

ABERDEEN HOUSING MARKET REPORT

SECOND QUARTER 2020

Purpose and background

The report gives a summary of the activity in the housing market of Aberdeen and Aberdeenshire during the second quarter of 2020. The report is based on data supplied by the ASPC and has been compiled by the Centre for Real Estate Research (CRER) at the University of Aberdeen Business School.

The report uses the following breakdown by areas: Aberdeen stands for *Aberdeen City and suburbs* and Aberdeenshire is divided into the towns of *Ellon, Inverurie, Stonehaven*, and other *Countryside*. The report provides information for the three types of dwelling: *flat, semi-detached house, and detached house*. At times, the report uses the format *yyyyQq* as shorthand for a quarter in a particular year. For instance, *2020Q2* stands for the second quarter of 2020.

The prices in this report are quality-controlled, which means that the characteristics of the dwellings are assumed to be standard and are fixed over time. This control of dwelling quality allows the pure change of prices to be measured. This is achieved by a well-established statistical method. The note at the end of the report links to further information.

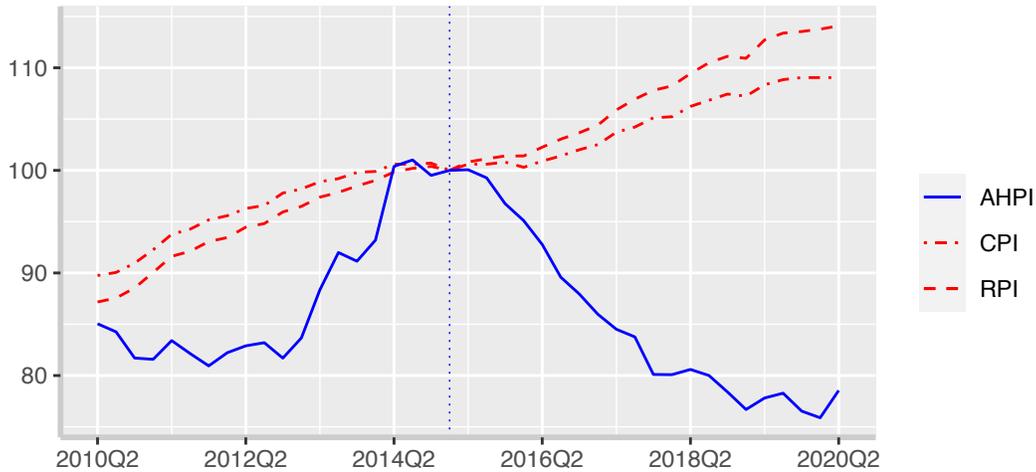
Aberdeen house price index

The index is based on the quality-controlled prices of a semi-detached house with standard characteristics. According to this index:

- The quarterly house price change in Aberdeen has been 3.5%.
- The annual house price change in Aberdeen has been 0.9%.
- The annualised house price change over five years in Aberdeen has been -4.7%.

Figure 1 shows the quarterly Aberdeen House Price Index (AHPI) jointly with the Retail Price Index (RPI all items, base year 1987) and the Consumer Price Index (CPI all items, base year 2015), the latter two are computed by the Office for National Statistics. The three price index series are each normalised to 100 in the base period 2015Q1. The base period is indicated by the dotted vertical blue line.

Figure 1: Price indices from 2010Q2 to 2020Q2



Change in prices

Table 1 collects the information on the change of house prices in Aberdeen and Aberdeenshire. The figures in the row *Quarterly* measure the house price change from the previous quarter 2020Q1 to the current quarter 2020Q2. The figures in the row *Yearly* measure the house price change from the same quarter a year ago 2019Q2 to the current quarter 2020Q2. The figures in the row *Five-yearly* measure the annualised house price change from the same quarter five years ago 2015Q2 to the current quarter 2020Q2. The last two columns of Table 1 give the change of the RPI and the CPI for the UK.

