

# ABERDEEN HOUSING MARKET REPORT

## THIRD QUARTER 2022

### **Purpose and background**

The report gives a summary of the activity in the housing market of Aberdeen and Aberdeenshire during the third quarter of 2022. 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, *2022Q3* stands for the third quarter of 2022.

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.

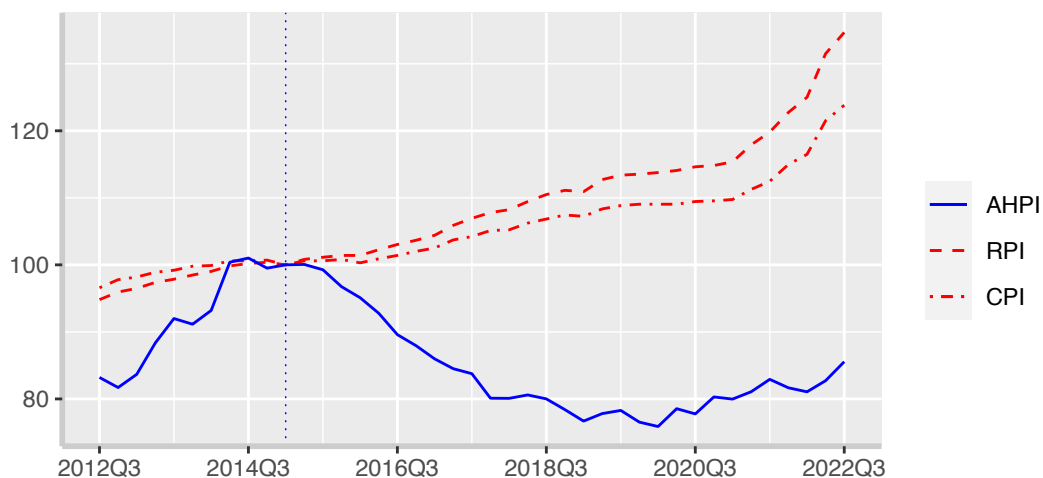
### **Aberdeen house price index**

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 3.4%.
- The annual house price change in Aberdeen has been 3.2%.
- 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 2012Q3 to 2022Q3



## 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 2022Q2 to the current quarter 2022Q3. The figures in the row *Yearly* measure the house price change from the same quarter a year ago 2021Q3 to the current quarter 2022Q3. The figures in the row *Five-yearly* measure the annualised house price change from the same quarter five years ago 2017Q3 to the current quarter 2022Q3. 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   | 3.4      | 1.4   | 0.7       | 1.0        | 5.0         | 2.4  | 1.9  |
| Yearly      | 3.2      | 1.9   | 1.6       | -0.5       | 7.9         | 12.4 | 10.1 |
| Five-yearly | 0.4      | -0.7  | 0.2       | 0.0        | 0.4         | 4.7  | 3.5  |

## 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         | 2022Q3 | 126,733  | 115,986 | 131,970   | 137,054    | 121,851     |
|               | 2022Q2 | 126,070  | 120,244 | 125,958   | 137,727    | 118,017     |
| Semi-detached | 2022Q3 | 198,274  | 163,584 | 188,367   | 191,327    | 188,144     |
|               | 2022Q2 | 191,718  | 161,316 | 187,083   | 189,437    | 179,233     |
| Detached      | 2022Q3 | 328,272  | 277,579 | 310,817   | 325,735    | 339,386     |
|               | 2022Q2 | 326,196  | 274,571 | 305,916   | 316,436    | 322,024     |

## Number of transactions and listings

Figure 2: Number of transactions from 2017Q3 to 2022Q3

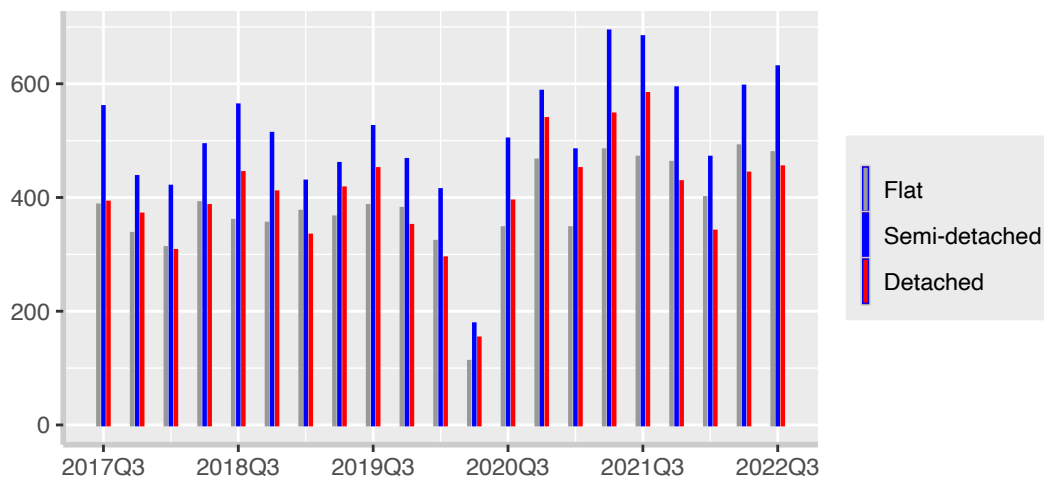


Figure 2 shows the number of residential transactions per quarter for the three dwelling types in Aberdeen and Aberdeenshire over the recent five-year period from 2017Q3 to 2022Q3.

