

Scottish Housing Market Review

January - March 2021

June 2021

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Key points for this issue:

Sales

- **Housing market activity remained strong in Q1 2021**, with transactions increasing by an annual 55.7% ahead of the ending of the temporary reduction of LBTT on 31 March. However, over 2020-21 as a whole, residential property sales decreased by 6.5%. (Source: Registers of Scotland)
- **The boost in transactions in Q1 was experienced across Scotland**, with the largest increase in Edinburgh, Lothians and the Borders and the smallest in the Clyde Valley. (Source: Registers of Scotland)
- More recent data using residential LBTT returns indicates that **housing market activity could be stabilising at pre-pandemic levels**, with LBTT returns in May 2021 only 1.3% lower than the 2016-2019 average. (Source: Revenue Scotland)

House Prices

- **Annual house price growth was 9.1% in Q1 2021**. This is the highest quarterly house price inflation rate since Q1 2008, prior to the financial crisis. (Source: UK HPI)
- **Price growth for terraced properties (10.6%) was greater than for flats (7.1%).**

Rental Prices

- **Private housing rental price growth remain moderate**, rising by an annual 1.3% in nominal terms but falling by 0.8% in real terms in May 2021. (Source: ONS)
- **Statutory protections for tenants have been extended to 31 March 2022** - these relate to increased notice periods for private and social tenants, making all grounds for eviction of private tenants discretionary, and requiring private landlords to follow Pre-Action Protocols in the case of rent arrears.

Lending

- **There has been a reduction in high LTV mortgage lending due to the impact of Covid-19**. Data from the FCA for Q1 2021 shows that 1.1% of gross mortgage advances in the UK had an LTV ratio over 90%, down 4.1 percentage points on Q1 2020.
- **New mortgages to first-time buyers in Scotland increased by an annual 27.5% in Q1 2021, while new mortgages to home movers increased by 49.2%**. Over 2020-21 as a whole, new mortgages to first-time-buyers decreased by 4.8% compared to a fall of 7.4% for home movers (Source: UK Finance)
- **The interest rate premium on high LTV mortgages has remained stable since December 2020**. In May 2021, the spread between the average advertised 2 year fixed 90% LTV and 75% LTV mortgage rate, at 186 basis points, was just 3 basis point lower than December 2020. (Source: Bank of England)

Housing Supply

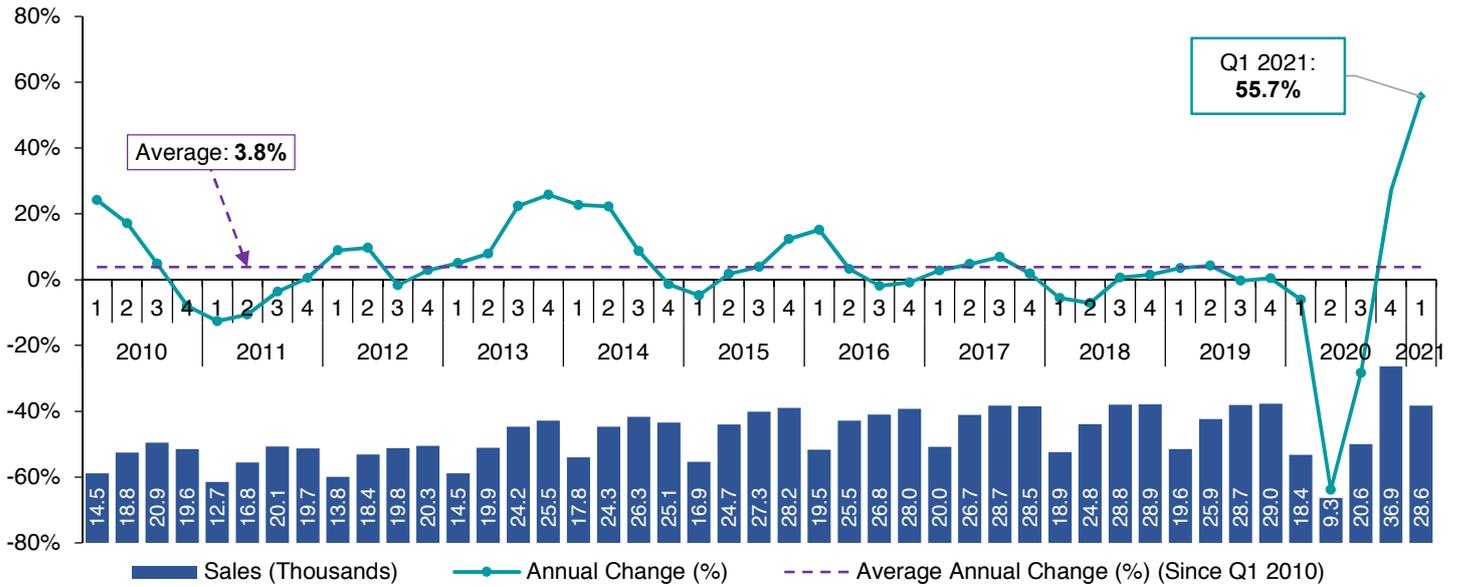
- **There were 17,029 new build homes completed over the one year period to June 2020, an annual decrease of 21% (4,439 homes) on the previous year**, with activity levels being affected by the introduction of COVID-19 lockdown measures from March to late June 2020.
- **Private new build sales have recovered since the the lockdown measures implemented in Q2 2020, increasing by an annual 5.0% in February 2021**. (Source: UK HPI)
- **The supply of affordable housing has recovered since Q2**, although supply remains below the Q1 2020 level. **3,160 affordable homes were delivered in Q1 2021**, an increase of 1,226 (63.4%) on Q4 2020 but an annual decrease of 9.5%. Affordable Housing Supply Programme starts increased by 2,549 (+112.3%) on the Q4 2020 level, which was an annual increase of 52 (1.1%). (Source: Scottish Government).

