

## Headlines

Scottish housing supply up compared to 2016/17

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Government Affordable Housing delivery on target?

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Places for People Capital fund looking for 1,000 unit pipeline

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## Key Findings

There has been a 3% annual increase in housing supply between 2016/17 and 2017/18 according to the latest figures released by the Scottish Government. There have been particularly strong rises in East Lothian & Aberdeen.

The Scottish Government invested £1.1bn in the affordable housing supply programme between January 2017 and September 2018. Figures show approvals on track against target, however, completions are lagging.

A £150m Mid Market Fund by Places for People Capital and backed by a £47.5m long-term loan by the Scottish Government is currently in the process of sourcing a pipeline of 1,000 homes.

## Themes & Trend Analysis

Housing completions in Scotland are up year-on-year due to rise in Social Housing Completions.

For the fifth consecutive year, new house building has reported an annual increase, delivering 17,731 units in 2017/18, up 3% on the previous year. This is the highest annual number since 2008/09. This increase in completions has been led by a 20% rise in all Social Sector new build completions in 2017/18, i.e. the Social Sector contributed over a quarter of new supply. However, overall, figures remain off target levels, notably the c23k pa set by the Commission of Housing & Well-being a few years ago.

The Government has invested over £1bn in affordable housing and states it is on track to meet its 50,000 home target.

The Government has announced that it is on target to meet its 5-year affordable housing target, with 11,926 affordable housing approvals this year. It is worth noting that the approvals figures, which is when money has been allocated, are historically higher than actual completions. Currently, approvals in this parliament are at 27,428, ahead of the 25k target by this quarter, but completions are running at 19,490 over the same period.

Mid Market Rent fund looking to source private housing units throughout Scotland.

Rettie & Co. has been appointed by PFP Capital to identify and appraise suitable sites for the MMR fund. Suitable sites need to meet a broad range of criteria and can be located throughout Scotland. Units in planning, under development or completed can be considered as long as they are private units with no s.75 obligation and can be handed over before the end of 2021.

## Housing Market Statistics (All Sectors - Rolling 4 Quarters to Latest Quarter)

Area	All Sector Starts				All Sector Completions			
	Year to Q1 2017	Year to Q1 2018	Y-on-Y Δ	Y-on-Y Δ%	Year to Q1 2017	Year to Q1 2018	Y-on-Y Δ	Y-on-Y Δ%
Scotland	19,724	19,595	-129	-1%	17,293	17,731	438	3%
Edinburgh	2,125	2,726	601	28%	2,229	1,804	-425	-19%
East Lothian	679	684	5	1%	644	952	308	<b>48%</b>
Glasgow	1,481	1,347	-134	-9%	1,446	1,305	-141	-10%
Midlothian	944	512	-432	-46%	670	517	-153	-23%
Perth & Kinross	719	646	-73	-10%	527	597	70	13%
East Dunbartonshire	381	298	-83	-22%	463	331	-132	-29%
Scottish Borders	399	376	-23	-6%	326	219	-107	-33%
Stirling	189	187	-2	-1%	325	142	-183	-56%
West Lothian	772	868	96	12%	558	639	81	15%
Aberdeen	1,153	819	-334	-29%	668	985	317	<b>47%</b>

Source: Scottish Government

## Housing Market Indicators

New Homes Construction Material Price Index (2010=100)							Area	Commission of Housing & Wellbeing 2015 Min. 23,000 units pa	Last 4 Quarters All Sector Completions to Q1 2018	Current Annual Balance
2013	2014	2015	2016	2017	2018					
Annual Average	108.1	110.0	109.2	109.5	115.2	120.0	Scotland	23,000	17,731	-5,269
							City of Edinburgh	2,179	1,804	-375
							East Lothian	423	952	529
							Glasgow City	2,718	1,305	-1,413
							Midlothian	360	517	157
							Perth & Kinross	631	597	-34
							East Dunbartonshire	427	331	-96
							Scottish Borders	507	219	-288
							Stirling	367	142	-225
							West Lothian	722	639	-83
							Aberdeen	1,005	985	-20

