

HOUSE PRICES IN HIGHLAND 2004 to 2006

September 2007

SUMMARY

- In 2006 the median price of a previously owned house in Highland was £136,000, an increase of £33,000 between 2004 and 2006.
- In 2006 the median price of a new house in Highland was £175,000, an increase of £50,000 between 2004 and 2006.
- Between 2004 and 2006 the prices of both previously owned and new houses rose more than in the rest of Scotland.
- There is considerable price variation within Highland, with the highest prices in the rural commuter belt to Inverness and our more remote rural areas.
- Around half of houses costing £250,000 or more in 2006 were sold to buyers from outside Highland.

INTRODUCTION

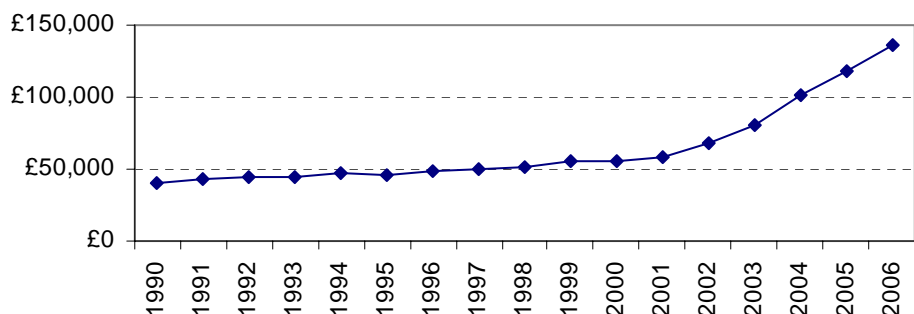
House prices in Highland have risen steeply since the millennium, making it increasingly difficult for people to enter into the property market and to buy larger homes as they have children. This note looks at the recent increase in house prices between 2004 and 2006, local variations by Ward, and the price level at which people from outside Highland buy homes in Highland. The information presented here is based on data supplied by Communities Scotland / Paisley University LVIU (with pre 2004 figures supplied directly from LVIU).

To aid presentation, Wards are shown on the following charts by their number, and Table 1 at the end of the note gives both names and numbers.

LONG TERM TRENDS

Figure 1 shows the *median* price of all open market sales in Highland from 1990 to 2006: *median* is the mid-point price, so that an equal number of homes were sold for more and for less than this figure, and is used to prevent small numbers of very high priced sales distorting the figures. It shows that prices rose gently during the 1990s at around 4% per year but increased from 2001 onwards with an average annual increase of 18% and a peak of 26% in the twelve months 2003 - 2004. The median price in 1990 was £40k and rose to £136k in 2006.

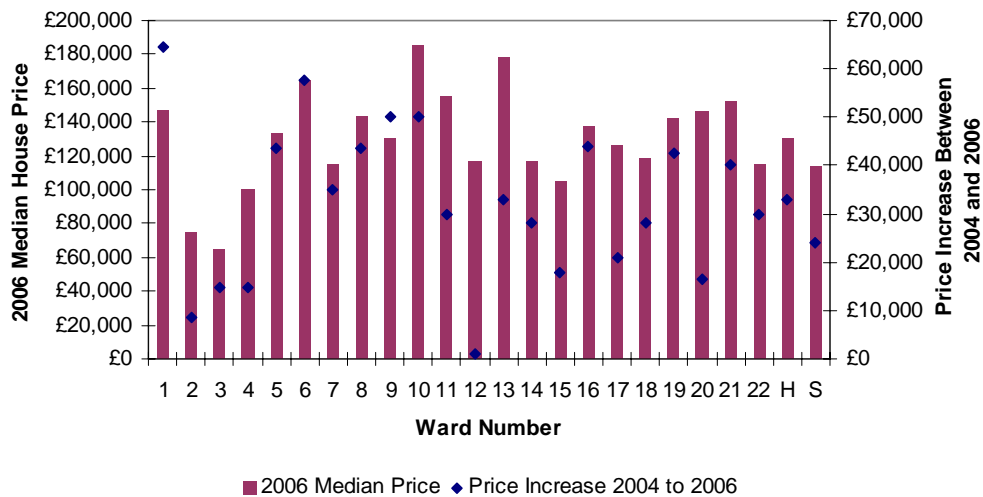
Figure 1: Median Price of All Open Market House Sales in Highland 1990 - 2006, by Year



PRICES OF PREVIOUSLY OWNED HOUSES (Referred to simply as “houses” from this point on) Median Prices

