

## England and Wales house price trends from Acadametrics

- **House prices in January rose by 0.7%** [Page 4](#)

The average price of all residential property transactions completed in England & Wales in January 2010 was 0.7% higher than in December. This is the ninth month in succession in which AcadHPI has increased on a monthly basis.

- **Annual price increase is 5.4%** [Page 4](#)

On an annual basis, in January, the average price of all residential property transactions in England & Wales was 5.4% higher than a year ago - a significant market recovery. It is the third consecutive month in which the annual rate of change in house prices is positive.

- **December transactions are the highest for two years, helped by the stamp duty holiday** [Page 3](#)

This was a strong end to 2009 which had seen the lowest number of annual housing transactions in England and Wales since the Land Registry began computerising its records in 1995. The market in December was assisted by an increase in the sale of properties valued below £175,000, with purchasers seeking to take advantage of the stamp duty holiday which ended on 31 December 2009.

### Dr Peter Williams, Chairman of Acadametrics, said

“The average price of a home rose again in January 2010 and, at £215,016, is almost back to where it was in January 2007, three years ago. The increase of 0.7% is the ninth in succession, suggesting a recovery that is now well entrenched. However, the rise from 0.4% in December to 0.7% in January is modest, and it is hard to draw firm conclusions, given that the monthly increase had been slowing since September and there are strong regional variations in the recovery story. Without doubt, year end activity was heightened by the anticipated end of year closure of the stamp duty holiday for properties up to £175,000 which had been in place since September 2008 as we discuss later. This factor, along with historically low interest rates for some borrowers and much else, adds layers of complexity in trying to anticipate what the market might do next.”

	House Price	Index	Monthly Change %	Annual Change %
<b>January 2009</b>	£203,936	207.6	-0.8	-11.7
<b>July</b>	£204,048	207.7	0.8	-9.0
<b>August</b>	£206,395	210.1	1.2	-6.7
<b>September</b>	£209,082	212.9	1.3	-3.9
<b>October</b>	£211,329	215.2	1.1	-1.1
<b>November</b>	£212,546	216.4	0.6	1.7
<b>December</b>	£213,500	217.4	0.4	3.9
<b>January 2010</b>	£215,016	218.9	0.7	5.4

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Dr Peter Williams, Chairman of Acadametrics, comments:

“The average price of a home in England & Wales is now £215,016. At this level, it is still down £16,812 or 7% from its peak in February 2008 of £231,828, but prices have recovered significantly and the index is showing a 5.4% increase over the last twelve months. The fact that there remain strong regional variations in this reported trend does mean that household experience will vary considerably, although prices in all regions are currently moving in the same direction - upwards.

“It is clear that, with average monthly increases of 0.6% over the last three months compared to double that (1.2%) over the previous three months, price increases have been moderating, and it is too early to say with any confidence as to whether this trend will continue. Published house price forecasts for the year vary from plus 10% to minus 10%, which gives a clear sense of the current uncertainty. Total mortgage lending for 2009 was £143.5 billion gross and £11.5 billion net, down from £254 billion gross and £41 billion net in 2008. The latest *Trends in Lending* report published by the Bank of England in late January noted some improvement in credit availability and for higher loan to value ratios. The evidence supports the view that the thaw continues, but there is little to suggest there will be a sharp recovery in mortgage volumes. Furthermore, the recent statement by the Council of Mortgage Lenders concerning the need for continued governmental assistance for lender funding sends a clear warning of possible consequential future mortgage constraint, raised interest rates and falling house prices. Uncertainty alone will restrain the market.”

### HOUSING TRANSACTIONS

“Overall, the number of housing transactions in England and Wales has increased by 51% during Q4 2009 (October–December 2009) compared with the same three months in 2008. The year began on an all time low of 27,637 monthly transactions, representing a 60% reduction on the 15-year average for January of 67,378 monthly transactions. However, during the year the monthly transaction count rose, with December sales reaching an estimated 76,000, the highest level since December 2007 – a figure which will have been influenced by the year end cessation of the stamp duty holiday for homes costing up to £175,000. Some might say of the year – in like a lamb and out like a lion!

