

LSL Property Services/Acadata England & Wales House Price Index

JANUARY 2014

STRICTLY UNDER EMBARGO UNTIL 00.01 FRIDAY 14TH FEBRUARY 2014

Average prices up £1,348 in January, setting a new record high

- Monthly sales set to reach 73,000 – the highest January total since 2007
- Sales only 4% below January average in the decade before the credit crunch
- 90% of Unitary Local Authorities now experiencing house price growth

House Price	Index	Monthly Change %	Annual Change %
£241,101	245.5	0.6	5.2

David Brown, commercial director of LSL Property Services, comments: “The UK housing market is roaring back to life in 2014 as the recovery continues across the board. Prices are now up 5.2% annually, driving the price for the average home to a new high. Mostly this is due to much increased activity, with growing demand for property buoyed by low interest rates and Help to Buy, combined with hot competition for homes. This boost in sales has seen an air of optimism encapsulate the market. While 2013 was a turning point in the recovery, 2014 is set to be a watershed year if the next few months continue in the same vein.

“Last month saw the largest rise in sales over the past year, up 67% annually, with transaction levels crucially only 4% below the January average seen in the decade before the credit crunch. This astounding turnaround can largely be attributed to the resurgence of the first-time buyer. The wide range of attractive mortgage deals on offer, cheaper rates and wider product choice has been pivotal. Such rises in new buyer numbers has encouraged activity further up the ladder and inspired movement among second steppers, which will prove vital in sustaining a healthy rate of sales activity.

“The recovery has now been rolled out far and wide, with the good news coming in from more and more Your Move and Reeds Rains branches up and down the country. Price rises have spread to 90% of unitary local authorities - the largest number since August 2010. With mortgages still historically cheap and interest rates set to remain stable for the time being, we’ll continue to see new buyers rush to the market nationwide. Even so, price growth and sales levels are still below their pre-crisis peaks, so we’re still some way from the ill-fated ‘bubble zone’.

“Regionally, we’re seeing a ripple effect emerging from London. Heat from the capital is spreading further with traditional hotspots being the first to reap the benefits of recovery, particularly southern England and East Anglia before moving north through the Midlands. Although we’re still seeing a North-South divide, this is gradually being eroded. The West Midlands has this month broken the mould, as growth has surged past the rate seen in the South West region, with Reeds Rains branches across the region reporting a large jump in prices in January compared to the preceding month.

“With greater economic prosperity, confidence between banks and lenders has been cemented further which will no doubt fuel the engine of recovery in the months ahead. While similarly first-time buyers are set to swim further across the sea of adversity to secure a home. But it is crucial that both aren’t scuppered and that the Government’s housing plans come to the fore with a continued focus on supply. This will ensure the recovery reaches the finish line and a generation doesn’t get priced out of the market.”

For detailed analysis by Dr Peter Williams, housing market specialist and Chairman of Acadata, see page 3.

House price index: historical data



Table 1. Average House Prices in England & Wales for the period January 2013 – January 2014

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
January	2013	£229,111	233.3	0.4	3.9
February	2013	£231,016	235.2	0.8	4.3
March	2013	£232,084	236.3	0.5	3.9
April	2013	£232,683	236.9	0.3	3.6
May	2013	£232,610	236.8	0.0	2.5
June	2013	£232,800	237.0	0.1	2.5
July	2013	£233,657	237.9	0.4	2.9
August	2013	£235,234	239.5	0.7	3.9
September	2013	£236,504	240.8	0.5	4.2
October	2013	£237,809	242.1	0.6	4.6
November	2013	£238,578	242.9	0.3	4.8
December	2013	£239,717	244.1	0.5	5.0
January	2014	£241,101	245.5	0.6	5.2

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Dr Peter Williams, housing market specialist and Chairman of Acadata, comments:

House prices

As is evident with the recent flooding, events sometimes take over and challenge established wisdom. So too in the housing market, where we have seen a sustained acceleration in house prices on an annual basis over the last 7 months - and there is every indication that this will continue.

The LSL Acadata index shows the average price of a home in England & Wales at £241,101, which is another new record. The average price has thus increased by £1,384, or 0.6%, during January 2014. Prices have now risen continuously for the last 17 months (leaving aside May 2013 where a minor £70 fall was recorded), although the monthly increases have been relatively small at between 0.0% and 0.8% per month over this period.

