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# **The case for more housing in Scotland**

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**HOMES FOR SCOTLAND**

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# **Blair Melville**

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**HOMES FOR SCOTLAND**

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## Topics

- **Market context**
  - **Current housebuilding trends**
  - **Obstacles to housebuilding**
  - **Changes required**
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# Fewer new homes could fuel continuing rise in prices, says e

by John Robertson

A FALL in the number of new homes being built could see house prices continue to rise in the north-east.

That was the warning from a leading figure in the house-building industry after new Scottish Executive figures revealed a sharp decline in the number of homes being

Work on only 16 new homes was started in Aberdeen for the quarter ending September 2004.

The Scottish Executive figures also show that Orkney, 19, Shetland, 23, and the Western Isles, 37, are all achieving

Kinross construction began on 150 new homes in quarter ending September 2004.

## House prices rose 3.3% in last quarter

by Kirsty Urquhart

HOUSE prices in Aberdeen are still increasing at one of the fastest rates in Scotland, according to the latest quarterly figures.

Prices rose by 3.6% in the three months since October, and managed to resist an eight-month dip felt by the rest of the north of Scotland. The average Scottish rise was 3.3%.

Aberdeen also led the way in Scotland with the biggest increase up by 18% - the biggest increase in the country. The Scottish average was 11%.

Nationally, prices are continuing to rise, though economists say there are now indications of a slowdown at the end of the market.



Professor Donald MacRae... sees gentle slowdown in rise

11% in line with the national average. Glasgow experienced the biggest increase, with prices up 4.5% in the three months to January 31, while Edinburgh rose by 2.7%. The capital had the highest average house price of £191,407.

Notably, detached properties recorded an annual rise of 16.5% for the first time since 2000.

# 'Slow-down' fails to stop house prices going through roof

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HOUSE prices in Scotland increased by an average of almost £1000 a month during the past three months despite interest rate rises and predictions of a slow-down in the rate of price inflation, it emerged yesterday.

The cost of the typical Scottish home rose by 3.5% to

£147,763 in the three months to January 31, compared with a 2.6% increase during the previous quarter - according to the latest Scottish House Price Monitor.

The Bank of England surprised analysts by raising the UK's base interest rate by a quarter of a percentage point to 5.25% in the middle of January - the third such rise in five months.

But the latest monitor shows that the housing market has failed to cool demand for homes, and house prices have risen steadily for the past three years of the survey.

House prices increased in Glasgow and Edinburgh in the three months to January 31, following drops in the previous three months, according to the latest figures produced by Lloyds TSB Scotland.

Glasgow registered the

biggest growth in Scotland with values rising by 6.8%. This represented a huge turnaround after values in the city dropped by 8.8% in the previous quarter.

House prices in Edinburgh increased by 5.7% in the past three months, after posting a 2.3% drop in the previous quarter, and the city still has the highest average house

price in Scotland. Even in the lower end of the market house prices continued to grow, making it even more difficult for first-time buyers to get on the property ladder.

The price of a typical Scottish flat increased by 7.5% to £120,526 after a rise of just 1.1% in the previous quarter. Similarly, the value of the aver-

age price of a semi-detached house where the average price fell by 1.1% to £145,835 after values rose by 3.2% previously.

The value of the typical detached home rose by 1.1% for the second quarter in a row and is now £215,054

## Prices 'to rise'

HOUSE prices will rise by between 5% and 8% in 2007, the UK's largest building society said yesterday.

Nationwide said that momentum in demand from 2006 will continue into the next year, while a shortage of new houses will push prices up in 2007.

The prospect for the Scottish housing market is a gentle slowdown at the rate of price increases.

David Geddie, a partner at legal firm Paul & Wilson in Aberdeen, believes prices in the east will continue to rise over the next year.

He said: "I think we can expect further increases in property values over the next year because of the favourable market for sellers. Compared with England we have a fast-moving market, where properties sell within two weeks. People are keen to buy a new property before selling their old one."

"It comes down to the age-old situation of supply and demand. The planners need to release more land."

The average price of a new house dipped slightly in January as buyer interest rates began to fall.

