

# Scottish Housing Market Review Q1 2022

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# Scottish Housing Market Review

## Q1 2022

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## Key points for this issue

### Sales

- **After a period of significant volatility, housing market activity in Q4 2021 appears to be stabilising at more normal levels**, with Registers of Scotland statistics showing that there were 31,131 residential property sales registered across Scotland in Q4 2021. Whilst this was an annual decrease of 15.5%, this can be explained by the post-lockdown elevated level of transactions in Q4 2020. Relative to the 4 year average for Q4 (2016 – 2019), transactions were up by 8.8%.
- **Residential LBTT returns show that the stabilisation of housing market activity above pre-pandemic levels has continued more recently**, with LBTT returns across January and February 2022 7.9% higher than in the corresponding period in 2019. (Source: Revenue Scotland).

### House Prices

- **The surge in house prices since the Covid-19 pandemic has continued, with the average Scottish house price increasing by an annual 10.8% in Q4 2021**, to £181K. However, the increase in house prices could be starting to slow, with house price growth down from Q3 2021 (13.5%). (Source: UK HPI).
- **The strongest annual price growth by property type in Q4 2021 was for detached properties, up by an annual 15.3%**, whilst flats increased by the lowest amount, increasing by 7.0%. (Source: UK HPI).
- **The average new build property price increased by an annual 18.1% to £257k in Q3 2021**, which is higher than the increase on the average existing build price rose of 13.0%, and which can be partly explained by the rise in new build construction materials. (Source: UK HPI).

### Rental Prices

- **Private housing rental price growth remains moderate**, rising by an annual 2.6% in nominal terms but falling by 3.3% in real terms in February, due to a spike in CPI inflation. (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 Q4 2021 shows that 4.2% of gross mortgage advances in the UK had an LTV ratio over 90%, up 3.0 percentage points on Q4 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 5 in March 2021 to 342 in March 2022. (Source: Moneyfacts).
- **New mortgages to first-time buyers and home movers in Scotland continue to behave similarly**. While they decreased by an annual 29.9% and 27.9%

respectively in Q4 2021, this was due to elevated transactions in Q4 2020. Relative to the 4 year average for Q4 (2016 – 2019), new mortgages to first-time buyers were up 1.0%, whilst for home movers they were down 2.4%. (Source: UK Finance).

- **The interest rate premium on high LTV mortgages is now below pre-pandemic levels.** The spread between the average advertised 2 year fixed 90% LTV and 75% LTV mortgage rate, which increased from 51 basis points in April 2020 to 189 basis points in December 2020, has fallen to 27 basis points in February 2022. (Source: BoE).
- **The Bank of England has increased the base rate three times since December 2021, taking the rate from 0.1% to 0.75%.** A 65 basis point increase is estimated to increase the average monthly payment by £54 on new variable rate mortgage and by £29 on an outstanding variable mortgage in Scotland.
- **There were 435 new regulated mortgage possessions in the UK in Q4 2021, a 4.0% decrease on Q3 2021.** This remains substantially lower (-67.0%) than the pre-pandemic level of 884 in Q4 2019.

### Housing Supply

- **There were 18,974 all-sector new build homes completed over the one year period to June 2021, an annual increase of 10.2% (1,751 homes) on the previous year,** in which activity levels were affected by Covid-19 related lockdown measures. (Source: SG).
- **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 November 2021 increasing by 22.8% relative to the previous year. (Source: UK HPI)
- A total of **9,211 affordable homes were delivered in 2021,** an increase of 35.5% (+2,412) on 2020. In addition, the number of homes delivered in Q4 2021 equalled 2,159, an annual increase of 11.7% (+227). Over the last year, approvals have fallen by 17.4% to 8,398, whilst starts decreased by 4.5% to 9,679. (Source: SG).

### Housebuilding Material Prices

- **There was a small decrease in construction material price inflation, although it remained elevated** at an annual 19.1% in January 2022, compared to a peak of 22.6% in October 2021. Source (BEIS).

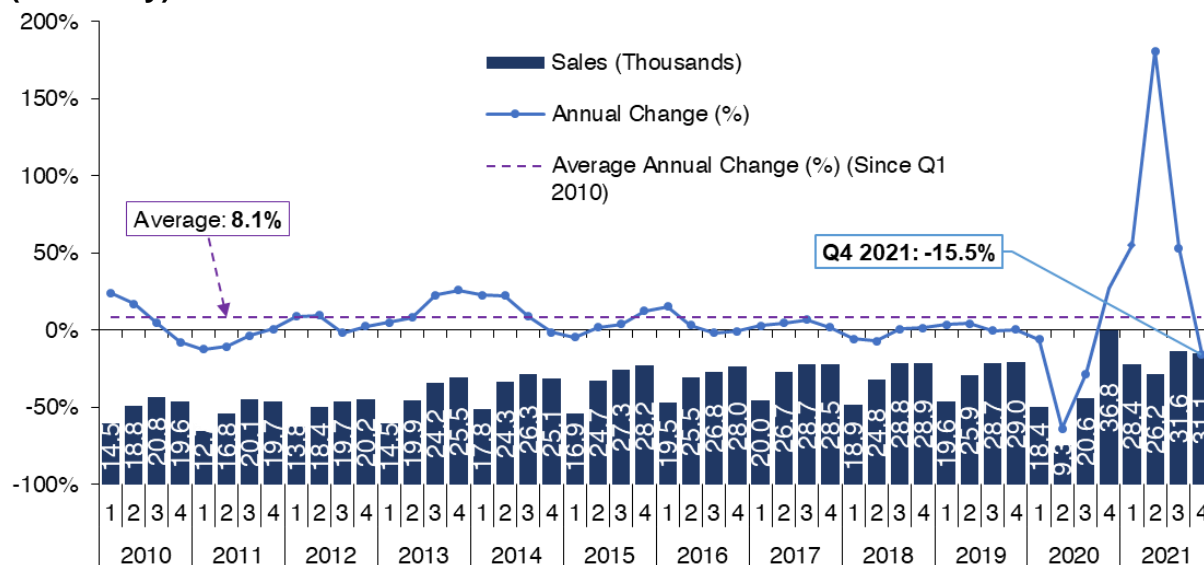
*Data to: 31 March 2022*

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# Sales

## National

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



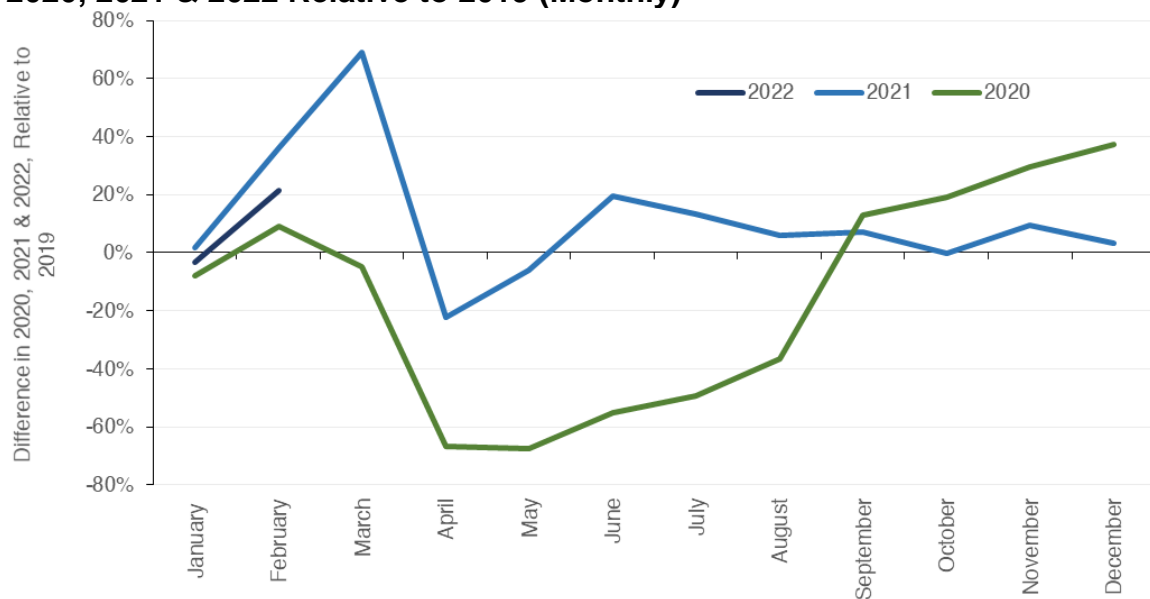
Source: Registers of Scotland

### 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 Q4 2021 suggests housing market activity is stabilising, with Registers of Scotland statistics showing that there were 31,131 residential property sales registered across Scotland. Whilst this was an annual decrease of 15.5%, this can be explained by the elevated level of transactions in Q4 2020, when housing market activity rebounded quickly from the lockdown in Q2 2020. Relative to Q4 2019, transactions in Q4 2021 were up by 7.3%, while comparing to the 4 year average for Q4 (2016 – 2019), transactions were up by 8.8%.