Data to: 30 June 2021 - Contact: William.Ellison@gov.scot; Bruce.Teubes@gov.scot

1. Sales: National

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

Source: Registers of Scotland



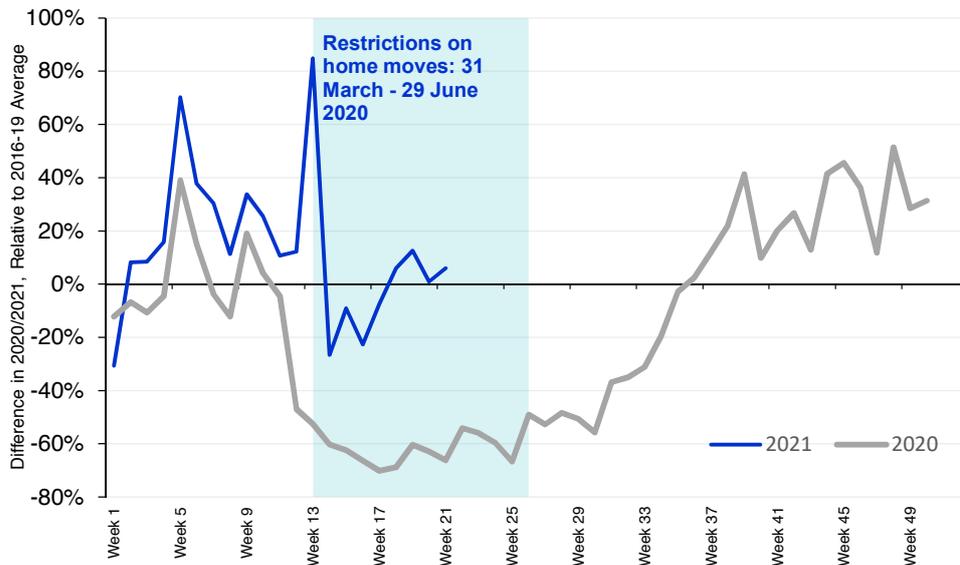
Scottish Sales Performance: National

The recovery in housing market activity in the second half of 2020 strengthened further in Q1 2021, with Registers of Scotland statistics showing that there were 28,646 residential property sales registered across Scotland in Q1 2021, an annual increase of 55.7%. The recovery since restrictions on home moves were lifted in June 2020 has been fuelled by pent-up demand as well as the temporary reduction in LBTT, which ended 31 March 2021. However, for 2020-21 as a whole, activity was down by 6.5% on 2019-20.

More timely statistics from Revenue Scotland on the number of residential LBTT returns submitted indicates the housing market is returning to more normal levels after the increased lower threshold to pay LBTT returned to its pre-pandemic level. Chart 1.2 plots the percentage difference between weekly residential LBTT returns in 2021 and 2020, and the average from 2016 to 2019 for the corresponding week. In March 2021, residential LBTT returns were 55.1% above the 2016-2019 average, while returns in April 2021 were 18.1% lower, as transactions were brought forward to benefit from the LBTT relief. However, in May 2021, returns were only 1.3% less than the 2016-2019 average for the same month.

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

Source: Revenue Scotland



Key Points

The housing market recovery strengthened in Q1 2021, with sales recorded by RoS increasing by an annual 55.7%, driven by pent-up demand and the temporary reduction in LBTT, which ended on 31 March 2021. However, for 2020-21 as a whole, sales fell by 6.5%.

More recent data using residential LBTT returns indicates that housing market activity could be stabilising at pre-pandemic levels, with LBTT returns in May 2021 only 1.3% lower than the 2016-2019 average.

1. Sales: Regional

Scottish Sales Performance: Regional

Registers of Scotland data shows that the strong growth in housing market activity in Q1 2021 was experienced across Scotland. The largest increase in residential property sales occurred in Edinburgh, Lothians and the Borders, where sales rose by an annual 64.4%. Sales in the Clyde Valley increased by the lowest amount in Scotland but this remains a sizeable increase in transactions, up by 49.1% on the same period last year.

Analysing the annual change using a rolling four quarters method, it can be seen that the reduction in transactions for the one year period to Q1 2021 relative to the year prior has been experienced in a broadly uniform manner across Scotland. The smallest decrease in sales on a rolling four quarter basis was in Aberdeen/shire & Moray by 3.0% and the largest decrease in sales was in the Clyde Valley by 8.5%.

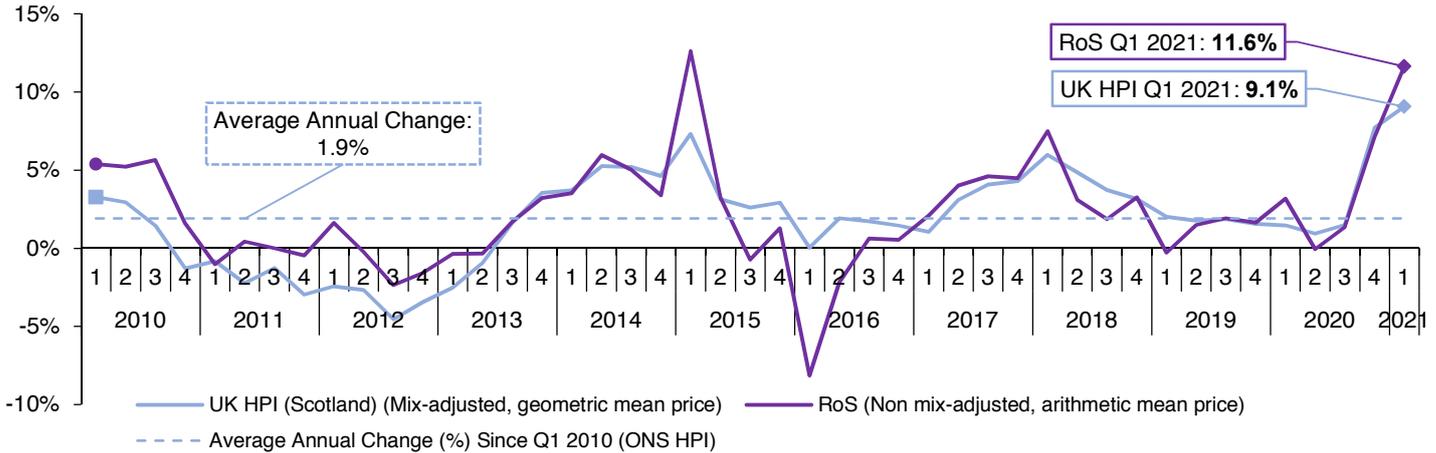
A summary of residential property sales activity by Scottish region is included below. This contains the number of residential property sales registered in Q1 2021, the annual change, as well as the annual change in sales using a rolling four quarter period to Q1 2021. The latter is included to smooth out volatility in quarterly data.