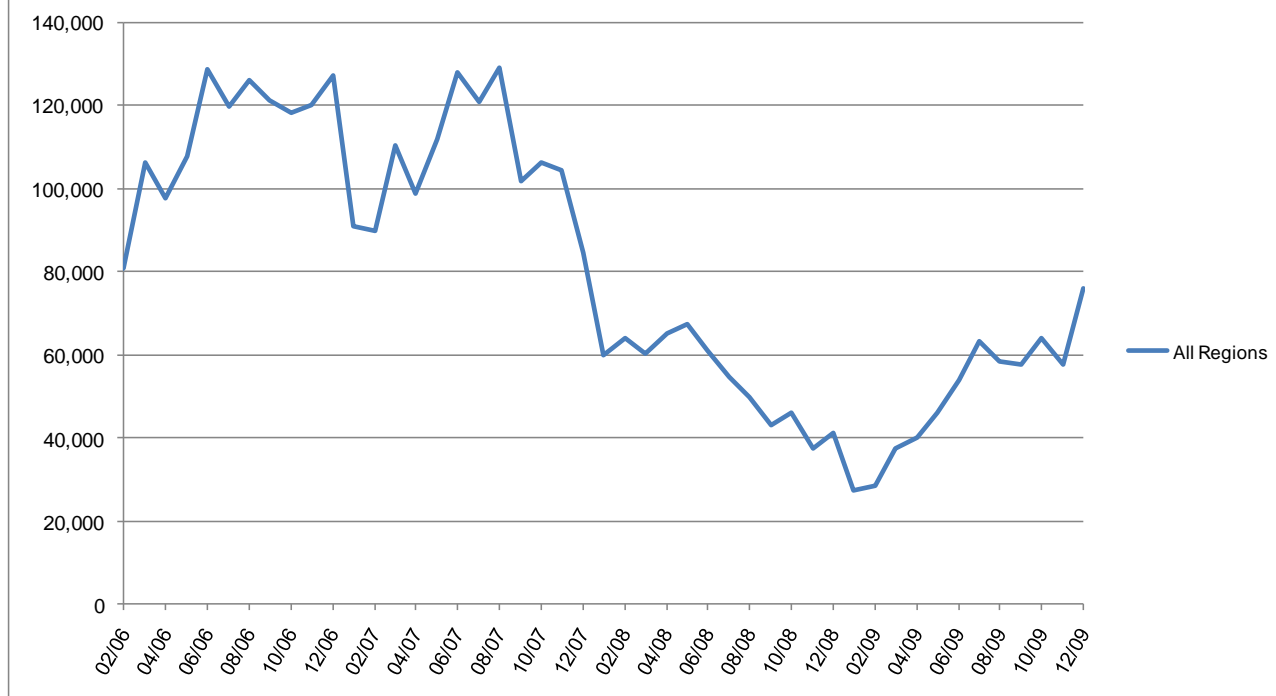
“The 51% increase in annual transactions has two distinct underlying trends. The first trend is of a North/Midlands/South gradation in the increase in the number of homes sold. In the Northern regions and Wales, the average increase in housing transactions has been 34% or less; in the Midlands the increase has been between 42% and 56% whilst, in the Southern regions including London, there has been an annual increase of 66% to 68% in the number of properties sold.

“The second trend is one of different activity levels by property type. Over the three months October–December 2009, compared with the same three months in 2008, increases in the numbers of properties sold have been as follows: detached 69%, semi-detached 61%, terraces 46% and flats 26%.

“Comparing Q4 2009 with Q3 2009 these trends appear to be changing. The increase in the number of housing transactions in London over the period is 0.2%, whilst in the rest of the country the increase has been an average of 6%. The volume of flats, terraced and semi-detached homes sold has similarly increased by 6% over this period, whilst sales of detached properties have increased by a more modest 1%. The mini-boom in the purchase of detached properties in the southern counties would thus appear to be over, at least for the time-being.”

