

# **Scottish Housing Market Review**

**Q4 2021**

**January 2022**

# Scottish Housing Market Review

## Q4 2021

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## Key points for this issue

### Sales

- **After a period of significant volatility, housing market activity in Q3 2021 appeared to be stabilising at more normal levels**, with Registers of Scotland statistics showing that there were 31,663 residential property sales registered across Scotland in Q3 2021. Whilst this was an annual increase of 53.9%, this can be explained by the low level of transactions in Q3 2020. Relative to the 4 year average for Q3 (2016 – 2019), transactions were up by 12.0%.
- **The increase in transactions was experienced across Scotland**, with the largest increase in Aberdeen/shire and Moray, and the smallest in the Forth Valley. (Source: Registers of Scotland)
- **Residential LBTT returns show that the stabilisation of housing market activity above pre-pandemic levels has continued more recently**, with LBTT returns in November 2021 10.7% higher than the 2016-2019 average.

### House Prices

- **The surge in house prices since the Covid-19 pandemic has continued, with the average Scottish house price increasing by an annual 14.5% in Q3 2021**, to £179K. This is the highest quarterly increase since Q1 2008, prior to the financial crisis. (Source: UK HPI)
- **The strongest annual price growth by property type in Q3 2021 was for detached properties, up by an annual 18.1%**, whilst flats increased by the lowest amount, increasing by 10.8%. (Source: UK HPI)

### Rental Prices

- **Private housing rental price growth remains moderate**, rising by an annual 2.0% in nominal terms but falling by 3.0% in real terms in November, due to a spike in CPI inflation in recent months (Source: ONS)

### Lending

- Following a significant reduction due to the impact of Covid-19, **there has been an increase in high LTV mortgage lending recently**. Data for Q3 2021 shows that 4.2% of gross mortgage advances in the UK had an LTV ratio over 90%, up 0.6 percentage points on Q3 2020. (Source: FCA). **This has been driven by the strong recovery in the number of high LTV products**, with the number of 95% LTV mortgages products increasing from 8 in January 2021 to 347 in January 2022. (Source: Moneyfacts Mortgage Treasury Report).
- **New mortgages to first-time buyers in Scotland increased by 42.3% over the one year period to Q3 2021 relative to the year prior, while new mortgages to home movers increased by 45.0%**. Relative to the 4 year average for Q3 (2016 – 2019), new mortgages advanced to first-time buyers are

up 17.3%, whilst for home movers they have increased by 11.0%.  
(Source: UK Finance).

- **The interest rate premium on high LTV mortgages has returned to pre-pandemic levels.** In October 2021, the spread between the average advertised 2 year fixed 90% LTV and 75% LTV mortgage rate was 50 basis points, down from 182 basis points in February 2021 and broadly similar with levels seen in May 2020 (54 basis points). (Source: Bank of England).
- While there was an 89% increase in new regulated mortgage possessions across the UK in Q3 2021, as a result of FCA restrictions on possessions being lifted on 1 April 2021, at 453 **the level of possessions remains significantly below pre-pandemic levels.**

### Housing Supply

- **There were 14,834 all-sector new build homes completed over the one year period to December 2020, an annual decrease of 34.6% (7,839 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).
- **More recent sales transactions data shows that private new build sales have increased since the restrictions on non-essential construction activity were lifted,** with the number of transactions over the year to August 2021 increasing by 19.4% relative to the previous year. (Source: UK HPI)
- A total of **2,094 affordable homes were delivered in Q3 2021**, an increase of 917 on Q3 2020. In addition, the number of homes delivered in the 12 months to Q3 2021 increased by 20.0% (1,464 homes) to 8,792 completions, compared with the previous year. Over the last year, approvals have dropped by 23.4% to 8,581 whilst starts decreased by 3.4% to 10,023. (Source: SG).

### Housebuilding Material Prices

- Since the early stages of the Covid-19 pandemic, when it was in negative territory, **construction material price inflation has accelerated significantly, to stand at 21.0% in November 2021.** However, this is a slight decrease from the annual increase to October 2021 (22.6%).