More timely statistics from Revenue Scotland on the number of residential LBTT returns submitted also confirms that although housing market activity remains elevated, it is gradually returning to more normal levels. Chart 1.2 plots the percentage difference between monthly residential LBTT returns in 2020, 2021 and 2022 relative to 2019 for the corresponding month, with 2019 reflecting pre-Covid market conditions. Following a surge and then dip in transactions around March 2021 when the temporary reduction in LBTT ended, since May 2021 monthly transactions have generally been somewhat higher than the same month in 2019. Across January and February 2022, while LBTT returns were down by an annual 7.9% due to the high level of transactions recorded in early 2021, they were 7.9% higher than in the same period in 2019.

**Chart 1.2 Monthly Residential LBTT Returns: Percentage Difference Between 2020, 2021 & 2022 Relative to 2019 (Monthly)**



Source: Revenue Scotland

### Scottish Sales Performance: Regional

Registers of Scotland data shows that the reduction in housing market activity in Q4 2021 relative to Q4 2020 (which was elevated by the strong recovery after the lockdown in Q2 2020, as discussed above) was experienced across the different regions of Scotland. The largest decrease in residential property sales occurred in the Ayrshires, Dumfries and Galloway, where sales fell by an annual 20.3%. Sales in the Aberdeen/shire and Moray decreased by the lowest amount in Scotland, down by 1.2% 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 Q4 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 and Moray by 51.9% and the lowest increase in sales was in the Forth Valley by 29.0%.

A summary of residential property sales activity by Scottish region is included below. This contains the number of residential property sales registered in Q4 2021, the annual change, as well as the annual change in sales using a rolling four quarter period to Q4 2021. The latter is included to smooth out volatility in quarterly data.

**Table 1. Regional residential transactions**

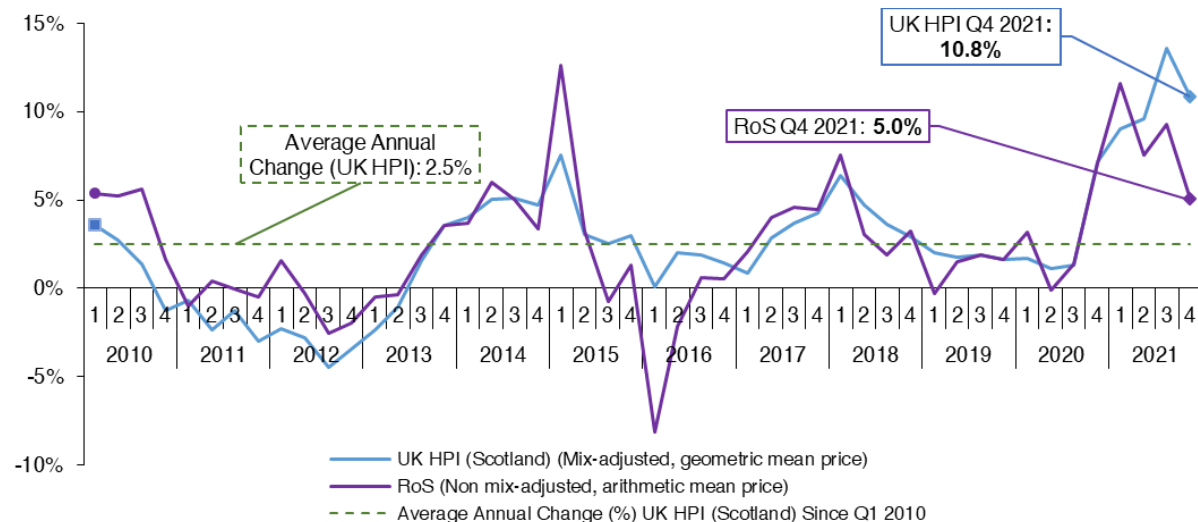
<b>Aberdeen/shire &amp; Moray</b> Sales – Q4 2021 <b>3,484</b> 12 Month Change <b>-1.2%</b> Annual change (rolling 4 quarters) <b>51.9%</b>	<b>Edinburgh, Lothians &amp; Borders</b> Sales – Q4 2021 <b>6,249</b> 12 Month Change <b>-13.1%</b> Annual change (rolling 4 quarters) <b>41.4%</b>
<b>Argyll &amp; Bute, Highland &amp; Islands</b> Sales – Q4 2021 <b>2,212</b> 12 Month Change <b>-16.1%</b> Annual change (rolling 4 quarters) <b>38.1%</b>	<b>Forth Valley</b> Sales – Q4 2021 <b>1,633</b> 12 Month Change <b>-17.6%</b> Annual change (rolling 4 quarters) <b>29.0%</b>
<b>Ayrshires, Dumfries &amp; Galloway</b> Sales – Q4 2021 <b>2,838</b> 12 Month Change <b>-20.3%</b> Annual change (rolling 4 quarters) <b>34.3%</b>	<b>Tayside &amp; Fife</b> Sales – Q4 2021 <b>4,464</b> 12 Month Change <b>-17.7%</b> Annual change (rolling 4 quarters) <b>37.1%</b>
<b>Clyde Valley</b> Sales – Q4 2021 <b>10,251</b> 12 Month Change <b>-18.0%</b> Annual change (rolling 4 quarters) <b>34.6%</b>	<b>Scotland</b> Sales – Q4 2021 <b>31,131</b> 12 Month Change <b>-15.5%</b> Annual change (rolling 4 quarters) <b>37.9%</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 the UK HPI, increased in Q4 2021 by 10.8% relative to Q4 2020. Apart from annual house price growth to Q3 2021 of 13.5%, 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 £181k in Q4 2021. While annual house price inflation remains elevated, more recent monthly data suggests the rate of increase is continuing to ease, falling from the 16.4% recorded in August 2021 to 10.8% in January 2022.

Data from Registers of Scotland shows a slightly lower increase in annual house price inflation in Q4 2021, of 5.0%. 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 making up a greater proportion of total transactions in Q4 2021.

UK HPI data shows that annual price growth to Q4 2021 was highest for detached properties (15.3%). Flats increased by the lowest amount, increasing by an annual 7.0%.

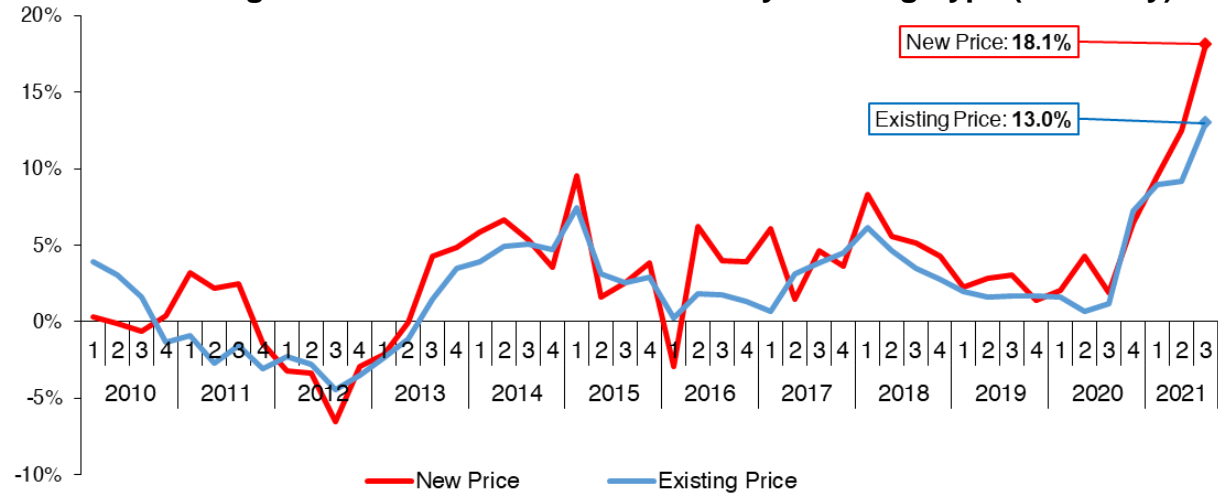
## Scottish House Price Performance by Dwelling/Buyer Type

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 Q3 2021, the average Scottish new build property price increased to a greater extent than the existing build price, rising by 18.1% to £257K. The average existing build price rose by 13.0% to £174K.



The average price of new build properties is rising rapidly, with more recent monthly data to November 2021 showing an annual increase of 28.6%. This large increase is likely to be linked to the rise in the price of new build construction material (see Chart 7.3).

**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 11.7% in Q4 2021, to £219K. Meanwhile, the average price of a property purchased by a first-time buyer increased by an annual 9.9% in Q4 2021, to £145K.