On an annual basis house prices have risen by a nominal £12,000, or 5.2%. This percentage increase is 2.5% above December's 12 month RPI of 2.7%, and all the evidence from the Office for Budget Responsibility (OBR) and elsewhere suggests that house prices will continue to remain ahead of inflation in 2014. Figure 1 gives a quick sense of how prices have evolved over the last twelve months. The black line shows the trend in the average house price over the period, with the red line indicating the actual movement in prices on a monthly basis. Even though there appears to be stability in the rate of price change over the last twelve months, we can see a slight acceleration in prices towards the end of the period.

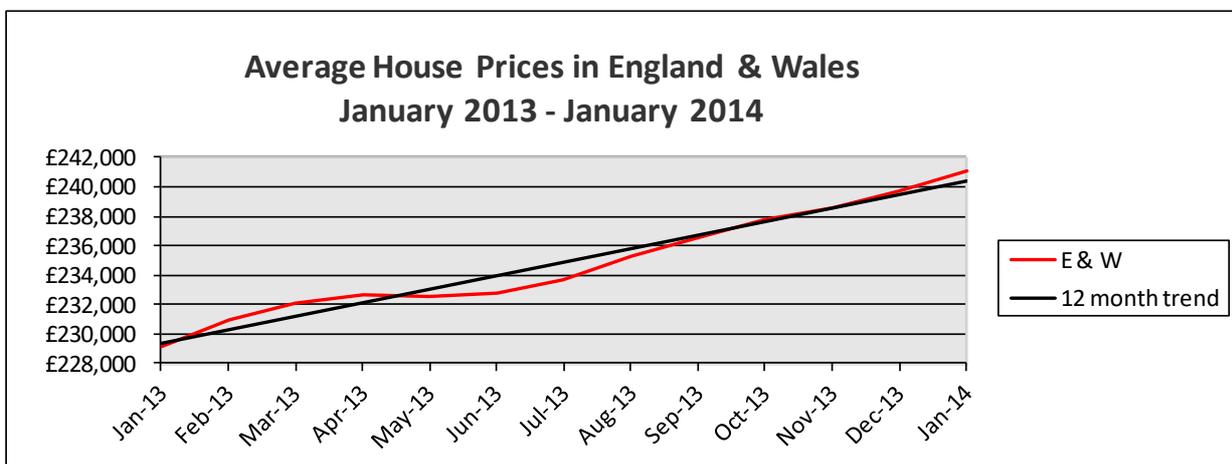


Figure 1. The average house price in England & Wales, January 2013 – January 2014

[link to source Excel](#)

The December RICS Housing Market Survey showed demand as measured by new buyer enquiries still outpacing new instructions to sell, and this lag puts more pressure on prices. However, as we show below, transactions are starting to build strongly as more existing owners find the value of their home has risen and now feel confident to re-enter the housing market.

Housing Transactions

One of the main features of the housing market in 2013 was the sharp rise in transaction numbers. As figure 2 below shows, transactions started to move ahead from May 2013 onwards. We currently estimate - on the basis of Land Registry rather than the less detailed HMRC figures - that the number of transactions in England & Wales in 2013 will total some 797,000 properties, which is 19% above 2012 levels. Over the last five months of 2013 transactions moved even further ahead, being an average 36% above the previous year.

The rise in property transaction numbers continues into 2014. We estimate that sales in England and Wales in January 2014 will total some 73,000, on a non-seasonally adjusted basis. Such a number of transactions in January 2014 has a number of significant features. First, it represents a 67% increase on January 2013 levels, while previously transactions in all months of 2013 were running at a maximum of 48% above that of the previous year; second it is the highest number of properties sold in the month of January since 2007; and third and perhaps most significantly it is only 4% below the average number of transactions in a January for the period 1997 – 2007, which some observers consider to be the 'natural' level of the market prior to the credit crunch of 2008/9.

Figure 2 gives a real sense of the way the market has shifted year by year. 2013 started with transactions over the first four months being broadly in line with the monthly totals for the previous three years. However, it then changed gear with transactions in May 2013 jumping noticeably above the then trend and has subsequently



maintained a higher level in each month since the equivalent period in 2007. From May 2013 onwards, monthly sales in 2013 were an average 29% higher than the same month in 2012.