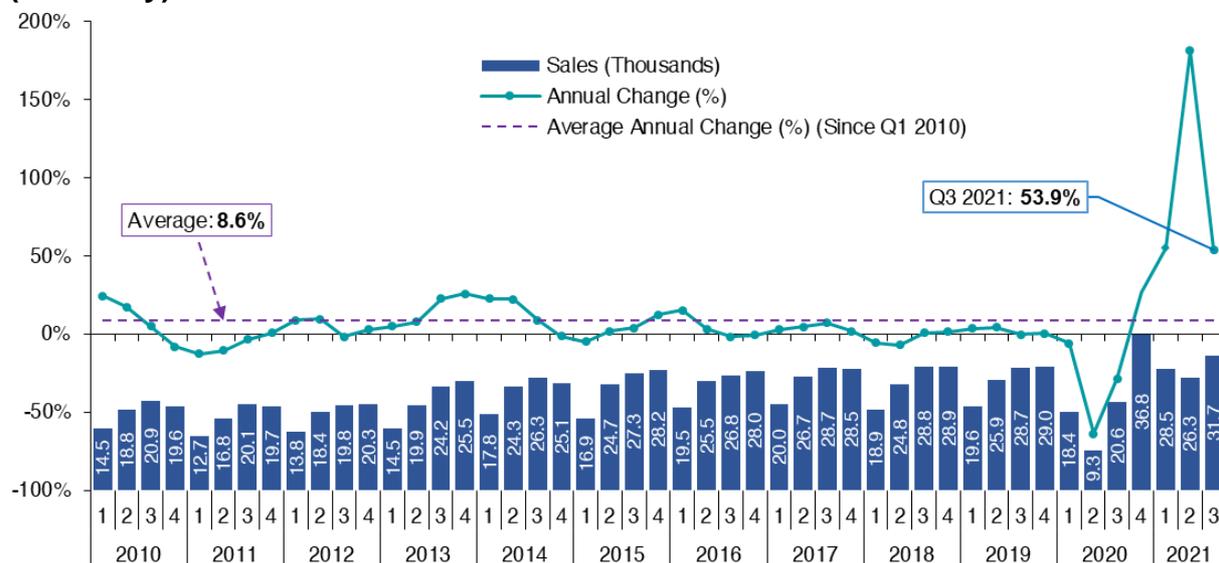
*Data to: 13 January 2022*

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# Sales

## National

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



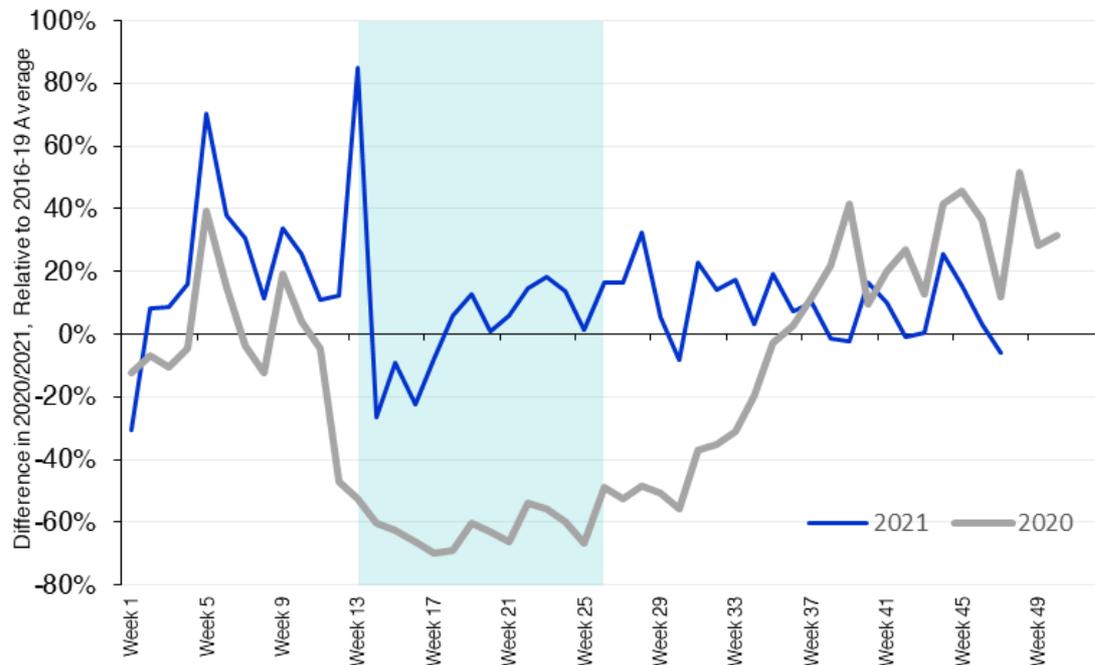
Source: Registers of Scotland

### 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 Q3 2021 suggests housing market activity is starting to stabilise, with Registers of Scotland statistics showing that there were 31,663 residential property sales registered across Scotland. Whilst this was an annual increase of 53.9%, this can be explained by the reduced level of transactions in Q3 2020, when housing market activity began to recover from the lockdown in Q2 2020. Relative to Q3 2019, transactions in Q3 2021 were up by 10.2%, while comparing to the 4 year average for Q3 (2016 – 2019), transactions were up by 12.0%.

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 2020 and 2021, and the average from 2016 to 2019 for the corresponding week. Following a surge and then dip in transactions around 31 March 2021 when the temporary reduction in LBTT ended, weekly transactions have generally been somewhat higher than their 2016-19 average. For example, in November 2021, while LBTT returns were down by an annual 15.6% due to the high level of transactions recorded in November 2020, they were 10.7% above the 2016 – 2019 average for November.

**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 annual growth in housing market activity in Q3 2021 (which was boosted by the low base in Q3 2020, as discussed above) was experienced across the different regions of Scotland. The largest increase in residential property sales occurred in Aberdeen/shire and Moray, where sales rose by an annual 74.5%. Sales in the Forth Valley increased by the lowest amount in Scotland but this remains a sizeable increase in transactions, up by 40.6% 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 Q3 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 also in Aberdeen/shire and Moray by 71.1% and the lowest increase in sales was in the Forth Valley by 50.9%.

A summary of residential property sales activity by Scottish region is included below. This contains the number of residential property sales registered in Q3 2021, the annual change, as well as the annual change in sales using a rolling four quarter period to Q3 2021. The latter is included to smooth out volatility in quarterly data.

**Table 1. Regional residential transactions**

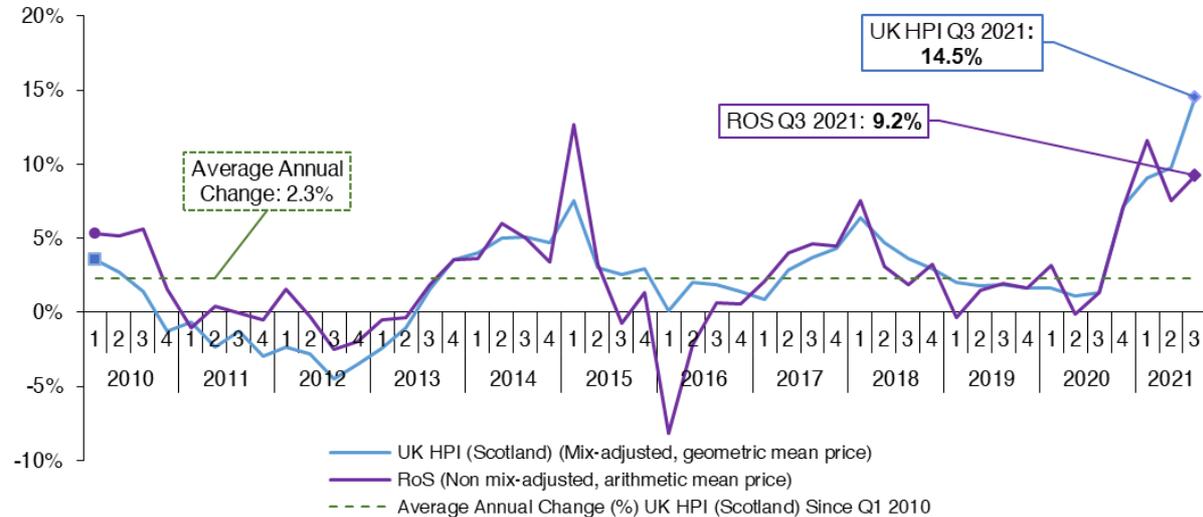
<b>Aberdeen/shire &amp; Moray</b> Sales – Q3 2021 <b>3,533</b> 12 Month Change <b>74.5%</b> Annual change (rolling 4 quarters) <b>71.1%</b>	<b>Edinburgh, Lothians &amp; Borders</b> Sales – Q3 2021 <b>6,355</b> 12 Month Change <b>51.0%</b> Annual change (rolling 4 quarters) <b>60.5%</b>
<b>Argyll &amp; Bute, Highland &amp; Islands</b> Sales – Q3 2021 <b>2,338</b> 12 Month Change <b>68.8%</b> Annual change (rolling 4 quarters) <b>57.1%</b>	<b>Forth Valley</b> Sales – Q3 2021 <b>1,555</b> 12 Month Change <b>40.6%</b> Annual change (rolling 4 quarters) <b>50.9%</b>
<b>Ayrshires, Dumfries &amp; Galloway</b> Sales – Q3 2021 <b>2,849</b> 12 Month Change <b>51.4%</b> Annual change (rolling 4 quarters) <b>59.4%</b>	<b>Tayside &amp; Fife</b> Sales – Q3 2021 <b>4,745</b> 12 Month Change <b>53.6%</b> Annual change (rolling 4 quarters) <b>61.6%</b>
<b>Clyde Valley</b> Sales – Q3 2021 <b>10,268</b> 12 Month Change <b>49.5%</b> Annual change (rolling 4 quarters) <b>56.2%</b>	<b>Scotland</b> Sales – Q3 2021 <b>31,633</b> 12 Month Change <b>53.9%</b> Annual change (rolling 4 quarters) <b>59.3%</b>

Source: Registers of Scotland

# House Prices

## 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 Q3 2021 by 14.5% relative to Q3 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 £179k in Q3 2021. More recent data shows that while annual house price inflation has eased somewhat from the 16.9% recorded in August 2021, it remains elevated at 11.3% in October.

Data from Registers of Scotland shows a slightly lower increase in annual house price inflation in Q3 2021, of 9.2%. 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.

Annual price growth to Q3 2021 was highest for detached properties (18.1%). Flats increased by the lowest amount, increasing by an annual 10.8%, as measured by the 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 Q2 2021, the average Scottish new build property price increased to a greater extent than the existing build price, rising by 13.8% to £246K. The average existing build price rose by 9.3% to £164K.

