

House Prices in the West of Scotland

Analysis of the latest GSPC House Sales Data

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Introduction

One of the difficulties that researchers face in developing a sub-regional measure of house price change is that sales in some areas will be dominated by a type of property not common in others. For example, transactions in the West End of Glasgow tend to be of traditional, stone tenements; whereas in other areas of the city, semi-detached houses or some other dwelling type may tend to dominate the sales figures. Comparing the headline average value of properties sold in such contrasting districts can therefore be misleading.

This is borne out in the GSPC data. In 1999 quarter 1, the average price of a dwelling sold in the West End was £57,806, which was less than the average price of properties sold in South Lanarkshire (£59,197). However, if it were possible to compare prices of an identical dwelling in the two areas, anyone familiar with the localities would expect West End prices to be much higher.

There can also be big changes from quarter to quarter in the average size and quality of dwellings that come on the market, even within a particular district. For example, the average number of bedrooms of properties sold in East Renfrewshire varied by more than 30% within the space of two years (1999 to 2000) and this will obviously cause the average price recorded in that area to vary even if house price inflation were zero.

Our goal, therefore, has been to develop a "Constant Quality" house price index for each of the main residential areas in Western Scotland. Estimates presented below, based on work funded by GSPC, are drawn from statistical models that attempt to simulate for each submarket the value that house buyers place on a selection of key dwelling attributes. We then use this estimated list of attribute prices to compute the value of a hypothetical dwelling of fixed type and size for each submarket at each point in time.

The results reported below are based on analysis of over 35,000 records of property sales collected by GSPC since quarter 1 of 1999. Separate house price models have been constructed for the City of Glasgow and its four constituent submarkets (West End, East End, South Side, North Glasgow). House price models have also been constructed for East Dunbartonshire, East Renfrewshire, Paisley, East Kilbride, Renfrewshire, South Lanarkshire, North Lanarkshire and North Ayrshire. For sake of convenience, this bulletin refers to these areas (along with the other areas covered by the GSPC member firms including East Ayrshire, Argyll & Bute, Dunbartonshire, South Ayrshire, and Inverclyde) collectively as "Strathclyde".

Strathclyde and Glasgow

Analysis of 2004 quarter 4 GSPC sales using the Strathclyde and Glasgow house price models suggest that the market is continuing to slow down, but at a fairly steady pace (see Table 1). Prices rose by 13.2% in Strathclyde compared with the same quarter of 2003. This suggests a growth rate that is four percentage points lower than the 17.2% annual house price inflation recorded for quarter three.

This is a considerably smaller fall in house price inflation, however, than the one we observed over the summer when annual house price inflation fell from 25.4% (quarter 2) to 17%.2 (quarter 3). So the predictions of a "soft landing" for the Strathclyde housing market continue to be well supported by the evidence.

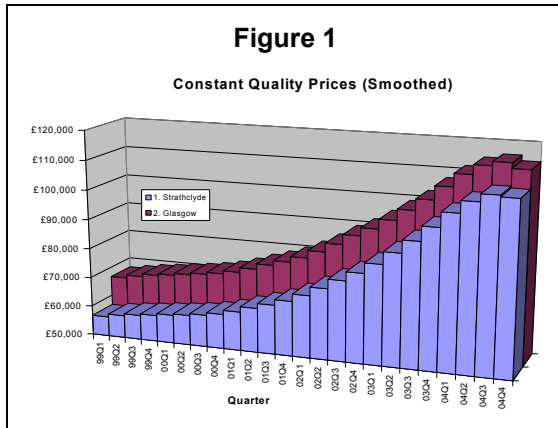
For properties in the Glasgow Local Authority area, the slowdown is even less marked than in Strathclyde as a whole, with annual house price inflation for quarter four of 2004 standing at 10%, compared with 11.2% for quarter three, and 21.1% for quarter two.

