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Long-term Trends in the Scottish Housing Market

Bank of Scotland has looked at the key trends and developments in the Scottish housing market over the past 50 years. The research has been compiled using data from the Bank of Scotland's own extensive housing statistics database. Data has also been sourced from the Office for National Statistics, Communities and Local Government department and the Scottish Executive.

As we begin a new decade, Bank of Scotland has looked over the past 50 years and identified the key changes in the Scottish housing market. The analysis starts at the end of the 1950s and commences with the record growth in housebuilding through the 1960s. This was a time of significant social investment.

KEY FINDINGS

House Prices

- **The average house price in Scotland has increased by 120% since 1969 in real terms (i.e. after allowing for retail price inflation), at an average annual rate of 2.0%.** Scotland has recorded a smaller rise in prices than anywhere else in the UK over the period.
- **House prices recorded their biggest increase in the last decade (2000s) with a real rise of 55% during the 2000s; more than double the 22% increase in the 1980s.** The worst performing decade for house prices was the 1990s when prices fell by 10% in real terms.

Rise of Owner-Occupation

- **Owner-occupation in Scotland increased by 36 percentage points from 27% in 1961 to 63% in 2008.** There are now 1.5 million owner-occupiers compared with 408,000 in 1961. The sharpest rise in owner-occupation occurred in the 1980s following the introduction of the Right to Buy scheme.
- **The proportion of homes that is privately rented fell from 28% in 1961 to 10% in 2008.** The private rental sector contracted rapidly until the 1990s, reaching a low of 6% in 1990. However, since then the sector has grown steadily to reach 10% in 2008.
- **The socially rented sector has halved since the 1960s.** The proportion of the dwelling stock that is socially rented has declined from 45% in 1961 to 24% in 2008. The socially rented sector was bigger than both the owner-occupied and privately rented sectors until the 1990s. By 1990, the rate of owner-occupancy (51%) had overtaken social renting (43%) as the most common type of housing tenure.

Martin Ellis, housing economist at Bank of Scotland, said:

"The last 50 years has witnessed some remarkable developments in the Scottish housing market. There has been a significant shift towards owner-occupation with the majority of households now living in their own homes rather than renting. No doubt, there will be further dramatic changes over the coming years, perhaps in ways that we are currently unable to foresee."

HOUSE PRICES

The average house price in Scotland has increased in nominal terms over the past 40 years from £4,571 in 1969 to £123,398 in 2009.

The average price has risen by 120% since 1969 in real terms (i.e. after allowing for retail price inflation)¹, at an average annual rate of 2.0%. By comparison, *UK prices increased by 174% at an annual average of 2.5% during 1969-2009. (All house price figures stated below are expressed in real terms. This enables meaningful comparisons during a period when the general rate of inflation varied considerably. Retail price inflation was especially high during much of the 1970s and 1980s.)*

House prices recorded their biggest increase in the last decade with a real rise of 55% during the 2000s; more than double the 22% increase in the 1980s. The worst decade for house prices was the 1990s when prices fell by 10%.

The biggest annual increase in the past 50 years was in 1973 when prices increased by 24% in real terms. At the other end of the spectrum, 2009 was the worst year with prices down 10% on the previous year.

HOUSING TENURE

Owner-occupation in Scotland has increased by 36 percentage points from 27% in 1961 to 63% in 2008. UK owner-occupation increased by 25 percentage points over the period from 43% in 1961 to 68% in 2008. The sharpest rise in owner-occupation occurred in the 1980s following the introduction of the Right to Buy scheme. This helped to lift owner-occupation in Scotland from 36% in 1981 to 52% in 1991.

The proportion of homes that is privately rented fell from 28% in 1961 to 10% in 2008. Over the same period, the proportion of privately rented homes in the UK declined from 33% to 14%. The private rental sector in Scotland contracted rapidly until the 1990s, reaching a low of 6% in 1990. However, since then the sector has grown steadily to reach 10% in 2008. The 1988 Housing Act has helped to expand the supply of private rented property through the creation of assured shortholds and tenancies in common.

The socially rented sector has nearly halved since the 1960s. The proportion of the dwelling stock that is socially rented declined from 45% in 1961 to 24% in 2008. The socially rented sector was bigger than both the owner-occupied and privately rented sectors until the 1990s. By 1990, the rate of owner-occupancy (51%) had overtaken social renting (43%) as the most common type of housing tenure.

¹ Monetary - or nominal - house price figures have been adjusted to allow for general price inflation by applying the retail price index (RPI), in line with standard practice. The RPI has been chosen rather than any other inflation measure because it is the longest running series. It also incorporates housing costs unlike the much more recent consumer price index.

Table 1: Scotland Real House Prices* 1969-2009

	Total % change	Average Annual % change
1969-1979	29	2.6
1979-1989	22	2.0
1989-1999	-10	-1.1
1999-2009	55	4.5
1969-2009	120	2.0

Source: Bank of Scotland / Communities and Local Government

* Monetary - or nominal - house price figures have been adjusted to all

Table 2: Scottish dwelling stock by tenure

	Owner Occupation		Social Housing		Private rented sector	
	Number 000s	%	Number 000s	%	Number 000s	%
1961	408	27	694	45	435	28
1971	561	31	930	51	318	18
1981	698	36	1064	54	198	10
1991	1132	52	873	40	154	7
2001	1373	60	692	30	161	7
2008	1535	63	599	24	234	10

Source: Communities and Local Government / Scottish Executive

Editors' Notes:

This research has been compiled by analysing statistics from the Communities and Local Government (CLG), including the Office for National Statistics, Communities and Local Government department and the Scottish Executive.

The research is intended to look at changing in households over past 50 years. However, due to issues of data availability the different data series used vary in length.

House Prices:

Figures from the Bank of Scotland house price index have been used for 1983-2009. CLG house price data has been used for the period prior to 1983. Annual averages have been used throughout.

Housing Tenure:

Owner occupation data has been sourced from the Scottish Executive: Housing statistics for Scotland:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/KeyInfoTables>

Owner occupation data has also been sourced from CLG: Table 108: and table 801

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludingvacants/livetables/?view=Standard>

Based on UK dwelling stock with gaps in the data populated using estimates derived from UK household data (table 801).

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