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



Source: UK HPI (Scotland)

The UK HPI also shows that the average price of a property bought by former owner occupier in Scotland increased by an annual 15.4% in Q3 2021, to £217K. Meanwhile, the average price of a property purchased by a first-time buyer increased by an annual 13.6% in Q3 2021, to £144K.

### Scottish House Price Performance: Regional

Registers of Scotland data show that house prices rose strongly across Scotland in Q3 2021. The largest increase was in the Ayrshires and Dumfries & Galloway, where house prices increased 12.2% annually to 159K (average arithmetic mean price; prices not mix-adjusted). The smallest increase was in the Forth Valley, which increased by 5.1% annually to £183K. Over the five year period to Q3 2021, the annualised house price inflation rate in Aberdeen/shire & Moray was 1.2%, relative to 3.8% 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 Q3 2021 over the previous four-quarter period) shows that house price growth has been positive in all areas of Scotland. The strongest price growth was again seen in the Ayrshires and Dumfries & Galloway, where house prices increased by 13.2%, whilst the smallest increase in house prices was seen in Aberdeen/shire and Moray, where house prices increased by 5.8%.

A summary of the average house price in Q3 2021 by Scottish region is included below. This also includes the annual change in the average house price in Q3 2021, as well as the annual change in the average house price using a rolling four quarter period to Q3 2021, which smooths out volatility in quarterly data (Source: RoS).

**Table 1. Regional house prices**

<b>Aberdeen/shire &amp; Moray</b> Average Price – Q3 2021 <b>£210K</b> 12 Month Change <b>10.6%</b> Annual change (rolling 4 quarters) <b>5.8%</b>	<b>Edinburgh, Lothians &amp; Borders</b> Average Price – Q3 2021 <b>273K</b> 12 Month Change <b>8.7%</b> Annual change (rolling 4 quarters) <b>8.3%</b>
<b>Argyll &amp; Bute, Highland &amp; Islands</b> Average Price – Q3 2021 <b>£197K</b> 12 Month Change <b>7.3%</b> Annual change (rolling 4 quarters) <b>7.6%</b>	<b>Forth Valley</b> Average Price – Q3 2021 <b>£183K</b> 12 Month Change <b>5.1%</b> Annual change (rolling 4 quarters) <b>8.8%</b>
<b>Ayrshires, Dumfries &amp; Galloway</b> Average Price – Q3 2021 <b>£159K</b> 12 Month Change <b>12.2%</b> Annual change (rolling 4 quarters) <b>13.2%</b>	<b>Tayside &amp; Fife</b> Average Price – Q3 2021 <b>£192K</b> 12 Month Change <b>9.8%</b> Annual change (rolling 4 quarters) <b>9.5%</b>
<b>Clyde Valley</b> Average Price – Q3 2021 <b>£184K</b> 12 Month Change <b>9.2%</b> Annual change (rolling 4 quarters) <b>7.6%</b>	<b>Scotland</b> Average Price – Q3 2021 <b>£204K</b> 12 Month Change <b>9.2%</b> Annual change (rolling 4 quarters) <b>8.5%</b>

Source: Registers of Scotland

# Rental Prices

## Private Housing Rental Prices

Private housing rental prices in Scotland increased by 2.0% annually to November 2021. This continues a period of relative stability in nominal private rental price growth, although annual price growth has increased since late 2020. 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 November 2021 was -3.0%. 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 5.1% in November 2021. The heightened level of CPI inflation can be partly explained by a base effect, with relatively low prices for some items during lockdowns for COVID-19 influencing current inflation rates, coupled with increases in energy prices across the global economy as lockdowns were lifted, leading to significant increases in petrol, gas and electricity prices faced by households.

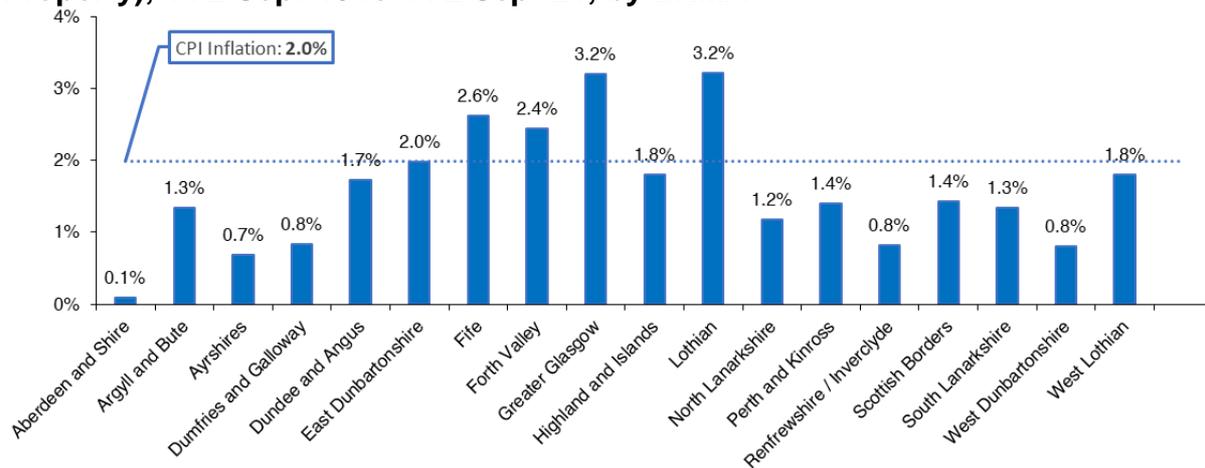
**Chart 3.1 Annual Change in Private Housing Rental Prices (Monthly): Scotland**



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

Scottish Government statistics show that from 2010 to 2021 (years to end September), four broad market rental areas (“BRMAs”) have seen average rents for 2 bedroom properties increase, on an average annualised basis, above the average level of CPI inflation (2.0%): these are the Lothian (3.2%), Greater Glasgow (3.2%), Fife (2.6%) and the Forth Valley (2.4%) BRMAs. Therefore, the annualised average rate of change was equal to or below that of inflation (CPI) in 14/18 BRMAs, with the lowest annualised rate of change seen in Aberdeen and Shire of just 0.1%.