Table 1: Change of prices in percent. Five-yearly change is annualised.

| | Aberdeen | Ellon | Inverurie | Stonehaven | Countryside | RPI | CPI |
|-------------|----------|-------|-----------|------------|-------------|-----|-----|
| Quarterly | 3.5 | -0.9 | 2.7 | 1.8 | -1.3 | 0.3 | 0.0 |
| Yearly | 0.9 | -0.9 | 2.5 | 1.9 | -4.6 | 1.2 | 0.6 |
| Five-yearly | -4.7 | -2.7 | -4.4 | -4.1 | -1.2 | 2.5 | 1.6 |

Cautionary note: Due to the low number of transactions in 2020Q2, the quality-controlled house price changes suffer from large estimation uncertainty and should be used only with care.

Level of prices

Table 2 shows the imputed quality-controlled prices for the current and the previous quarter for the three dwelling types and the areas covered by the report.

Table 2: Prices by house type

| | Date | Aberdeen | Ellon | Inverurie | Stonehaven | Countryside |
|---------------|--------|----------|---------|-----------|------------|-------------|
| Flats | 2020Q2 | 128,707 | 104,067 | 132,392 | 133,130 | 125,289 |
| | 2020Q1 | 128,789 | 108,756 | 128,865 | 131,868 | 125,667 |
| Semi-detached | 2020Q2 | 182,031 | 159,916 | 174,424 | 184,126 | 178,221 |
| | 2020Q1 | 175,867 | 161,426 | 169,905 | 180,797 | 180,633 |
| Detached | 2020Q2 | 303,039 | 256,422 | 282,305 | 308,407 | 315,107 |
| | 2020Q1 | 298,648 | 255,133 | 274,406 | 299,195 | 315,703 |

Number of transactions and listings

Figure 2: Number of transactions from 2015Q2 to 2020Q2

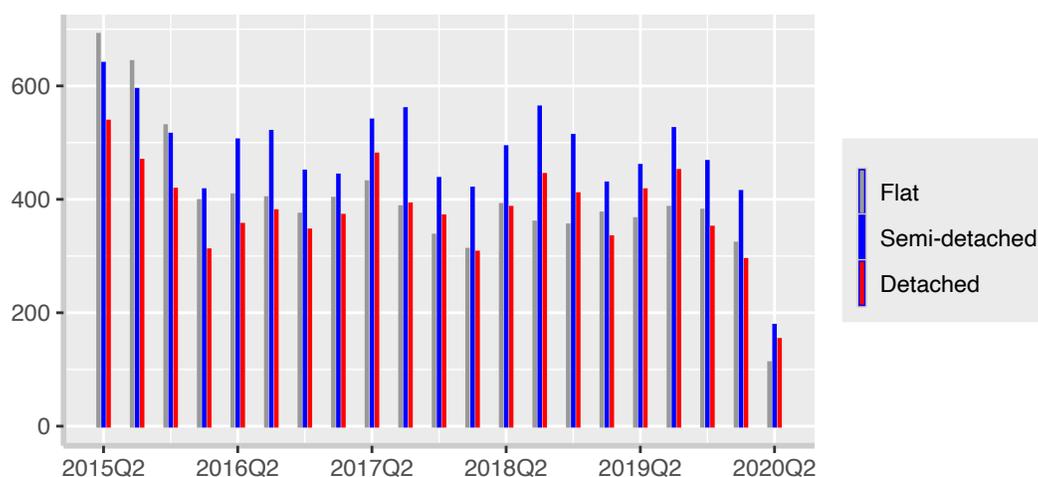


Figure 2 shows the number of residential transactions per quarter for the three dwelling types in Aberdeen and Aberdeenshire over the recent five-year period from 2015Q2 to 2020Q2.

In the second quarter of 2020, 443 residential dwellings were transacted, a change of -57.0% compared to the previous quarter 2020Q1 and a change of -64.4% compared to the same quarter a year ago 2019Q2. The transactions by dwelling type were:

- 112 flats, a change of -65.3% compared to the previous quarter 2020Q1 and of -69.4% compared to the same quarter a year ago 2019Q2.
- 178 semi-detached houses, a change of -57.0% compared to the previous quarter 2020Q1 and of -61.3% compared to the same quarter a year ago 2019Q2.
- 153 detached houses, a change of -48.0% compared to the previous quarter 2020Q1 and of -63.3% compared to the same quarter a year ago 2019Q2.

