

Strathclyde House Price Increases Still well above the Rate of Inflation

Analysis of the latest GSPC House Sales Data

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Strathclyde and Glasgow

Analysis of 2005 quarter 5 GSPC sales using the Strathclyde and Glasgow Constant Quality House Price models suggest possible signs that the housing market may already be starting to pick up pace again. The figures show the second largest 3 month rise (6.3% rise between December 2004 and March 2005) in house prices for quarter 1 sales since the GSPC index began in 1999. The year on year price rise stands at 12.8% for Strathclyde and 8.5% for Glasgow, well below the blistering rates of increase experienced during the 2004 boom, but still well above the general rate of inflation (the UK Retail Price Index for February estimated annual inflation to be 3.2%, and the Consumer Price Index, which excludes housing costs, was lower still at 1.6% -- see the National Statistics website for more details: <http://www.statistics.gov.uk/>). Indeed, as the following graph demonstrates, annual house price inflation in Strathclyde has consistently been above 10% since the third quarter of 2001 whereas general inflation has consistently been below 4%.

The cumulative effect of this difference, even over a relatively short time period, has been quite staggering. While the prices of most goods and services in the UK have risen by less than 16% since 1999, house prices in

Strathclyde have risen by over 100% (Figures 1 and 2)

Strathclyde Sub-regions

There are significant differences, however, in the rate of increase in house prices between areas within Strathclyde (Table 1). House prices rose by 19% in the North Side between 2004Q1 and 2005Q1, compared with 15.4% in the East End, 10.8% in Paisley, 9.9% in East Dunbartonshire, 7.4% in the South Side 7.1% in East Renfrewshire and 3.9% in the West End.

Table 1
Constant Quality Price Inflation Over the Past Year

	% Change in CQP from 2004Q1 to 2005Q1
N.Glasgow	19.0%
East End	15.4%
Paisley	10.8%
E.Dunb	9.9%
Glasgow	8.5%
S.Side	7.4%
E.Renf	7.1%
E.Kilbride	5.2%
West End	3.9%

The fact that prices seem to have risen in all areas over the past year suggests that predictions of a house price crash may have been premature, though the rate of increase is noticeably slower than that observed last year.

The Cumulative Effect

When we look at the cumulative house price inflation since 1999 quarter 1, however, the order of highest performing areas changes. East Renfrewshire, Renfrewshire and East Dunbartonshire have had the highest overall house price growth since 1991Q1 with cumulative % changes of 144%, 135% and 133% respectively (see Table 2 below). North Lanarkshire, North Ayrshire and South Lanarkshire have also performed well with cumulative house price increases of over 110%. House prices in the South Side, East Kilbride and Paisley have approximately doubled in value, whereas the East End, North Glasgow and the West End have tended to experience cumulative house price increases of less than 90%.

When we look at the cumulative house price inflation since 1999 quarter 1 (Figures 3 and

4), however, the order of highest performing areas changes. East Renfrewshire, Renfrewshire and East Dunbartonshire have had the highest overall house price growth since 1991Q1 with cumulative % changes of 144%, 135% and 133% respectively. North Lanarkshire, North Ayrshire and South Lanarkshire have also performed well with cumulative house price increases of over 110%. House prices in the South Side, East Kilbride and Paisley have approximately doubled in value, whereas the East End, North Glasgow and the West End have tended to experience cumulative house price increases of less than 90%.

The West End remains the most expensive place to live when we compare the value of similar properties across the different localities, but East Renfrewshire and East Dunbartonshire are catching up. For example, in 1991Q1 a property in the West End would have cost around 52% more than a similar property in East Renfrewshire. It would now cost just 8% more.

There seems to be a pattern here, since the most dynamic areas seem to be those further away from the centre of Glasgow. Indeed, when we look at a scatter plot of cumulative house price inflation and average distance of GSPC sales in each area to Glasgow we find evidence of an upward sloping relationship (see Figure 5 below), though are obviously lots of other factors (such as school performance and local unemployment and crime rates) that affect relative house price growth (hence the relatively wide scattering of points above and below the line). If there is a positive relationship between house price growth and distance to the city centre, it would suggest that more people are wanting to live on the periphery of the city causing house prices to rise in the outer suburbs at a faster rate than in the inner suburbs.

