

England and Wales house price trends from Acadametrics

- **House prices in February rose by 1.9%** [Page 4](#)

The average price of all residential property transactions completed in England & Wales in February 2010 was 1.9% higher than in January. This is the tenth month in succession in which AcadHPI has increased on a monthly basis. This figure is at odds with other indices which show a fall, a point we explore later.

- **Annual price increase is 9.7%** [Page 4](#)

On an annual basis, in February, the average price of all residential property transactions in England & Wales was 9.7% higher than a year ago - a significant market recovery. It is the fourth consecutive month in which the annual rate of change in house prices is positive.

- **January housing transactions fall by more than 50% from December levels** [Page 3](#)

The housing market in England & Wales got off to a very slow start in January 2010 with an estimated 36,000 transactions in total. This is a fall of 52% from the December 2009 level of activity and is the second lowest level of sales in January in the last 16 years.

Dr Peter Williams, Chairman of Acadametrics, said

“The average price of a home rose again in February 2010 and, at £222,008, is back to where it was in April 2007, three years ago. The increase of 1.9% is the tenth in succession and a further step up from the previous month of January at 1.4%. Given that the two lender mortgage approval based indices for February showed falls of -1.0% and -1.5%, we have a clear tension as to what is really happening in the market. The AcadHPI for the latest month is forecast on a mix of data but, as prior months show, when more data becomes available is impressively stable and reliable. In seeking answers to the current divergence we would stress AcadHPI is a completion based measure, it covers England and Wales rather than the UK and it includes all properties sold including cash purchases and homes sold for over £1 million. All of these will be factors in explaining the difference.”

	House Price	Index	Monthly Change %	Annual Change %
February 2009	£202,428	206.1	-0.7	-12.7
August	£206,419	210.2	1.1	-6.7
September	£209,262	213.1	1.4	-3.8
October	£211,585	215.4	1.1	-1.0
November	£212,464	216.3	0.4	1.7
December	£214,876	218.8	1.1	4.5
January 2010	£217,845	221.8	1.4	6.8
February	£222,008	226.0	1.9	9.7

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FURTHER COMMENTARY BY DR PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments:

“The average price of a home in England & Wales is now £222,008. At this level, it is still down £9,820 or 4% from its peak in February 2008 of £231,828, but prices have recovered significantly and the index is showing a 9.7% increase over the last twelve months. In previous commentaries we have stressed the uncertainty surrounding the market, and this is compounded by the divergent nature of the price trends reported for February in which the much reduced number of transactions will also play a part.

“As other indices comment and we show below, the start of 2010 was difficult for a number of reasons, and the question is whether this is a blip or the start of a new trend that completions based indices will reflect in subsequent months. AcadHPI is a very stable index offering a comprehensive view of actual sale prices achieved, albeit only for England and Wales. Given the unusual factors influencing the start of 2010 along with the other issues mentioned above, there is considerable uncertainty which can only be answered in subsequent months. For the present, however, the AcadHPI shows a 1.9% increase for February 2010 and continuing house price growth month on month. It is the lender indices monthly figures that are diverging from the current mainstream view, albeit all providers acknowledge great uncertainty. The Comparison of Indices charts shown later in this news release give all the details”.

