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LIVING IN THE COUNTRYSIDE COSTS SCOTS AN EXTRA £19,000

- **Living in the countryside costs home owners an average of £19,017 extra**
- **East Ayrshire is the most affordable rural area in Scotland**
- **Fewer first time buyers choose to purchase rural locations**

Properties in the Scottish countryside are, on average, £19,017 (11%) more expensive than in urban areas, according to research from the Bank of Scotland.

Between 2012 and 2017, the average price of a home in the Scottish countryside rose by 17% compared with an average increase of 27% in urban areas, resulting in the premium that home owners pay for living in the country falling from 21% (£27,354) in 2012 to 11% (£19,017) in 2017.

However, over the past year the rate of growth for both urban and rural areas has been the same at 2%.

The Scottish countryside premium of 11% compares more favourably to Great Britain (exc London), with homebuyers paying a premium of over £44,000 (20%) to live in the British countryside. The greatest rural premium is in the West Midlands (47%), followed by North West ((33%). (See table 1)

The most affordable rural local area district in Scotland is East Ayrshire with an average house price of £128,864 - 4.1 times the local average annual earnings¹ of £31,322. Dumfries and Galloway is the second most affordable rural district, with an average house price of £135,313 - 4.6 times the average earnings of £29,662. The Western Isles follows with an average house price of £132,353 (4.8) and then the Shetland Islands (5.0).

The least affordable rural local area districts in Scotland are East Lothian (6.5) and Perth and Kinross (5.9). (See table 2)

Fewer first-time buyers in rural areas

First-time buyers account for 44% 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 Perth & Kinross where they account for only 36% of buyers and East Lothian, Scottish Borders and Argyll and Bute (all 38%). (See table 3)

Graham Blair, Mortgages Director at Bank of Scotland, said: "The countryside continues to attract homeowners looking for open spaces, cleaner environment and the prospect of a greater quality of life.

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However, this comes at a premium with rural property prices on average 11% higher than in urban areas.

“Affordability is often a key driver in any decision to purchase a home, with some rural regions more affordable than certain urban locations, so there’s always an option for anyone considering an escape to the country.”



Table 1: Rural and Urban Regional Average Prices, 2017

Region	Average Price 2017*		% Change (2012-2017)		Premium for Rural v Urban	
	Rural	Urban	Rural	Urban	£	%
North East	169,232	151,067	26%	28%	18,165	12%
North West	231,413	173,683	27%	35%	57,730	33%
Yorkshire and The Humber	216,401	164,365	30%	32%	52,036	32%
East Midlands	239,901	184,475	38%	44%	55,426	30%
West Midlands	280,776	191,504	30%	40%	89,272	47%
East of England	332,822	305,057	50%	58%	27,765	9%
South East	416,521	331,516	37%	52%	85,005	26%
South West	296,273	240,650	26%	39%	55,623	23%
Wales	183,067	162,986	27%	30%	20,082	12%
Scotland	185,713	166,696	17%	27%	19,017	11%
Great Britain exc London	263,050	218,596	31%	43%	44,454	20%

Source: Bank of Scotland. *12 months to August

Table 2: Scotland Affordability Rural Local Districts

Local Authority District	House Prices 2017 (£)*	Average earnings 2017**	Price to Earnings ratio
East Ayrshire	128,864	31,322	4.1
Dumfries and Galloway	135,313	29,662	4.6
Western Isles	132,353	27,776	4.8
Shetland Islands	182,090	36,086	5.0
Highland	174,716	33,287	5.2
Moray	159,596	29,371	5.4
Scottish Borders	176,916	32,549	5.4
Aberdeenshire	212,836	38,995	5.5
Argyll and Bute	168,878	29,686	5.7
Perth and Kinross	195,950	33,307	5.9
East Lothian	221,364	33,797	6.5
Rural Scotland	185,713	£33,391	5.6
Urban Scotland	166,696	£33,982	4.9

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

Table 3: Rural Local Authority Districts with the lowest % of First Time Buyers (FTBs)

Local Authority District	FTB% share of all buyers 2017
Perth and Kinross	36%
Scottish Borders	38%
Argyll and Bute	38%
East Lothian	38%
Aberdeenshire	44%
Highland	47%
Shetland Islands	48%
East Ayrshire	49%
Moray	53%
Western Isles	55%
Dumfries and Galloway	55%
Rural Scotland	44%
Urban Scotland	51%

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

Notes to editors:

¹ From ONS and Bank of Scotland estimates for June 2017 for full-time employees.

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 2012 to 2017 and has been extracted from the Bank of Scotland House Price database. The latest figures cover the 12 months to August 2017.

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 2016, which have been inflated by national average earnings growth to calculate 2017 estimates at local authority level.

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

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