**Chart 3.2 Annualised Average Rate of Change in Mean Rent (2 Bedroom Property), YTE Sept-10 to YTE Sept-21, by BRMA**



Source: SG/ONS CPI

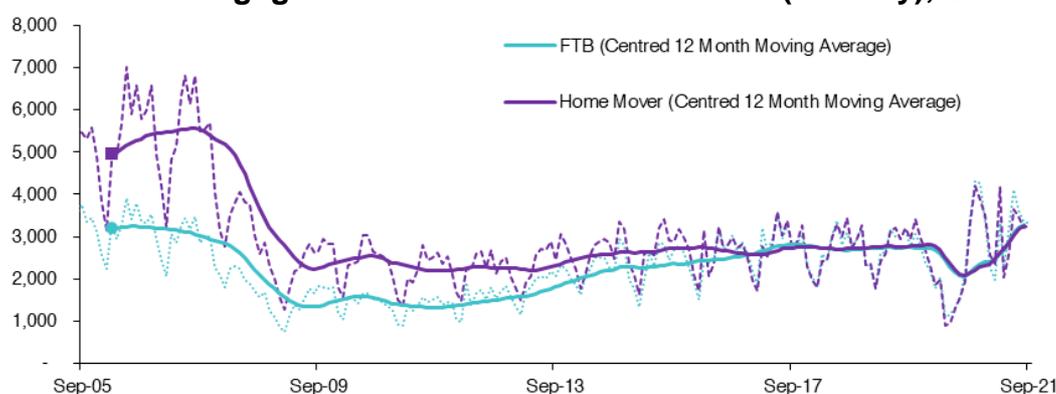
\* Note: Scottish Government statistics are based almost entirely on advertised rents at point of new let, and thus will tend to be higher than the ONS data which makes an allowance for rent changes in existing lets. In addition, chart 3.2 looks solely at 2 bedroom properties, whilst 3.1 looks at the 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 10,290 new mortgages advanced to first-time buyers in Scotland in Q3 2021, an annual increase of 42.3% (+3,060). Meanwhile, there were 9,950 new mortgages advanced to home movers in Scotland in Q3 2021, an annual increase of 45.0% (+3,090). Whilst the annual increases for first-time buyers and home movers are large, this can be explained a low base in Q3 2020 (see discussion in Sales section). Relative to the 4 year average for Q3 (2016 – 2019), new mortgages advanced to first-time buyers were up 17.3%, whilst for home movers they increased by 11.0%. For the one year period to Q3 2021 relative to the year prior, the increase in the number of new mortgages advanced was higher for first-time-buyers (56.5%) than for home movers (54.1%) (Source: UK Finance).

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



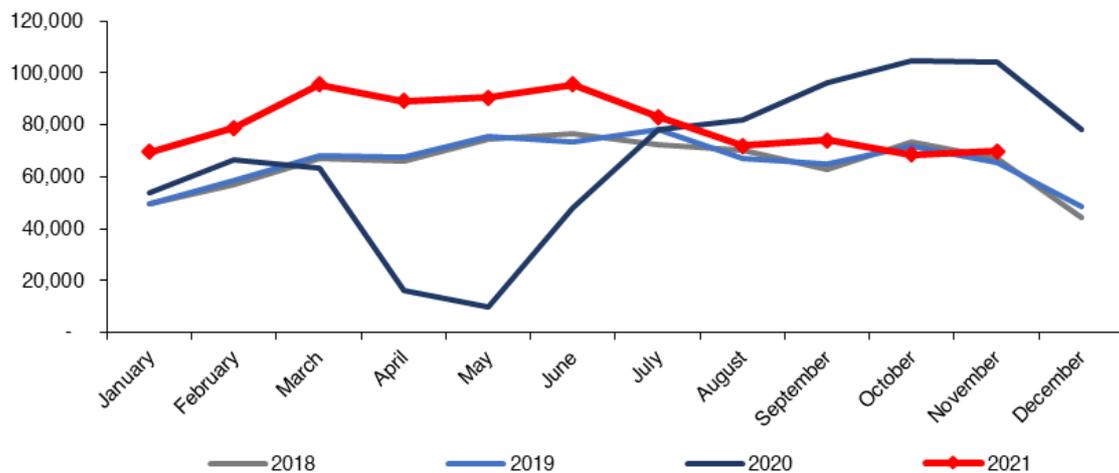
Source: UK Finance

### 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 rebounded strongly in the second half of 2020, with mortgage approvals increasing from 9,922 in May 2020 to 104,806 in October 2020 (see Chart 4.2). Mortgage approvals have now returned to more normal levels, with mortgage approvals for house purchase 4.8% higher in November 2021 relative to the average for November (2017 – 2019). However, this is also 32.7% below the level in November 2020, which can be explained by the unusually high level of housing market activity towards the end of 2020.

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

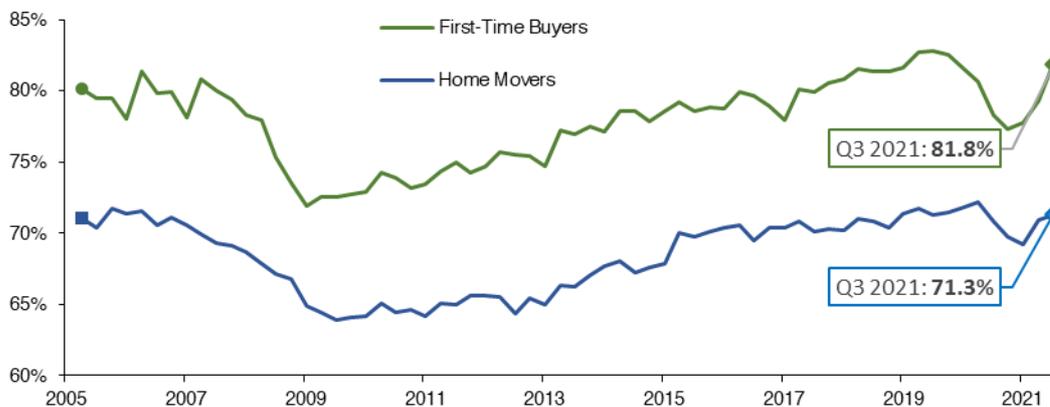


Source: Bank of England

**Loan-to-Value (LTV) Ratios**

In Q3 2021, the mean Loan-to-Value (LTV) ratio on new mortgages advanced to first-time buyers in Scotland stood at 81.8%, an annual increase of 3.4 percentage points. This likely reflects the return of high LTV ratio mortgages, whose availability fell substantially during the beginning of the coronavirus pandemic. Meanwhile, the mean LTV ratio for home movers in Scotland stood at 71.3% in Q3 2021, up 0.4 percentage points over the one year period. This is shown in Chart 4.3 (Source: UK Finance).

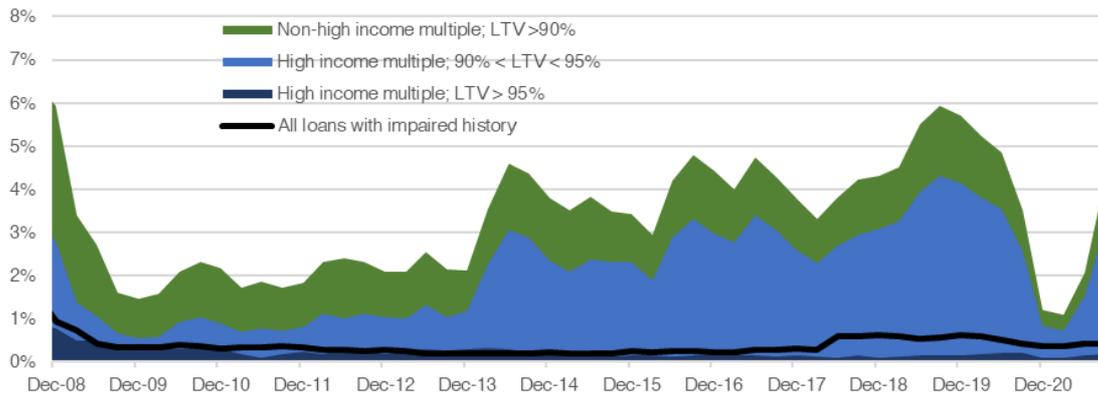
**Chart 4.3 Mean Loan to Value Ratio (Quarterly), Scotland**



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 Q3 2021 with an LTV ratio greater than 90% was 4.2%, 0.6 percentage points above the share in Q3 2020 and 2.1 percentage points above the share in Q2 2021. There has been a slight recovery in lending which is both high LTV and high LTI (loan-to-income) over the quarter, with the share of gross advances classified as high LTV and LTI increasing to 3.3% in Q3 2021, up by 1.6 percentage points on Q2 2021.

