

Scottish mortgage market slowdown less severe than UK

21 Aug 08



The mortgage market in Scotland has contracted, but is still faring better in the unfavourable conditions affecting the whole of UK, according to new figures from the Council of Mortgage Lenders.

There were 18,500 loans for house purchase in the second quarter of 2008, an 18% increase on the previous quarter, compared to a 5% increase across the UK. This is a 34% decline from the same period last year but still substantially less pronounced than the UK-wide decrease of 46%.

Mortgage lending began to decline significantly both in the Scotland and across the UK in the fourth quarter of 2007. In each quarter since then the decline has become more pronounced, but has been more moderate in Scotland. Accordingly, Scottish house purchase loans now account for 12% of the total in the UK, compared to 8% at the start of 2007.

There were 6,600 loans to first-time buyers in the second quarter of 2008, up 5% on the previous quarter. But this was 31% lower than same quarter last year. The proportion of loans to first-time buyers in Scotland decreased from 40% in the first quarter of 2008 to 36% in the second quarter.

Lending criteria have tightened in response to the shortage of funding and current market conditions. This is making it more difficult for first-time buyers with smaller deposits to enter the market. The average first-time buyer in Scotland had a deposit of 13% in the second quarter, up from 10% a year ago.

The average home mover had a deposit of 27%, up from 25% a year ago. Lending to home movers in the second quarter rose sharply by 24% to 11,900. But this represents a decline of 36% annually.

The average house price in Scotland continues to be lower than the UK average,* which makes mortgage affordability relatively easier. Borrowers in Scotland typically took out loans for 2.88 times their income in the second quarter, compared to 3.12 across the UK. The average borrower in Scotland spent 16.9% of their income on mortgage interest payments, compared with 18.1% across the UK.

There were 19,000 remortgage loans worth £1.9 billion advanced to borrowers in Scotland, down 5% on the previous quarter, and 22% on the second quarter of 2007. Scotland accounts for 8% of the UK remortgage market by volume but 6% by value. These shares have remained broadly unchanged over the past two years.

Crawford McCaughie, CML Scotland Chairman and Senior Lending Manager at Dunfermline Building Society, said:

“The mortgage market is clearly in a period of decline across the UK as a result of the shortage of mortgage funding and softening borrower demand. But the slowdown is less pronounced in Scotland.”

Notes to editors

1. The Council of Mortgage Lenders' members are banks, building societies and other lenders who together undertake around 98% of all residential mortgage lending in the UK. There are 11.74 million mortgages in the UK, with loans worth over £1.2 trillion.
2. CML Scotland's members are drawn from 21 mortgage lenders in Scotland. CML Scotland meets under its chair Crawford McCaughie (Dunfermline Building Society) to discuss important housing and lending issues in Scotland.
3. * In May 2008, the average house price in Scotland was £167,126 and the average UK house price was £218,151. Source: Department of Communities and Local Government.
4. The Q3 Scottish data will be published on Wednesday 26 November.