Figure 3: Activity and mark-up from 2015Q2 to 2020Q2

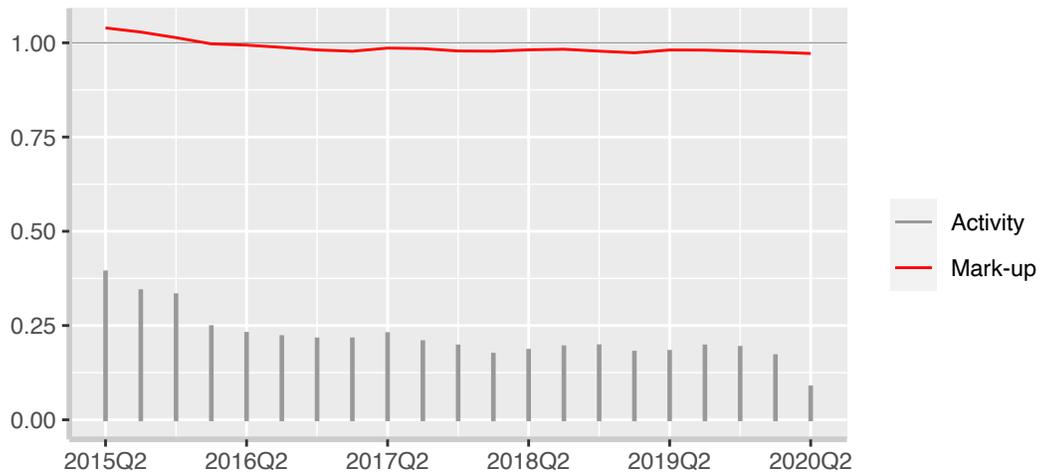


Figure 3 indicates the relative transaction and listing activity on the ASPC platform. Activity measures for each quarter the transactions as a share of all dwellings that were listed for sale on the ASPC platform. The share in the second quarter of 2020 is 8.72%. The share was 17.02% in the previous quarter 2020Q1 and 18.15% in the same quarter a year ago 2019Q2.

The mark-up in Figure 3 is the quality-controlled ratio of sale to ask price for properties. A mark-up of more than 1 means that properties sold for more than the ask price. A mark-up less than 1 shows that properties sold for less than the ask price. The mark-up ratio is 0.97 for the second quarter of 2020.

Comment by John MacRae

The report released by the Centre for Real Estate Research at the University of Aberdeen Business School, for the second quarter of 2020, based on data supplied by ASPC contains details of just how the current situation has affected our local housing market.

We knew that the Government strategy of lockdown was going to have severe effects for nearly all areas of business; the latest report shows just how dramatic that has been. Compared to the same period in 2019, sales fell by 64%. Given the severity of the lockdown provisions this should not be regarded as unexpected.

- Flats were most affected with a drop in volume of 69% year on year.
- Semi detached houses saw a drop of 61% year on year.
- Detached houses saw a drop of 63% year on year.

Unsurprisingly, this was matched, during the second quarter, with an even more severe drop in properties coming to market. In the early part of lockdown, new insertions on ASPC dropped almost to zero. Since then, however, things progressed and since the easing of lockdown, insertions have risen, quickly, to near normal levels. This activity appears to be matched by sales, although we have to bear in mind that sales were already at lower levels before lockdown.

One interesting factor is that sales that are taking place are taking place, generally, at a price level slightly below asking price. This may be a good time to buy.

The inferences to be drawn, if any, from the second quarter are subject to great caution. The low activity, resulting in reduced numbers of transactions, means it would be unwise to reach any fixed view of the current market. The welcome return to more “normal” activity, shown in the last 4 weeks, needs to continue for the remainder of the year, before we can say we seem to be over the worst.

Note

The estimated price levels in Table 2 assume characteristics that are “standard” for the dwelling type in the respective area. For example, the standard semi-detached house in the Aberdeen has three bedrooms, two public rooms, one bathroom. Full details of the statistical method and the standard dwelling characteristics are available under the following link:

[A local house price index for Aberdeen](#)

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Contacts

John MacRae, Chairman ASPC, 40 Chapel Street, Aberdeen, Telephone: 01224 632949, [contact information](#)

Dr Rainer Schulz, University of Aberdeen Business School, Edward Wright Building, Aberdeen, Telephone: 01224 273126, [contact information](#)