

ABERDEEN HOUSING MARKET REPORT

THIRD QUARTER 2023

Purpose and background

The report gives a summary of the activity in the housing market of Aberdeen and Aberdeenshire during the third quarter of 2023. The report is based on data supplied by the ASPC and has been compiled by the Centre for Real Estate Research (CRER) at the University of Aberdeen Business School.

The report uses the following breakdown by areas: Aberdeen stands for *Aberdeen City and suburbs* and Aberdeenshire is divided into the towns of *Ellon, Inverurie, Stonehaven*, and other *Countryside*. The report provides information for the three types of dwelling: *flat, semi-detached house, and detached house*. At times, the report uses the format *yyyyQq* as shorthand for a quarter in a particular year. For instance, *2023Q3* stands for the third quarter of 2023.

The prices in this report are quality-controlled, which means that the characteristics of the dwellings are assumed to be standard and are fixed over time. This control of dwelling quality allows the pure change of prices to be measured. This is achieved by a well-established statistical method. The note at the end of the report links to further information.

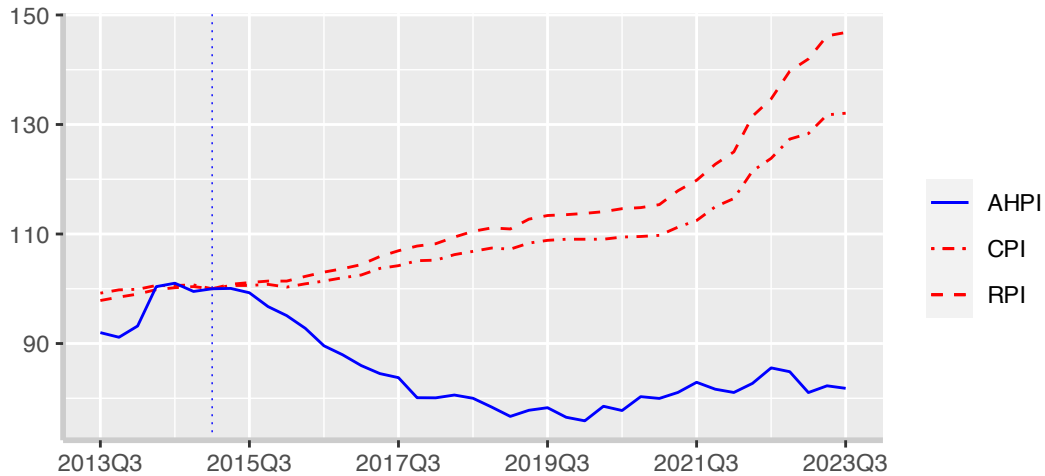
Aberdeen house price index

The index is based on the quality-controlled prices of a semi-detached house with standard characteristics. According to this index:

- The quarterly house price change in Aberdeen has been -0.6%.
- The annual house price change in Aberdeen has been -4.4%.
- The annualised house price change over five years in Aberdeen has been 0.4%.

Figure 1 shows the quarterly Aberdeen House Price Index (AHPI) jointly with the Retail Price Index (RPI all items, base year 1987) and the Consumer Price Index (CPI all items, base year 2015), the latter two are computed by the Office for National Statistics. The three price index series are each normalised to 100 in the base period 2015Q1. The base period is indicated by the dotted vertical blue line.

Figure 1: Price indices from 2013Q3 to 2023Q3



Change in prices

Table 1 collects the information on the change of house prices in Aberdeen and Aberdeenshire. The figures in the row *Quarterly* measure the house price change from the previous quarter 2023Q2 to the current quarter 2023Q3. The figures in the row *Yearly* measure the house price change from the same quarter a year ago 2022Q3 to the current quarter 2023Q3. The figures in the row *Five-yearly* measure the annualised house price change from the same quarter five years ago 2018Q3 to the current quarter 2023Q3. The last two columns of Table 1 give the change of the RPI and the CPI for the UK.

Table 1: Change of prices in percent. Five-yearly change is annualised.