HOUSING TRANSACTIONS

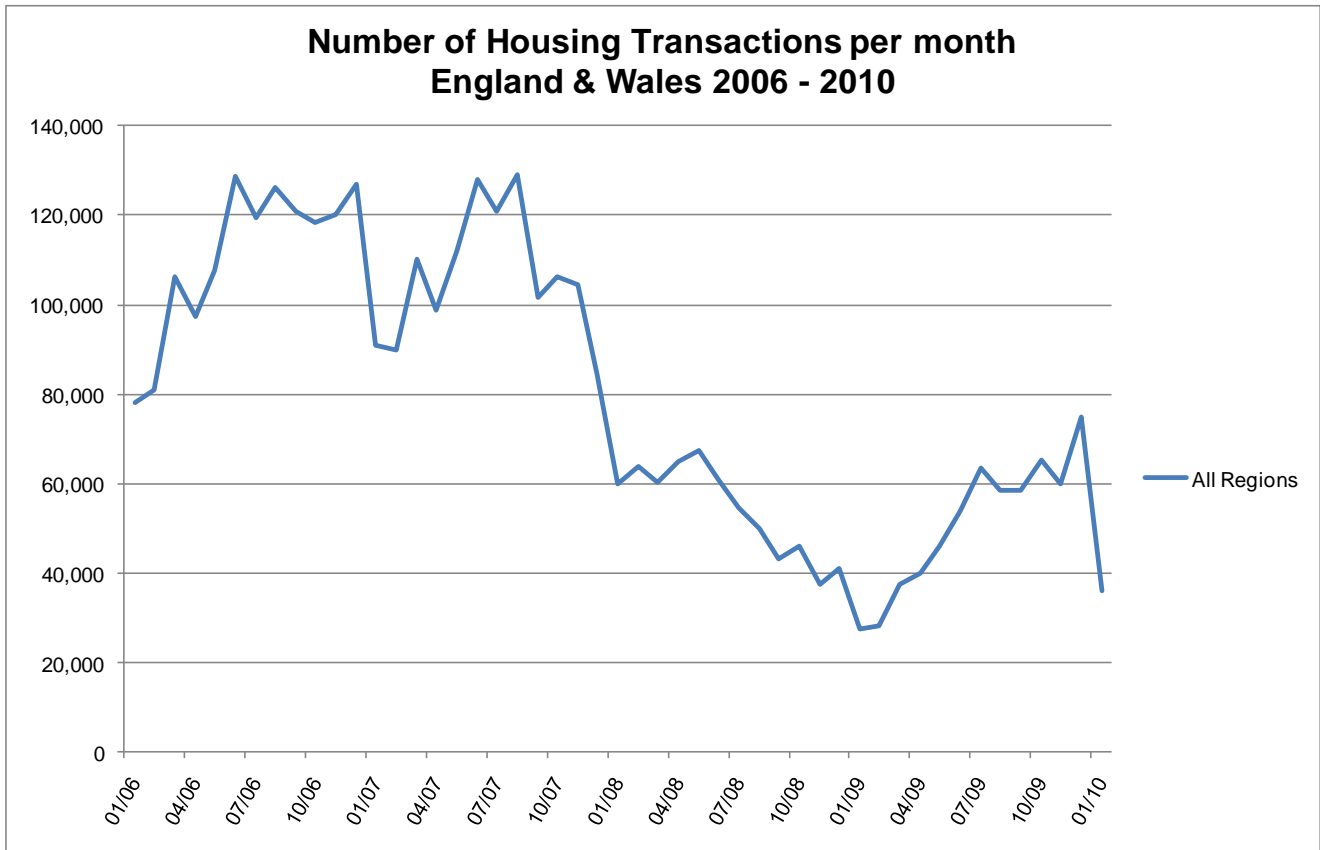
“Overall, the number of housing transactions in England and Wales in January has fallen by 52% from December 2009 levels. The number of transactions, at an estimated 36,000 houses sold, is the second lowest level of January sales and the third lowest level of monthly sales since 1995, when the Land Registry began computerising its records. The only two months that have seen lower transaction levels were in January and February 2009, when the housing market was at the depth of the current recession.

“There are three main causes for the low level of activity witnessed in January 2010; i) January sales are traditionally lower than December; ii) the stamp duty holiday on homes costing £125k - £175k came to an end in December; iii) and finally the snow.

“In each of the last 15 years, January sales have been lower than the preceding December. Excluding the figures for 2009, which were exceptional, the average fall in transactions between December and January has been 28%.

“Last month we estimated that December numbers had been boosted by some 16,000 sales, as purchasers sought to complete their housing transactions before the stamp duty holiday on homes costing between £125k and £175k came to an end. These additional sales represented 21% of the December market. With no similar artificial boost to the figures in January, there was a noticeable difference in the rate of decline between the higher priced and lower priced housing markets, with the fall in sales being far steeper in the latter areas.

“Finally the weather also played its part in reducing the number of housing transactions in January. There were many apocryphal stories from estate agents describing the difficulties of selling a property covered in snow.”