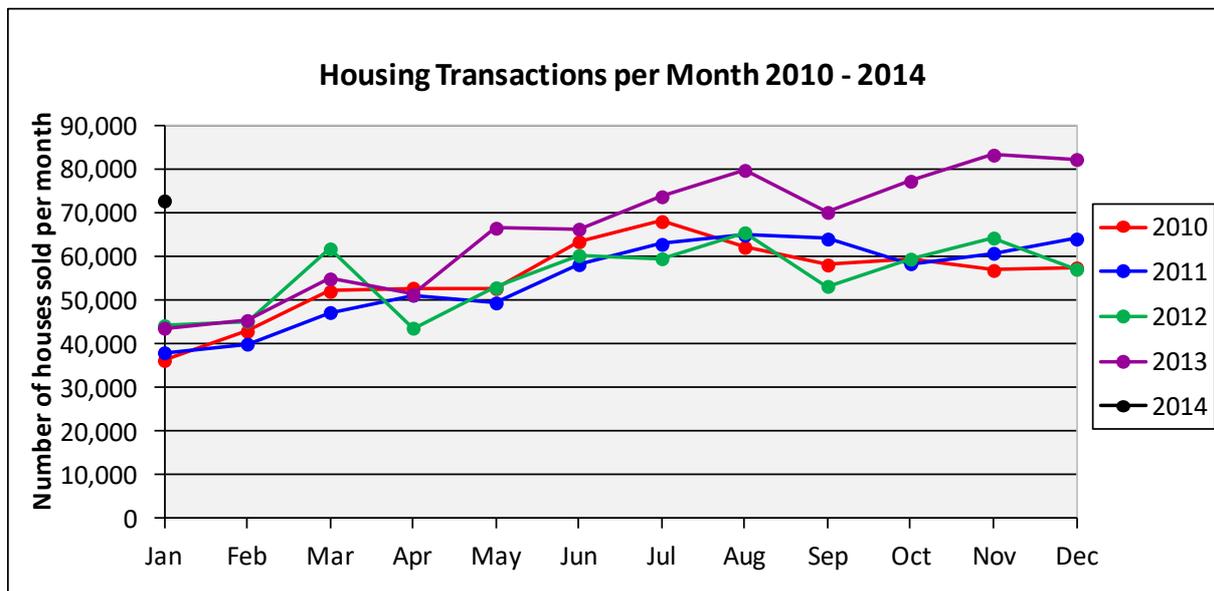


Figure 2. Number of properties sold per month in England & Wales, Jan 2010 – January 2014. Source Land Registry [link to source Excel](#)

One of the main reasons for this rise in transactions in 2013 was the increased activity by first time buyers. The mortgage lenders, encouraged by the Bank of England’s (BoE) Funding for Lending Scheme (FLS), have offered more competitive products to this sector of the market, along with an easing of availability of higher loan to value mortgages. For example, the CML reported that in November 2013 the number of loans to first time buyers had increased by 24% compared to October 2012, with some even higher growth patterns during the previous three months.

The increased activity among first time buyers has had the anticipated effect further up the property ladder. The freeing-up of housing chains, alongside mortgage rates at record lows and a wider range of products, has seen an increase in activity by home movers. Again, the CML November 2013 figures report that the number of home movers taking out mortgages increased by 15% compared to the previous year. In December, gross mortgage lending was an estimated £17 billion, 49% higher than December 2012 (£11.4 billion) and the highest total for a December since 2007. This would suggest that the estimated gross mortgage lending total for 2013 was £177 billion, up from £143 billion in 2012.

From an historical perspective, our current estimate of 797,000 transactions in England & Wales in 2013 will still be a long way short of the average 1.2 million transactions per annum recorded by the Land Registry over the 10 year period 1998 – 2007. However, if the January 2014 sales of 73,000 properties are mirrored during the next eleven months, then sales will exceed the 1.1 million mark for the year for England and Wales in terms of the 4% reduction against the long term average. With confidence clearly recovering, and a strong mortgage supply in place, turnover and transactions become key drivers of the market which we will follow closely over the next few months.