	Aberdeen	Ellon	Inverurie	Stonehaven	Countryside	RPI	CPI
Quarterly	-0.6	0.8	0.3	0.7	-2.7	0.4	0.2
Yearly	-4.4	-1.6	-4.1	-7.6	-1.5	9.0	6.7
Five-yearly	0.4	-1.1	0.3	-0.1	-0.1	5.8	4.3

Level of prices

Table 2 shows the imputed quality-controlled prices for the current and the previous quarter for the three dwelling types and the areas covered by the report.

Table 2: Prices by house type

	Date	Aberdeen	Ellon	Inverurie	Stonehaven	Countryside
Flats	2023Q3	121,801	97,943	128,924	130,492	119,110
	2023Q2	122,971	101,982	130,245	128,860	122,853
Semi-detached	2023Q3	189,619	160,983	180,581	176,725	185,271
	2023Q2	190,690	159,670	180,040	175,465	190,343
Detached	2023Q3	323,959	269,094	315,824	315,400	341,433
	2023Q2	326,052	274,433	311,038	313,211	343,175

Number of transactions and listings

Figure 2: Number of transactions from 2018Q3 to 2023Q3

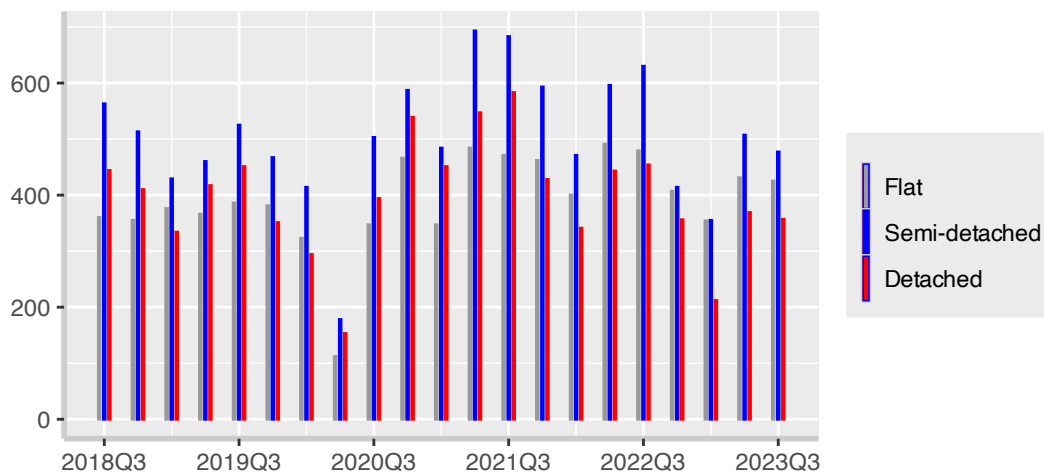


Figure 2 shows the number of residential transactions per quarter for the three dwelling types in Aberdeen and Aberdeenshire over the recent five-year period from 2018Q3 to 2023Q3.

In the third quarter of 2023, 1,259 residential dwellings were transacted, a change of -3.7% compared to the previous quarter 2023Q2 and a change of -19.4% compared to the same quarter a year ago 2022Q3. The transactions by dwelling type were:

- 425 flats, a change of -1.4% compared to the previous quarter 2023Q2 and of -11.3% compared to the same quarter a year ago 2022Q3.
- 477 semi-detached houses, a change of -5.9% compared to the previous quarter 2023Q2 and of -24.3% compared to the same quarter a year ago 2022Q3.
- 357 detached houses, a change of -3.3% compared to the previous quarter 2023Q2 and of -21.4% compared to the same quarter a year ago 2022Q3.