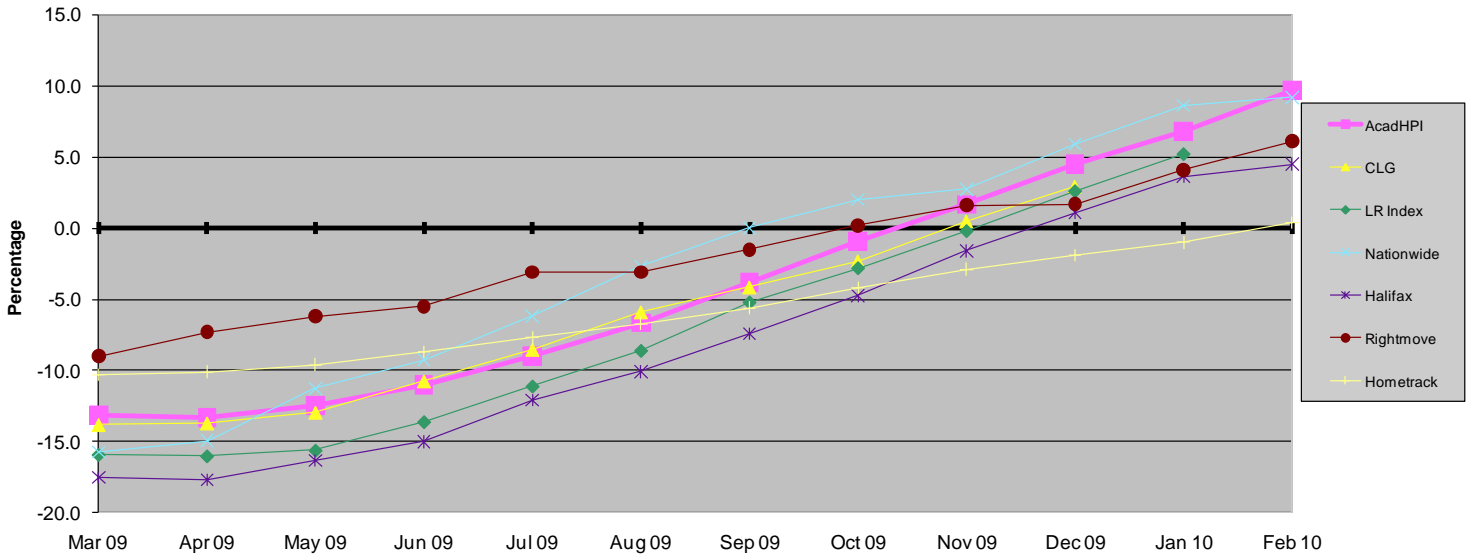


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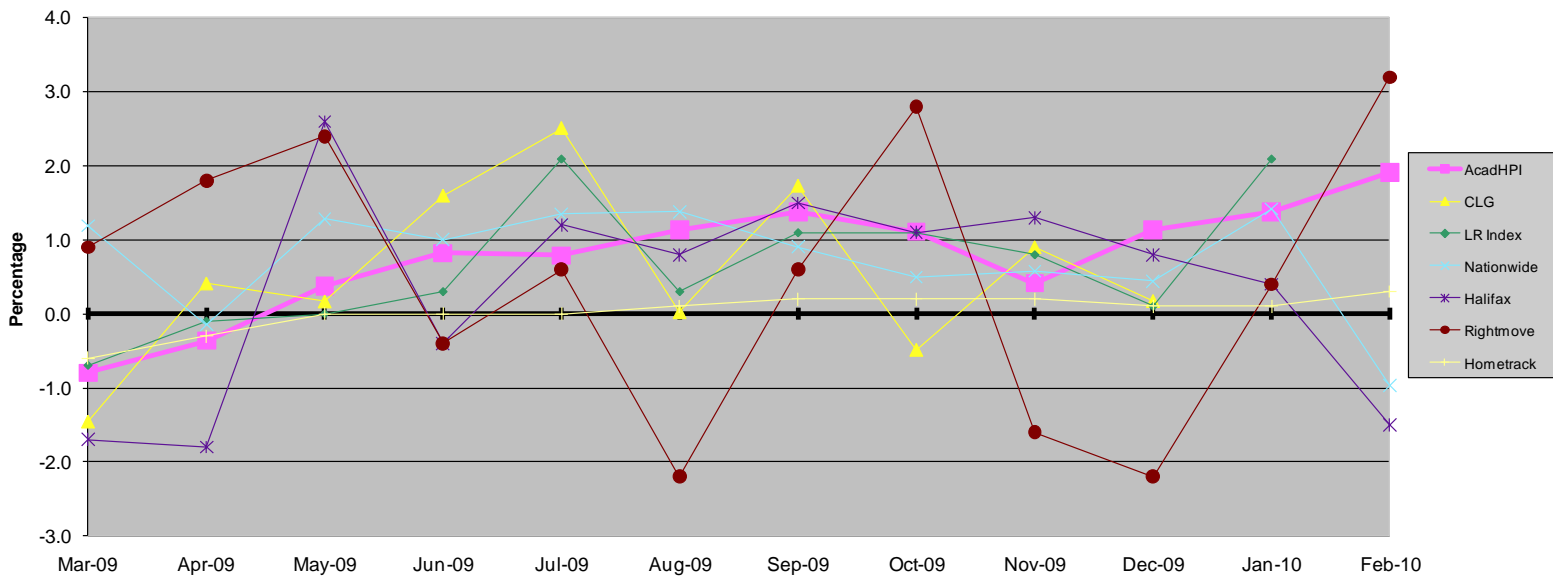
1. AcadHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samples
 AcadHPI is a price series as opposed to a value series.
2. the current month AcadHPI comprises a forecast of the LR outcome, using an academic “index of indices” model, pending release of sufficient real data from the Land Registry.
3. AcadHPI forecasts are progressively replaced with real data, until every transaction reported to the Land Registry has been recorded and we have provided our AcadHPI “ultimate” data.
4. the accuracy of our forecasts is shown monthly on our website www.acadmetrics.co.uk in our “[Development of Forecasts](#)” and in our “[Index Monitor](#)”, which shows how each index, including the AcadHPI “forecast”, compares with the AcadHPI, once sufficient factual Land Registry data have replaced forecast data, to enable AcadHPI to approach the “ultimate” results.
5. our website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information
6. Acadametrics is an independent privately owned consultancy working with Dr Stephen Satchell, The Reader in Financial Econometrics at the University of Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.
7. Acadametrics Prices and Transactions ([sample here](#)), which exclude any forecast element, underlie the AcadHPI data and are available upon subscription for organisations needing the factual month by month Land Registry prices, at county/London borough level by property type, for e.g. property portfolio valuation, planning and advisory purposes