## Number of Housing Transactions per month England & Wales 2006 - 2009

December 2009 figure estimated

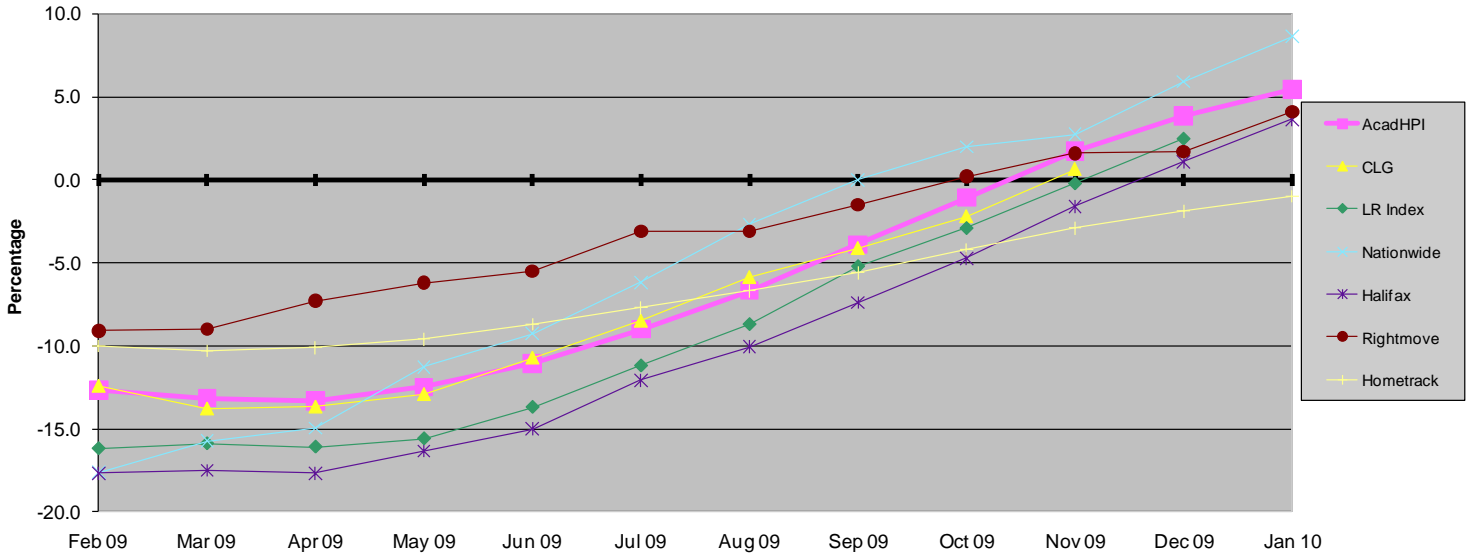


### NOTES

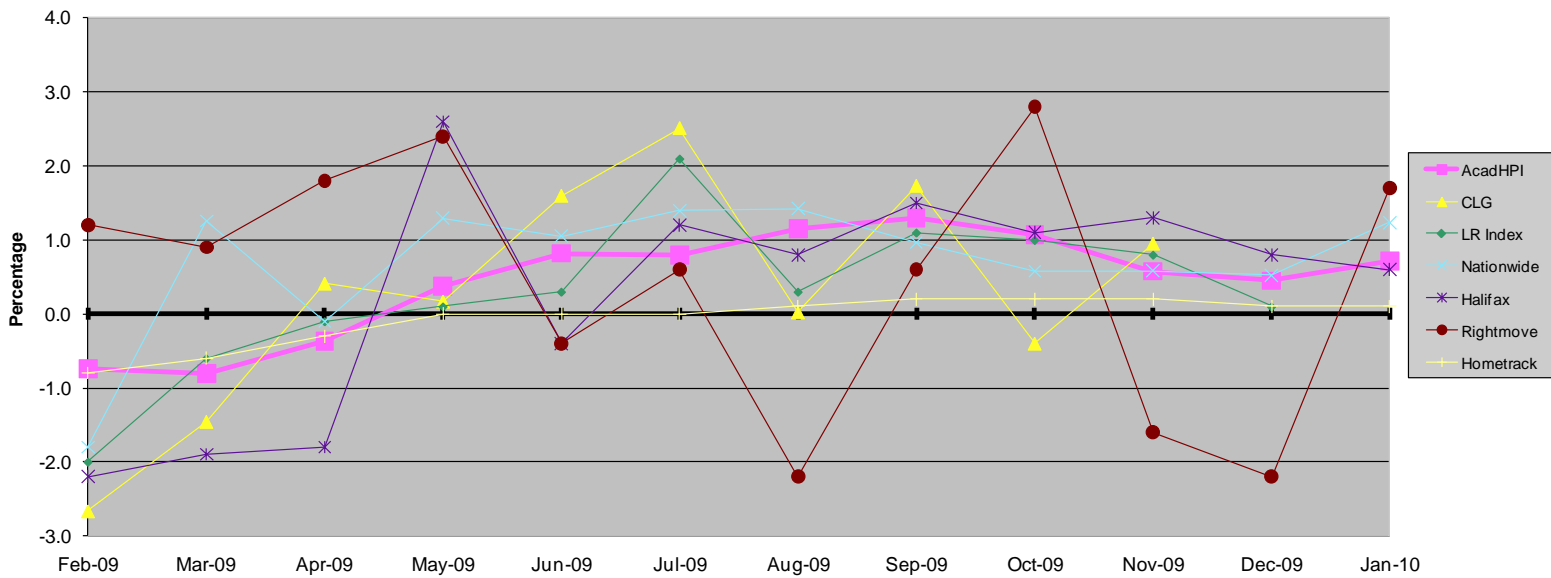
1. AcadHPI is the only house price index to use:
  - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
  - the price of **every** 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.acadametrics.co.uk](http://www.acadametrics.co.uk) in our “[Development of Forecasts](#)” and in our “[Comparison of Indices](#)”, 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