### Scottish House Price Performance: Regional

Registers of Scotland data show that house prices rose across Scotland in Q4 2021. The largest increase was in Argyll and Bute, Highlands and Islands, where house prices increased 8.7% annually to 209K (average arithmetic mean price; prices not mix-adjusted). The smallest increase was in Aberdeen/shire and Moray, which increased by 1.9% annually to £208K. Over the five year period to Q4 2021, the annualised house price inflation rate in Aberdeen/shire & Moray was 1.0%, relative to 4.3% 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. However, with the sharp rise in oil prices since December 2021 and the potential to increase extraction from the North Sea, this could lead to the regional house market rebounding somewhat.

The longer-term trend (as measured by the change in house prices over the 4 quarter period to Q4 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 Argyll and Bute, Highlands and Islands, where house prices increased by 7.6%, whilst the smallest increase in house prices was seen in the Forth Valley, where house prices increased by 4.7%.

A summary of the average house price in Q4 2021 by Scottish region is included below. This also includes the annual change in the average house price in Q4 2021, as well as the annual change in the average house price using a rolling four quarter period to Q4 2021, which smooths out volatility in quarterly data (Source: RoS).

**Table 2. Regional house prices**

<p><b>Aberdeen/shire &amp; Moray</b> Average Price – Q4 2021 <b>£208K</b> 12 Month Change <b>1.9%</b> Annual change (rolling 4 quarters) <b>4.8%</b></p>	<p><b>Edinburgh, Lothians &amp; Borders</b> Average Price – Q4 2021 <b>275K</b> 12 Month Change <b>5.0%</b> Annual change (rolling 4 quarters) <b>6.1%</b></p>
<p><b>Argyll &amp; Bute, Highland &amp; Islands</b> Average Price – Q4 2021 <b>£209K</b> 12 Month Change <b>8.7%</b> Annual change (rolling 4 quarters) <b>7.6%</b></p>	<p><b>Forth Valley</b> Average Price – Q4 2021 <b>£195K</b> 12 Month Change <b>2.4%</b> Annual change (rolling 4 quarters) <b>4.7%</b></p>
<p><b>Ayrshires, Dumfries &amp; Galloway</b> Average Price – Q4 2021 <b>£165K</b> 12 Month Change <b>2.6%</b> Annual change (rolling 4 quarters) <b>6.5%</b></p>	<p><b>Tayside &amp; Fife</b> Average Price – Q4 2021 <b>£194K</b> 12 Month Change <b>4.7%</b> Annual change (rolling 4 quarters) <b>6.4%</b></p>
<p><b>Clyde Valley</b> Average Price – Q4 2021 <b>£185K</b> 12 Month Change <b>4.9%</b> Annual change (rolling 4 quarters) <b>6.5%</b></p>	<p><b>Scotland</b> Average Price – Q4 2021 <b>£207K</b> 12 Month Change <b>5.0%</b> Annual change (rolling 4 quarters) <b>6.6%</b></p>

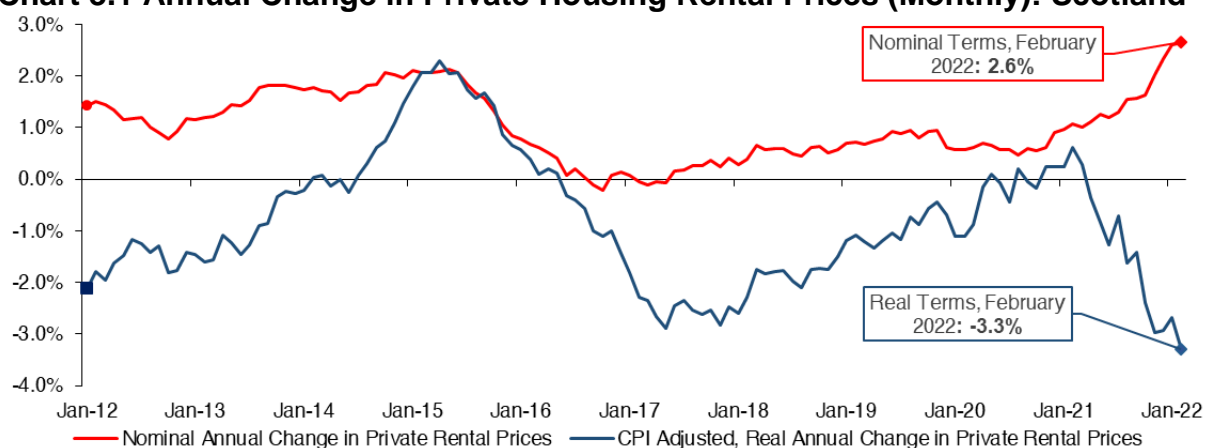
Source: Registers of Scotland

# Rental Prices

## Private Housing Rental Prices

Private housing rental prices in Scotland increased by 2.6% annually to February 2022. Nominal private rental price growth has been relatively stable since June 2017, ranging between 0% and 2%, with an average of 1.0%. However, in recent months nominal rental prices have increased, with the 2.6% annual growth in February the highest recorded since January 2012. In real terms (adjusting for inflation, using CPI), the annual change in February 2022 was -3.3%. 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 6.2% in February 2022. The heightened level of CPI inflation can be partly explained by the large increase in energy prices (electricity, gas and other fuels).

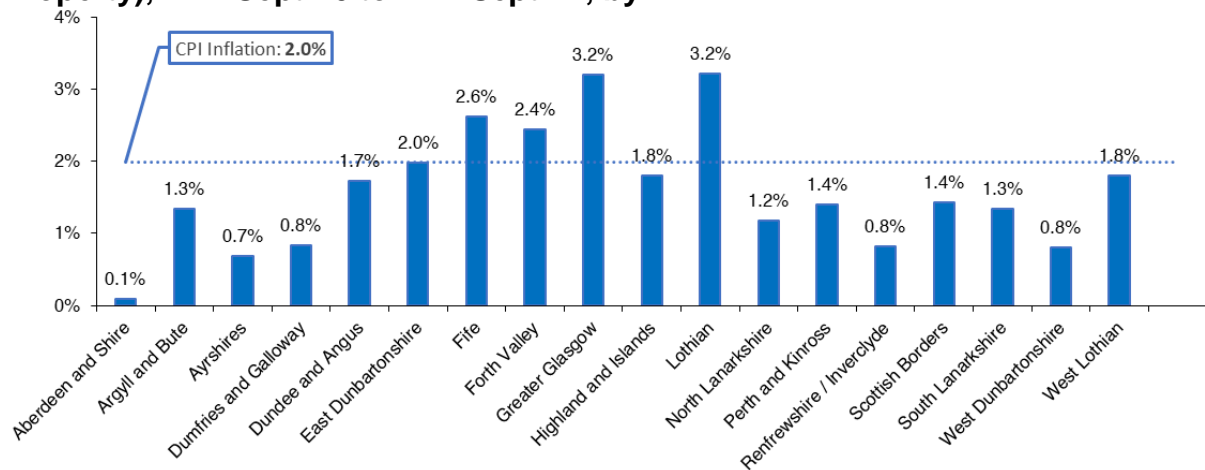
**Chart 3.1 Annual Change in Private Housing Rental Prices (Monthly): Scotland**



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

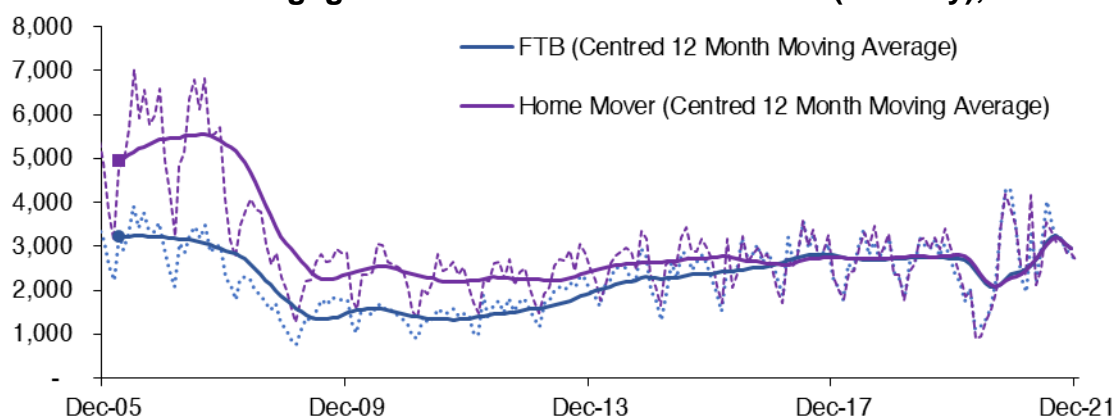
\* Note: Scottish Government statistics are based almost entirely on advertised rents at point of new let, and thus will tend to be higher than the ONS data which makes an allowance for rent changes in existing lets. In addition, chart 3.2 looks solely at 2 bedroom properties, whilst 3.1 looks at the 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 8,350 new mortgages advanced to first-time buyers in Scotland in Q4 2021, an annual decrease of 29.9% (-3,560). Meanwhile, there were 8,330 new mortgages advanced to home movers in Scotland in Q4 2021, an annual decrease of 27.9% (-3,230). Whilst the annual decreases for first-time buyers and home movers are large, this can be explained a high number of new mortgages advanced in Q4 2020 (see discussion in Sales section). Relative to the 4 year average for Q4 (2016 – 2019), new mortgages advanced to first-time buyers were up 1.0%, whilst for home movers they decreased by 2.4%. For 2021 as a whole, the annual increase in the number of new mortgages advanced to home movers (26.8%) was somewhat higher for than for first-time-buyers (22.3%), although as Chart 4.1 shows, the number of new mortgages to these two groups has been very similar since Q3 2016. (Source: UK Finance).