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



*\* Higher risk lending is classified by the FCA as an LTV over 90% and an income multiple greater than or equal to 3.5 for single income purchasers, or greater than or equal to 2.75 for joint income purchaser/s*

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 January 2021 to 347 in January 2022. 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).

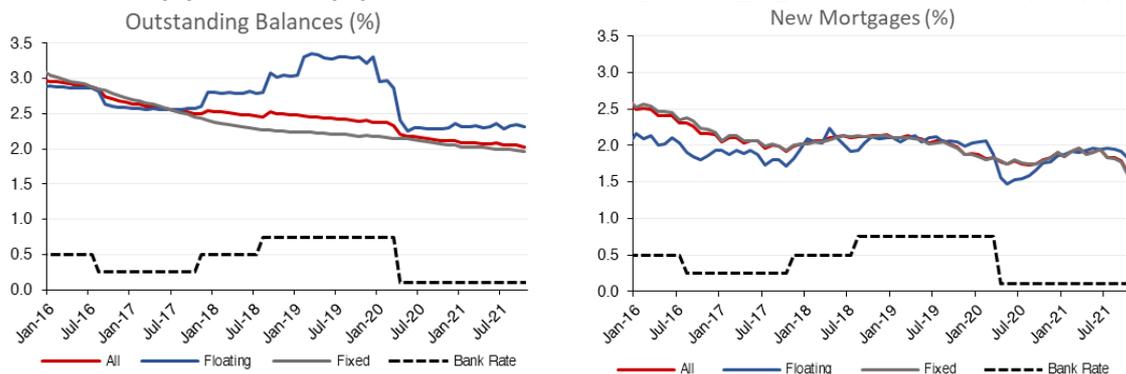
# Lending To Homebuyers: Interest Rates

## 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 fed through to outstanding variable rate mortgages, with the average interest rate falling from 2.97% in February 2020 to 2.26% in May, before stabilising, with the level at 2.32% in October 2021. The average interest rate on new variable rate mortgages fell from 2.06% in February 2020 to 1.48% in May 2020, although it subsequently increased to 1.82% in October 2021. The average fixed rate on new mortgages has been relatively stable throughout the period of Covid-19 but fell sharply over the month, from 1.78% in September 2021 to 1.58% in October 2021. **Note:** the latest data on average mortgage rates is for October 2021, and thus does not cover the period since the Bank of England increased the base rate by 15 basis points to 0.25% on 16 December 2021. (Source: BoE)

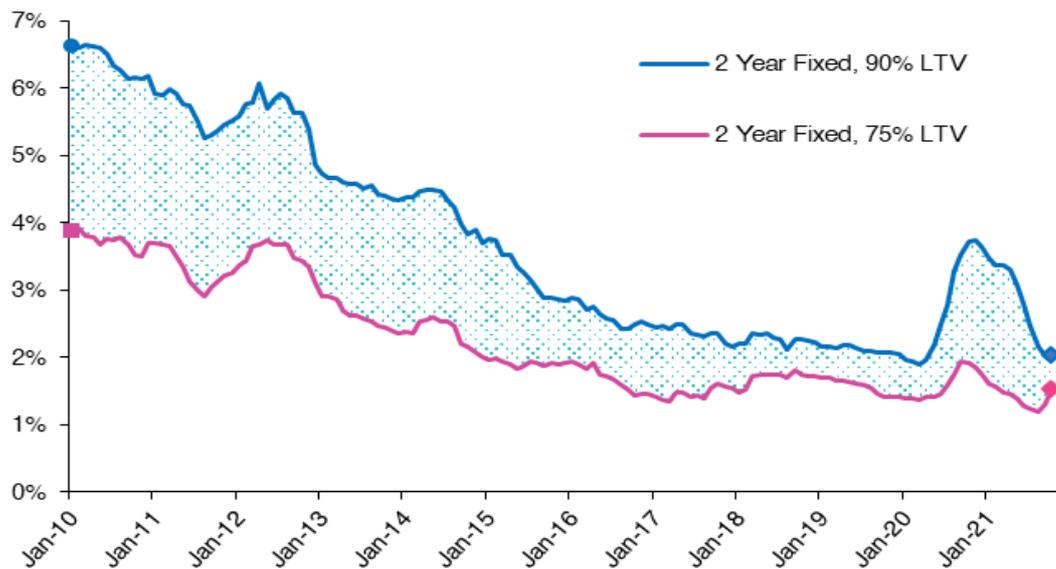
### Charts 4.5 (L) and 4.6 (R): Effective Monthly Mortgage Interest Rate (UK) (%)



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 189 basis points in December 2020, as shown in Chart 4.7. However, since April 2021 the spread has fallen from 189 basis points to 50 basis points in October 2021, potentially reflecting a return to normal market conditions. (Source: BoE)

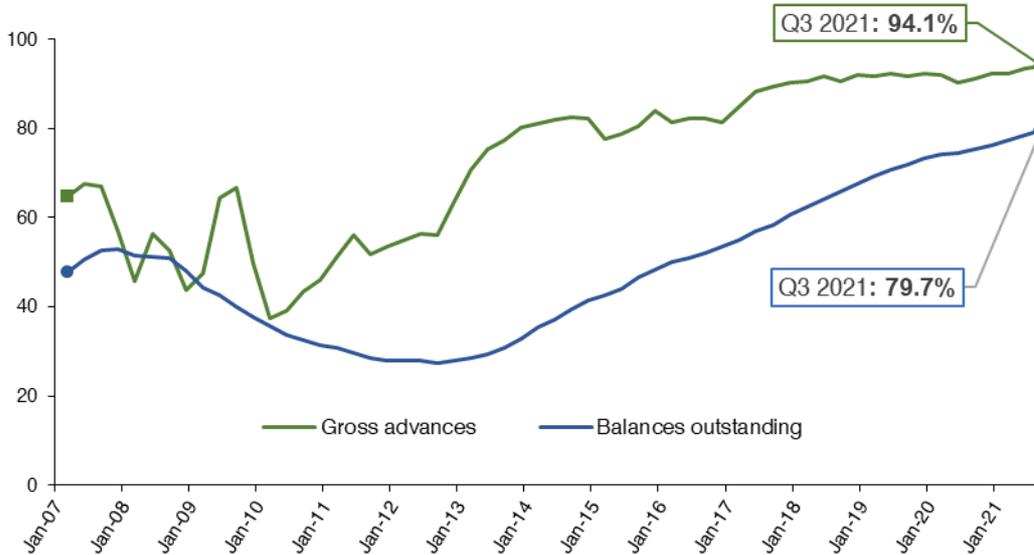
**Chart 4.7 Average 2 Year Fixed 90% and 75% LTV Mortgage Rates (Advertised)**



Source: Bank of England

Chart 4.8 shows that the majority of new mortgages (94.1%), as well as most outstanding mortgages (79.7%), are on fixed rates, as of Q3 2021. (Source: FCA)