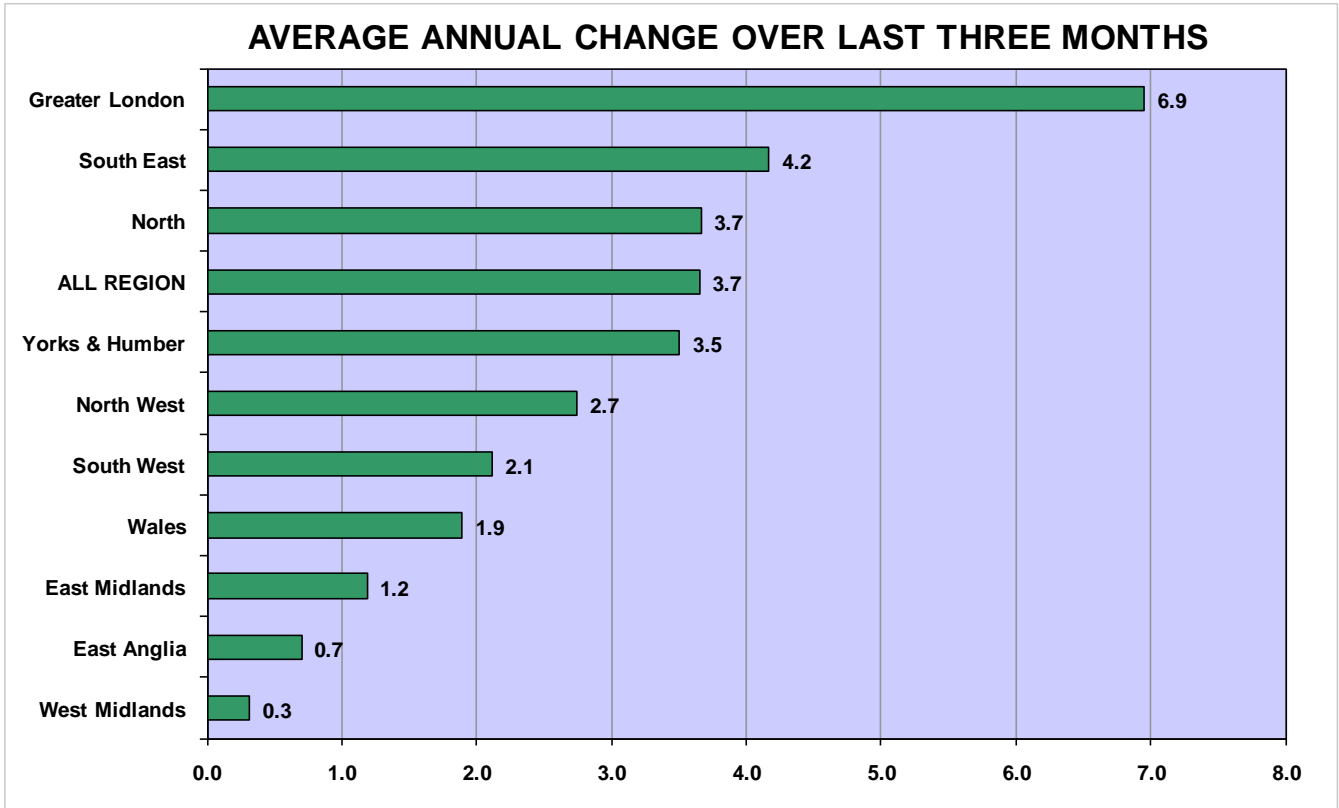


## MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

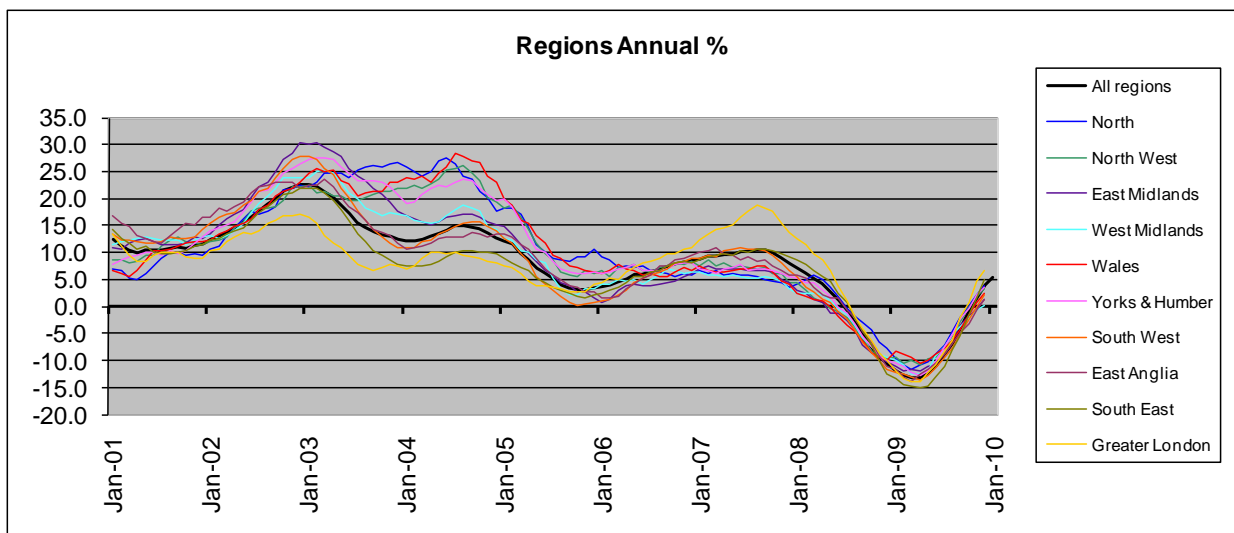


## REGIONAL ANALYSIS

Greater London continues to lead the way as the first region to exit the house price recession and the 'London effect' is beginning to re-emerge. However, London has now been joined by the other regions, meaning that all regions are now showing annual house price rises in nominal terms, as measured by the AcadHPI three month average. With London well out in front, the remaining regions are now grouping quite tightly and even the previously identified North/South divide in terms of prices as opposed to transactions is beginning to weaken. Clearly the situation is in flux so we can expect this pattern to continue to evolve.