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



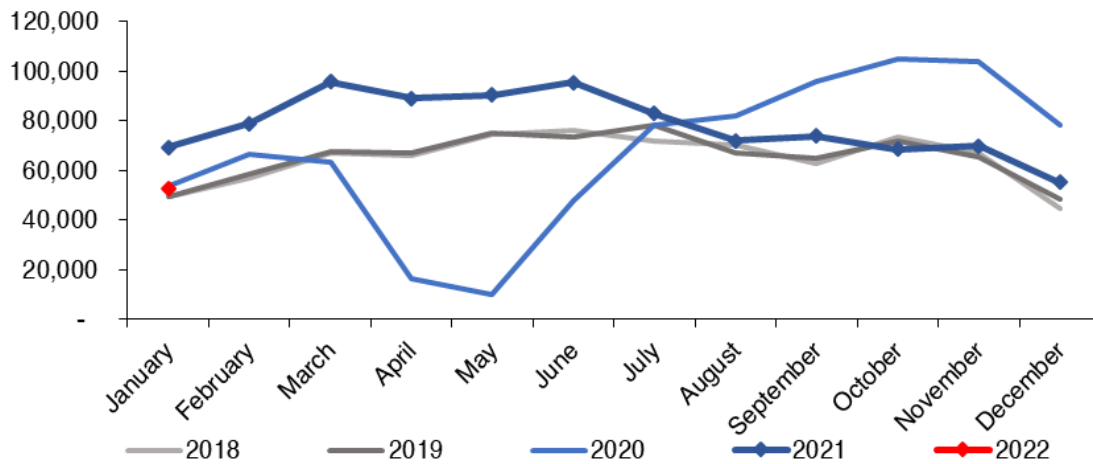
Source: UK Finance

### 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 1.5% lower in January 2022 relative to January 2020. However, this is also 24.0% below the level in January 2021, which can be explained by the unusually high level of housing market activity in the first half of 2021.

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

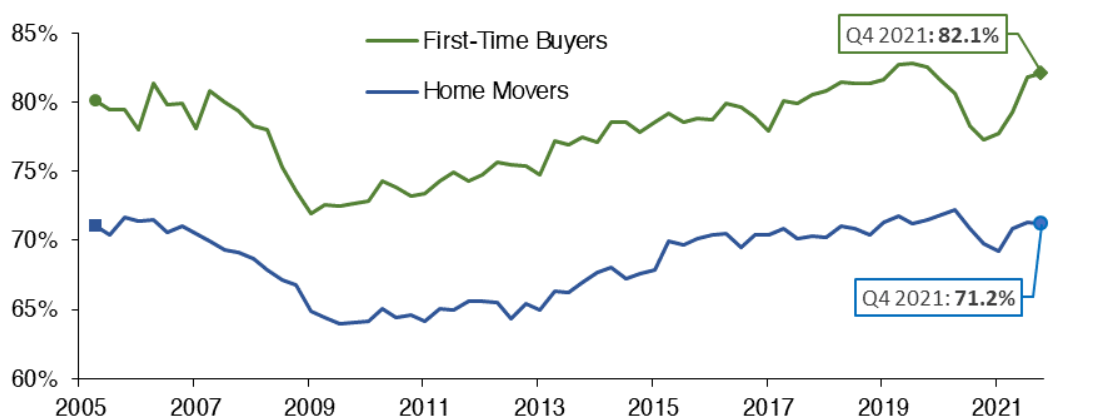


Source: Bank of England

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

In Q4 2021, the mean Loan-to-Value (LTV) ratio on new mortgages advanced to first-time buyers in Scotland stood at 82.1%, an annual increase of 4.8 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 71.2% in Q4 2021, up 1.4 percentage points over the one year period. This is shown in Chart 4.3 (Source: UK Finance).

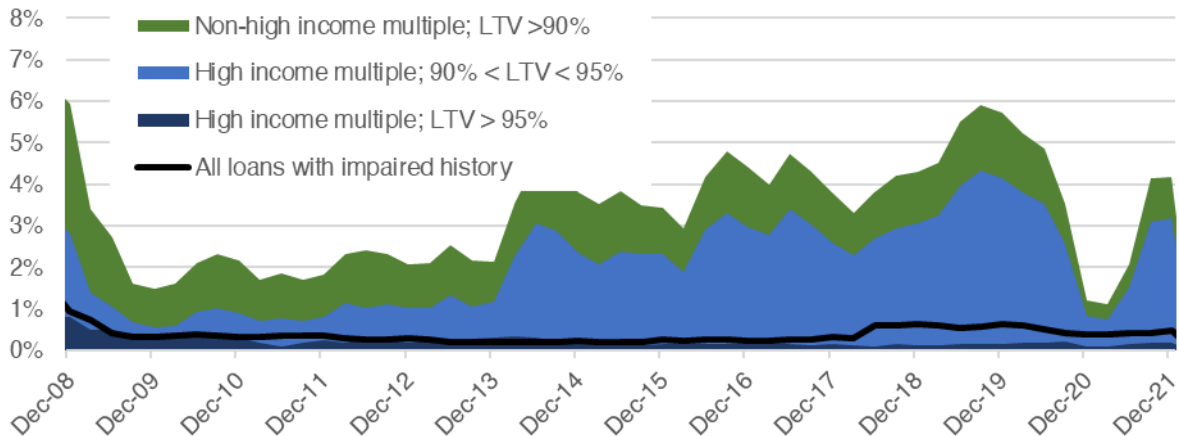
**Chart 4.3 Mean Loan to Value Ratio (Quarterly), Scotland**



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 but the market is starting to recover. The share of gross mortgage advances across the UK in Q4 2021 with an LTV ratio greater than 90% was 4.2%, 3.0 percentage points above the share in Q4 2020 but 1.5 percentage points lower than the share in Q4 2019. 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 3.4% in Q4 2021, up by 2.4 percentage points on Q4 2020 but 0.9 percentage points lower than the share in Q4 2019.

**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 5 in March 2021 to 342 in March 2022. This recovery could in part reflect the UK Government's Mortgage Guarantee scheme. The Mortgage Guarantee Scheme aims to increase the availability of 91% - 95% LTV mortgage products by providing a government guarantee that would compensate lenders a portion of their losses in the event of foreclosure. The scheme was launched on 19 April 2021 and will close on 31 December 2022. However, a number of high LTV products have been introduced outside this scheme (Source: Moneyfacts Mortgage Treasury Report).

# Lending To Homebuyers: Interest Rates

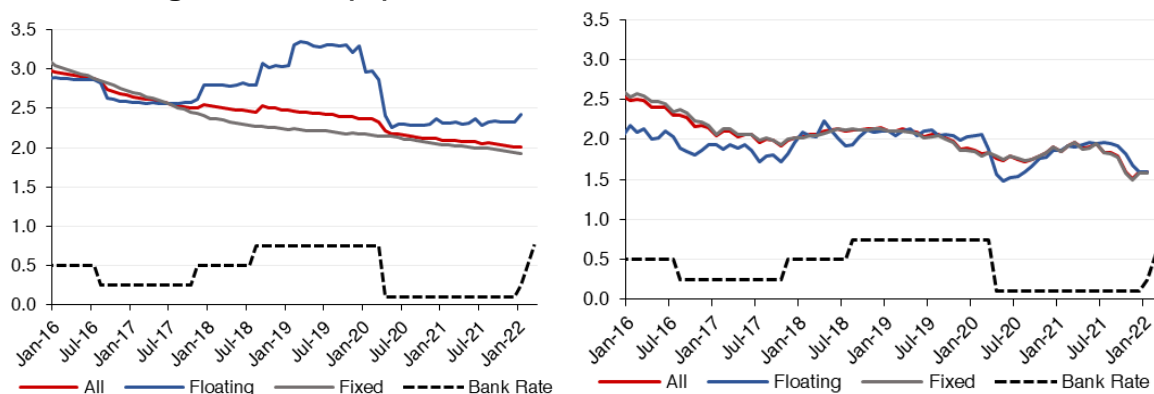
## Mortgage Interest Rates

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

In March 2020, Bank Rate was cut by a total of 65 basis points to 0.1% as a result of the Covid-19 pandemic. This fed through quickly into variable rate mortgages, with the average variable rate on outstanding mortgages falling from 2.97% in February 2020 to 2.26% in May 2020, after which it remained relatively steady, and the average interest rate on new variable rate mortgages falling from 2.06% in February 2020 to 1.48% in May 2020, although it then increased back to 1.96% in July 2021, before falling again to 1.60% in December 2021. The average fixed rate on outstanding mortgages has gradually drifted down during this period, while the average fixed rate on new mortgages, despite displaying more volatility, also fell to 1.58% by December 2021.