Table 1 Constant Quality Prices

	Constant Quality Price	Annual % change in CQP	Constant Quality Price	Annual % change in CQP
	Strathclyde		Glasgow	
04Q1	£101,026	22.1%	£111,453	19.3%
04Q2	£109,144	25.4%	£118,849	21.1%
04Q3	£109,744	17.2%	£115,571	11.2%
04Q4	£107,120	13.2%	£113,774	10.0%

Strathclyde Submarkets

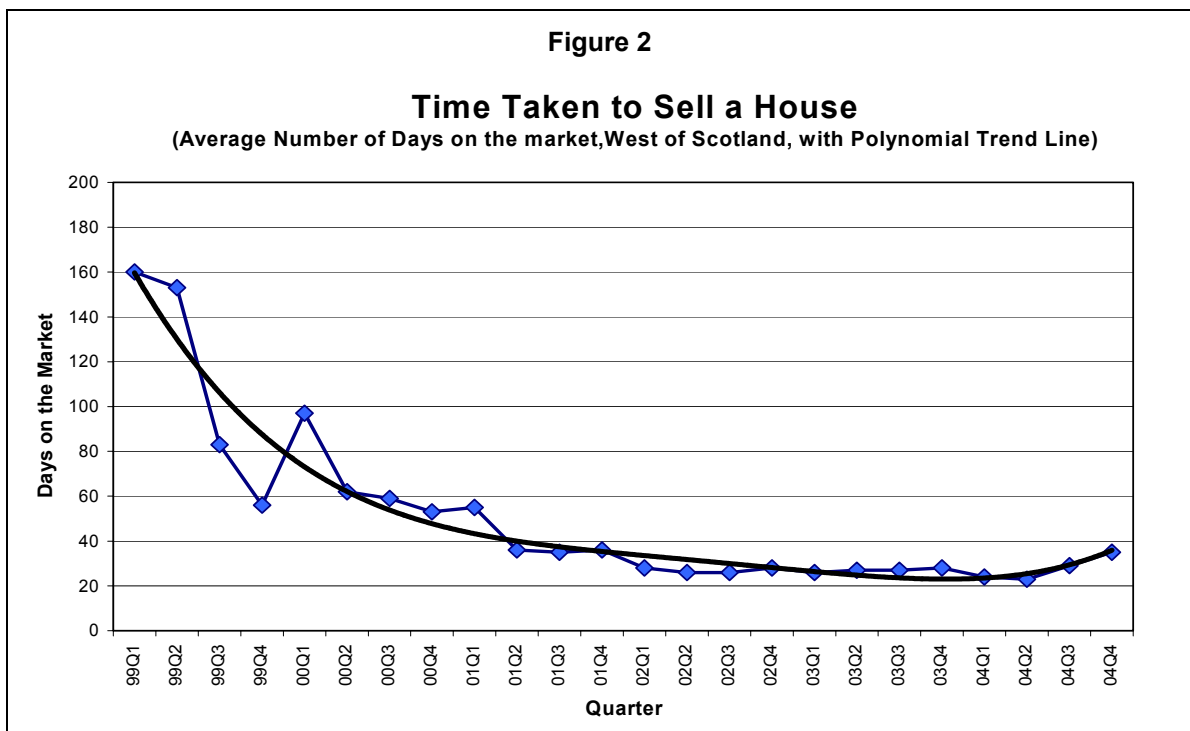
When we break the figures down by sub-region, we find that the deceleration is more pronounced in some areas than others. East Renfrewshire, which has enjoyed one of the largest cumulative increases in house prices since 1999, is now experiencing one of the most rapid slowdowns. Annual house price inflation is still positive in East Renfrewshire but the area now has one of the lowest rates of growth at 5.5% (Table 2).



The North of Glasgow currently has similar rates of growth, though it has not had the kind of house price boom experienced by East Renfrewshire and elsewhere. The South Side, Paisley, West End, East End and North Lanarkshire are all experiencing moderate annual growth rates (between 11% and 17%) in nominal house prices.

Therefore, while the period of rapid and continuous house price growth appears to have come to an end, there are no signs yet that the market will crash. This is borne out by the relatively gradual rise in the time it takes to sell a property. While there has been an increase in quarters 3 and 4 of this year in the time it takes to sell a house, houses are still selling more quickly than they were in say 1999 or 2000 (see Figure 2).

Other areas are still experiencing rapid growth, however. South Lanarkshire, North Ayrshire, Renfrewshire and East Kilbride, all have annual house price inflation over twenty per cent (see quarter 4 of 2004 in Table 2). There may, however, be something of a ripple effect at work. Leading areas like the West End and East Renfrewshire may have slowed down first but the other submarkets are likely to follow. One can only speculate, however. The market in the West of Scotland has changed so much in recent years that it is impossible to be precise about how price changes in the different submarkets affect each other.