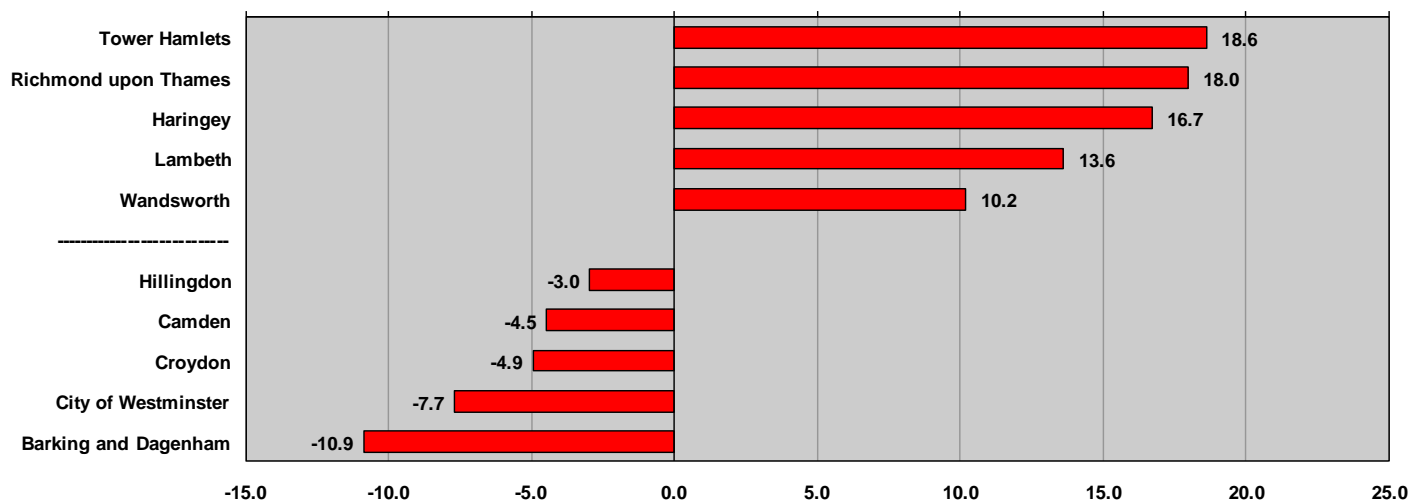
## ANNUAL CHANGE BY REGION



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-three of the thirty-three London Boroughs are now recording annual price increases; this compares with a figure of eighteen London Boroughs showing annual price increases last month, indicating the continuing momentum of price rises in the London market.

House prices in Richmond-upon-Thames set a new record level for the borough in December and at an average of £562,461 are some 4.4% higher than the previous peak set in 2008. Richmond-upon-Thames is however unique in this respect, being the only borough in London to establish a new record house price level, with the average house price for London being 5.6% below the previous peak achieved in February 2008.

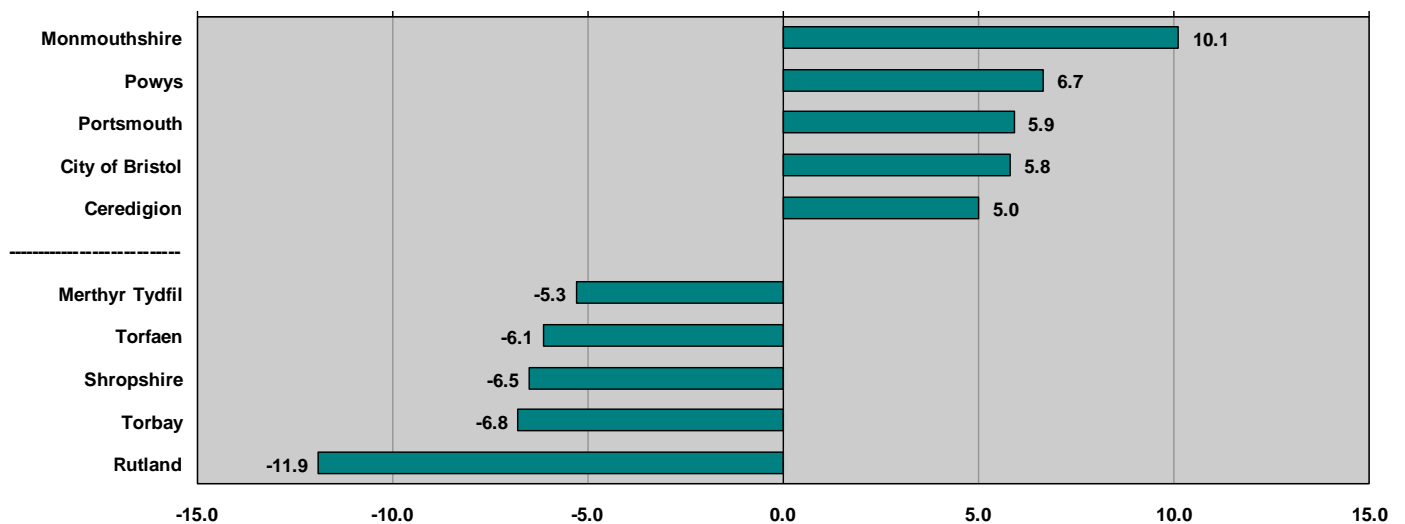
In terms of transaction numbers all thirty-three London boroughs are showing increased levels of property purchases in Q4 2009 compared with Q4 2008, the average increase per borough being 66%. However over the last quarter in 2009, compared with the previous quarter, the average increase in property sales is a modest 0.2%. Richmond-upon-Thames has recorded a 3.0% fall in property sales over the last quarter of 2009, which might suggest, as reported by others, that it is a lack of supply of properties coming to the market that is causing prices to rise to record levels, rather than significant increases in the level of consumer demand.