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



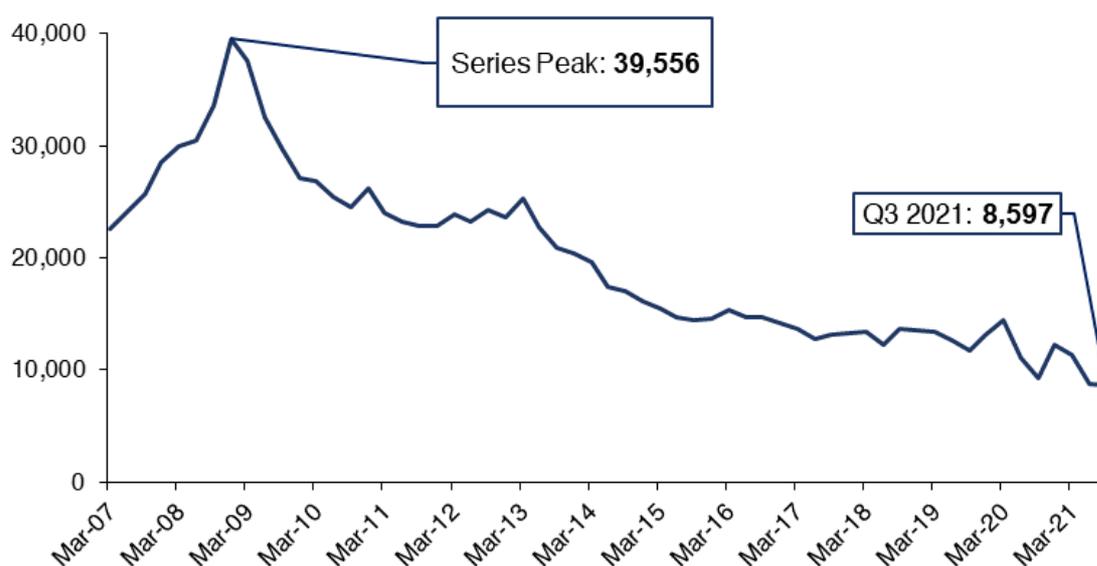
Source: FCA

## Lending To Homebuyers: Arrears and Possessions

### Arrears

There were 8,597 regulated mortgages that went into arrears across the UK in Q3 2021, a decrease of 7.0% (-650) on Q3 2020. As shown in Chart 4.9, following a peak of 39,556 in Q4 2008 during the financial crisis, there has been a declining trend in the number of regulated mortgages entering arrears, which has continued despite the impact of Covid-19. It should be noted that Covid-19 payment holidays were not classified as technical arrears, and thus are not reflected in these figures; however, even though these payment holidays came to the end in April 2021, this did not result in an increase in arrears. (Source: FCA)

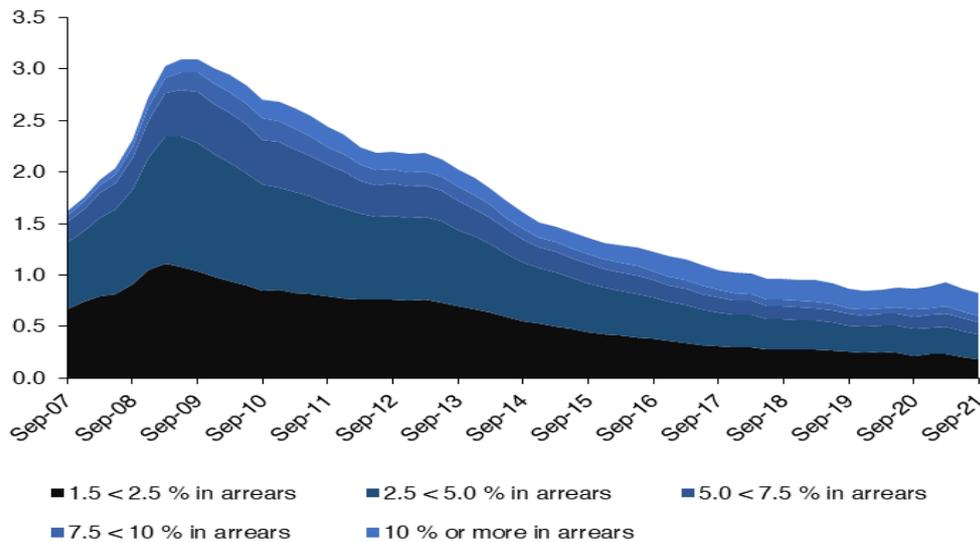
**Chart 4.9 Number of Mortgage Loan Accounts Entering Arrears: UK (Quarterly)**



Source: FCA

The share of lenders' outstanding regulated mortgage balances that were in arrears stood at 0.82% at the end of Q3 2021. This has remained broadly stable during the pandemic, with arrears at 0.87% at the end of Q3 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)**



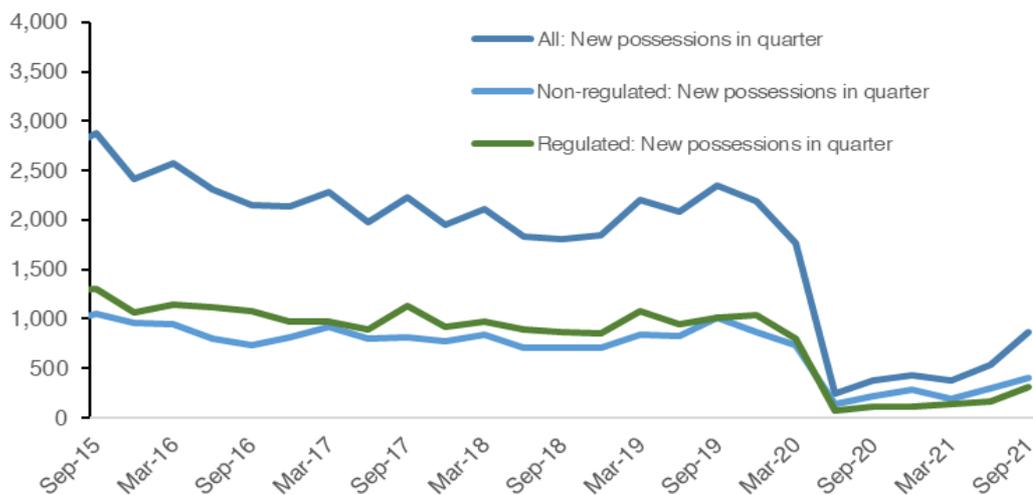
Source: FCA

UK Finance data show that there were 5,670 buy-to-let mortgages in arrears of 2.5% or more of the outstanding balance across the UK in Q3 2021. This is up by an annual 5.0% (+270). 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 buy-to-let mortgages was 0.28% as at Q3 2021, roughly equal to Q3 2020 (0.27%).

### Possessions

There were 453 new regulated mortgage possessions across the UK in Q3 2021, an increase relative to Q2 2021 of 213 (89%) as can be seen in Chart 4.11. This is likely linked to FCA restrictions on possessions being lifted on 1 April 2021. However, this is significantly less than pre-pandemic levels, with possessions down by 866 (66%) 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 ended on the 30 September 2021. The Coronavirus (Extension and Expiry) (Scotland) Act, 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 announced in June 2021 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.