Aberdeen/shire & Moray		A&B, Highland & Islands		Ayrshires & D&G	
Sales - Q1 2021	2,705	Sales - Q1 2021	2,143	Sales - Q1 2021	2,555
12 Month Change	61.2%	12 Month Change	57.5%	12 Month Change	58.6%
Annual change (rolling 4 quarters)	-3.0%	Annual change (rolling 4 quarters)	-6.8%	Annual change (rolling 4 quarters)	-5.4%
Clyde Valley		Edinburgh, Lothians & Borders		Forth Valley	
Sales - Q1 2021	9,470	Sales - Q1 2021	6,165	Sales - Q1 2021	1,509
12 Month Change	49.1%	12 Month Change	64.4%	12 Month Change	52.7%
Annual change (rolling 4 quarters)	-8.5%	Annual change (rolling 4 quarters)	-6.6%	Annual change (rolling 4 quarters)	-5.6%
Tayside & Fife		Scotland			
Sales - Q1 2021	4,099	Sales - Q1 2021	28,646		
12 Month Change	54.0%	12 Month Change	55.7%		
Annual change (rolling 4 quarters)	-4.5%	Annual change (rolling 4 quarters)	-6.5%		

2. House Prices: National

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

Source: Registers of Scotland/UK HPI (Scotland)



Scottish House Price Performance: National

House price inflation in Scotland, as measured by UK HPI, increased in Q1 2021 by 9.1% relative to Q1 2020. This is the highest quarter of house price inflation since Q1 2008, prior to the financial crisis. House price growth then fell back slightly in April 2021, with the annual increase falling to 6.4%, possibly influenced by the temporary reduction in LBTT coming to an end on 31 March 2021. The average property price in Scotland stood at £166k in Q1 2021.

Data from Registers of Scotland shows an even higher increase in annual house price inflation in Q1 2021, of 11.6%. However, this data is not mix-adjusted, so could be affected by the composition of properties sold. This is supported by looking at the UK HPI in further detail, with annual house price growth greatest for terraced and detached properties (10.6% and 10.3%) and lowest for flats (7.1%) in Q1 2021. However, in April 2021 annual price growth for flats (7.8%) was higher than other property types, the first month since March 2020 that price growth for flats has outperformed the all property index, although the small number of transactions in April 2020 may make April's growth rates less reliable than normal.

Key Points

The average Scottish house price increased by an annual 9.1% in Q1 2021, to £166K (UK HPI), before moderating somewhat to 6.4% in April, following the ending of the temporary reduction in LBTT.

Analysing the HPI data in more detail, it can be seen that price growth for terraced properties (10.6%) was higher than for flats (7.1%) to Q1 2021, although flats outperformed other property types in April 2021.

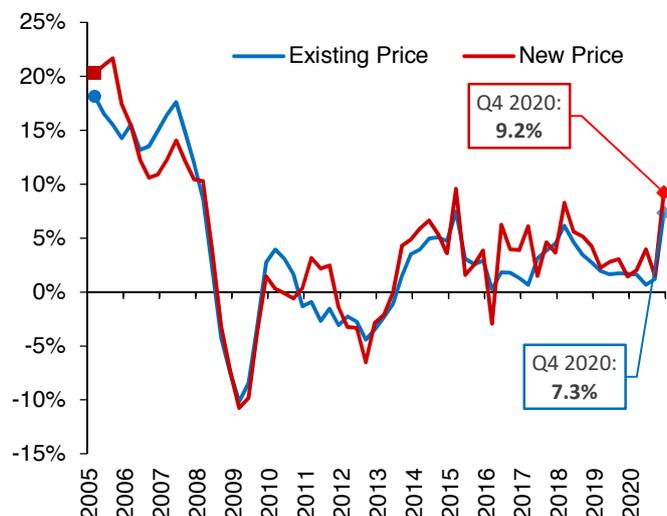
Scottish House Price Performance by Dwelling/Buyer Type

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. In Q4 2020, the average Scottish new build property price increased to a greater extent than the average existing build price, rising by 9.2% to £226K. The average existing build price rose by 7.3% to £161K.

The UK HPI also shows that the average first-time buyer property price in Scotland increased by an annual 9.0% in Q1 2021, to £133K. Meanwhile, the average price of a property purchased by a former owner occupier increased by an annual 9.4% in Q4 2020, to £199K.

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

Source: UK HPI (Scotland)



2. House Prices: Regional

Scottish House Price Performance: Regional

Registers of Scotland data show that house prices for Scotland rose in Q1 2021 and this growth was strong across Scotland. The largest increase was in Ayrshires & Dumfries and Galloway, where house prices increased 19.4% annually to 158k (average arithmetic mean price). The smallest increase was in Aberdeen/shire & Moray, which increased by 7.1% annually to £200k. Over the five year period to Q1 2021, the annualised house price inflation rate in Aberdeen/shire & Moray was 0.6%, relative to 4.7% 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 Q1 2021 on the same period a year ago) shows that house price growth has been positive in all areas of Scotland.

A summary of the average house price in Q1 2021 by Scottish region is included below. This also includes the annual change in the average house price in Q1 2021, as well as the annual change in the average house price using a rolling four quarter period to Q1 2021, which smooths out volatility in quarterly data (Source: RoS).

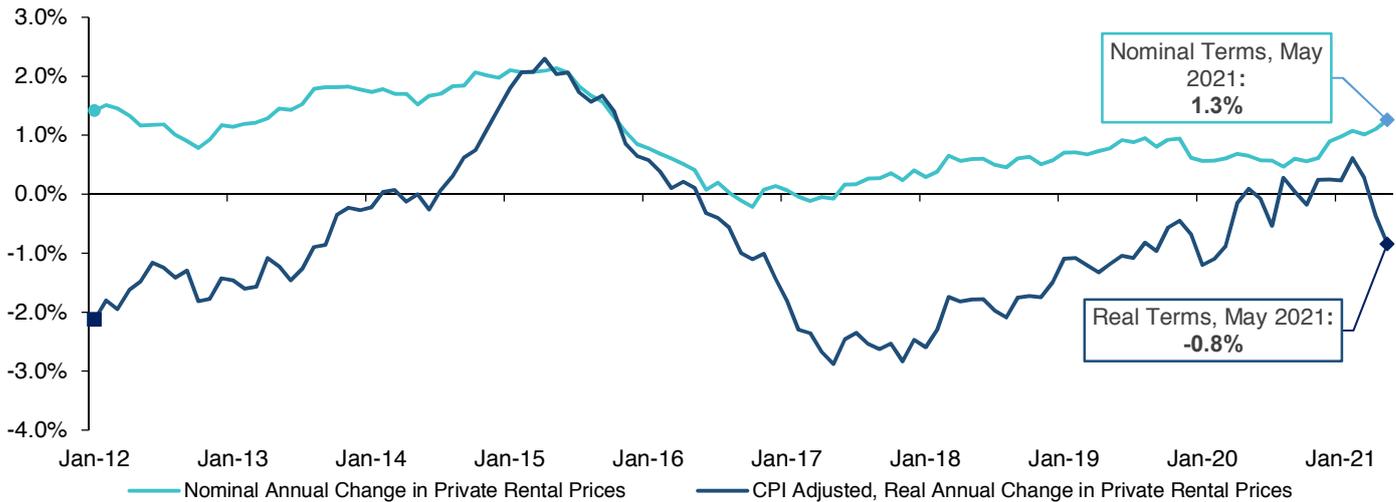
Aberdeen/shire & Moray		A&B, Highland & Islands		Ayrshires & D&G	
Average Price - Q1 2021	£200K	Average Price - Q1 2021	£195K	Average Price - Q1 2021	£158K
12 Month Change	7.1%	12 Month Change	12.6%	12 Month Change	19.4%
Annual change (rolling 4 quarters)	0.9%	Annual change (rolling 4 quarters)	6.9%	Annual change (rolling 4 quarters)	11.9%
Clyde Valley		Edinburgh, Lothians & Borders		Forth Valley	
Average Price - Q1 2021	£181K	Average Price - Q1 2021	£260K	Average Price - Q1 2021	£189K
12 Month Change	10.1%	12 Month Change	9.7%	12 Month Change	16.1%
Annual change (rolling 4 quarters)	5.9%	Annual change (rolling 4 quarters)	6.8%	Annual change (rolling 4 quarters)	9.7%
Tayside & Fife		Scotland			
Average Price - Q1 2021	£187K	Average Price - Q1 2021	£200K		
12 Month Change	12.5%	12 Month Change	11.6%		
Annual change (rolling 4 quarters)	8.5%	Annual change (rolling 4 quarters)	6.7%		