More recently in response to the rise in inflation, the Bank of England has increased the Bank rate by 15 basis points in December, followed by 25 basis points in each of February and March, for a cumulative rise of 65 basis points to 0.75%, returning Bank Rate to its pre-Covid level. Since the latest data on average mortgage rates is for January 2022, the data only reflects the December Bank Rate change, and in fact only the average variable rate on outstanding mortgages increased in January, by 10 basis points to 2.42%.

**Charts 4.5 (L) and 4.6 (R): Effective Monthly Mortgage Interest Rate (UK) (%)**  
**Outstanding Balances (%)**                      **New Mortgages (%)**



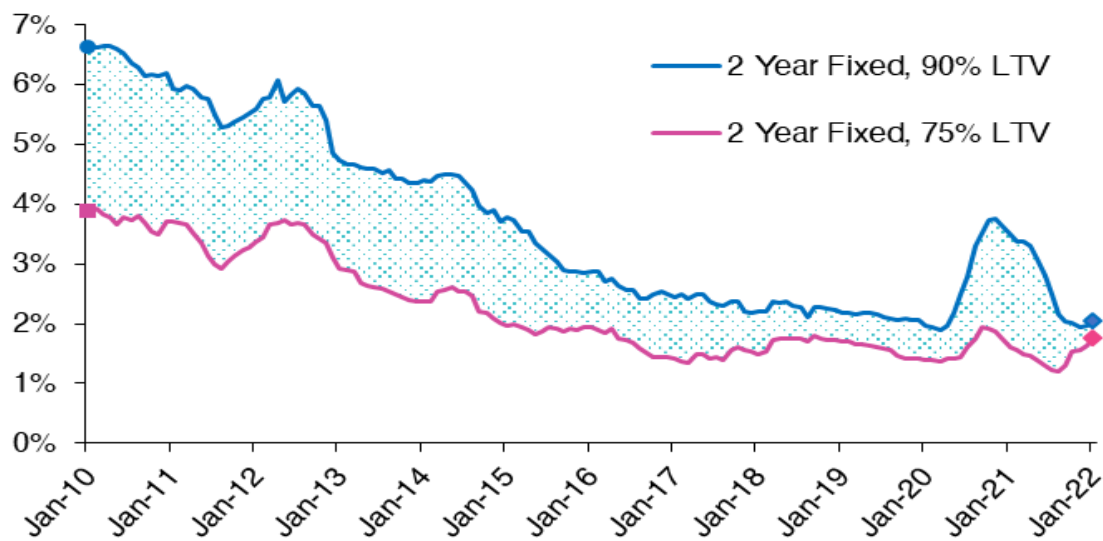
Source: Bank of England

The 65 basis point increase to Bank Rate is estimated to increase the average monthly payment by £54 on a new variable rate mortgage and by £29 on an outstanding variable mortgage in Scotland.

The spread between the average advertised rate on 2 year fixed 90% and 75% LTV mortgages increased during the pandemic from 51 basis points in April 2020 to 189 basis points in December 2020, as shown in Chart 4.7. However, since April 2021, the spread has been falling, reaching 27 basis points in January 2022, the lowest level since June 2009. (Source: BoE)



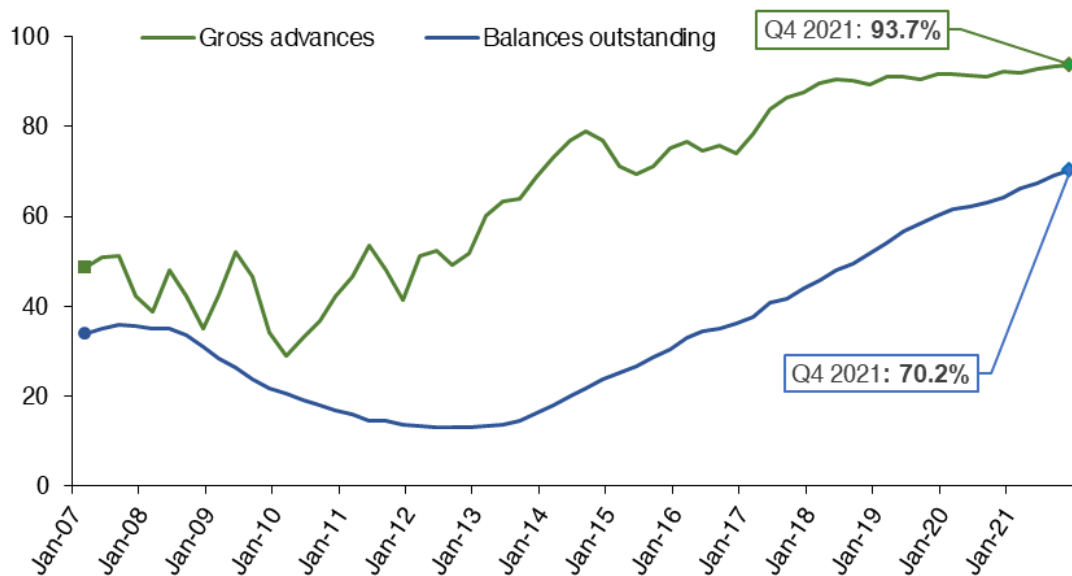
**Chart 4.7 Average 2 Year Fixed 90% and 75% LTV Mortgage Rates (Advertised)**



Source: Bank of England

Chart 4.8 shows that the majority of new mortgages (93.7%), as well as most outstanding mortgages (70.2%), are on fixed rates, as of Q4 2021. (Source: FCA)

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



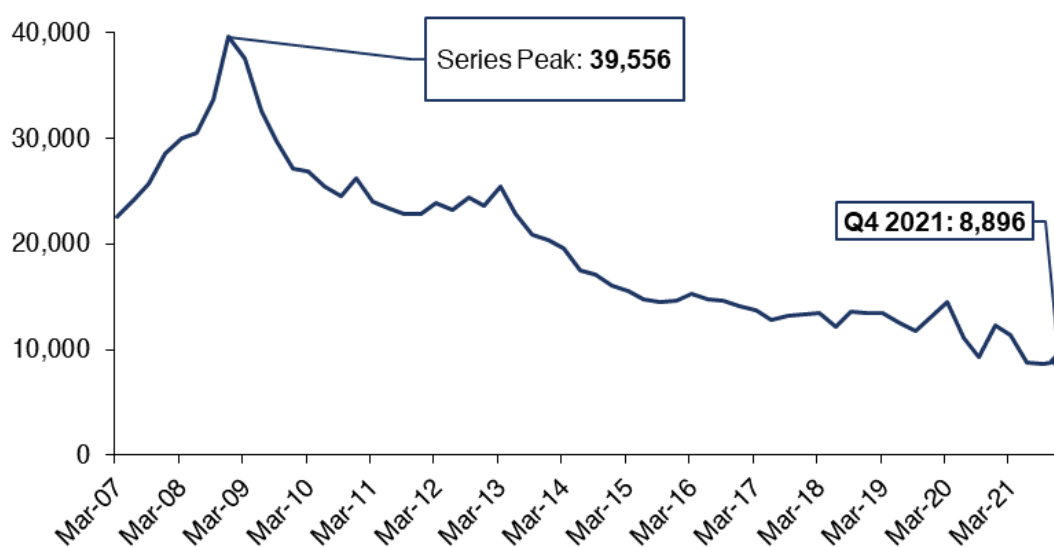
Source: FCA

## Lending To Homebuyers: Arrears and Possessions

### Arrears

There were 8,896 regulated mortgages that went into arrears across the UK in Q4 2021, a decrease of 27.5% (-3,371) on Q4 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 has not result in an increase in arrears so far. (Source: FCA)