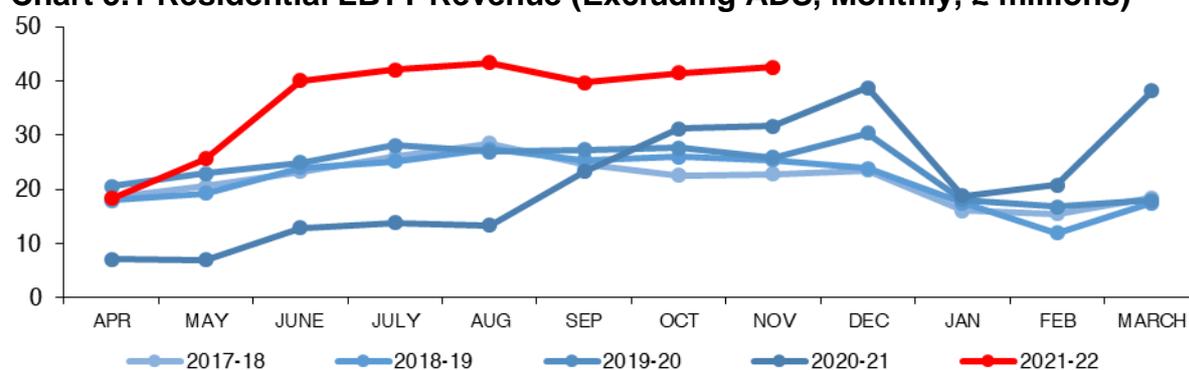
The FCA published finalised guidance for mortgage lenders in March 2021, outlining that repossessions could be enforced from 1 April 2021 but this must be in accordance with FCA guidance and regulatory requirements, which mean that repossessions should only take place as a last resort, if all other reasonable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

## Residential LBTT; Homelessness

### Residential LBTT

Residential LBTT revenues excluding ADS rose sharply from £20.8m in February 2021 to £38.2m in March 2021, 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 8 months of the financial year 60.1% 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)**



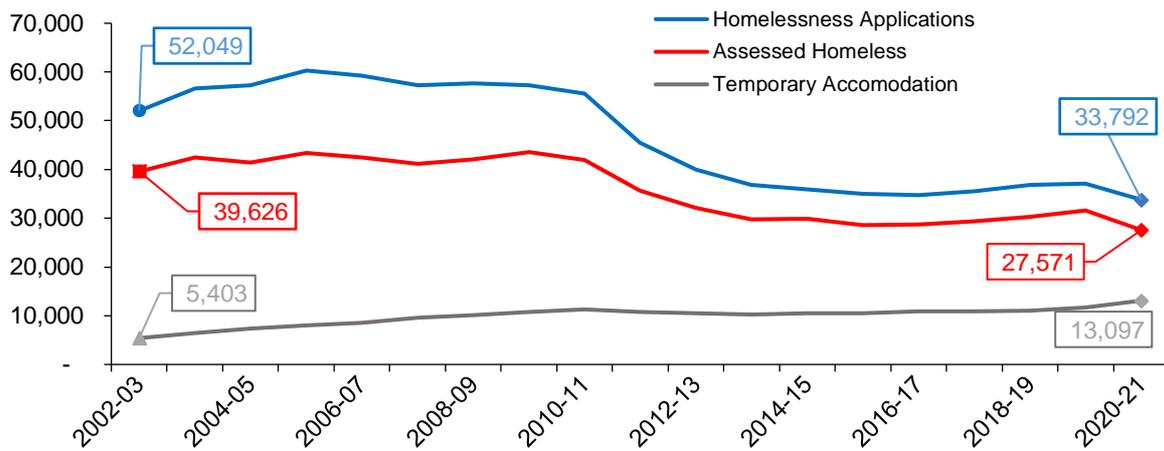
Source: Revenue Scotland

### 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.

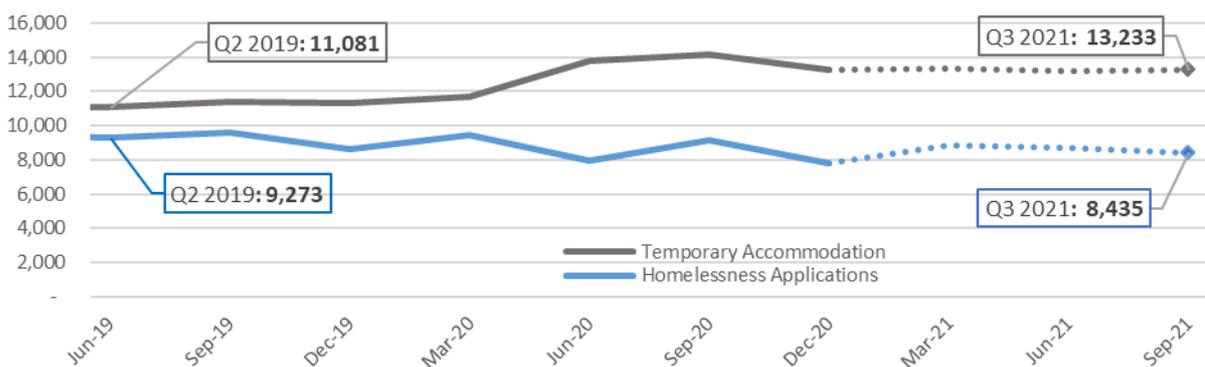
**Chart 5.2 Homelessness in Scotland (Annual)**



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 Scottish Housing Regulator statistics from Q1 2021 (dashed line) due to data availability. The quarterly data shows that since the start of the pandemic, homelessness applications have remained below pre-pandemic levels. The 8,435 applications in Q3 2021 is 12.5% 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 (+24.7%) in Q3 2020 but has since fallen to 13,233 in Q3 2021.

**Chart 5.3 Homelessness in Scotland (Quarterly)**



Source: Scottish Government and SHR

# Housing Supply: Starts and Completions

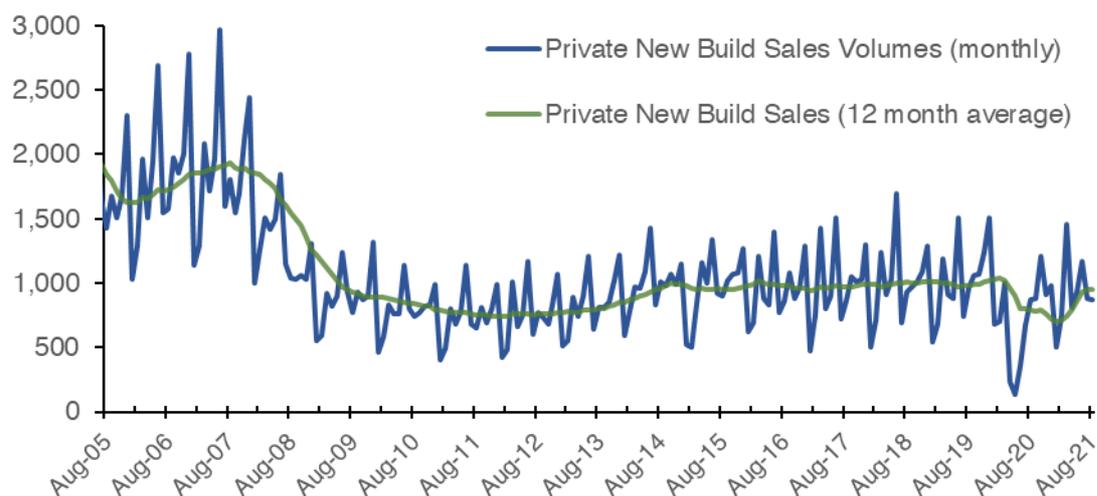
## New build completions

The most recent published Scottish Government figures for new build completions cover the year to end December 2020, in which there were 14,834 completions across all sectors in Scotland, a decrease of 34.6% (7,839 homes) on the previous year, with activity levels being affected by Covid-19 lockdown measures from March to June 2020.

## Private New Build Sales

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 of latest trends. As Chart 6.1 shows, while private new build sales decreased during the restrictions on non-essential construction activity in Q2 2020, falling by 85% annually in May 2020, there has been a strong recovery since then, with an increase in private new build sales on a rolling 1 year basis to August 2021 of 19.4%. When we compare the one year period to August 2021 against the one year period to August 2019 (i.e. prior to Covid-19), private new build sales fell by only 3.6%, indicating a return to more normal market conditions.