Source: RoS

3. Rental Prices

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

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



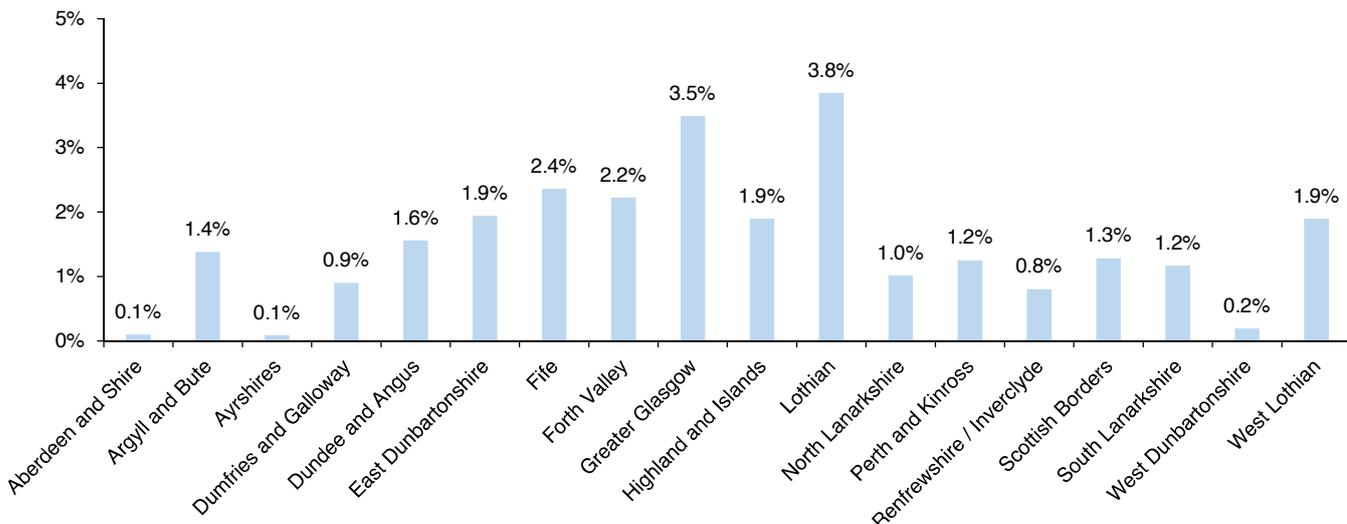
Private Housing Rental Prices

Private housing rental prices increased by 1.3% annually in Scotland in May 2021. This continues a period of relative stability in nominal private rental price growth. Since October 2015, rental price growth has ranged between 0% and 1.5%, with an average of 0.5%. In real terms (adjusting for inflation, using CPI), the annual change in May 2021 was -0.8%. 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 2.1% in May 2021. This moderate growth in average rents across Scotland in recent years masks significant regional variation, as illustrated by Chart 3.2.

A ban on the enforcement of eviction orders in areas in Levels 3 and 4 is in place until 30 September 2021, although all areas in Scotland are currently in Level 2 or lower. The Coronavirus (Extension and Expiry) (Scotland) Bill, passed on 24 June 2021, has extended additional protections for tenants to 31 March 2022: in particular, measures increasing the notice period for social and private evictions to 6 months in most cases, giving the First Tier Tribunal discretion when considering all grounds for eviction in the private rented sector, and requiring private landlords seeking eviction on rent arrears grounds to follow Pre-Action Requirements. The Scottish Government has also announced a new £10 million grant fund to support tenants struggling to pay their rent as a direct result of Covid-19.

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

Source: SG/ONS CPI



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

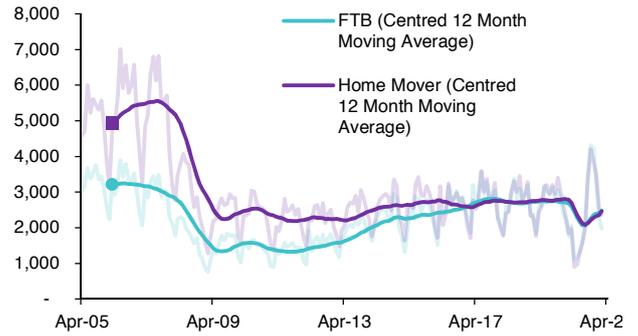
4. Lending To Homebuyers: Mortgage Approvals & LTVs

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 7,650 new mortgages advanced to first-time buyers in Scotland in Q1 2021, an annual increase of 27.5% (+1,650). Meanwhile, there were 9,130 new mortgages advanced to home movers in Scotland in Q1 2021, an annual increase of 49.2% (+3,010). For 2020-21 as a whole, the reduction in the number of new mortgages advanced was lower for first-time-buyers (-4.8%) than for home movers (-7.4%) (Source: UK Finance).

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

Source: UK Finance

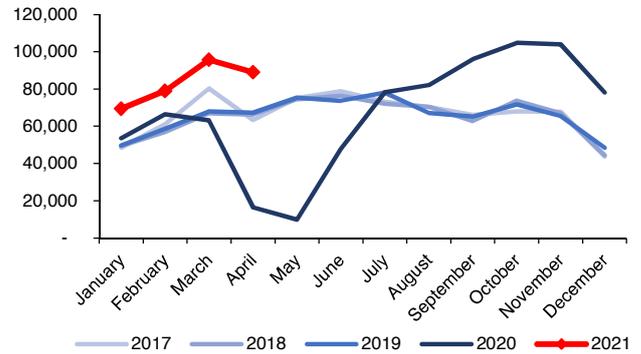


Mortgage Approvals

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.