Source: HM Revenue & Customs

### Number of Mortgage Advances and Values

	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1
Scottish First Time Buyers (FTB)	8,300 (£900m)	7,600 (£820m)	9,600 (£1070m)	9,400 (£1,050m)	8,500 (£1,010m)	6,900 (£800m)
Scottish Movers	8,400 (£1,270m)	6,800 (£1,030m)	9,400 (£1,460m)	9,600 (£1,530m)	8,800 (£1,410m)	6,600 (£1,050m)

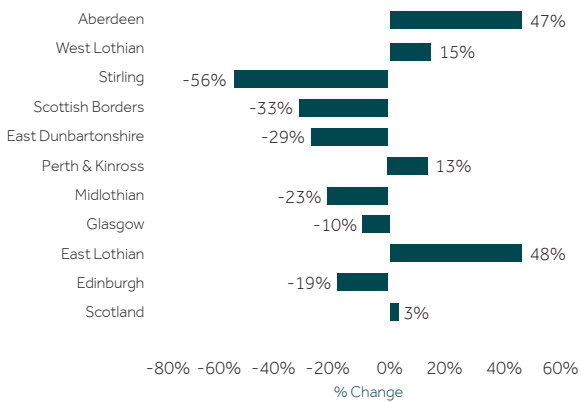
Source: Council of Mortgage Lenders

Source: NRS & Scottish Government \*12 month period to Q1 & Commission of Housing & Wellbeing; A blueprint for Scotland's Future 2015. Target allocated by 2017 distribution of households by Council Area.

### Completions up year-on-year

Overall, housing completions in Scotland are up year-on-year. Edinburgh and Glasgow have both seen annual falls in completions, although total starts in Edinburgh are up over a quarter in the year to Q1 2018. Aberdeen has seen a notable increase in completions in the past year.

Year-on-year change in housing completions Year to Q1 2018 vs 2017

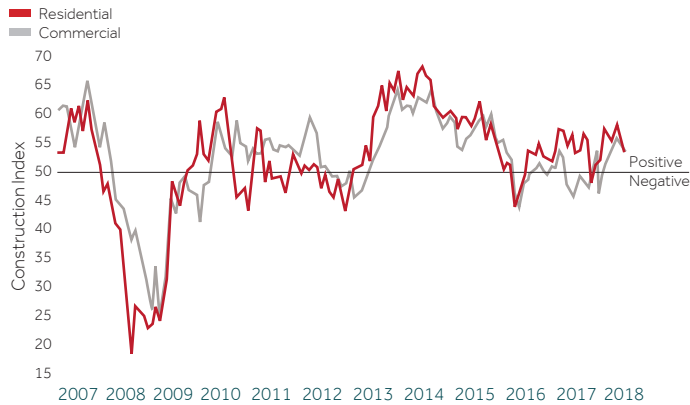


Source: Scottish Government

### UK Construction Purchasing Managers Index remains positive

The UK Construction Purchasing Managers Index has remained positive to September 2017, with residential construction dropping slightly to reach parity with commercial construction. Whilst remaining positive, the drop to 52.1 in September represented the weakest output for six months.

#### UK Construction PMI

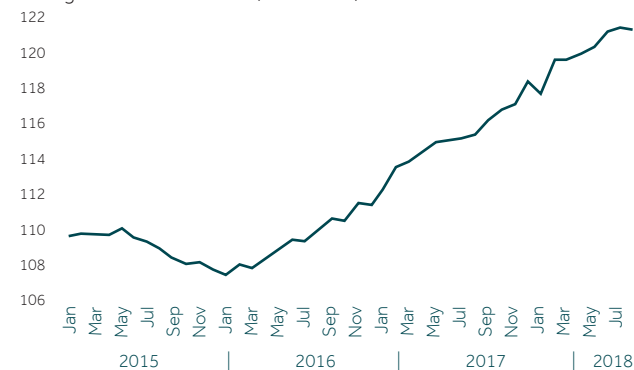


Source: Markit/CIPS

### Building material prices plateau

The cost of building materials has appeared to plateau in recent months after an exhaustive rise from January 2016 onwards. The 3 month levelling off of price increases is based on provisional figures. The uncertainty surrounding Brexit may yet lead to further rises.