In London, during the last quarter of 2009, we have seen a small increase in the sale of flats by 2%, whilst sales of detached and semi-detached properties have decreased by 4% and 5% respectively. The anticipated flurry of activity in the purchase of properties in the last quarter of 2009, to gain from the higher threshold on stamp duty, does not appear to have had much consequence in London since, with an average price of £354,949, there are fewer transactions to which the £175,000 stamp duty cut-off point applied.

## UNITARY DISTRICT AND COUNTIES ANALYSIS

Sixty 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 twenty-seven counties and unitary districts recording price rises, which gives an indication of the scale of the recovery being seen in 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. Three of the areas with the greatest rise in prices are in Wales but, correspondingly, two 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 5%, flats have increased by 4%, semi-detached properties have increased by 2%, whilst the prices of detached properties have fallen by 1%.

In terms of transaction numbers 107 of the 108 counties and unitary districts in England and Wales have seen an average 51% increase in property sales when comparing Q4 2009 with Q4 2008. The sole exception is that of Newport where the volume of sales has fallen by 1%. However comparing Q4 2009 with Q3 2009, the increase in transactions over the quarter is a modest 5%, with twenty two counties and unitary districts seeing falls in the number of properties sold. The areas with significant falls in transaction numbers over the last quarter are Buckingham (-13%), Herefordshire (-11%) and Nottingham (-8%), whilst the areas which have seen an increase in property transactions are Leicester (+24%), Thurrock (+23%) and Staffordshire (+20%).

There has been an increase in activity over the last few months of 2009 in the purchase of properties valued below £175,000, encouraged by the impending cessation of the stamp duty holiday at the end of the year. For example in the South East and South West regions of England there has been an 8%-13% growth in the purchase of flats and terraced properties, whilst the larger more expensive properties in the same areas have seen a decline in the number of properties sold of between -1% and -4%. It will be interesting to observe if there is a corresponding dip in sales for these same property types in January 2010.