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

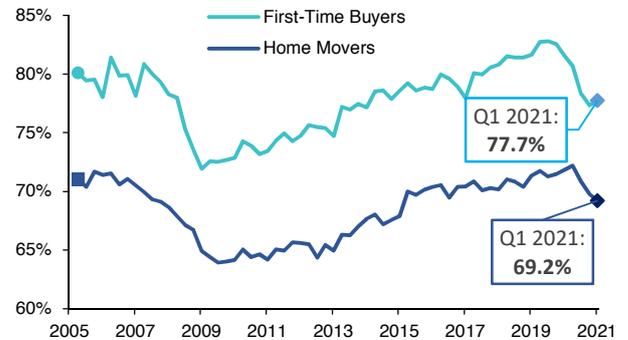
Source: Bank of England



Mortgage approvals for house purchase across the UK have rebounded strongly since May 2020, with mortgage approvals increasing from 9,922 to 104,053 in November 2020 (see Chart 4.2). Mortgage approvals for house purchase have reduced since November but remain high relative to the same month in years prior, with mortgage approvals rising by an annual 52% in March 2021 and 442% in April 2021. It should be noted that the annual growth in April 2021 is very high due to the impact of the UK-wide lockdown in Q2 2020.

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

Source: UK Finance



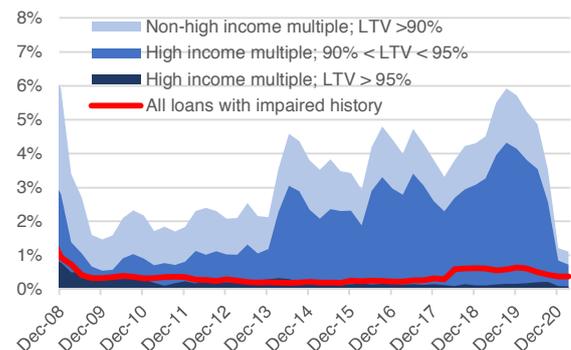
Loan-to-Value (LTV) Ratios

In Q1 2021, the mean Loan-to-Value (LTV) ratio on new mortgages advanced to first-time buyers in Scotland stood at 77.7%, down 3.8 percentage points annually. This likely reflects the reduction in the availability of high LTV ratio mortgages. Meanwhile, the mean LTV ratio for home movers in Scotland stood at 69.2% in Q1 2021, down 2.6 percentage points over the one year period. This is shown in Chart 4.3 (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 Q1 2021 with an LTV ratio greater than 90% was 1.1%, 4.1 percentage points below the share in Q1 2020. There has also been a reduction in lending which is both high LTV and high LTI (loan-to-income). The share of gross advances classified as high LTV and LTI was 0.8% in Q1 2021, down 3.2 percentage points on Q1 2020.

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

Source: FCA



More recently, there has been a substantial increase in the number of high LTV products offered by mortgage lenders, with the number of 95% LTV mortgages products increasing from 8 in December 2020 to 192 in June 2021. This activity could reflect the UK Government's Mortgage Guarantee scheme, however, a number of high LTV products have been introduced outwith this scheme (Source: Moneyfacts Mortgage Treasury Report).

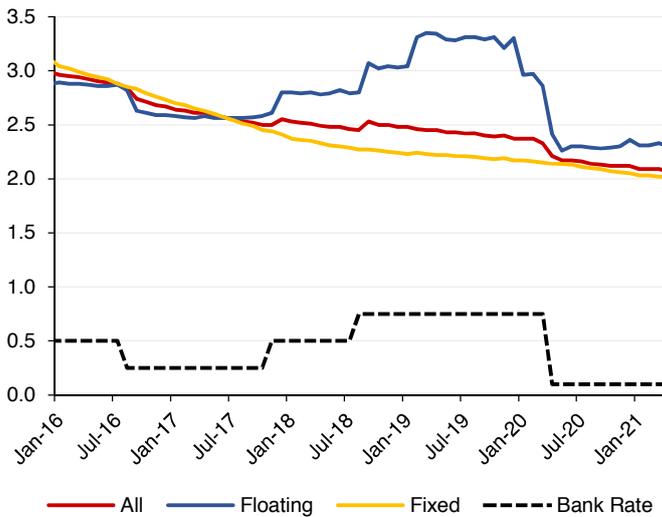
* Higher risk lending is classified by the FCA as an LTV over 90% and an income multiple greater than or equal to 3.5 for single income purchasers, or greater than or equal to 2.75 for joint income purchasers

4.1 Lending To Homebuyers: Interest Rates

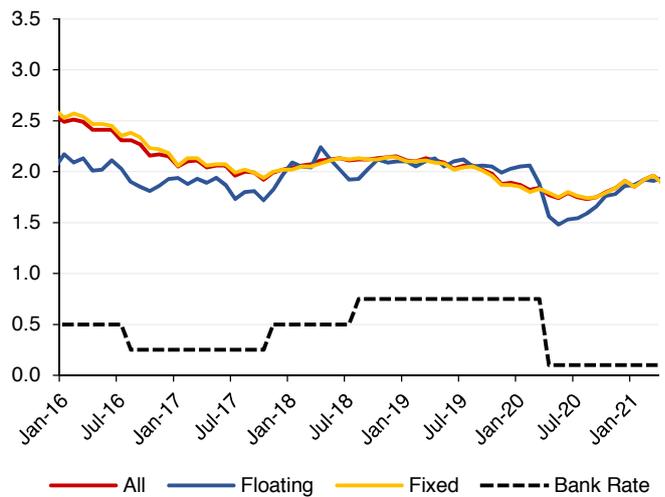
Charts 4.5 (L) and 4.6 (R): Effective Monthly Mortgage Interest Rate (UK) (%)

Source: Bank of England

Outstanding Balances (%)



New Mortgages (%)



Mortgage Interest Rates

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

In March 2020, Bank Rate was cut by a total of 65 basis points, leaving it at 0.1%. The reduction in Bank Rate has fed through to outstanding variable rate mortgages, with the average interest rate falling from 2.97% in February 2020 to 2.30% in June, before stabilising, with the level remaining at 2.30% in April 2021. The average interest rate on new variable rate mortgages fell from 2.06% in February to 1.53% in June, although it has since increased to 1.94% in April 2021. The average fixed rate on new mortgages has been relatively stable throughout the period of Covid-19, standing at 1.88% in April 2021. (Source: BoE)