#### Building Material Price Index (2010=100)

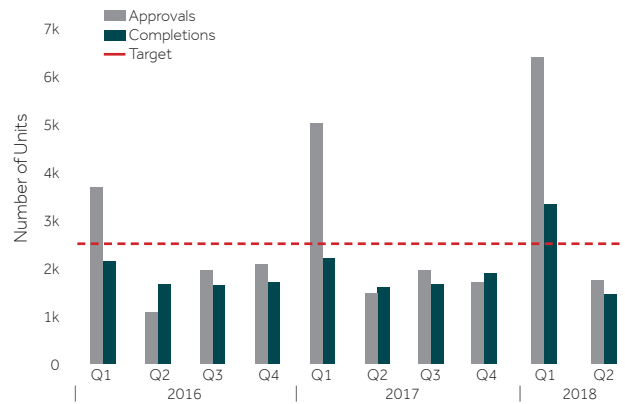


Source: ONS

### Affordable Housing delivery rising

Based on affordable housing approvals, the Scottish Government has announced it is ahead of target in meeting its 50k homes target. While approvals have risen, it will be important to monitor completions as they have traditionally been lower than approvals.

Affordable Housing Approvals & Completions versus target

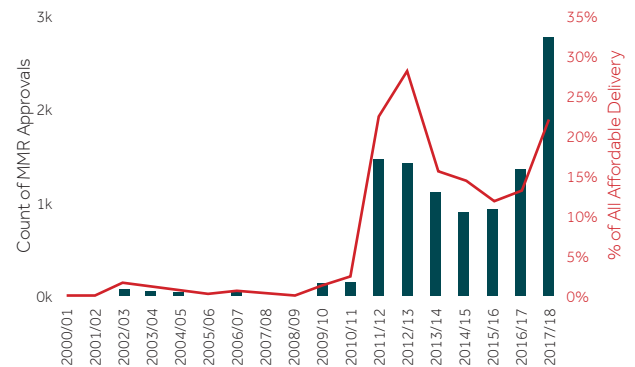


Source: Scottish Government / Rettie & Co. Research

### Mid Market Rent is a rising tenure for new home delivery

The delivery of new homes in Scotland is seeing a shift in delivery. Increasing levels of Social Sector delivery, on the back of Government targets, is being complimented by changing tenures of delivery. MMR for example now accounts for a significant proportion of affordable delivery.

Affordable Rent Count & % of All Affordable Delivery(UK=RHS)

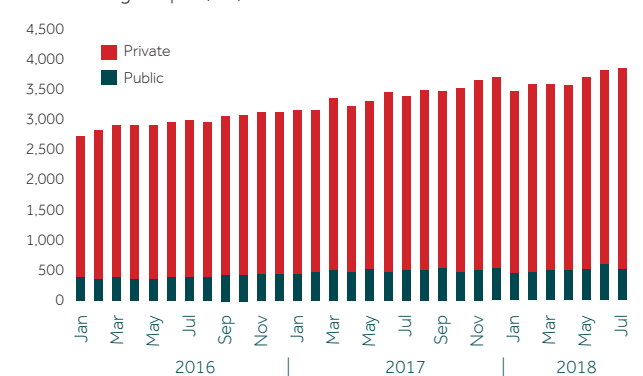


Source: Scottish Government

### UK private sector housing output up

The UK housing sector saw output rise 11% year-on-year in the first half of 2018. This positive growth was led by private sector output, which was up 12% during this period compared to a 4% rise in public sector housing output.

#### New Housing Output (UK)



Source: ONS