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SCOTS PAY 11% PREMIUM TO LIVE IN THE COUNTRYSIDE

Properties in the Scottish countryside are, on average, £17,231 (11%) more expensive than in urban areas, according to the Bank of Scotland annual rural housing review.

While prices are higher in rural areas, the price gap is reducing as urban house prices increase at a faster rate. Between 2011 and 2016, the average price of a home in the Scottish countryside rose by 14% compared with an average increase of 22% in urban areas.

As a result, the rural-urban premium has narrowed over the last five years from 18% (or £24,228) in 2011 to £17,231 (11%) in 2016.

The most affordable rural local area district (LAD) in Scotland is East Ayrshire with an average house price of £127,646, which is 4.3 times the local average annual earnings of £29,979. Dumfries and Galloway is the second most affordable rural LAD, with an average house price of £133,462 4.6 times the average earnings of £28,960. The Western Isles is Scotland's third most affordable rural area. Average house prices there are £129,547, 4.7 times the annual earnings of £27,557.

The least affordable rural LADs in Scotland are East Lothian (6.2 times) and Perth and Kinross (5.7 times) (See table 2).

Fewer first-time buyers in rural areas

First-time buyers account for 45% of all mortgage financed purchases in Scottish rural areas. This is lower than in urban areas where first-time buyers account for half (51%) of such purchases. Affordability is the key factor behind the lower level of first-time buyers in rural areas.

Getting on the rural property ladder is at its most challenging for first-time buyers in East Lothian where they account for only 37% of buyers. Scottish Borders, Argyll and Bute and the Highlands also sit below the Scottish average. (See table 3)

Graham Blair, Mortgage Director at Bank of Scotland, said: "Our How Scotland Lives research has shown that countryside living can have a positive impact on peoples' happiness, so it's to be expected that people will be attracted to living in the countryside and this does come with a premium.

"Affordability is often a key driver in any decision to purchase a home, with some rural regions more affordable than certain urban locations there are options for anyone considering an escape to the country."

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Table 1: Rural and Urban Regional Average Prices, 2016

Region	Average Price 2016*		% Change (2011-2016)		Premium for Rural v Urban	
	Rural	Urban	Rural	Urban	£	%
North East	168,102	150,797	27%	28%	17,304	11%
North West	228,244	169,328	22%	31%	58,916	35%
Yorkshire and The Humber	212,355	160,594	29%	29%	51,761	32%
East Midlands	227,804	174,718	31%	37%	53,086	30%
West Midlands	263,867	185,553	22%	36%	78,314	42%
East of England	320,967	291,676	45%	51%	29,291	10%
South East	406,459	321,705	35%	47%	84,754	26%
South West	275,178	230,846	17%	33%	44,331	19%
Wales	181,295	157,768	22%	29%	23,526	15%
Scotland	181,233	164,002	14%	22%	17,231	11%
Great Britain (excl London)	253,876	210,981	30%	40%	42,894	20%

Source: Bank of Scotland. *12 months to September

Table 2: Scotland Affordability Rural Local Districts

Local Authority District	House Prices 2016 (£)*	Average earnings 2016**	Price to Earnings ratio
East Ayrshire	127,646	29,979	4.3
Dumfries and Galloway	133,462	28,960	4.6
Western Isles	129,547	27,557	4.7
Moray	161,887	30,543	5.3
Argyll and Bute	163,263	30,397	5.4
Shetland Islands	181,822	33,311	5.5
Scottish Borders	167,215	30,594	5.5
Highland	171,956	31,380	5.5
Aberdeenshire	222,668	39,900	5.6
Perth and Kinross	186,512	32,614	5.7
East Lothian	200,991	32,611	6.2
Rural Scotland	181,233	£32,763	5.5
Urban Scotland	164,002	£33,299	4.9

Source: Bank of Scotland. *12 months to September; ONS ** Bank of Scotland estimate

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Table 3: Rural Local Authority Districts share of First Time Buyers (FTBs)

Local Authority District	FTB% share of all buyers
East Lothian	37%
Scottish Borders	42%
Argyll and Bute	43%
Highland	44%
Aberdeenshire	47%
East Ayrshire	48%
Moray	51%
Dumfries and Galloway	53%
Shetland Islands	53%
Western Isles	54%
Perth and Kinross	55%
Rural Scotland	45%
Urban Scotland	51%

Source: Bank of Scotland House Price Database; * 12 months to September

Notes to editors:

All price figures refer to the arithmetic average of house prices and have not been standardised. These prices are not standardised and therefore can be affected by changes in the sample from year to year. The data covers the period 2011 to 2016 and has been extracted from the Bank of Scotland House Price database. The latest figures cover the 12 months to September 2016.

This analysis was undertaken using the Office for National Statistics (ONS) Urban Rural classification. This classification defines an area as a Rural Area if it lies in a town or village of less than 10,000, or as an urban area if it lies in a town or city of 10,000 or more. A rural local authority is one where the majority of people live in rural areas. Data on average earnings is based on ONS figures for April 2015, which have been inflated by national average earnings growth to calculate 2016 estimates at local authority level.

The affordability ratio is calculated as average house prices divided by the average annual earnings of full time employees.

Scottish social housing data is from the Housing Statistics for Scotland published by the Scottish Government.

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