In the third quarter of 2022, 1,563 residential dwellings were transacted, a change of 2.2% compared to the previous quarter 2022Q2 and a change of -10.0% compared to the same quarter a year ago 2021Q3. The transactions by dwelling type were:

- 479 flats, a change of -2.4% compared to the previous quarter 2022Q2 and of 1.7% compared to the same quarter a year ago 2021Q3.
- 630 semi-detached houses, a change of 5.7% compared to the previous quarter 2022Q2 and of -7.8% compared to the same quarter a year ago 2021Q3.
- 454 detached houses, a change of 2.5% compared to the previous quarter 2022Q2 and of -22.1% compared to the same quarter a year ago 2021Q3.

Figure 3: Activity and mark-up from 2017Q3 to 2022Q3

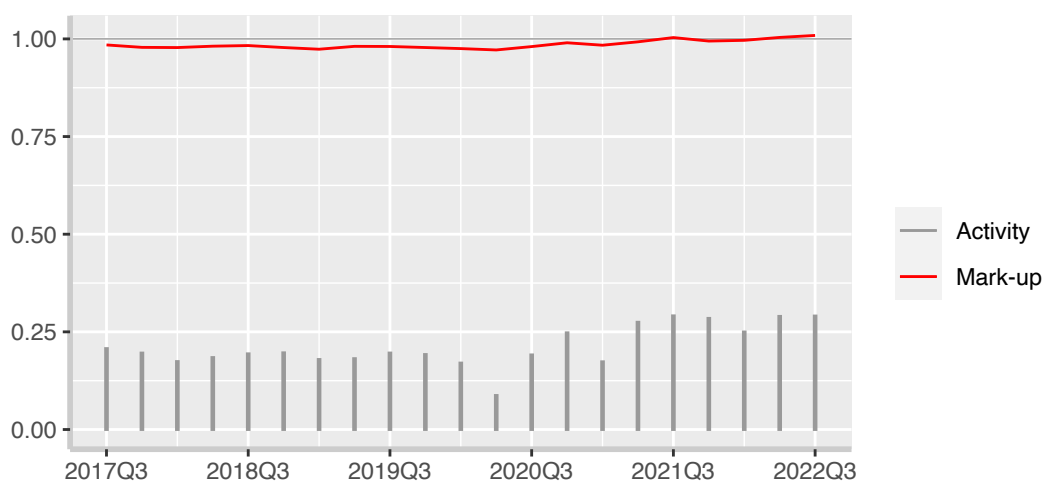


Figure 3 indicates the relative transaction and listing activity on the ASPC platform. Activity measures for each quarter the transactions as a share of all dwellings that were listed for sale on the ASPC platform. The share in the third quarter of 2022 is 29.06%. The share was 28.97% in the previous quarter 2022Q2 and 29.11% in the same quarter a year ago 2021Q3.

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 1.01 for the third quarter of 2022.

### 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, contains some good news for sellers in the North - East.

There are 3 bullet points in each quarter's report, and, for the third quarter of 2022 these are: -

1. The quarterly house price change in Aberdeen is 3.4%
2. The annual house price change in Aberdeen is 3.2%, and,
3. The annualised house price change over 5 years in Aberdeen is 0.4%

I think this may be the first time, since 2014/15 that all three indices are positive. The second quarter figures, for comparison, were 2.1%, 2.0%, and -0.4%, respectively.

While the increases are, in themselves, relatively insignificant, they do continue a trend. After a difficult period for sellers these sustained improvements give hope that our local market has settled down into a reasonably healthy state. Modest increases, year on year, build confidence for purchasers, who can feel more confident that buying a property will not result in negative equity.

An additional point is that continued growth of this nature may eventually help those areas of the market where flats are difficult to sell, to "pick up".

While the continued improvements in the three house price indices are the eye - catching feature of the third quarter, the level of sales is an important indicator of market condition.

Here, the picture is not quite so straightforward. Before going into detail, some context is required. After the Covid restrictions, early in 2021, our local market picked up quite quickly and the remainder of 2021 saw slightly increased activity compared to normal. The comparisons, given below, should be assessed with that in mind.

Fewer flats sold this quarter, compared to the second quarter, but more sold this quarter, this year, compared to the 3rd quarter of 2021. I think it is widely known that flats are a variable market, due to the number of units for sale, and the wide divergence of condition. Flats in good condition, well presented to the market, do sell, however.

Semi detached houses sold in greater numbers in the third quarter, compared to the 2nd quarter, but fewer than in the 3rd quarter in 2021.

The position of detached houses is much the same.

What is also becoming clearer, is the drop in properties coming to market. In some areas – notably, Westhill and Banchory. Demand now exceeds supply in some areas, and sellers are benefitting from that. Coupled with increased turnover of stock that is resulting in a reduction in numbers of properties for sale on our website. (Year on year, 30.09.21 to 30.09.22, 4,383 to 3,825.)

The last point to make relates to the “Activity and mark up” graph, in the University report. This shows two main things – the level of activity in our market, and the ratio of sale price to asking price.

In real terms, comparing the 3rd quarter with both the 2nd quarter of 2022, and the 3rd quarter of 2021, the level of activity is fairly constant at around 29%.

Interestingly, the ratio of sale price to asking price has now crept over 1. Not by much, but this is also the first in a long time. The report states – “A mark up of more than 1 means that properties sold for more than the ask (sic) price”.

While it would be very acceptable if the market continued to show slow but steady improvement, common sense forces one to acknowledge the possibility of market fluctuations, short term.

## **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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