in the PRS. A restriction to the free movement of EU nationals could therefore have implications for the composition of housing tenure across Scotland.

How You Can Get Involved
An initial phase of informal stakeholder engagement closed on 30 November. However, a second wave of stakeholder engagement is planned for Spring 2019 and we would welcome further views at that stage. Our aim is to publish a route map to 2040 in Spring 2020.

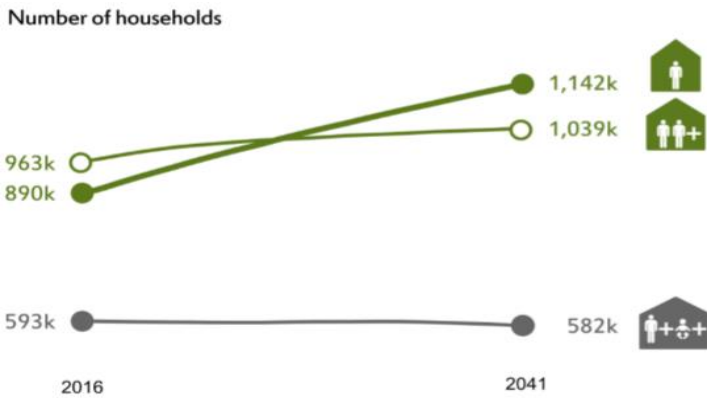


Chart 1. NRS household projections show that by 2041, one person households will be the most common household type. (Source: NRS)

Number of households by age of the head of household

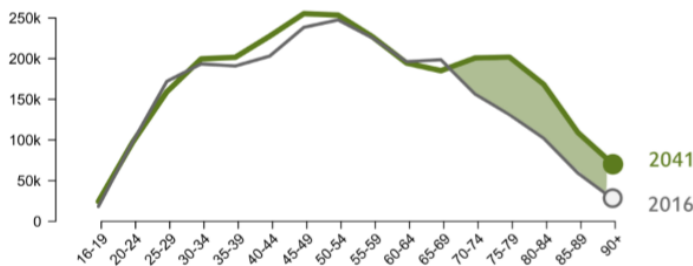


Chart 2. NRS projections also reflect Scotland's ageing population, with the number of households headed by someone aged over 70 projected to increase by 58% by 2041. (Source: NRS)

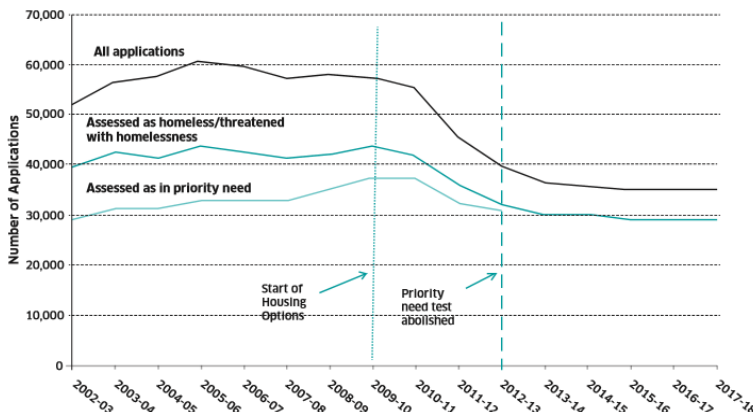


Chart 3. The number of homelessness applications have decreased in the past 10 years. (Source: Scottish Government)

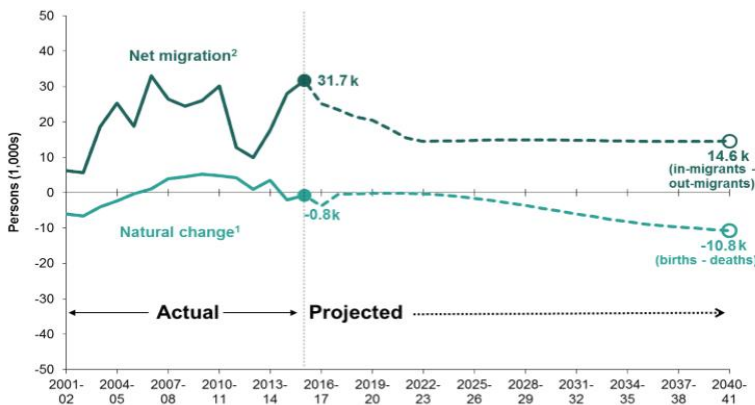


Chart 4. The latest NRS population projections show that without net migration, Scotland's population would naturally decrease. (Source: NRS)