Curiously, average time on the market is up again this quarter (Figure 6), though this may be due to properties selling since Christmas

that previously had failed to sell in the Autumn/Winter 2004 lull. If the market remains buoyant next quarter, then we would expect selling time to plateau or even fall.

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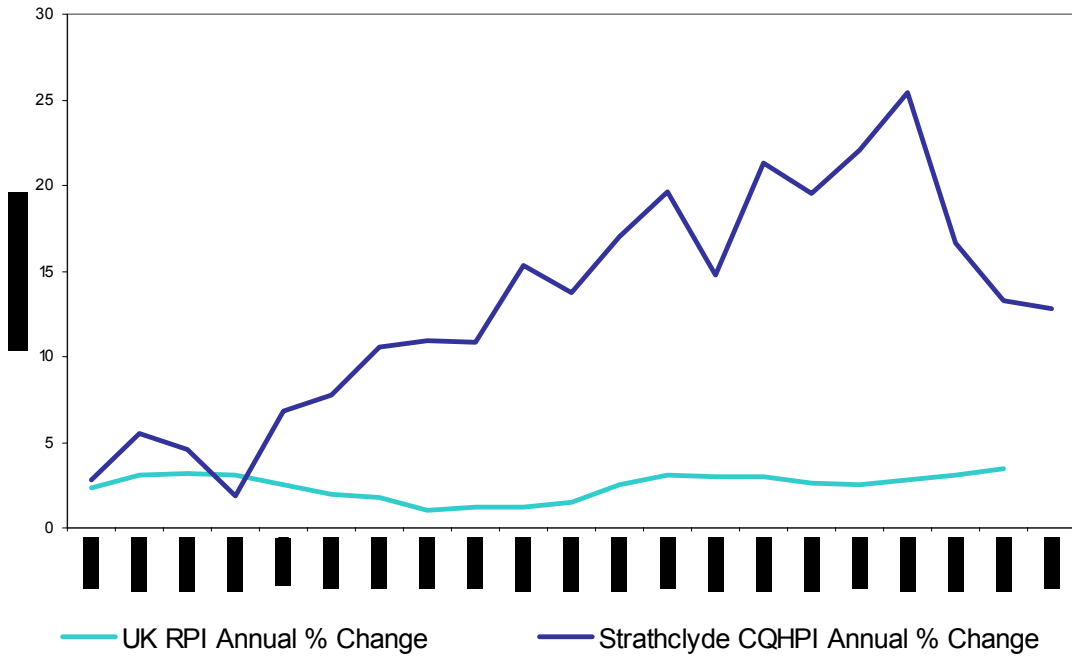
Glasgow.

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 analysis is based on a total sample of 37,122 GSPC sales since 1999.

Figure 1

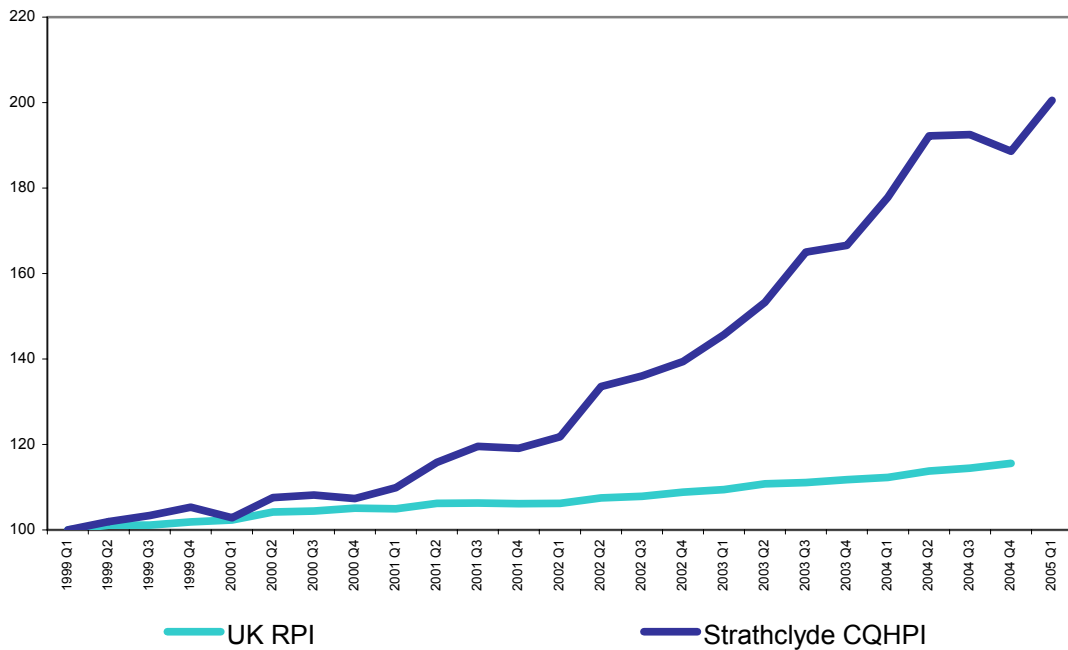
Constant Quality House Price Inflation for Strathclyde