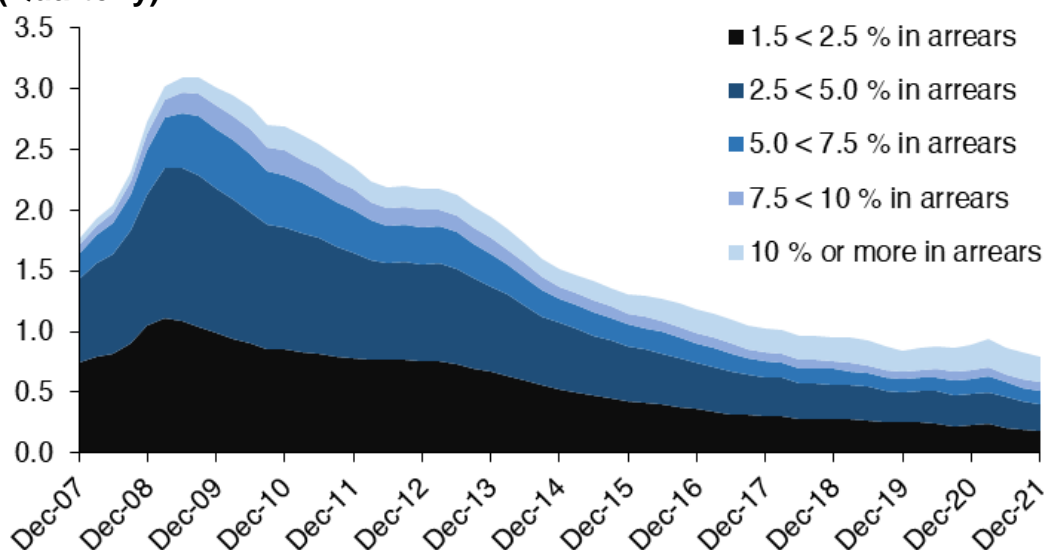
**Chart 4.9 Number of Mortgage Loan Accounts Entering Arrears: UK (Quarterly)**



Source: FCA

The share of lenders' outstanding regulated mortgage balances that were in arrears stood at 0.80% at the end of Q4 2021. This has remained broadly stable during the pandemic, with arrears at 0.89% at the end of Q4 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

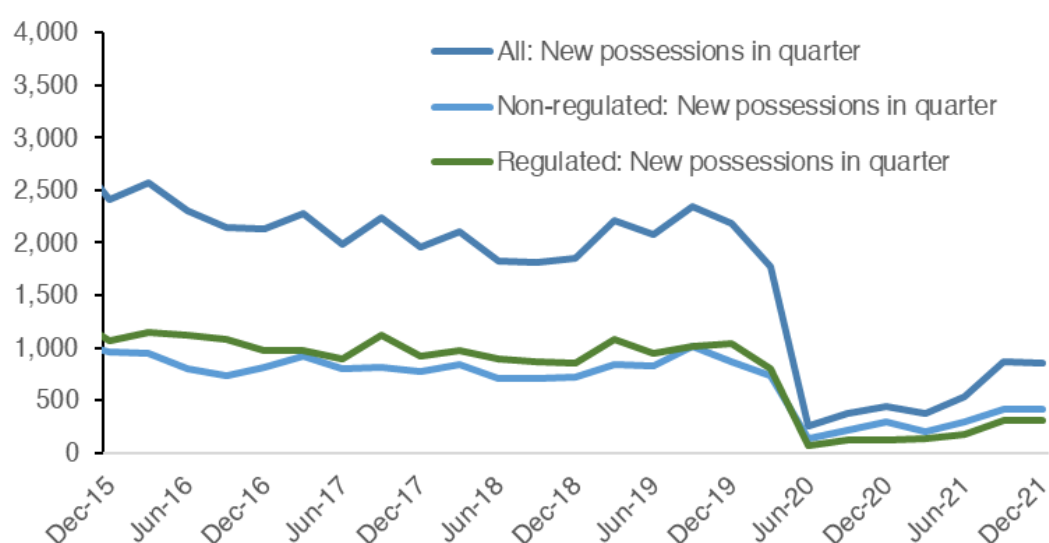
UK Finance data show that there were 6,010 buy-to-let mortgages in arrears of 2.5% or more of the outstanding balance across the UK in Q4 2021. This is down by an annual 0.8% (-50). This is still low relative to the period of the 2008 financial crisis. The number of buy-to-let mortgages in arrears of 2.5% or more as a percentage of the total number of buy-to-let mortgages was 0.30% as at Q4 2021, roughly equal to Q4 2020 (0.27%).

### Possessions and evictions

The FCA published finalised guidance for UK mortgage lenders in March 2021, outlining that possessions could be enforced from 1 April 2021 but this must be in accordance with FCA guidance and regulatory requirements, which mean that possessions should only take place as a last resort, if all other reasonable attempts to resolve the situation have failed. In Scotland, a ban on the enforcement of eviction orders in areas in Levels 3 and 4 ended on the 30 September 2021.

Chart 4.11 shows that despite restrictions on possessions being lifted, there were only 435 new regulated mortgage possessions across the UK in Q4 2021, a decrease relative to Q3 2021 of 18 (-4.0%). While the level of possessions has increased since restrictions were lifted, they are still significantly lower than pre-pandemic levels, with possessions down by 884 (67.0%) 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

The Coronavirus (Extension and Expiry) (Scotland) Act, passed on 24 June 2021, extended additional protections for tenants to 30 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, *reporting on the fund is available [here](#)*. 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 Coronavirus (Recovery and Reform) (Scotland) Bill, introduced to Parliament on 25 January, seeks to embed reforms in Scotland's public services and justice system that, though necessitated by the Covid pandemic, have delivered improvements for service users and improved efficiency.

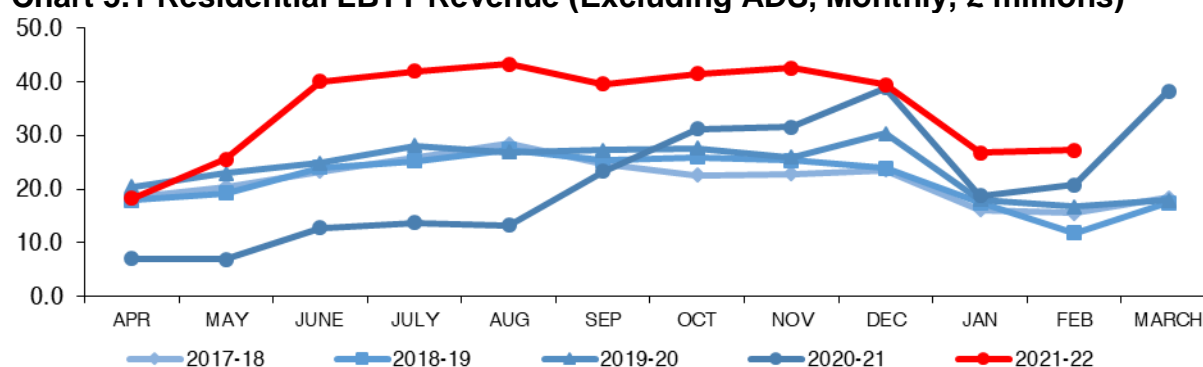
Part 4 of the Bill relates to eviction from properties in the private rented sector and proposes that in relation to the tenancy types set out in the Bill, a tribunal will not have to automatically evict people. The tribunal will, however, still be able to grant an eviction if it considers it reasonable. Part 4 also sets up a "pre-action protocol". This protocol is something landlords can follow before starting eviction proceedings. Whether landlords have or have not followed this protocol will be considered by a tribunal in deciding whether to order an eviction in cases where late or non-payment of rent is the reason why the landlord is seeking an eviction.

## 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 11 months of the financial year 62.2% higher for 2021-22 relative to a 4 year average (2016-17 to 2019-20), which can be explained by a combination of higher transaction volumes (see Chart 1.2) and house prices (see Chart 2.1) in 2021-22.

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

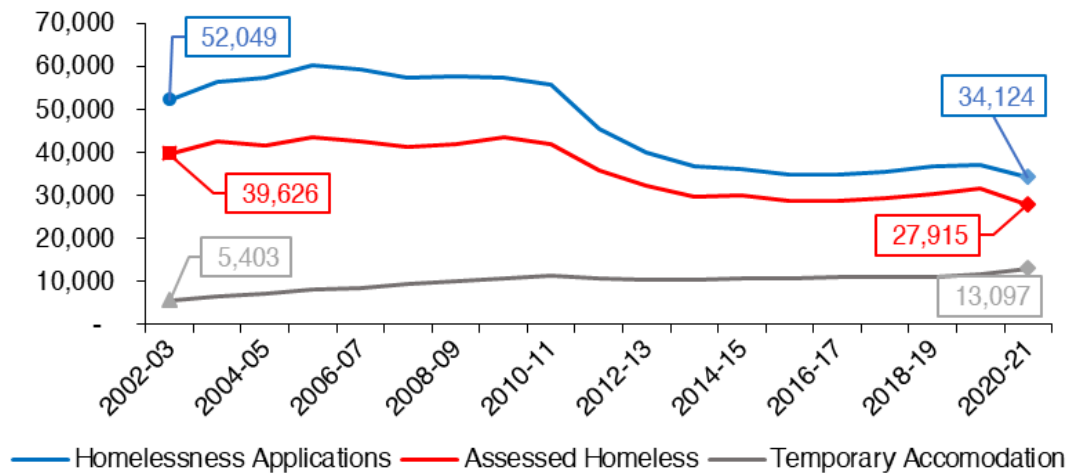


Source: Revenue Scotland

### Homelessness

Over the one year period to 31 March 2021, there were 34,124 homelessness applications in Scotland and 27,915 households assessed as homeless (including those threatened with homelessness). In addition, 13,097 households were in temporary accommodation as at 31 March 2021, as illustrated in Chart 5.2. More recent data outlining the first half of the 2021-22 financial year saw 17,447 homelessness applications (an annual increase of 1.6%) and 14,161 households assessed as homeless (an annual increase of 2.5%), while the number of households in temporary accommodation was 13,192 at 30 September 2021, a decrease of 6.8% compared to September 2020.

