

ABERDEEN HOUSING MARKET REPORT

SECOND QUARTER 2012

Change in house prices

Table 1 and Figure 1 show changes in house prices in Aberdeen and Aberdeenshire to the second quarter of 2012. They also indicate the price changes for Scotland as a whole and the UK as measured by the Halifax house price indices.¹

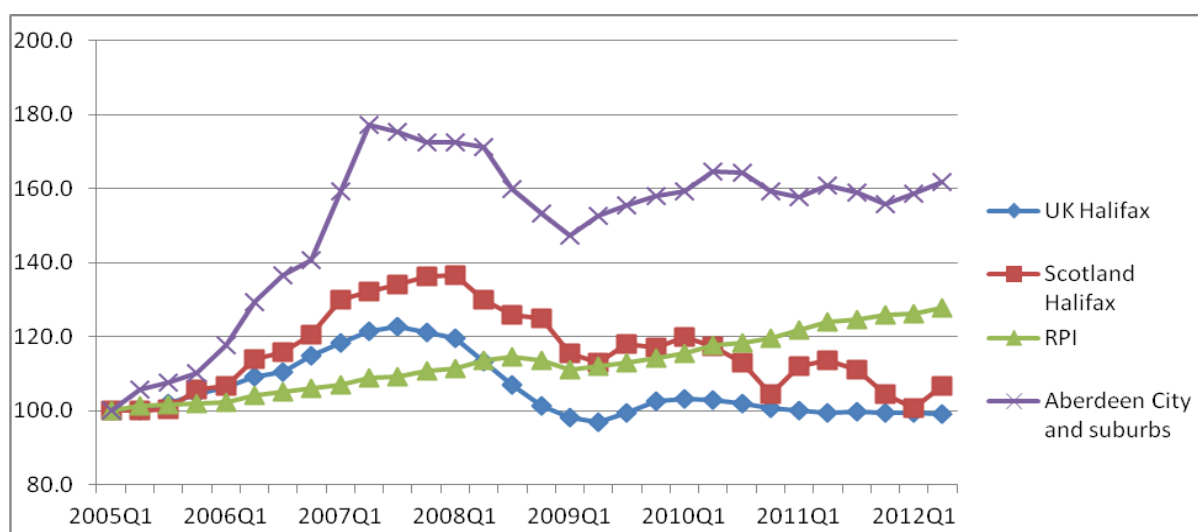
- House prices in Aberdeen increased by 2.1% in the second quarter of 2012. Over the same period, there was an increase of 5.9% in Scotland overall while average prices decreased by 0.3% in the UK.
- The annual change in price is 0.6% in Aberdeen City and suburbs but is negative in Scotland and the UK as a whole.
- The annualised price change over five years shows a decrease of 1.8% p.a. for Aberdeen City and suburbs. However this is small compared to the decrease in Scotland and the UK overall of 4.3% and 4.0% respectively.

Table 1: Changes in house prices second quarter 2012

| | Quarterly price change | Annual price change: 2011Q2 to 2012Q2 | Annualised price change over 5 years: 2007Q2 to 2012Q2 |
|---------------------------------------|------------------------|---------------------------------------|--|
| Aberdeen City and suburbs | 2.1% | 0.6% | -1.8% |
| Ellon | 0.6% | -0.9% | -1.3% |
| Inverurie | 2.0% | -0.2% | -1.4% |
| Stonehaven | 2.0% | -0.2% | -2.3% |
| Other country areas | 2.6% | -0.9% | -2.5% |
| Scotland (Halifax)¹ | 5.9% | -5.4% | -4.3% |
| UK (Halifax)¹ | -0.3% | -0.5% | -4.0% |
| Retail Price Index (ONS) | 1.1% | 3.1% | 3.3% |

¹http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp. The annualised price change over 5 years is calculated using unadjusted index values from Halifax.

Figure 1: House price indices for Aberdeen City and suburbs, Scotland, and the UK from 2005Q1 – 2012Q2 and comparison with the Retail Price Index (2005Q1=100)



House price levels

Table 2 compares the price of three “standard” properties in Aberdeen City and suburbs to those in surrounding locations.

Table 2: Constant-Quality House Prices in Aberdeen and the surrounding areas, second quarter 2012 and previous quarter