The increase in the spread between the average advertised rate on 2 year fixed 90% and 75% LTV mortgages has stabilised recently, as shown in Chart 4.7. In May 2021, the spread stood at 186 basis points, up from 54 basis points in May 2020 but broadly consistent with the spread in December 2020 (189 basis points). It should be noted that Chart 4.7 shows the spread is still relatively narrow in the longer-term context. (Source: BoE)

Chart 4.8 shows that the majority of new mortgage lending (91.9%) is on fixed rates. The share of outstanding mortgages on fixed rates fell from 73.2% in Q4 2019 to 61.6% in Q1 2020, possibly due to borrowers whose fixed rate mortgages reached their end of term either choosing to remain on default variable rates, since these had fallen, or being unable to switch immediately to a new fixed rate mortgage due to lender capacity constraints during lockdown. The share has since increased to 66.2% in Q1 2021. (Source: FCA)

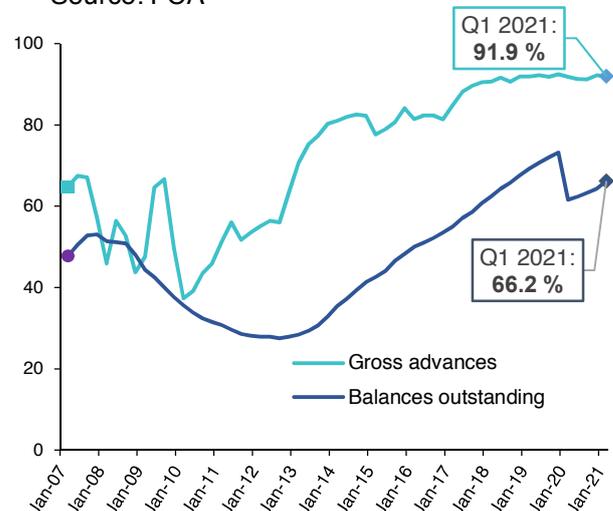
Chart 4.7 Average 2 Year Fixed 90% and 75% LTV Mortgage Rates (Advertised)

Source: Bank of England



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

Source: FCA



4.2 Lending To Homebuyers: Arrears

Arrears

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

There were 11,363 regulated mortgages that went into arrears across the UK in Q1 2021, a decrease of 21.4% (3,099) on Q1 2020. As shown in Chart 4.9, this is also significantly lower than levels following the 2008 financial crisis, when the number of regulated mortgages that went into arrears peaked at 39,556 in Q4 2008. (Source: FCA)

The share of lenders' outstanding regulated mortgage balances that were in arrears stood at 0.94% at the end of Q1 2021. This has remained broadly stable during the pandemic, with arrears at 0.86% at the end of Q1 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.

UK Finance data show that there were 5,970 buy-to-let mortgages in arrears of 2.5% or more of the outstanding balance across the UK in Q1 2021. This is up by an annual 35.1%, although, this growth comes from a low base. This is still low relative to the period of the 2008 financial crisis.

Possessions

There were 183 new regulated mortgage possessions across the UK in Q1 2021, an increase relative to Q4 2020 of 38 (26%) as can be seen in Chart 4.11. However, this is significantly less than pre-pandemic levels, with possessions down by 82% relative to Q4 2019. It can also be seen that regulated and non-regulated possessions moved in a similar direction over the recent period.

Guidance on repossessions

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

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

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

Source: FCA

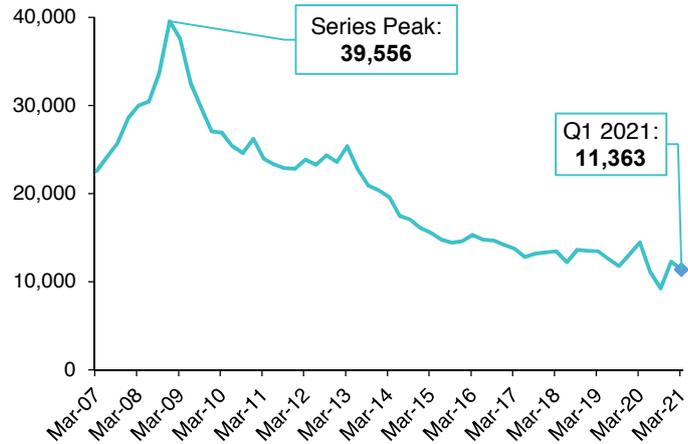


Chart 4.10 Regulated Mortgage Balances in Arrears by Severity: UK, % (Quarterly)

Source: FCA

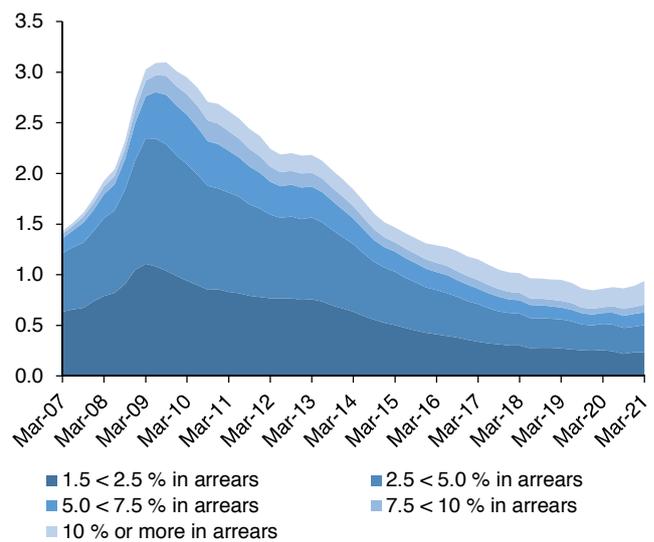
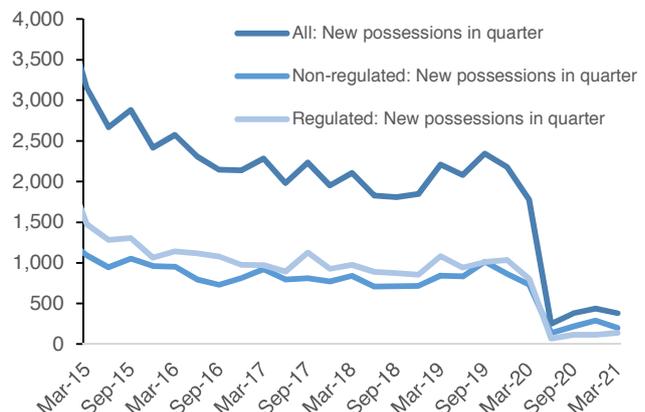


Chart 4.11 New Possessions in quarter by type (Quarterly)