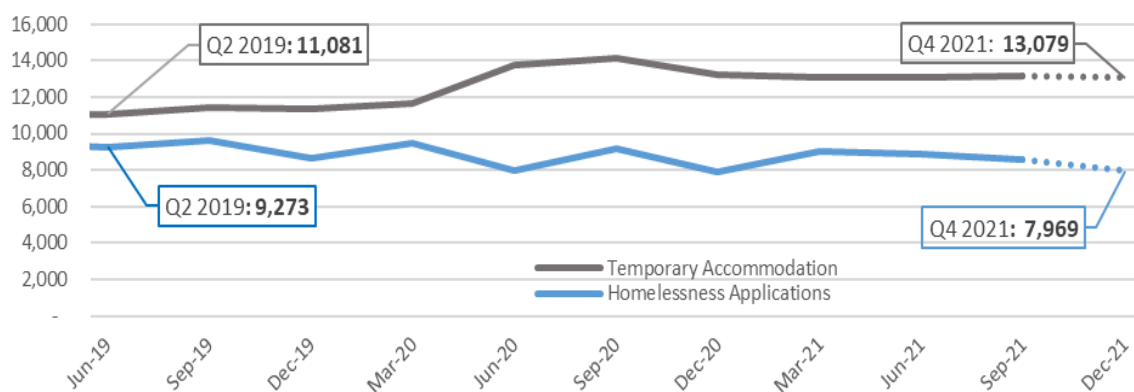
**Chart 5.2 Homelessness in Scotland to 31 March 2021 (Annual)**



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. This chart uses Scottish Government statistics to Q3 2021 (solid line) and Scottish Housing Regulator statistics for Q4 2021 (dashed line) due to data availability, although note that the SHR data is not directly comparable to the official homelessness statistics. The quarterly data shows that since the start of the pandemic, homelessness applications have remained below pre-pandemic levels. The 7,969 applications in Q4 2021 is 8.0% 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 13,079 in Q4 2021.

**Chart 5.3 Homelessness in Scotland to Q4 2021 (Quarterly)**



Source: Scottish Government and SHR

## Housing Supply: Starts and Completions

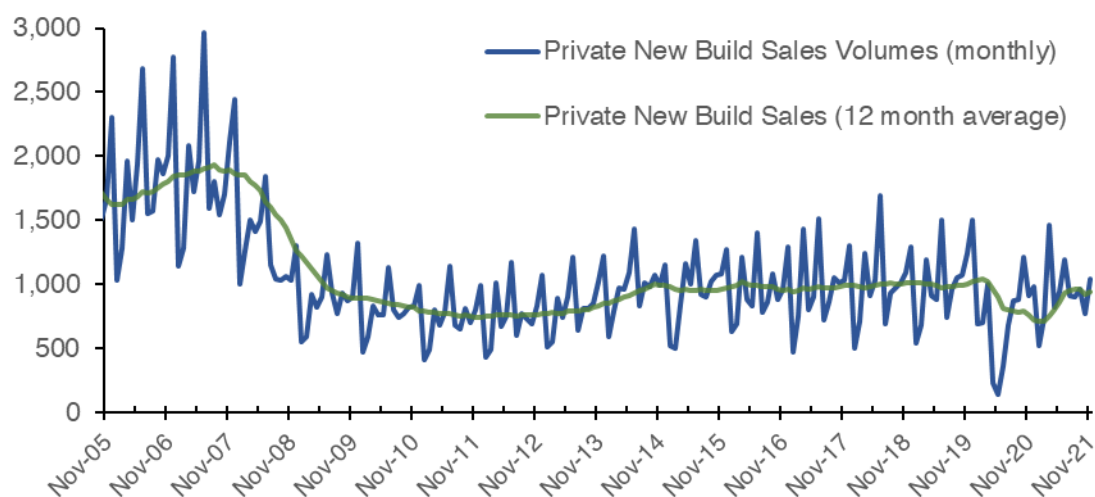
### New build completions

The most recent published Scottish Government figures for new build completions cover the year to end June 2021, in which there were 18,974 completions across all sectors in Scotland, an increase of 10.2% (1,751 homes) on the previous year, when activity levels were affected by Covid-19 related lockdown measures.

### 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 one year basis to November 2021 of 22.8%. When we compare the one year period to November 2021 against the one year period to November 2019 (i.e. prior to Covid-19), private new build sales fell by 6.8%.

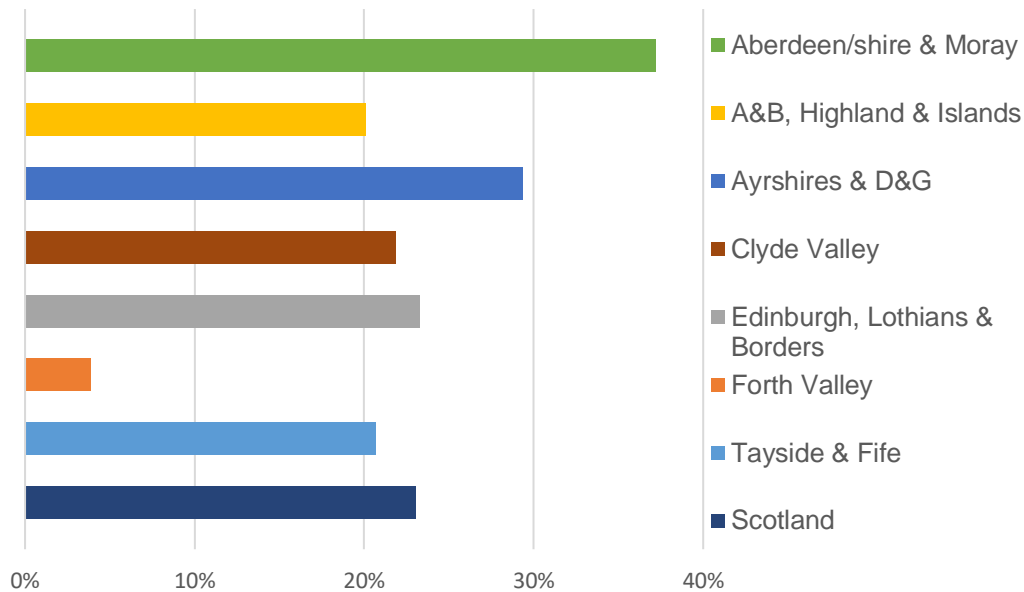
**Chart 6.1 Scottish Private New Build Sales to November 2021**



Source: UK HPI (Scotland)

Chart 6.2 provides the growth in private new build sales by region over the one year period to Q3 2021, relative to the year prior. Private new build sales increased by an annual 23.1% 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 (37.2%) and the smallest increase in private new build sales in the Forth Valley of 3.9%. (Source: UK HPI).