COMPARISON OF INDICES

ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

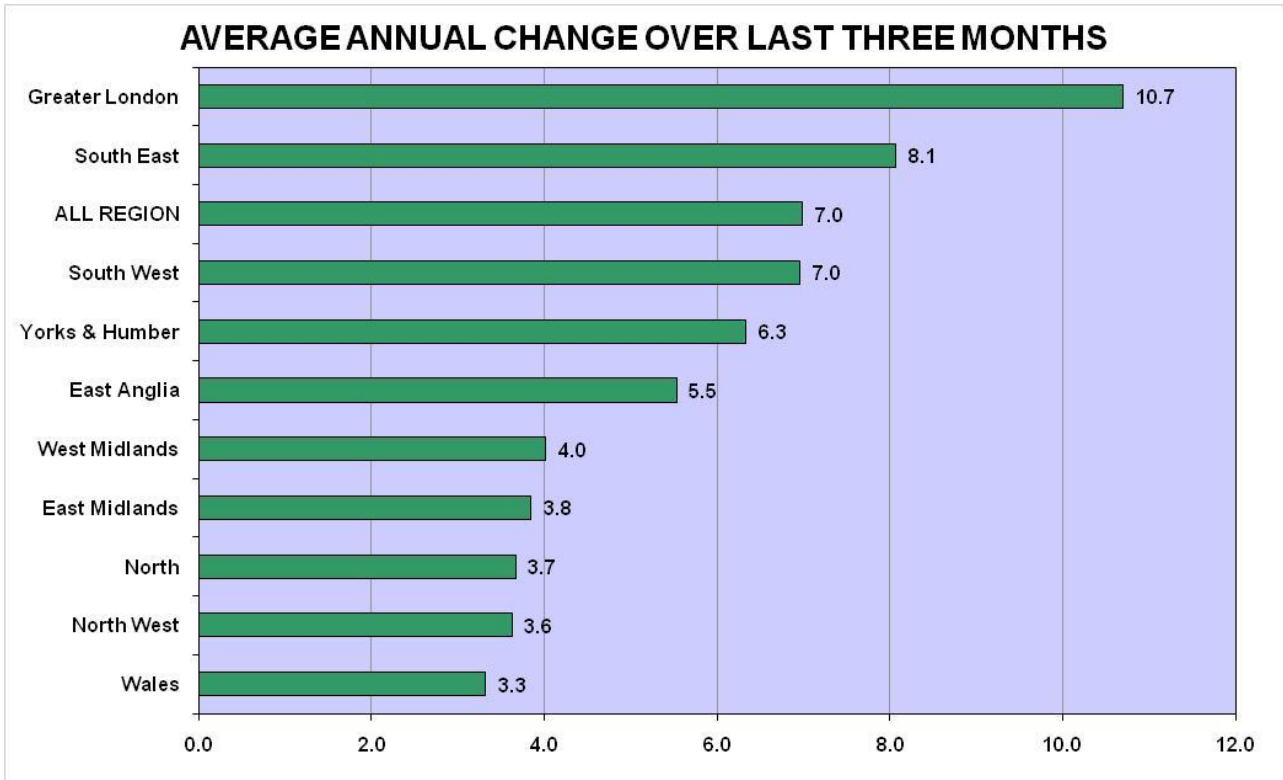


MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

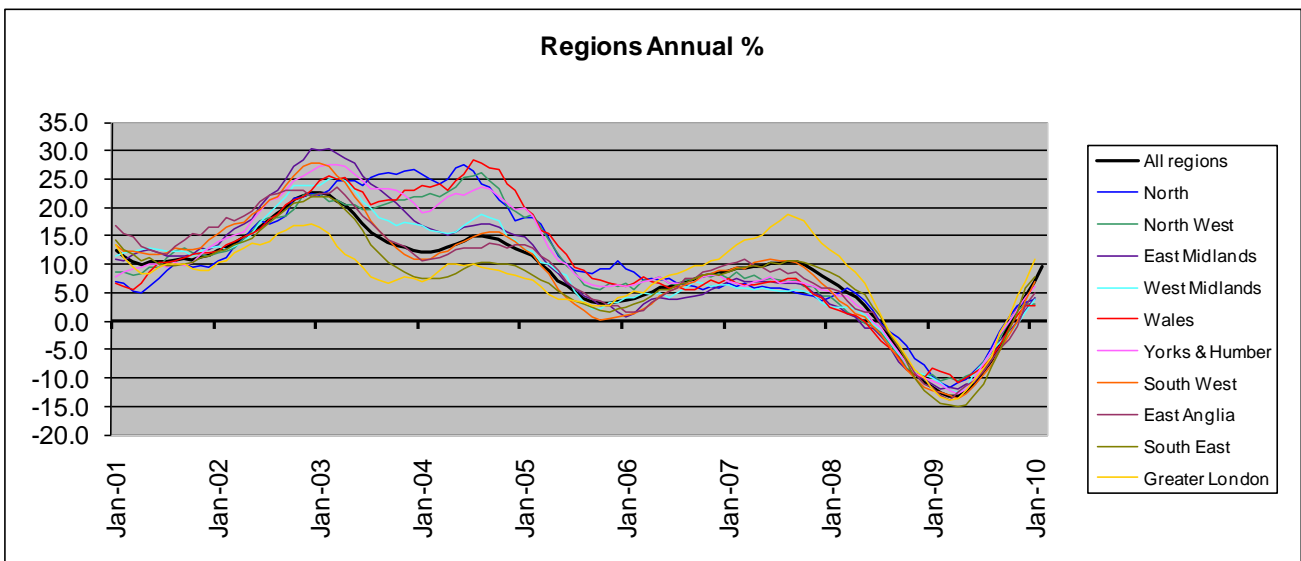


REGIONAL ANALYSIS

Greater London continues to lead the way as the first region to exit the house price recession and the 'London effect' and the North/South divide is beginning to re-emerge. However, all regions are now showing annual house price rises in nominal terms, as measured by the AcadHPI three month average.



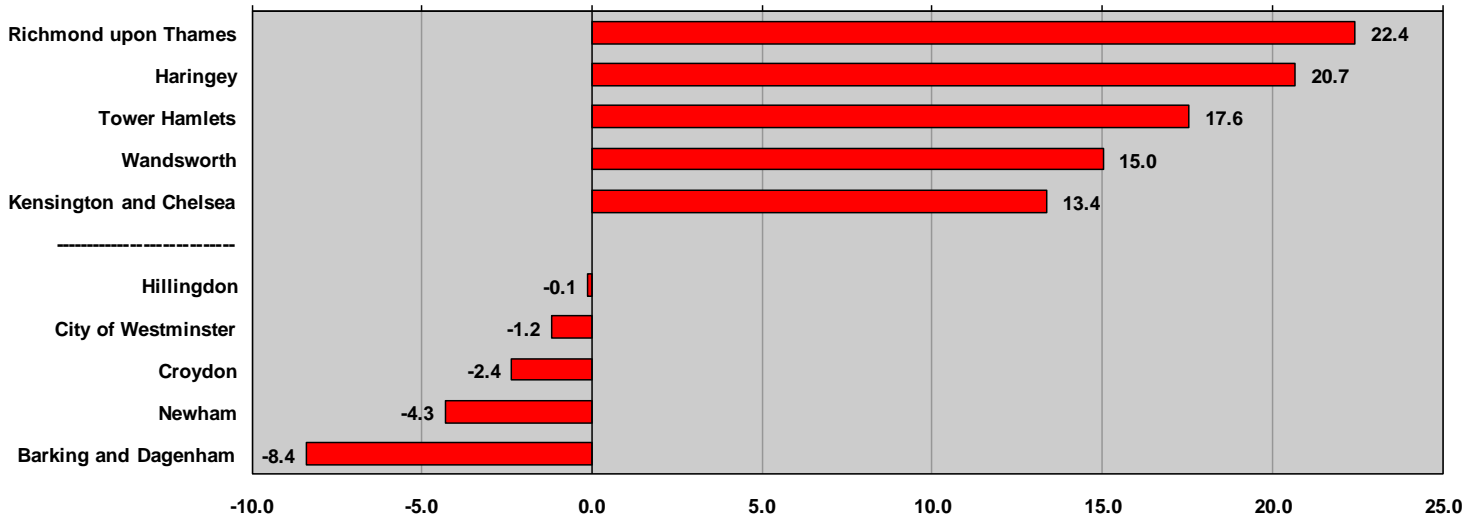
ANNUAL CHANGE BY REGION



Note that individual regions can be compared using our "National and Regional series from 1995 with Interactive Charts", linked from page 3 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.

LONDON BOROUGH ANALYSIS

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS



The chart shows the % **annual** price change for London boroughs, averaged over the past three months, ranked by the highest and lowest five. Overall twenty eight of the thirty-three London Boroughs are now recording annual price increases; this compares with a figure of twenty three London boroughs showing annual price increases last month, and indicates the continuing momentum of price rises in the London market.