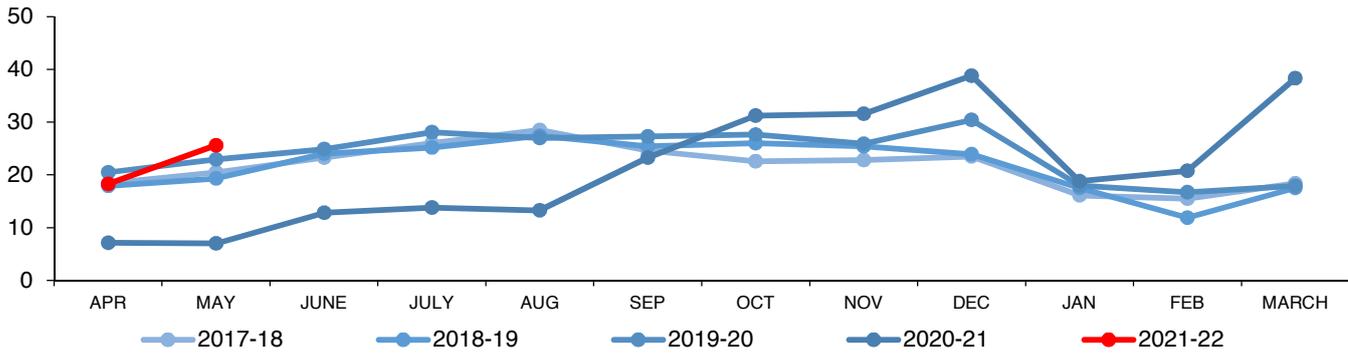
Source: FCA



5. Residential LBTT; Homelessness

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

Source: Revenue Scotland



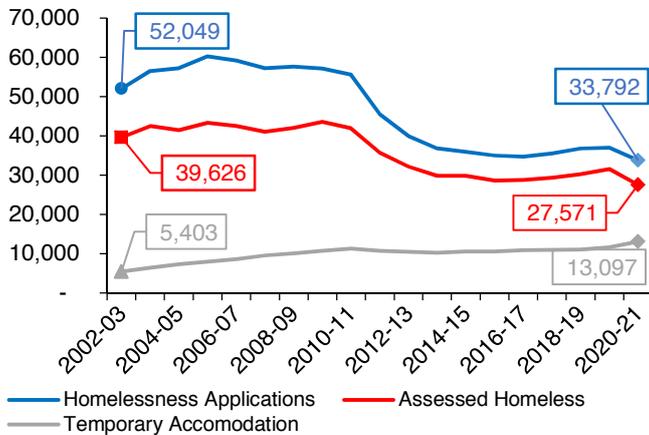
Residential LBTT

There was a reduction in residential LBTT revenue in 2020-21, with residential LBTT liabilities excluding ADS totalling £256.8m, down by 10.6% on 2019-20, and gross ADS liabilities totalling £156.6m, down by 5.9%. This was due to the housing market recovery from Q3 2020 onward being insufficient to offset the lost revenue from the period of housing market restrictions in Q2 2020, as well as from 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 revenues excluding ADS rose sharply from £20.8m in February 2021 to £38.3m in March, before falling to £18.3m in April, as transactions were brought forward to benefit from the temporary reduction in LBTT. Revenues then returned to £25.6m in May 2021, which is higher than the £22.9m recorded in May 2019, suggesting the market may have stabilised at pre-covid levels.

Chart 5.2 Homelessness in Scotland (Annual)

Source: Scottish Government



Homelessness

2020/21 saw 33,792 homelessness applications in Scotland, an annual decrease of 8.8% (-3,251). 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).

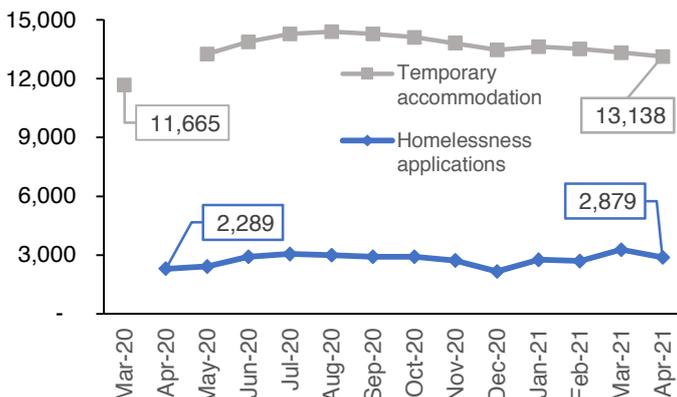
On a per capita basis, West Dunbartonshire had the highest number of homeless households per 1,000 population (aged 16+) in 2020/21, at 11.9. This compares to a Scottish average of 6.1.

In response to Covid-19 pandemic, the Scottish Government is publishing monthly Management Information on homelessness applications and households in temporary accommodation, although this is not directly comparable to the official homelessness statistics. The monthly data shows that in April 2021 there were 2,879 homelessness applications. The number of households in temporary accommodation peaked at 14,397 at the end of August 2020, but has since fallen to 13,138 at the end of April.

* Note that the monthly temporary accommodation data for April 2020 was missing data from 5 local authorities. Therefore, this data point is suppressed in Chart 5.3. Instead, the figure at the end of March, taken from official statistics, is shown for comparison purposes.

Chart 5.3 Homelessness in Scotland (Monthly)*

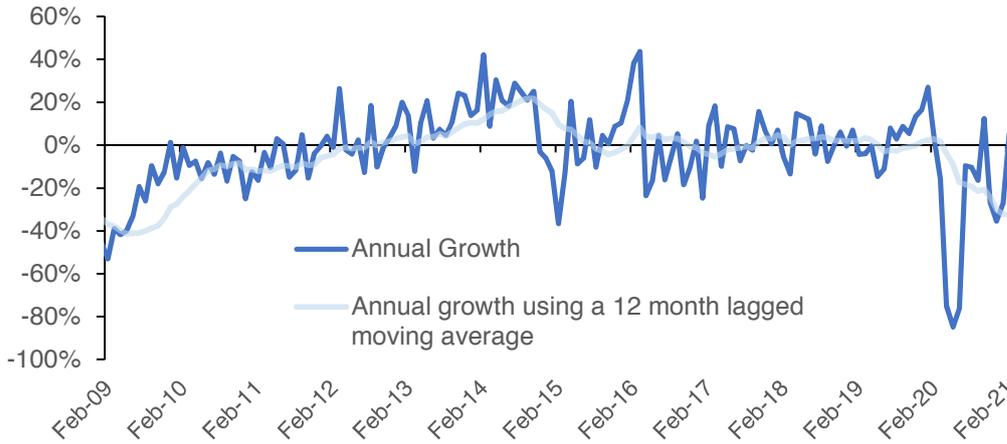
Source: Scottish Government



6. Housing Supply: Starts and Completions

Chart 6.1 Scottish Private New Build Sales to February 2021

Source: UK HPI (Scotland)



The most recent published Scottish Government figures cover the year to end June 2020, in which there were 17,029 new build homes completed across all sectors in Scotland, a decrease of 21% (4,439 homes) on the previous year, with activity levels being affected by the introduction of COVID-19 lockdown measures from March to late June 2020.