**Chart 6.2 Rolling One Year Growth in Scottish Private New Build Sales by Local Authority to Q3 2021**

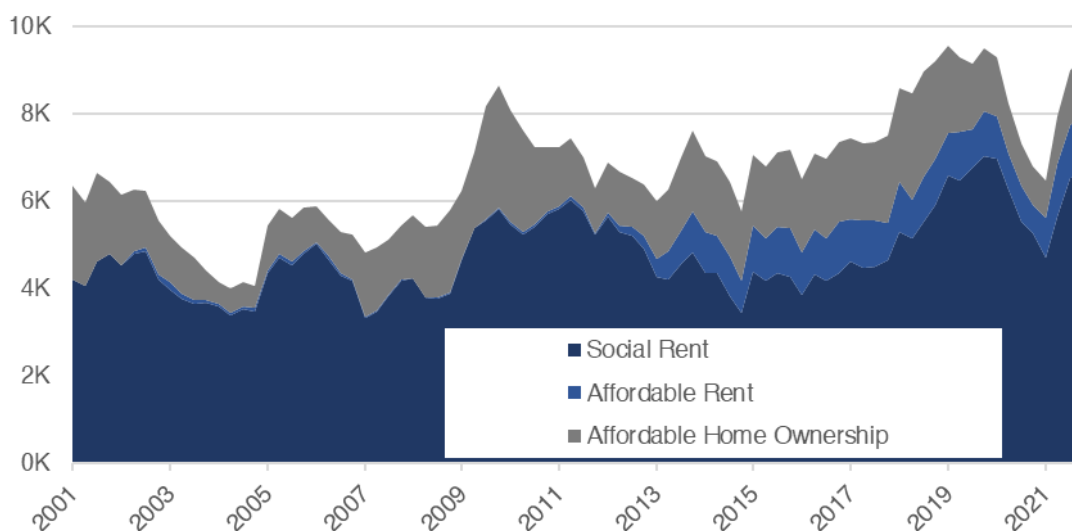


Source: UK HPI (Scotland)

### 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. 9,211 affordable housing completions were recorded in 2021, an increase of 35.5% compared to 2020, in which activity was affected by Covid-19 related lockdown measures. However, over the same period approvals have fallen by 17.4% to 8,398, whilst starts have decreased by 4.5% to 9,679. (Source: SG).

**Chart 6.3 AHSP Completions (4Q Moving Total, to Q4 2021)**



Source: Scottish Government



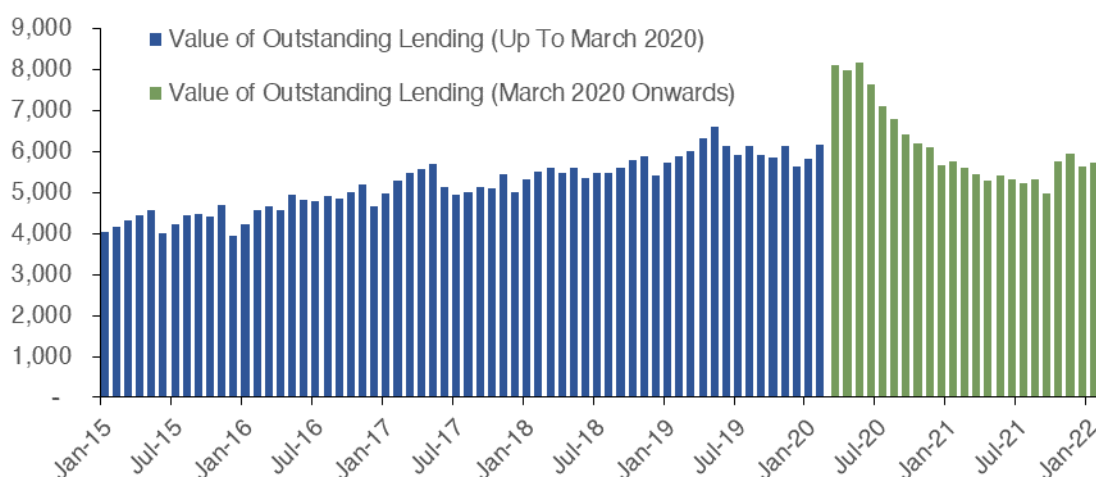
# House Building: Lending to House Builders, Insolvencies and Construction Material Prices

## 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 a slight increase since October 2021, remained slightly lower than the value of loans in February 2020, immediately prior to the impact of Covid-19. As at January 2022, the value of loans stood at £5.7bn, a decrease of £430m (or 7.0%) relative to February 2020 (£6.2bn).

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

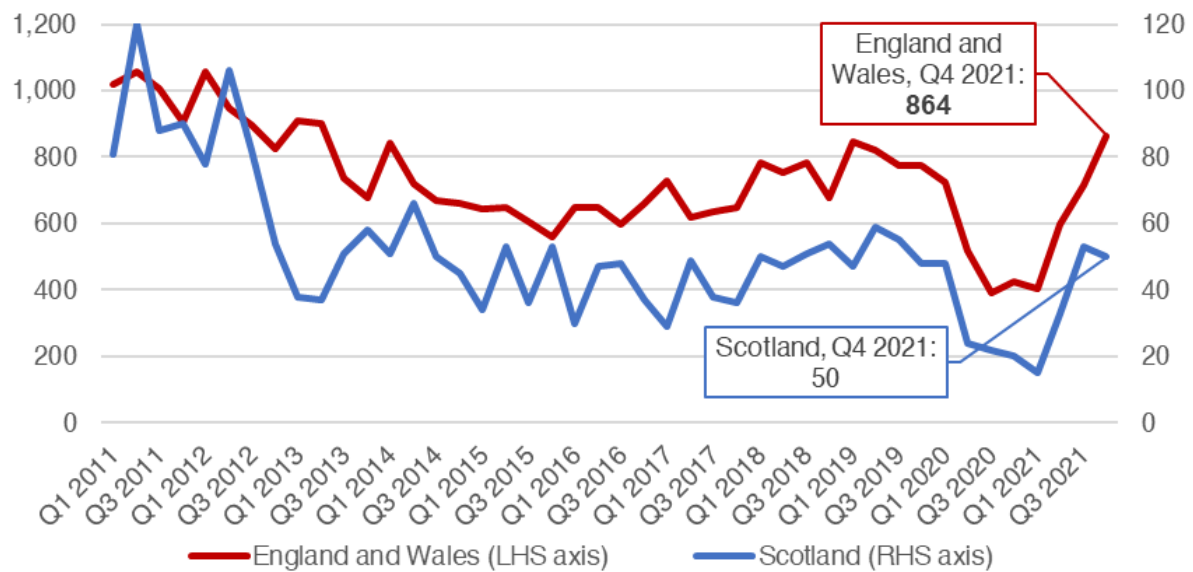


Source: Bank of England

## Insolvencies

The health of construction firms can be identified by tracking the number of registered company insolvencies in the construction sector. Chart 7.2 outlines that during the pandemic insolvencies in the construction sector fell, likely due to the business support in place. However, with this support unwinding and new build construction material prices increasing, registered company insolvencies in the construction sector in Scotland increased to 50 in Q4 2021, whilst in England and Wales this equalled 864. Over the one year period to Q4 2021 relative to the year prior, registered company insolvencies in the construction sector in Scotland increased by 32.5%, relative to 25.0% in England and Wales.

**Chart 7.2 Number of Registered Company Insolvencies in the Construction Sector (Quarterly)**



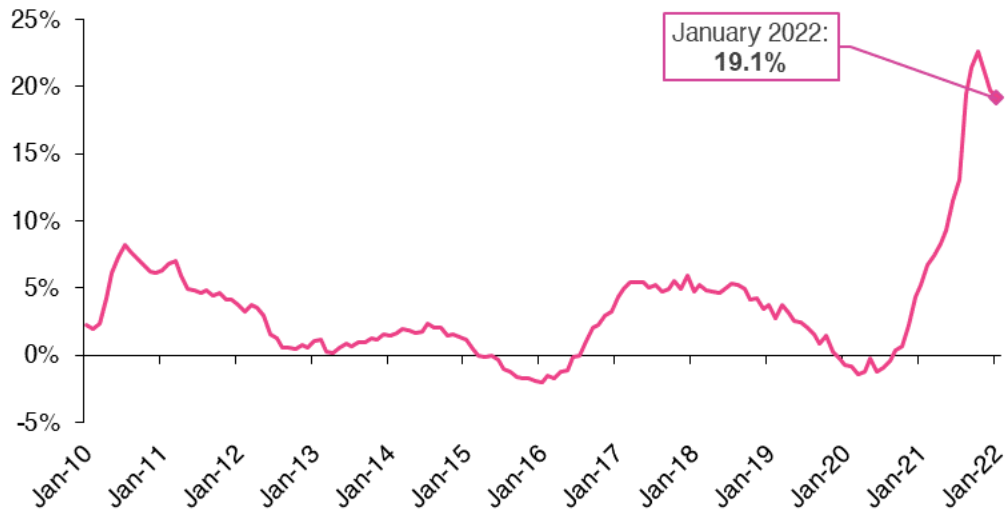
Source: The Insolvency Service

### Construction Material Prices

Data from BEIS on the cost of construction materials used in new house building (Chart 7.3) 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 19.1% in January 2022. However, this has fallen slightly from the high in October 2021 of 22.6%.

The annual increase in prices has been driven by certain products, namely fabricated structural steel (+51.0%), particle board (45.4%) and concrete reinforcing bars (+40.0%). There were modest decreases in the price of Industrial materials (thermal or acoustic) and Gravel, Sand, Clays, and Kaolin (including aggregate levy) of -3.3%.

**Chart 7.3 Annual Change in Price of Construction Materials for New Build Housing: UK (Monthly)**



Source: BEIS



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