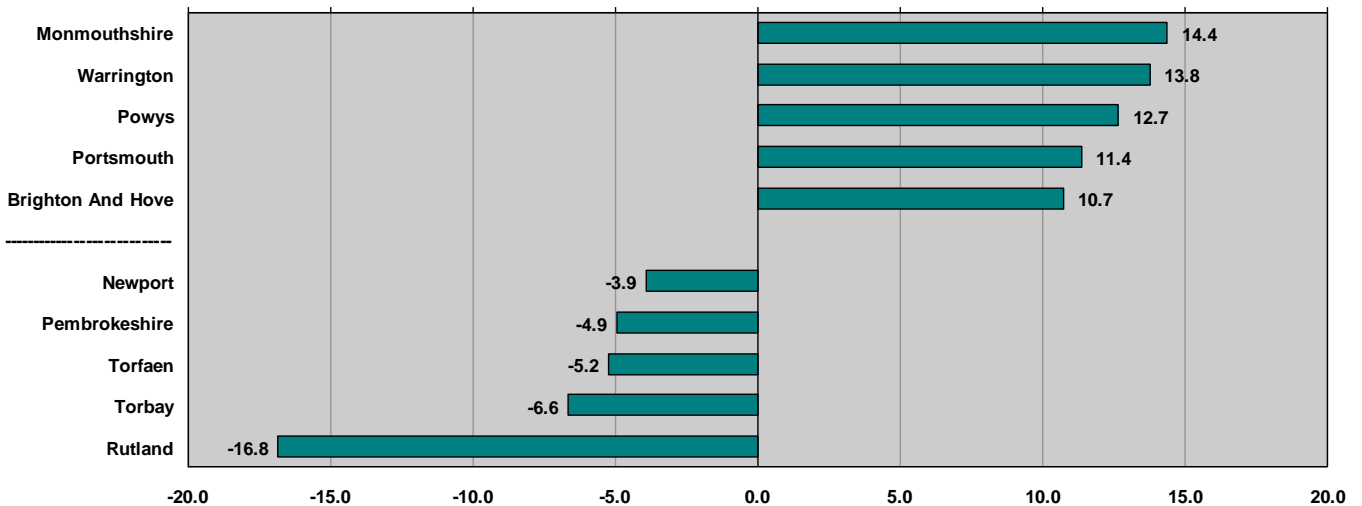
Last month we reported that record average house prices were being seen in Richmond-upon-Thames. This is again true this month, but Richmond has now been joined by Haringey in setting record prices. Given that the changes in the average annual price levels for these two boroughs are 22.4% and 20.7% respectively, the establishment of record price levels is, perhaps, not so surprising. Overall the average price of a house in London, at £364,129, is now just 3.1% below the peak which occurred in February 2008.

In London, transaction numbers fell by 31% from December to January, compared with the 52% decline experienced in England and Wales as a whole. Falls in transaction levels by property type indicate different behaviour patterns between the market sectors and are as follows: detached 14%, semi detached 23%, terraced 28% and flats 36%. Given that the average price of a house in London is above the stamp duty holiday threshold, its cessation would not appear to have had much effect, except perhaps for the Flats sector. Even here, only six of the thirty-three London boroughs have an average price of flats less than £175k.

UNITARY DISTRICT AND COUNTIES ANALYSIS

Eighty three of the 108 counties and unitary districts in England & Wales are now recording price rises on an annual basis. The comparable figure last month was sixty counties and unitary districts recording price rises, which gives an indication of the scale of the recovery being seen across the England and Wales housing market. The following chart shows the % **annual** price change for unitary districts and counties, ranked by the highest and lowest 5 districts. Two of the areas with the greatest rise in prices are in Wales but, correspondingly, three of the areas with the largest falls in prices are also in Wales.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES



Over the last twelve months, on a mix adjusted basis across England and Wales, prices of terraced properties have increased by 9%, flats have increased by 6%, semi detached properties have increased by 5%, and detached properties have increased by 2%.

In terms of transaction numbers, excluding London, the fall in the level of transactions in England and Wales between December and January has been 54%. On a regional basis the highest fall in transactions has been seen in the South West (down 58%), whilst the smallest fall, excluding London, was seen in the North (down some 49%). In the regions outside of London, looking at the fall in sales volumes by property type from December to January, there has been a similar pattern to London, albeit not so distinct, in that the fall in the number of houses sold was as follows: detached 49%, terraced 54%, semi-detached 57% and flats 58%. It will be interesting to observe how transaction numbers advance in February and March, when the twin influences of the stamp duty holiday and the snow melt away.