Source: RPI data is based on National Statistics data; House price data is from GSPC.

Figure 2

Constant Quality House Price Index for Strathclyde



Source: RPI data is based on National Statistics data; House price data is from GSPC.

Table 2
Top 12 Performing Areas in Strathclyde:

Rank	Area	2005q1 Cumulative % Increase since 1999q1		Rank Compared with 2004q4	Distance to Glasgow (km)
1	E.Renf	143.8%	↑	Up from 3	9.7
2	Renf	135.1%	↓	Down from 1	12.9
3	E.Dunb	132.7%	↓	Down from 2	8.5
4	N.Lan	123.9%	↑	Up from 6	16.7
5	N.Ayrsh	119.4%	↑	Up from 8	38.3
6	S.Lan	113.1%	↓	Down from 4	15.5
7	Paisley	110.4%	=	= 7	11.1
8	E.Kilbride	104.5%	↓	Down from 5	12.2
9	S.Side	91.6%	=	= 9	4.7
10	East End	83.4%	=	= 10	5.3
11	N.Glasgow	76.5%	↑	Up from 12	3.9
12	West End	72.5%	↓	Down from 11	4.6

Figure 3

Cumulative % House Price Increase Since 1999q1
(as at 2005q1)

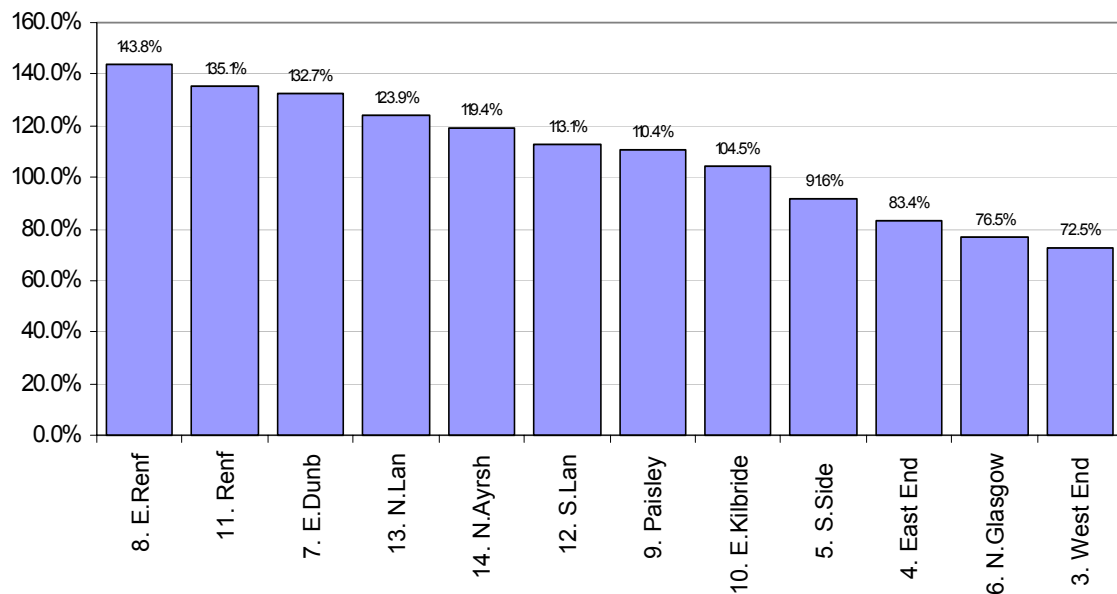


Figure 4

Constant Quality Prices

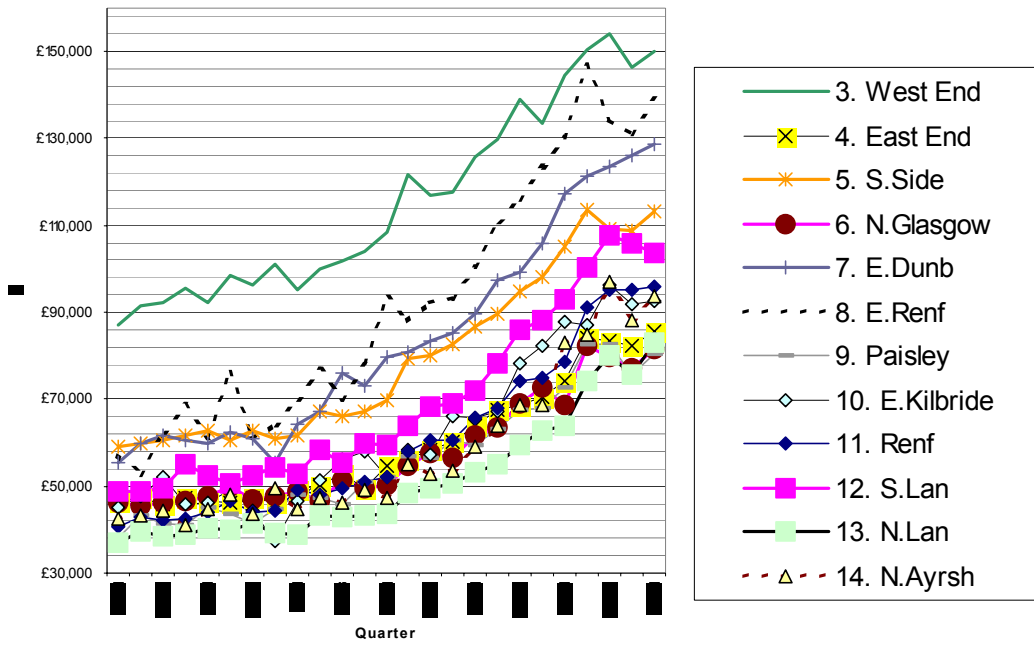


Figure 5

Constant Quality House Price Inflation & Distance to Glasgow

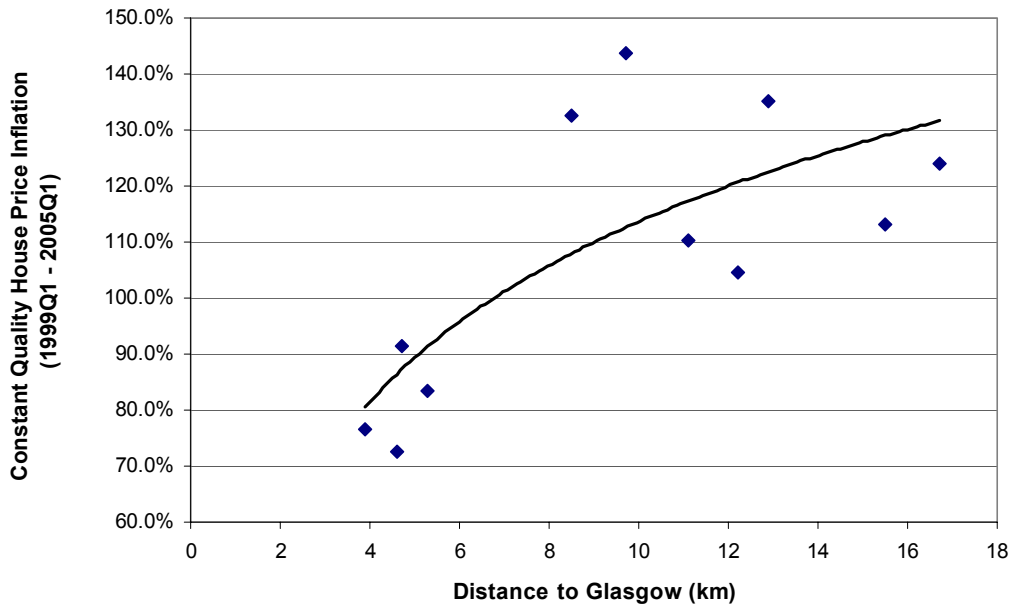


Figure 6

Time Taken to Sell a House

(Average Number of Days on the market, West of Scotland, with Polynomial Trend Line)