**Table 2:
Annual % Change in
Constant Quality Prices**

	Quarter of 2004			
	Q1	Q2	Q3	Q4
1. Strathclyde	22.1%	25.4%	17.2%	13.2%
2. Glasgow	19.3%	21.1%	11.2%	10.0%
6. N.Glasgow	10.9%	29.3%	15.2%	5.3%
8. E.Renf	29.0%	33.1%	15.3%	5.5%
5. S.Side	21.5%	26.6%	15.4%	11.0%
9. Paisley	20.9%	28.9%	21.6%	11.1%
3. West End	15.5%	16.6%	10.0%	11.3%
4. East End	15.9%	24.2%	21.8%	15.8%
13. N.Lan	21.8%	35.0%	35.5%	17.0%
7. E.Dunb	30.5%	24.0%	23.4%	19.9%
12. S.Lan	29.2%	28.7%	25.1%	20.2%
14. N.Ayrsh	35.6%	30.1%	37.9%	22.4%
11. Renf	19.5%	34.1%	28.5%	27.0%
10. E.Kilbride	35.8%	26.4%	21.9%	35.5%

whereas the reverse was true in 1999 (see Figure 3). Indeed, houses in North Glasgow have typically risen in value by half the rate of similar properties in East Renfrewshire, East Dunbartonshire or Renfrewshire (Figure 4).



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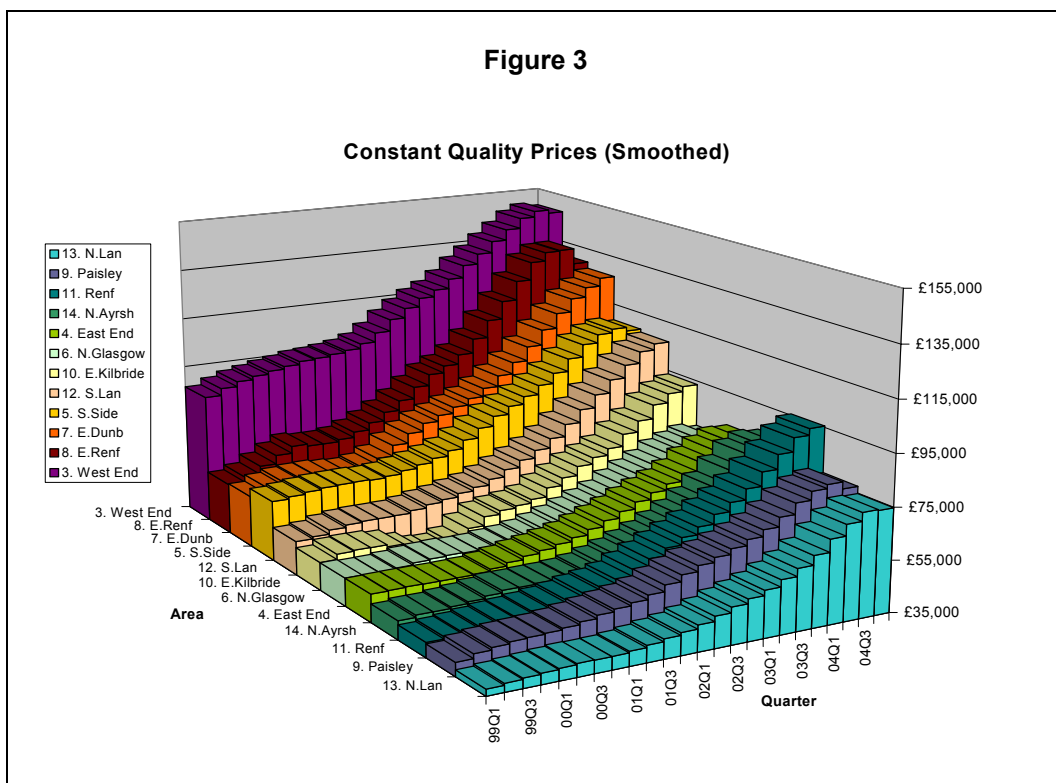
The Department of Urban Studies is a 5 rated research department reflecting its national and international status in the areas of housing and urban research. It is the home of three national research centres: (1) the ESRC Centre for Neighbourhood Research (in collaboration with the University of Bristol), (2) the Centre for Public Policy for the Regions (in collaboration with the following departments of the University of Glasgow: Urban Studies, Economics, Geography and Business & Management; and the following departments of Strathclyde University: Economics / the Fraser of Allander Institute, and Government and the European Policies Research Centre) and (3) the Scottish Centre for Research on Social Justice (in collaboration with the Universities of Bristol and Aberdeen respectively).