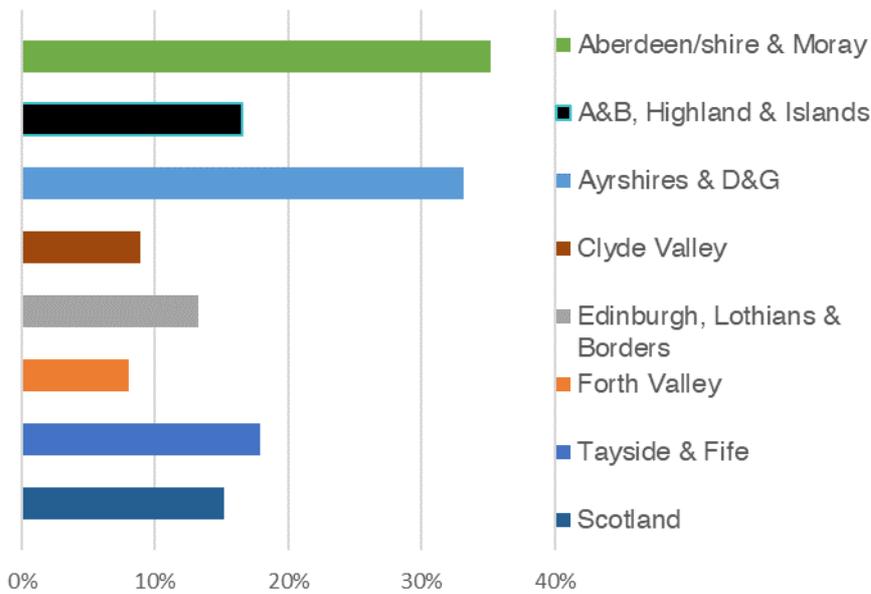
**Chart 6.1 Scottish Private New Build Sales to August 2021**



Source: UK HPI (Scotland)

Chart 6.2 provides the growth in private new build sales by region over the one year period to Q2 2021, relative to the year prior. Private new build sales increased by an annual 15.2% for Scotland as a whole. Analysing the data by region, it can be seen that private new build sales increased in all regions shown, with the largest increase in private new build sales in Aberdeen/shire and Moray (35.2%) and the smallest increase in private new build sales in the Forth Valley of 8.1%. (Source: UK HPI).

**Chart 6.2 Rolling One Year Growth in Scottish Private New Build Sales by Local Authority to Q2 2021**

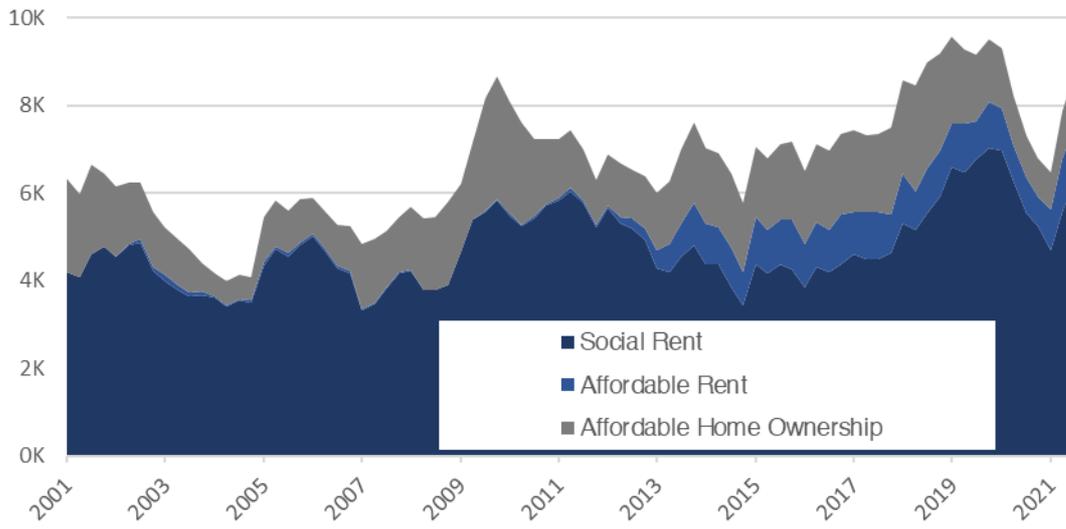


Source: UK HPI (Scotland)

### **Affordable Housing Supply Programme**

Chart 6.3 shows that the supply of affordable housing has increased since the restrictions on non-essential construction activity were eased in Q3 2020, although supply remains below the Q1 2020 level. 2,094 affordable housing completions were recorded in Q3 2021, an increase of 917 on Q3 2020. In addition, the number of homes delivered in the 12 months to Q3 2021 increased by 20.0% (1,464 homes) to 8,792 completions, compared with the previous year. Over the last year, approvals have dropped by 23.4% to 8,581 whilst starts decreased by 3.4% to 10,023. (Source: SG).

**Chart 6.3 AHSP Completions (4Q Moving Total, to Q3 2021)**



Source: Scottish Government

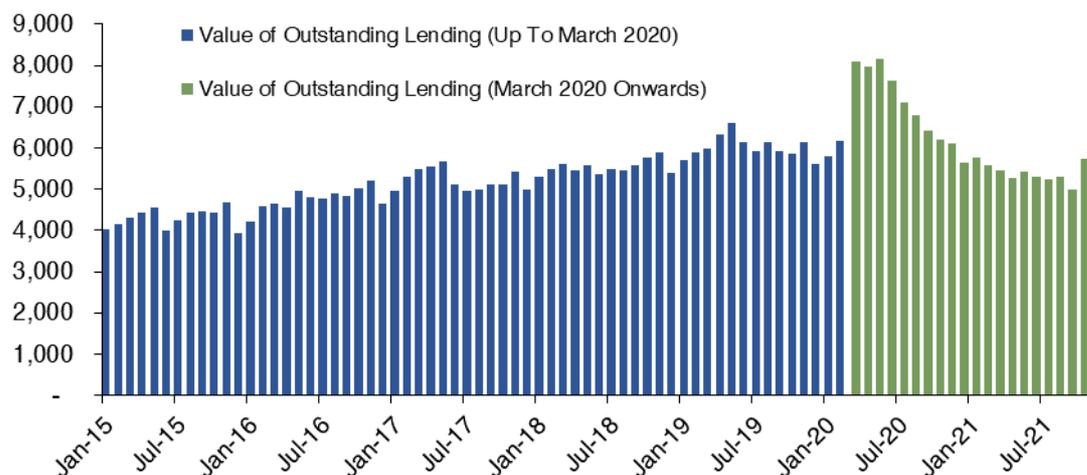
# House Building: Lending and Construction Material Prices

## 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.

From May 2020, the value of loans steadily decreased and, despite an increase in October and November 2021, remained slightly lower than the value of loans in February 2020, immediately prior to the impact of Covid-19. As at November 2021, the value of loans stood at £5.9bn, a decrease of £217m (or 3.5%) relative to 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 21.0% in November 2021, although, this is a slight decrease from the annual increase to October 2021 (22.6%).

The annual increase in prices has been driven by certain products, namely fabricated structural steel (+66.1%), particle board (60.4%) and concrete reinforcing bars (+56.6%). There were modest decreases in the price of Gravel, Sand, Clays, and Kaolin (including aggregate levy) of -6.4% and for screws and other similar products equal to -5.1%.

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



Source: BEIS



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