2,874 houses were sold on the open market in 2004, rising to 3,598 in 2005 and 3,921 in 2006. Figure 2 shows the median price in each Ward in 2006 together with the percentage increase between 2004 and 2006. For Highland as a whole the median price was £136k and the increase £33k, compared with £114k and £24k for Scotland. In 2006 the lowest prices were in Wick (£65k), Thurso (£75k) and Landward Caithness (£100k) and the highest were in the Black Isle (£185k), Aird & Loch Ness (£178k) and Wester Ross, Strathpeffer & Lochalsh (£165k). Between 2004 and 2006 the smallest price increase were in Caol and Mallaig (£1k), Thurso (£9k) and Wick (£15k) while the largest were in North, West & Central Sutherland (£64k), Wester Ross, Strathpeffer & Lochalsh (£58k) and Black Isle (£50k). Taken overall, the figures show that the greatest pressure on house prices has been in the rural commuter belt to Inverness and our remote rural areas where a move is often a lifestyle choice.

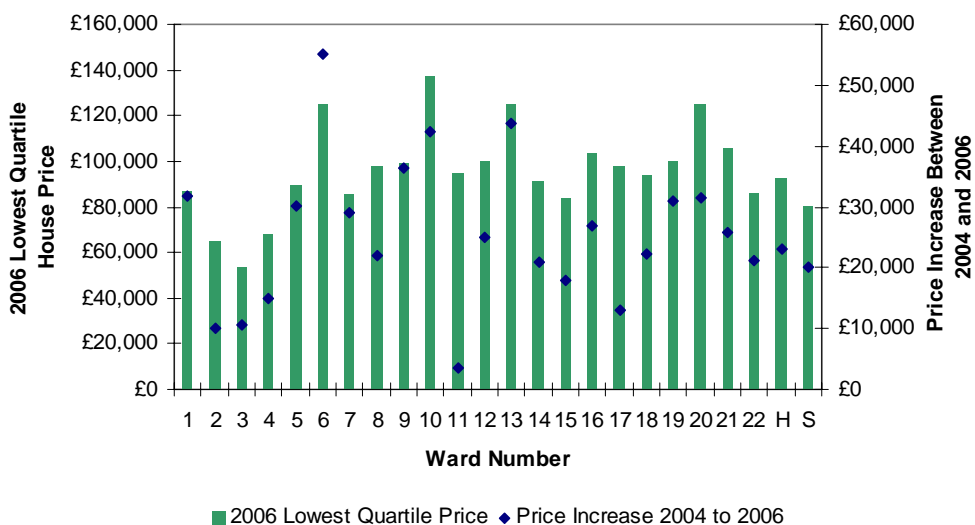
Figure 2: Median House Prices



Lowest Quartile Prices

The *lowest quartile* figure is often used as a measure of affordability for those on lower incomes, and means that three quarters of homes sell for more than this figure and a quarter sell for less. Figure 3 gives lowest quartile prices and shows that the general trends are similar to those for median prices given above. For Highland as a whole the quartile price was £93k and the increase £23k compared with £80k and £20k for Scotland. The lowest prices were in Wick (£54k), Thurso (£65k) and Landward Caithness (£68k) and the highest were in the Black Isle (£137k), Cromarty Firth, Aird & Loch Ness and Inverness South (all £120k). The smallest price increases were in Eilean a Cheo (£4k), Thurso (£10k) and Wick (£11k) while the highest were in Wester Ross, Strathpeffer and Lochalsh (£55k), Aird & Loch Ness (£44k) and Black Isle (£42k).