New Homes.com said the typical cost of a new house fell by £20,240. That was 1.6% ahead of last year.

number of new homes being started in Aberdeen falling by a staggering 88% over a nine-month period. The bottleneck created by the planning system is delaying investment in Aberdeen.

"With overall investment in housing in Scotland growing, these figures demonstrate that funding is leaking from Aberdeen to other local authority areas."

He added: "The housebuilding industry is prepared to invest tens of millions of pounds in the north-east."

"That investment does not just build homes, it is also used to provide the physical and other community infrastructure needed to sustain local communities."

"Aberdeen is paying a heavy price for the city council's in-

vestment for Aberdeen."

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## House prices rise 13th month in row

HOUSE prices rose for the 13th consecutive month in November, but inflation may have reached a plateau.

The Royal Institution of Chartered Surveyors (RICS) said 47.4% more of its members reported a rise in prices rather than a fall during the month, down from 47.7% in October.

Despite falling slightly, the balance is still double the RICS added, Scotland

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## In figures

Average house prices	
Aberdeen	£147,763
Dundee	£145,835
Edinburgh	£191,407
South-east	£158,983
Glasgow	£151,774
South-west	£139,221



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## Market context

- **Rising prices**
  - **Sales and profits strong and sustained**
  - **UK 10<sup>th</sup> richest country in world**
  - **Scotland 4<sup>th</sup> richest UK region by GDP**
  - **More private wealth than ever**
  - **High levels of owner-occupation**
  - **20% properties are bought without mortgage**
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## Market context

- **So do we have a housing problem?**
  - **Demand v supply**
  - **Public under-investment?**
  - **Changing socio-economic geography of Scotland**
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## **EU dwellings built per 1000 inhabitants 2000/2002**

<b>Ireland</b>	<b>14.1</b>
<b>Spain</b>	<b>13.8</b>
<b>Cyprus</b>	<b>7.6</b>
<b>France</b>	<b>5.1</b>
<b>Scotland</b>	<b>4.5</b>
<b>UK</b>	<b>3.1</b>
<b>Poland</b>	<b>2.3</b>
<b>Latvia</b>	<b>0.4</b>

**Source: RICS European Housing Review 2005**

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## **Housing completions 1996 – 2005**

- **23000 – 25000**
  - **Private flat at c. 19000 p.a. average**
  - **Public rising slowly to 5000+ p.a.**
  - **Replacing housing stock at 1% p.a.**
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**“Volatility in the housing market in the UK, combined with the strong association between high prices and private consumption, is striking.”**

**“A weak response of housing supply to demand changes has been one of the factors underlying this instability. In addition, there is growing evidence of a persistent inadequate supply.”**



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**“Conditions in the market sector of the Lothians housing system reflect the impact of strong demand pressure on the supply side which, while not unresponsive, cannot immediately meet demand.”**

**“The key policy issue is to ensure that the housing supply in the market area is increased to meet demand. If planning policy does not ensure that demand can be met, the effect will be...to drive demand further out to surrounding areas with adverse effects on the environment (through commuting) and, possibly, on local purchasers in the receiving areas.”**



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## **Obstacles to development**

- **Land availability**
  - **Land price**
  - **Planning**
  - **Public/political resistance**
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## Land

- **Land is not the issue**
  - **Land for development is constrained**
  - **Price inflation**
  - **Expectation and precedent**
  - **Capturing uplift in value?**
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## Planning

- **Planning system – fit for purpose?**
  - **Plans outdated as soon as adopted**
  - **Inflexible**
  - **Changing course takes too long**
  - **Where is the vision?**
  - **Are planners anti-development?**
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- **Public/political attitudes**
    - **Public/politicians want “affordable” housing**
    - **Public want home ownership**
    - **Public want equity growth**
    - **Fail to see link between supply and price**
    - **Fail to see link between affordable and mainstream housing**
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## Key Issues

- **Planning with vision**
  - **Plans that can respond to the market**
  - **Plan for growth – 50000 houses p.a.**
  - **Investment in subsidised housing**
  - **Realism over developer/landowner contributions**
  - **Joined up Government**
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