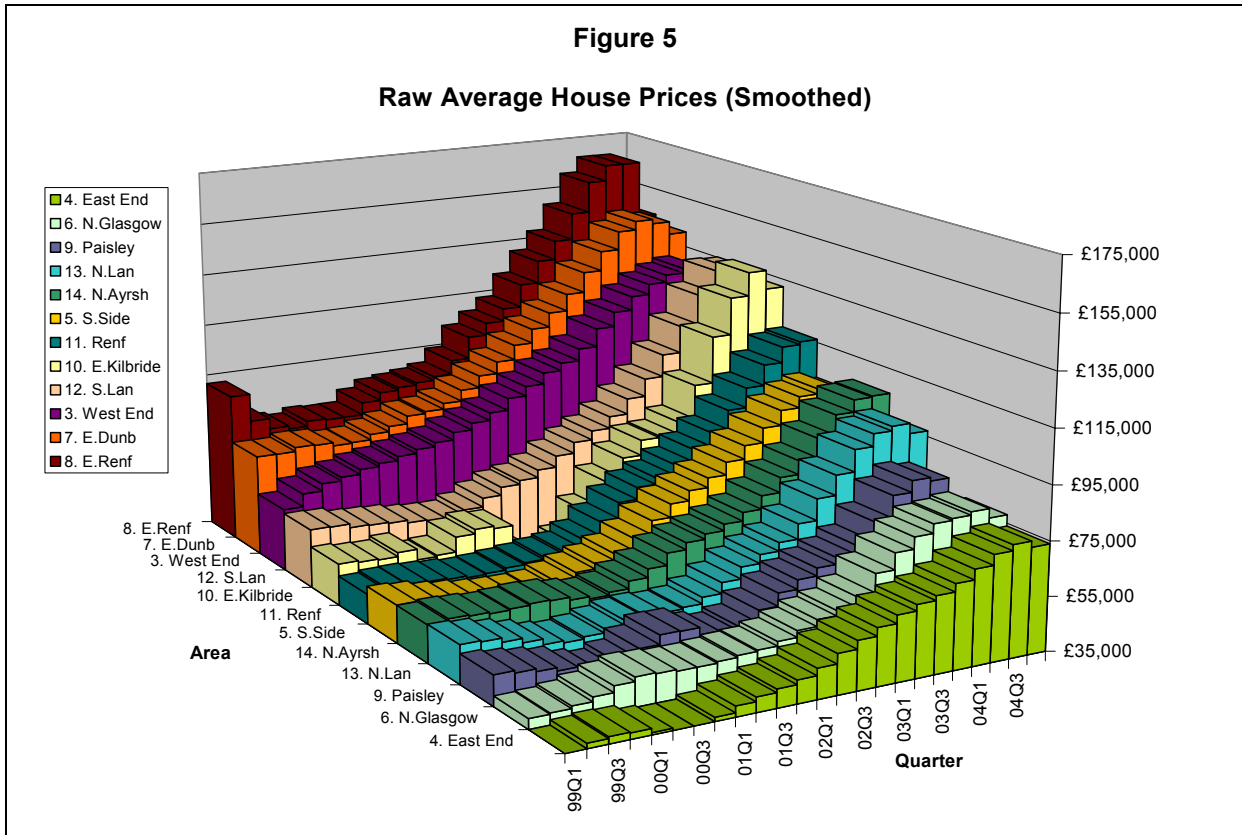
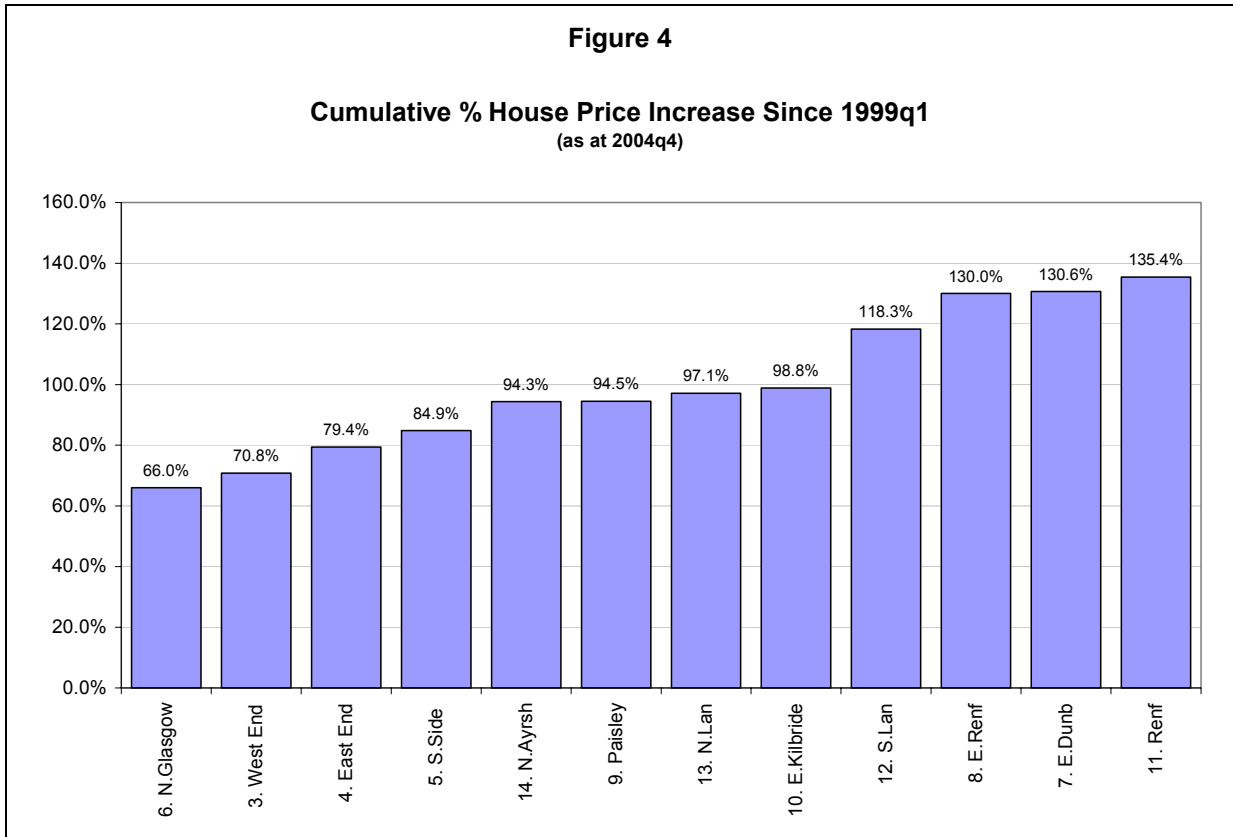
The analysis is funded by GSPC (Glasgow Solicitors Property Centre) and is based on the GSPC database of property transactions. GSPC has over 200 member firms of solicitors that sell over 8,500 homes a year worth over £775 million. GSPC covers all of West Central Scotland from South Ayrshire and South Lanarkshire to North Lanarkshire and Argyll & Bute.

The Cumulative Effect

As Figures 3 and 4 show, the cumulative effect of house price boom over the past five years has been to alter the ordering of areas in terms of which are the most expensive. East Renfrewshire, East Dunbartonshire and Renfrewshire have fared best with cumulative house price rises since 1999q1 of over 130%.

This means that it now costs more to purchase a property of the same type in Renfrewshire that it does in East Kilbride or North Glasgow,





* Data in Figure 5 are *not* based on our "Constant Quality" house price models, but are simple averages of house prices in each period. By comparing the ordering of areas (in terms of which are most expensive) in Figure 5 with the ordering in Figure 3, it is therefore possible to see how much variations in the type of property affect the headline average sales figures. The West End is particularly affected. Although it is generally regarded as the most expensive area in the West of Scotland, the type of property sold in that area brings the average sales price down and greatly distorts comparison of average sales prices with other districts.