Figure 3: Lowest Quartile House Prices



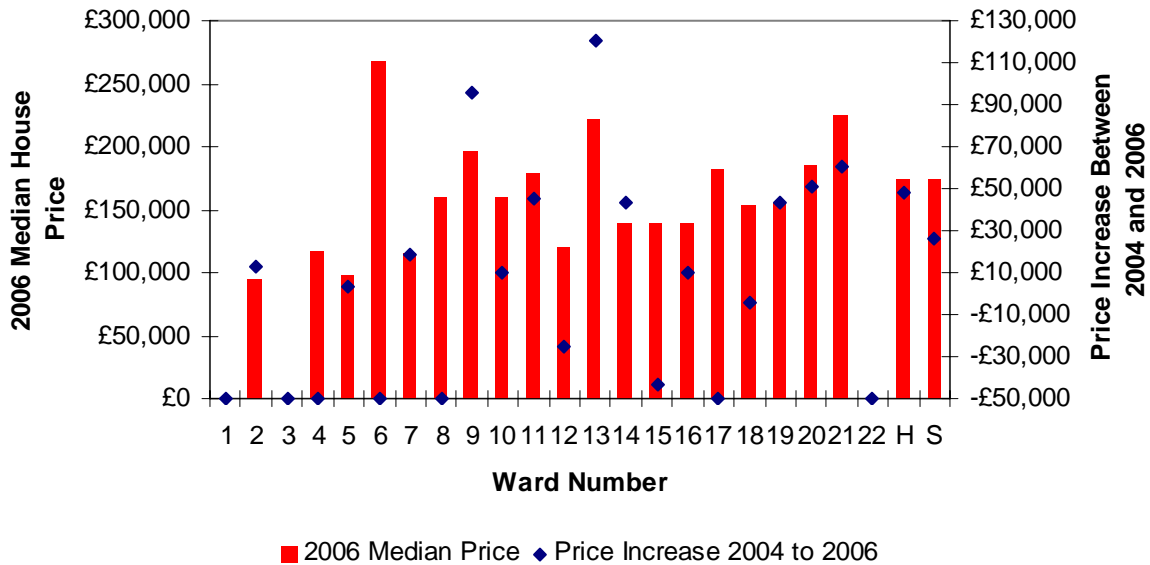
NEW HOUSES Median Prices

New houses account for only a small proportion of the overall market with 497 sold on the open market in 2004, 654 in 2005 and 666 in 2006: this is only 42% of all new houses built in the three year period, the

majority being built for either a single plot owner or for the affordable and rental sectors. With low numbers of sales, particularly in remote rural areas, it is not always possible to calculate median prices or percentage increases (an increase of -£50k in Figure 4 denotes “n/a”). The figures give an accurate picture of the cost of new houses that are available but this is not an open market, and the prices shown below do not reflect the true balance between supply and demand.

For Highland as a whole the median price was £175k and the increase £48k compared with £174k and £26k for Scotland. In 2006 the lowest prices were in Thurso (£96k), East Sutherland & Edderton (£98k) and Cromarty Firth (£116k) and the highest in Wester Ross, Strathpeffer & Lochalsh (£269k), Aird & Loch Ness (£223k) and Badenoch & Strathspey (£225k). The median price fell in Inverness Central (-£43k), Caol & Mallaig (-£25k) and Culloden & Ardersier (-£4k) while the largest increases were in Aird & Loch Ness (£120k), Dingwall & Seaforth (£96k) and Badenoch & Strathspey (£61k).

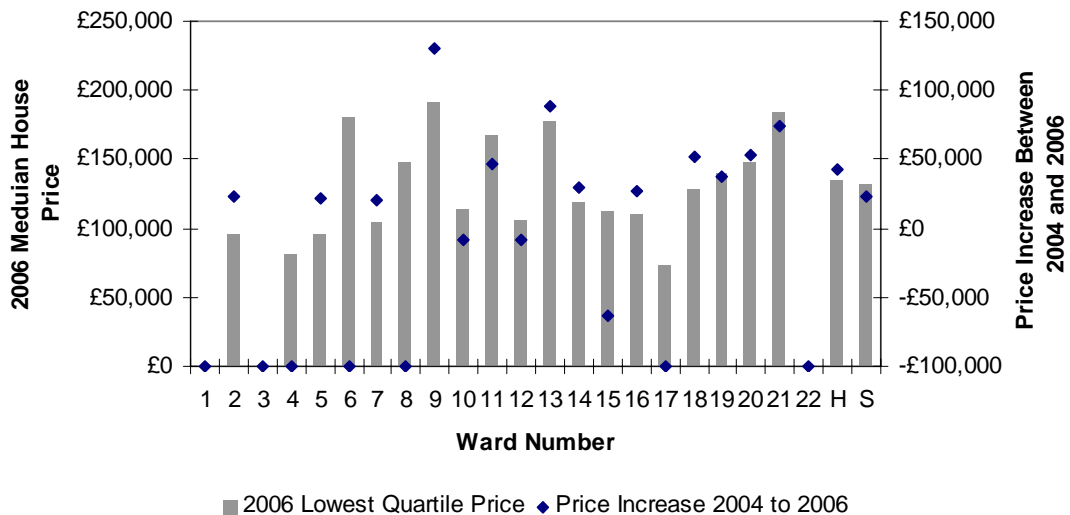
Figure 4: Median Prices of New Houses



Lowest Quartile Prices

For Highland as a whole the quartile price was £135k and the increase £43k compared with £132k and £23k for Scotland. There have been significant local differences in the change in quartile prices, ranging from an increase of £131k in Dingwall & Seaforth to a fall of -£63k in Inverness Central, showing how developers’ assessments of the market and the policies they adopt can affect the availability of relatively affordable new houses. In 2006 the lowest prices were in Inverness Millburn (£73k), Landward Caithness (£81k) and Thurso (£95k), and the highest were in Dingwall & Seaforth (£190), Badenoch & Strathspey (£185) and Wester Ross, Strathpeffer & Lochalsh (£180k). The quartile price fell in Inverness Central (-£63k), Caol & Mallaig (-£9k) and Black Isle (-£8k), and the largest increases were in Dingwall & Seaforth (£131k), Aird & Loch Ness (£88k) and Badenoch & Strathspey (£74k).