REGIONAL DATA TABLE

	North			North West			East Midlands			West Midlands		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Feb-09	£142,000	-0.1	-10.8	£150,589	-1.2	-10.7	£155,256	-0.5	-12.0	£165,241	-0.6	-10.8
Mar-09	£141,819	-0.1	-11.8	£150,190	-0.3	-10.1	£154,726	-0.3	-11.6	£162,960	-1.4	-12.4
Apr-09	£142,011	0.1	-10.7	£148,708	-1.0	-10.7	£153,652	-0.7	-11.8	£162,282	-0.4	-12.6
May-09	£141,325	-0.5	-10.4	£148,788	0.1	-9.7	£153,180	-0.3	-11.0	£162,240	0.0	-11.9
Jun-09	£141,797	0.3	-8.9	£148,790	0.0	-9.2	£153,994	0.5	-10.7	£165,752	2.2	-9.0
Jul-09	£140,994	-0.6	-7.1	£150,494	1.1	-7.3	£156,037	1.3	-8.5	£166,326	0.3	-7.5
Aug-09	£142,377	1.0	-4.6	£151,887	0.9	-5.3	£157,097	0.7	-6.3	£168,635	1.4	-5.1
Sep-09	£144,924	1.8	-1.9	£153,586	1.1	-2.8	£158,704	1.0	-3.4	£168,542	-0.1	-3.7
Oct-09	£147,805	2.0	0.6	£154,528	0.6	-0.1	£159,296	0.4	-1.8	£168,883	0.2	-2.1
Nov-09	£148,598	0.5	2.7	£155,968	0.9	1.9	£160,085	0.5	-0.2	£168,260	-0.4	-0.7
Dec-09	£147,348	-0.8	3.2	£156,361	0.3	3.1	£160,623	0.3	1.8	£169,925	1.0	1.5
Jan-10	£147,605	0.2	3.9	£156,993	0.4	3.0	£162,262	1.0	4.0	£172,801	1.7	4.0

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Feb-09	£151,668	-0.7	-9.0	£150,933	-0.8	-11.2	£205,348	-0.9	-12.6	£184,033	-0.8	-13.2
Mar-09	£150,588	-0.7	-9.5	£149,413	-1.0	-12.1	£203,627	-0.8	-13.0	£182,418	-0.9	-13.8
Apr-09	£148,126	-1.6	-10.7	£148,077	-0.9	-12.8	£203,240	-0.2	-13.6	£183,393	0.5	-12.6
May-09	£147,221	-0.6	-9.9	£147,992	-0.1	-12.0	£205,223	1.0	-12.9	£184,932	0.8	-11.5
Jun-09	£147,274	0.0	-9.0	£148,456	0.3	-10.4	£206,594	0.7	-11.3	£186,198	0.7	-10.4
Jul-09	£147,280	0.0	-7.9	£150,277	1.2	-7.5	£207,860	0.6	-9.4	£186,380	0.1	-9.0
Aug-09	£149,608	1.6	-6.4	£152,531	1.5	-5.1	£208,396	0.3	-7.7	£189,364	1.6	-7.0
Sep-09	£151,137	1.0	-4.3	£155,133	1.7	-2.3	£210,593	1.1	-5.1	£190,158	0.4	-5.0
Oct-09	£154,171	2.0	-1.1	£156,972	1.2	-0.2	£213,466	1.4	-2.3	£190,002	-0.1	-3.3
Nov-09	£154,820	0.4	1.0	£158,181	0.8	2.2	£214,107	0.3	-0.1	£187,755	-1.2	-0.9
Dec-09	£156,036	0.8	2.7	£159,665	0.9	4.1	£218,053	1.8	3.5	£191,531	2.0	2.8
Jan-10	£156,720	0.4	2.6	£161,466	1.1	6.1	£221,548	1.6	6.9	£195,039	1.8	5.1

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Feb-09	£237,667	-0.5	-14.4	£325,390	-1.0	-13.4		£202,428	-0.7	-12.7
Mar-09	£235,553	-0.9	-14.9	£322,587	-0.9	-13.9		£200,816	-0.8	-13.1
Apr-09	£234,904	-0.3	-15.0	£322,409	-0.1	-13.8		£200,086	-0.4	-13.3
May-09	£234,738	-0.1	-14.7	£327,322	1.5	-12.1		£200,846	0.4	-12.5
Jun-09	£237,255	1.1	-13.1	£330,423	0.9	-10.7		£202,494	0.8	-11.0
Jul-09	£238,908	0.7	-11.1	£334,431	1.2	-8.3		£204,093	0.8	-9.0
Aug-09	£242,383	1.5	-8.1	£338,019	1.1	-6.2		£206,419	1.1	-6.7
Sep-09	£245,593	1.3	-5.3	£346,026	2.4	-2.2		£209,262	1.4	-3.8
Oct-09	£249,613	1.6	-1.4	£349,261	0.9	0.6		£211,585	1.1	-1.0
Nov-09	£250,365	0.3	1.6	£352,107	0.8	4.3		£212,464	0.4	1.7
Dec-09	£254,304	1.6	5.7	£356,189	1.2	7.0		£214,876	1.1	4.5
Jan-10	£257,390	1.2	7.7	£364,129	2.2	10.8		£217,845	1.4	6.8
Feb-10								£222,008	1.9	9.7

