

House prices on the rise – warning about first time buyers

Paul Denton the CEO of Scottish Building Society has warned that rising house prices could make it difficult for first time buyers to get a foot on the property ladder.

The head of Scotland's only independent building society points out that the impact of Covid-19 could be that there is a whole generation of home buyers who cannot start out on their own property journey.

Wednesday's House Price Index reports that property prices in Scotland rose year on year by 8.6 per cent in November to £165,703. This is ahead of the UK average of 7.6%.

Average house prices rose by 120 per cent in the two decades to 2016 while family income for 25 to 34 year-olds only rose by 20%.



Scottish Building Society CEO Paul Denton. Photo Malcolm Cochrane Photography

Mr Denton said: “The increase is driven by pent-up demand caused by lockdown earlier last year. It does also highlight systemic changes in the market which could have consequences on the ability of a generation of young people to buy their own homes.

“Remote working, lockdown and the end to the daily commute has seen people re-evaluate their priorities on the type and size of house they and their family need. People are looking for larger homes outside the city, with gardens and home offices.

“However, before Covid-19, Scotland was suffering a significant lack of housing stock – with 80,000 fewer homes built each year since the last financial crash.

“Now the unpredictable consequences of Covid-19 could

exacerbate that shortage and increase the generational inequality gap.

“House prices have soared disproportionately relative to income, and many young people struggle to save up for deposits which can be close to their annual salary. They end up relying on the bank of mum or dad or stay at home longer.

“There is no magic bullet to solving this problem, but it does need to be recognised as an urgent priority for our industry and governments.

“The housing market is worth £18billion and key to the recovery from a pandemic that has left permanent economic and societal scars. Part of that recovery has to be a real strategic collaboration to ensure that we do not leave a generation of young people behind.”

The only place in Scotland where house prices decreased was in Aberdeen City Centre where the average price fell by 3.4 per cent to £140,629.