Private New Build Sales: Scotland

While more recent data on private completions is not available due to delays as a result of Covid-19-related data supply issues, the UK HPI does include private new build sales, which provide a good indication. This shows that private new build sales decreased during the restrictions on non-essential construction activity in Q2 2020, as can be seen in Chart 6.1, with sales falling by 85% annually in May 2020. Since then, sales have recovered, increasing by an annual 5.0% in February 2021. However, on a rolling 1 year basis private new build sales remain negative (-32.2%).

Chart 6.2 provides the annual growth in private new build sales by region from Q4 2019 to Q4 2020. Private new build sales increased by 27.1% relative to Q3 2020 for Scotland as a whole but fell relative to Q4 2019, decreasing by 19.4%. Analysing the data by region, it can be seen that over the one year period certain regions have fared better than others, with Aberdeen/shire and Moray falling by 5.2% but the Forth Valley decreased by 29.7%. (Source: UK HPI).

Affordable Housing Supply Programme

The supply of affordable housing has increased since the restrictions on non-essential construction activity in Q2 2020, although supply remains below the Q1 2020 level for completions and approvals. 3,160 affordable housing completions were recorded in Q1 2021, an increase of 1,226 (63.4%) on Q4 2020 but an annual decrease of 9.5% (-333). There were 4,818 starts in Q1 2021, up by 112.3% (+2,549) on Q4 2020 and an annual increase of 1.1% (+52). Approvals increased by 81.5% in Q1 2021 to 3,790 (+1,702), although this was an annual decrease of 37.6% (-2,279) (Source: SG).

Key Points

Private new build sales have recovered recently, rising by an annual 5.0% in February 2021. However, over the 12 months to February 2021, sales were down by an annual 32.2%.

The supply of affordable housing has recovered strongly since Q2 2020. 3,160 affordable homes were delivered in Q1 2021, an increase of 1,226 (63.4%) on Q4 2020.

Chart 6.2 Annual Growth in Scottish Private New Build Sales by Local Authority to Q4 2020

Source: UK HPI (Scotland)

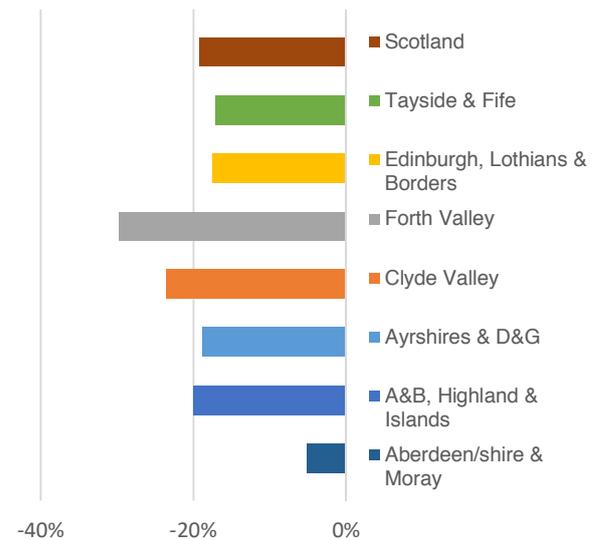
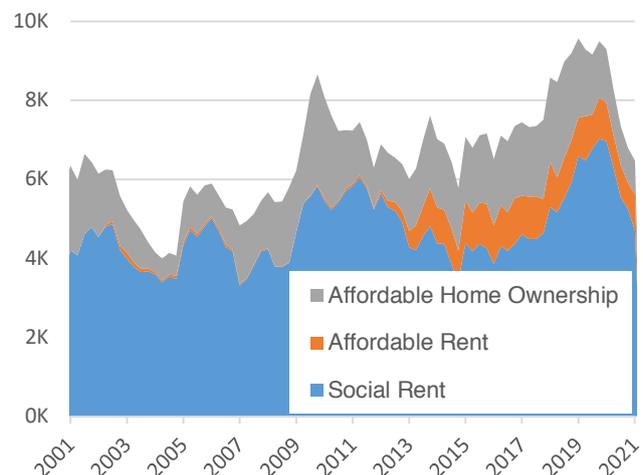


Chart 6.3 AHSP Completions (4Q Moving Total, to Q1 2021)

Source: Scottish Government



7. House Building: Lending

Lending to House Builders

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

However, since October 2020 the value of loans has steadily decreased. As at April 2021, the value of loans stood at £5.3bn, £889m (or 34.9%) lower than the value of loans at February 2020 (£6.2bn).

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 9.6% in April 2021.

The annual increase in prices has been driven by certain products, namely concrete reinforcing bars (+37.3%), fabricated structural steel (+31.8%) and imported plywood (+22.3%), with the only notable fall in prices seen for screws and other similar products (-14.1%).

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

Source: Bank of England

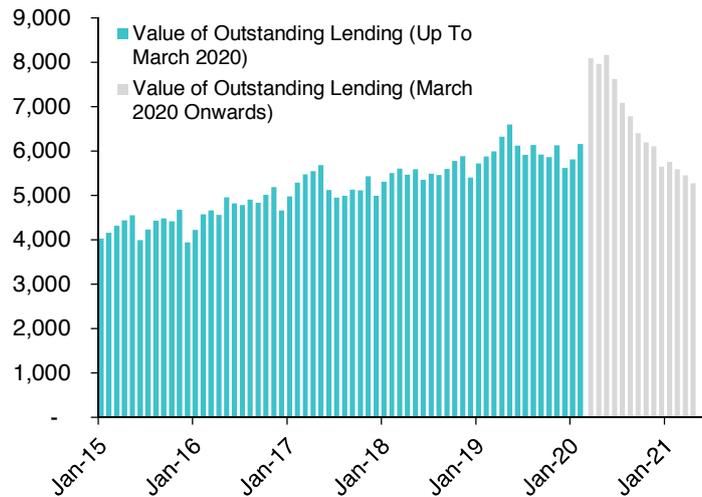


Chart 7.2 Annual Change in Price of Construction Materials for New Build Housing: UK (Monthly)

Source: BEIS





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