## 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
Jan-09	£142,111	-0.5	-9.7	£152,394	0.5	-9.4	£156,010	-1.1	-11.1	£166,168	-0.7	-10.1
Feb-09	£142,036	-0.1	-10.7	£150,592	-1.2	-10.7	£155,230	-0.5	-12.1	£165,195	-0.6	-10.9
Mar-09	£141,830	-0.1	-11.8	£150,197	-0.3	-10.1	£154,685	-0.4	-11.7	£162,892	-1.4	-12.4
Apr-09	£142,030	0.1	-10.7	£148,703	-1.0	-10.7	£153,621	-0.7	-11.8	£162,277	-0.4	-12.7
May-09	£141,325	-0.5	-10.4	£148,725	0.0	-9.7	£153,145	-0.3	-11.0	£162,253	0.0	-11.9
Jun-09	£141,798	0.3	-8.9	£148,709	0.0	-9.3	£153,977	0.5	-10.7	£165,794	2.2	-9.0
Jul-09	£141,057	-0.5	-7.0	£150,319	1.1	-7.4	£156,015	1.3	-8.5	£166,362	0.3	-7.4
Aug-09	£142,459	1.0	-4.6	£151,815	1.0	-5.4	£157,137	0.7	-6.3	£168,624	1.4	-5.1
Sep-09	£144,645	1.5	-2.1	£153,408	1.0	-2.9	£158,542	0.9	-3.5	£168,382	-0.1	-3.8
Oct-09	£147,294	1.8	0.3	£154,371	0.6	-0.2	£159,124	0.4	-1.9	£168,682	0.2	-2.2
Nov-09	£147,966	0.5	2.2	£155,840	1.0	1.8	£159,856	0.5	-0.3	£168,254	-0.3	-0.7
Dec-09	£148,048	0.1	3.7	£156,516	0.4	3.2	£159,649	-0.1	1.2	£167,830	-0.3	0.3
	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jan-09	£152,812	0.6	-8.4	£152,178	-0.8	-10.7	£207,250	-1.6	-12.3	£185,545	-0.4	-11.7
Feb-09	£151,740	-0.7	-8.9	£150,929	-0.8	-11.2	£205,377	-0.9	-12.6	£183,975	-0.8	-13.2
Mar-09	£150,658	-0.7	-9.5	£149,383	-1.0	-12.2	£203,643	-0.8	-13.0	£182,383	-0.9	-13.8
Apr-09	£148,179	-1.6	-10.7	£148,050	-0.9	-12.8	£203,227	-0.2	-13.6	£183,377	0.5	-12.6
May-09	£147,214	-0.7	-9.9	£148,002	0.0	-12.0	£205,210	1.0	-12.9	£184,903	0.8	-11.5
Jun-09	£147,306	0.1	-9.0	£148,490	0.3	-10.4	£206,580	0.7	-11.3	£186,186	0.7	-10.4
Jul-09	£147,397	0.1	-7.9	£150,335	1.2	-7.5	£207,837	0.6	-9.4	£186,417	0.1	-9.0
Aug-09	£149,771	1.6	-6.3	£152,500	1.4	-5.1	£208,319	0.2	-7.7	£189,414	1.6	-7.0
Sep-09	£151,038	0.8	-4.4	£154,939	1.6	-2.5	£210,328	1.0	-5.2	£190,358	0.5	-4.9
Oct-09	£153,681	1.7	-1.4	£156,552	1.0	-0.5	£212,997	1.3	-2.5	£190,184	-0.1	-3.2
Nov-09	£154,588	0.6	0.8	£158,070	1.0	2.1	£213,918	0.4	-0.2	£188,301	-1.0	-0.6
Dec-09	£155,747	0.7	2.5	£158,738	0.4	3.5	£215,272	0.6	2.2	£188,449	0.1	1.2
	South East			Greater London			ALL REGION					
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual			
Jan-09	£238,850	-0.7	-13.5	£328,669	-1.2	-11.9		£203,936	-0.8	-11.7		
Feb-09	£237,631	-0.5	-14.4	£325,397	-1.0	-13.4		£202,420	-0.7	-12.7		
Mar-09	£235,529	-0.9	-14.9	£322,518	-0.9	-13.9		£200,794	-0.8	-13.1		
Apr-09	£234,889	-0.3	-15.0	£322,203	-0.1	-13.8		£200,051	-0.4	-13.3		
May-09	£234,683	-0.1	-14.7	£327,166	1.5	-12.2		£200,802	0.4	-12.5		
Jun-09	£237,177	1.1	-13.1	£330,216	0.9	-10.7		£202,444	0.8	-11.0		
Jul-09	£238,793	0.7	-11.1	£334,331	1.2	-8.3		£204,048	0.8	-9.0		
Aug-09	£242,326	1.5	-8.1	£337,954	1.1	-6.2		£206,395	1.2	-6.7		
Sep-09	£245,338	1.2	-5.4	£345,912	2.4	-2.2		£209,082	1.3	-3.9		
Oct-09	£249,038	1.5	-1.6	£349,722	1.1	0.7		£211,329	1.1	-1.1		
Nov-09	£250,498	0.6	1.6	£353,156	1.0	4.6		£212,546	0.6	1.7		
Dec-09	£252,309	0.7	4.9	£354,949	0.5	6.7		£213,500	0.4	3.9		
Jan-10								£215,016	0.7	5.4		



## 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.