Figure 3: Activity and mark-up from 2018Q3 to 2023Q3

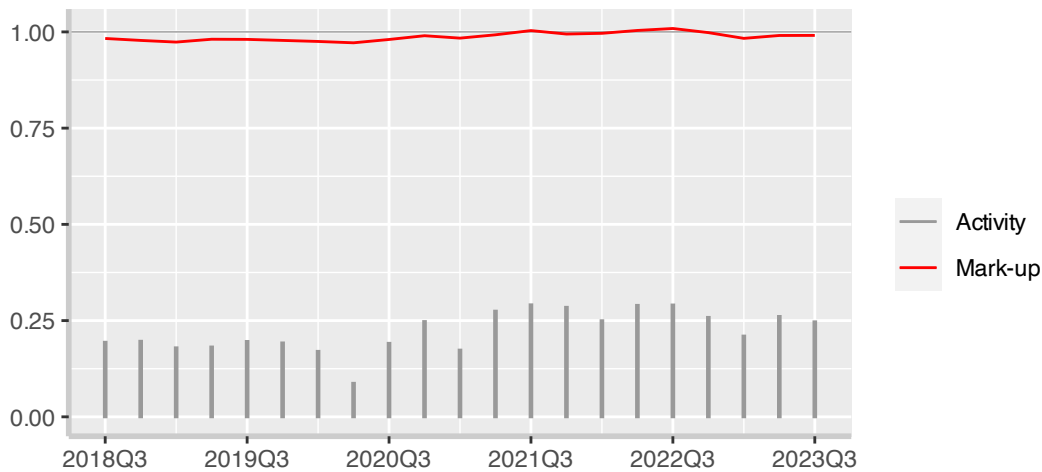


Figure 3 indicates the relative transaction and listing activity on the ASPC platform. Activity measures for each quarter the transactions as a share of all dwellings that were listed for sale on the ASPC platform. The share in the third quarter of 2023 is 24.69%. The share was 26.08% in the previous quarter 2023Q2 and 29.06% in the same quarter a year ago 2022Q3.

The mark-up in Figure 3 is the quality-controlled ratio of sale to ask price for properties. A mark-up of more than 1 means that properties sold for more than the ask price. A mark-up less than 1 shows that properties sold for less than the ask price. The mark-up ratio is 0.99 for the third quarter of 2023.

Comment by John MacRae

The report released by the Centre for Real Estate Research at the University of Aberdeen Business School, for the third quarter of the year shows the house price index regressing slightly.

That will probably come as no surprise to those selling at present.

Since 2008, there have been various adverse influences affecting consumer confidence. Some of those factors are national – even worldwide - but there are also factors more localised in their effect.

The banking crash, covid and a rise in interest rates and the cost of living, are examples of national factors. The effect of oil price fluctuations are more keenly felt in the North - East. On top of all that, there is a growing urgency around dealing with climate change.

The general effect of all that has been to lead to fluctuations in market activity, unrelated to the expected seasonal variations. Downsizing by some major oil companies in the North Sea, together with rising concern regarding emissions, have all affected confidence in the future scale of exploration and production, in the North Sea.

Despite these varied factors, our local market had been making steady, if moderate progress, after the pandemic. There had been gradual improvement in levels of activity and price, in most areas. Although modest in scale, the persistence of these improvements had given rise to some hope

that our area was getting there. We did have one quarter (3rd quarter 2022) when all three price indicators were positive. In that same quarter, the relationship between activity and mark up, rose above 1.0, meaning that properties were selling for something around, even over, asking price.

Since then, we have had to adjust to comparatively high interest rates, a surge in the cost of living index and a consequent reappraisal of the cost of borrowing. Given all that, our local market is showing a surprising degree of health. It is by no means as fit as a fiddle, but it is hanging in there.

The Bank of England Monetary Policy Committee have recently decided that the base rate will remain unchanged, meantime. Andrew Bailey, the Governor of the Bank has said he expects inflation to return to prior levels over the next 2 years, approximately. All of this should allow us to feel a little more confident. Despite the sluggish housing market, we are still seeing sales and insertions holding up reasonably well. We can expect seasonal factors to have a further effect in the next 2 quarters, but I am expecting matters to improve, slowly, after that.

Note

The estimated price levels in Table 2 assume characteristics that are “standard” for the dwelling type in the respective area. For example, the standard semi-detached house in Aberdeen has four rooms, one bathroom, and a garden. Full details of the statistical method and the standard dwelling characteristics are available under the following link:

[A local house price index for Aberdeen](#)

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