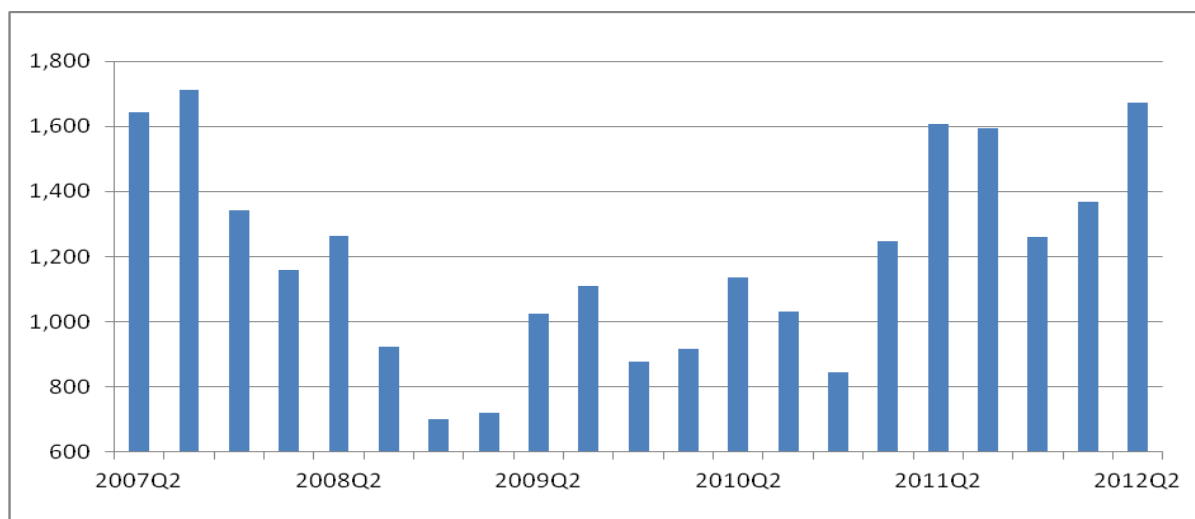
| Property type | Period | Aberdeen City and suburbs | Ellon | Inverurie | Stonehaven | Other country areas |
|---------------|--------|---------------------------|----------|-----------|------------|---------------------|
| Flat | 2012Q2 | £145,222 | £126,440 | £127,805 | £134,562 | £123,191 |
| | 2012Q1 | £142,913 | £123,675 | £125,569 | £133,643 | £122,0852 |
| Semi-detached | 2012Q2 | £193,334 | £161,320 | £185,482 | £179,603 | £174,160 |
| | 2012Q1 | £189,333 | £160,330 | £181,919 | £176,056 | £169,795 |
| Detached | 2012Q2 | £310,678 | £246,305 | £270,827 | £282,754 | £292,981 |
| | 2012Q1 | £304,515 | £241,945 | £267,106 | £279,536 | £286,491 |

Volume of sales

The total volume of sales in Aberdeen and surrounding areas in the second quarter of 2012 was 1674, an increase of 22.3% from the previous quarter and 4.2% higher than the same quarter last year (2011Q2).

Figure 2 shows changes in the volume of sales in Aberdeen and surrounding areas over a five year period.

Figure 2: Volume of house sales in Aberdeen and surrounding areas from 2007Q2 – 2012Q2



There was an increase in the volume of sales for all the property types over the quarter, with flats, semi-detached and detached houses increasing by 14.2%, 17.3% and 41.2% respectively (Table 3). Flats and semi-detached houses were the property types most frequently sold.

Table 3: Volume of sales by property in Aberdeen and surrounding areas for second quarter 2012

| Period | Flat | Semi-Detached | Detached |
|-------------------|-------|---------------|----------|
| 2012Q2 | 580 | 597 | 497 |
| 2012Q1 | 508 | 509 | 352 |
| Percentage change | 14.2% | 17.3% | 41.2% |

Comment by John MacRae

The publication of the second quarter price information report for the Aberdeen City and Shire Housing Market area marks a significant step forward in how the information is reported. For many years, through the able assistance of Aberdeen City Council, data provided by Aberdeen Solicitors' Property Centre has been used to produce quarterly and annual housing reports showing "the average price" in this area. This has been a very useful means of conveying the general trend in the local housing market and has been followed with interest by many in this area.

About 2 years ago, the University of Aberdeen Business School approached the Centre with a request to use data on prices supplied by ASPC to develop a methodology for providing a quality-controlled index of house prices in this area. The Business School has developed existing methodology to allow, for the first time in Scotland, an indication of local house price movements based on a comparison of like with like. In other words, each quarter, figures will now be produced showing what change, if any, has taken place in our market, based on a method which allows a direct comparison to be made because, in each quarter, the same types of properties will be compared. This will give a more precise indication as to movement regarding house prices in this area and I am very pleased that the University and ASPC are cooperating on this project.

While the new report may look considerably different from what has gone before, it does, in my view, give a better indication of what is happening regarding prices in our area.

The methodology is best explained by those at the University who are using the methodology but, in layman's terms, the comparison between each quarter in our housing market will now be similar in nature to other statistical indices which compare the same "basket of goods" each time. This approach is more scientific and much more meaningful than an average price. I want to stress that this is not a criticism of what has happened before, but it is a step forward which should lead to an improved understanding of local housing market trends.

Note on Methods

The information in this report is based on data provided by the Aberdeen Solicitor's Property Centre (ASPC) to the Centre for Real Estate Research, University of Aberdeen.

The price changes shown in Table 1 are calculated after having controlled for the quality of houses that are sold, thereby providing a reliable indication of underlying market trends.² Three price changes are reported: The quarterly price change shows the percentage change in house prices over the past three months; the annual price change shows the percentage change in house prices measured over the most recent twelve month period; the annualised price change over five years shows the average annual change in house prices calculated over a five year holding period. Table 1 also includes the Retail Price Index to show how the prices of goods and services in the economy have changed over the same time period.

In reporting the house price levels (Table 2), particular sets of housing characteristics have been selected to represent the nature of a "standard" property in each location. For example, the semi-detached property in the Aberdeen City and suburb area has three bedrooms, two public rooms, one bathroom, etc.. Full details of the characteristics are available on: <http://www.abdn.ac.uk/business/research/aberdeen-house-price-index-156.php>.

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² This differs from the information reported in previous Aberdeen House Price Reports where price changes were calculated as the difference in the average prices between two periods.