FOOTNOTES ON DATA AND METHODOLOGY

1. AcadHPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. The prices are smoothed to show underlying trends. AcadHPI includes cash purchase prices and is the only index based upon the **complete, factual**, house price data for England and Wales, as opposed to a sample.
2. most indices employ data available to the provider as result of its business; index methodologies are designed to exploit the advantages and overcome the disadvantages of each particular dataset; a valuation series (whether the values are professionally estimated at e.g. time of mortgage offer or by an estate agent) is not the same as a price series; price series (AcadHPI, CLG and LR) can be prepared only when the prices at which properties have been transacted have been recorded at LR (AcadHPI and LR) or when firm prices at mortgage completion (CLG) have been made available by lenders; valuation series can be prepared whenever the data e.g. asking or mortgage offer prices are available to the provider; publicity accrues to those indices which are released first; indices published at or before month end are likely to employ data for the current and prior months. LR overcomes the delay in availability of full LR transaction data by using only the prices of properties for which two prices are recorded at LR and the published American Case Shiller methodology, developed to prepare indices for metropolitan districts, since the USA lacks a central Land Registry. AcadHPI overcomes the above delay with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell The Reader in Financial Econometrics at the University of Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School; of the price series, AcadHPI, LR and CLG are published in that order.
3. AcadHPI provides prices at national and regional level to 1995 and, at county/London borough level, to 2000; back-cast national prices for graphing are available to 1987.
4. at **national** level, only some 60,000 monthly transactions now occur compared with at least 100,000 in past markets. For any given month, c.33% (20,000) of these will be reported to LR by month end. When monthly sales were c.100,000, we found that using the initial 15,000 transactions then reported to LR, introduced volatility into our first AcadHPI result. Rather than rely upon a small sample, likely to be unrepresentative, AcadHPI therefore employs the above “index of indices”, and a series of auto regression and averaging models. After the elapse of one month, LR provides c.85% of the transactions for the prior month, used to replace the initial AcadHPI “forecast” with a first AcadHPI “update” result. A further month later, LR provides c.90% of transactions, used to replace the first, with a second, AcadHPI “update” result. Three months after any given month, LR provides c.95 % of the month’s transactions, sufficient to enable us to describe our next update as an AcadHPI “final” index, closely approximating the AcadHPI “ultimate” results; AcadHPI “ultimate” includes the price of virtually every single LR transaction for the month, smoothed, seasonally and mix adjusted; the first AcadHPI “update” now uses c.37,000 real transactions for the month (as well as, by smoothing, c.40,000 transactions for the prior month); only CLG with, this year, 28,000 mortgage completions (and the Rightmove asking price index) have specified comparable data volumes; lender index data volumes are not quantified; the Halifax HPI employs three month smoothing for annual change results but not for other results; Hometrack provides survey data and specifies that theirs is a survey, not an index; current results are showing a divide between indices with more, and indices with less, data volumes.
5. in each of the 10 **regions**, an average of only some 4,000 transactions now occur monthly; hence, we wait one month, pending receipt from LR of the c.85% sample and provide monthly results one month in arrears of the most recent month. In our Regional data table, **red** data represent AcadHPI “forecast” results, **blue** data represent AcadHPI “update” results and **black** data represent the AcadHPI “final” index.
6. at **county and London borough** levels, c.60,000 national monthly transactions, spread over 10 regions and 108 counties and 33 London boroughs, provide an average of only c.425 house prices monthly within each sub-district. Even delayed one and smoothed over three months, AcadHPI is indicative until we are able to publish the AcadHPI “final” index using the LR 95% sample. AcadHPI data are calculated on a consistent basis from county and London borough through to region and ultimately to national level; at every level, the current month price represents the average of the prices for the current month and for the prior and subsequent months (“three month, centre month smoothed”). LR employs a “four month, end month smoothed”, process for county/London borough data, but not for national and regional results.
7. **data limitations** are not confined to volumes. AcadHPI and the LR index are unable to distinguish between 3, 4 or 5 bedroom houses or between those with 2, 1 or even no bathroom; the lender hedonic indices and the CLG mix adjusted index do so. LR data exclude commercial and, thus, auction sales and do not reflect repossession prices on the grounds that such prices do not reflect those between a willing buyer and a willing seller; some feel that auction prices represent true market prices; others believe that the repossession price of a recent new build flat in Manchester is not (at least not yet) reflected in the price of a flat in an upmarket area.
8. AcadHPI is prepared from Land Registry data using a methodology designed to provide a “true measure of house price inflation”; Acadametrics does not guarantee the accuracy of the AcadHPI results and Acadametrics shall not be liable for any loss or damage, whatsoever, consequential upon any error, incorrect description of or inadequacy in the data; persons using the data do so entirely at their own risk; AcadHPI is freely provided for publication with due attribution to Acadametrics. Permission is required for any commercial use of the data.
9. The monthly, smoothed, average Land Registry prices at regional, county and London borough level by property type, which underlie AcadHPI, together with historic data are available from Acadametrics as in page 3 NOTE 7 above.
10. AcadHPI was published under the name FTHPI from September 2003 until December 2009.