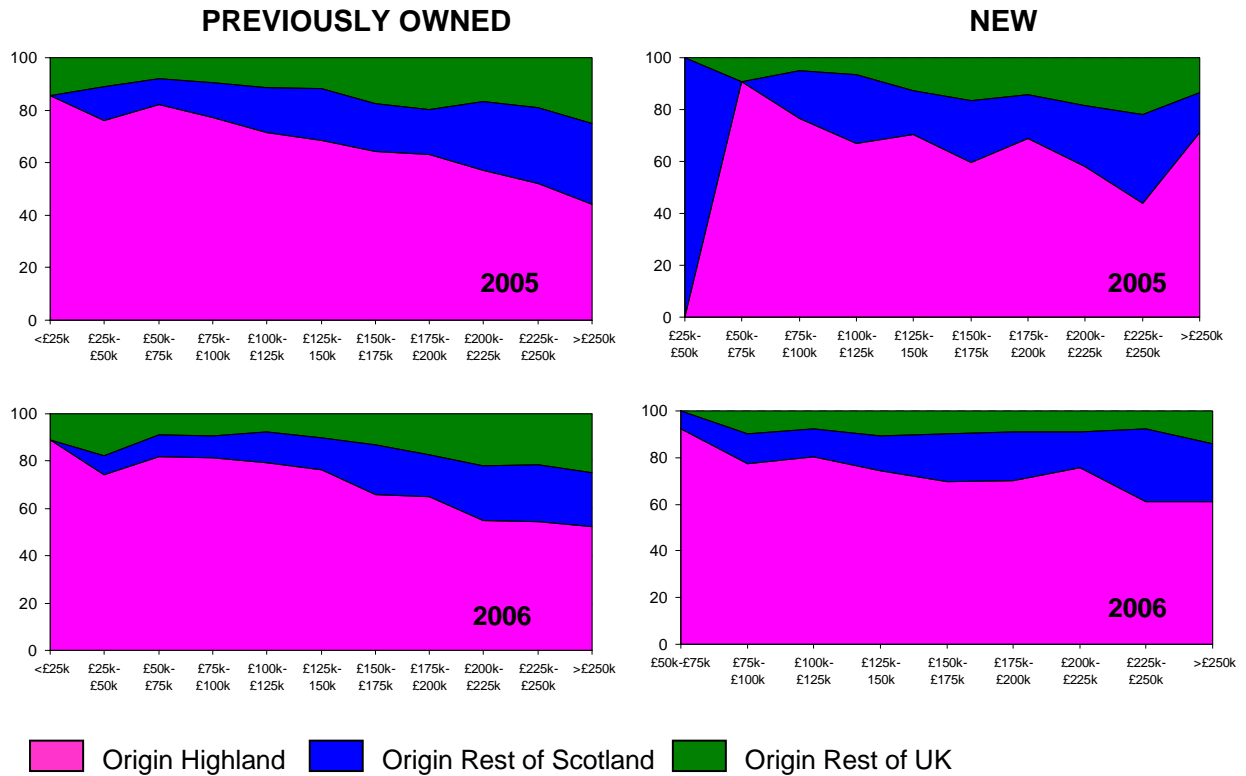
Figure 5: Lowest Quartile Prices of New Houses



Buyer Origin and House Prices

Highland has a high proportion of house buyers from outside the region and this has been linked to price inflation within the region. The four graphs in Figure 6 below show how buyers from within Highland, the rest of Scotland and the rest of the UK tend to buy houses in different price bands. In 2006 around 80% of buyers of second hand houses in the under £100k price band were from within Highland, but the percentage fell to around 50% for houses costing over £250k, with slightly more buyers from the rest of the UK than from the rest of Scotland in this band. The pattern is generally similar for new houses, but with slightly more houses in the higher price bands bought by buyers from within Highland.

Figure 6: Origin of Buyers by Percentage in Each £25k Price Band



1	North, West and Central Sutherland	13	Aird and Loch Ness
2	Thurso	14	Inverness West
3	Wick	15	Inverness Central
4	Landward Caithness	16	Inverness Ness-Side
5	East Sutherland and Edderton	17	Inverness Millburn
6	Wester Ross, Strathpeffer and Lochalsh	18	Culloden and Ardersier
7	Cromarty Firth	19	Nairn
8	Tain and Easter Ross	20	Inverness South
9	Dingwall and Seaforth	21	Badenoch and Strathspey
10	Black Isle	22	Fort William and Ardnamurchan
11	Eilean a' Cheo'	H	Highland
12	Caol and Mallaig	S	Scotland