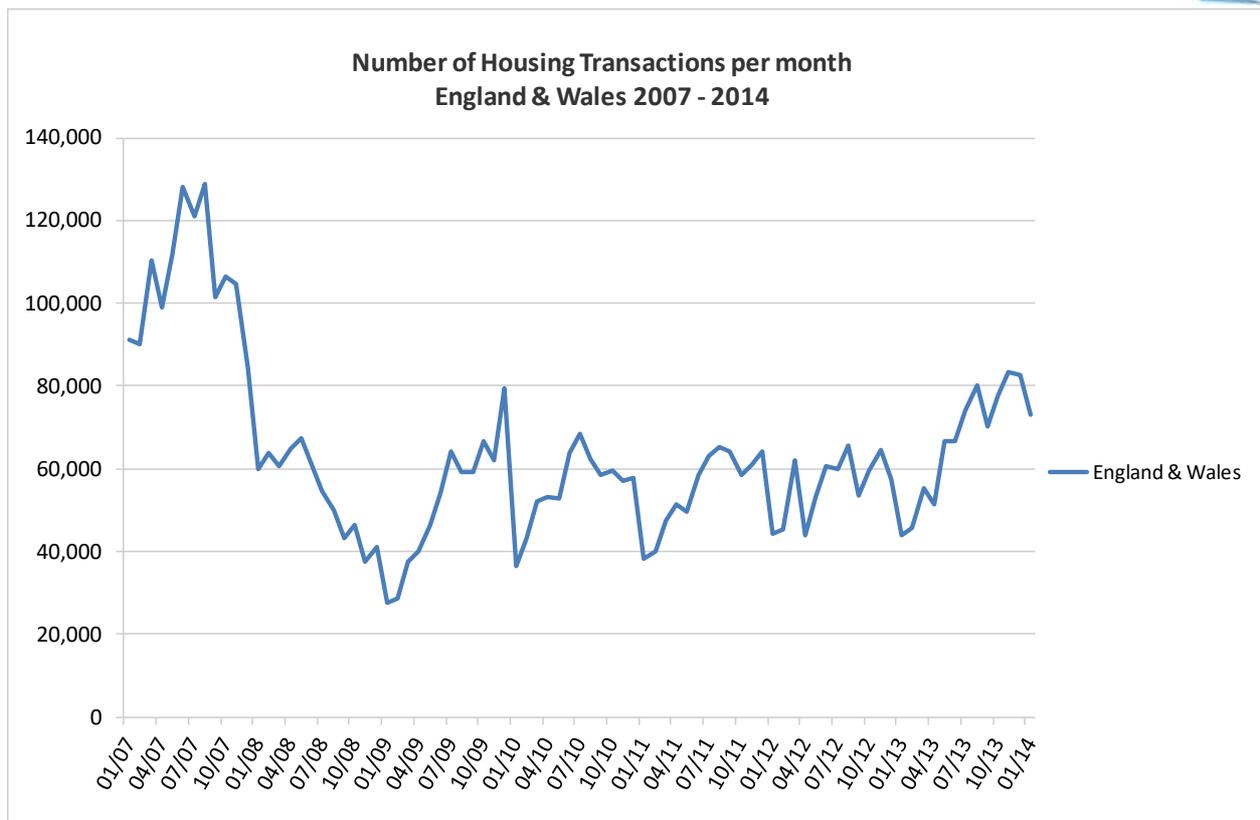


Figure 3. The number of housing transactions by month in England & Wales, 2007-2014 (not seasonally adjusted) [link to source Excel](#)

Transactions during the second half of 2013 can be seen to be moving towards the levels set in 2007.

NOTES

1. LSL Acad E&W HPI is the only house price index to use:
 - the **actual** prices at which every property in England & 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
 LSL Acad E&W HPI is a price series as opposed to a value series.
2. the current month LSL Acad E&W HPI 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. LSL Acad E&W HPI forecasts are progressively replaced with real data, until every transaction reported to the Land Registry has been recorded and we have provided our LSL Acad E&W HPI "ultimate" data. All LSL Acad E&W HPI numbers, published prior to receipt of all transaction data, are subject to change; in publishing precise numbers for a number of reasons, we do not claim precision.
4. the accuracy of our forecasts is shown monthly on the Acadata website www.acadata.co.uk in our "[Development of Forecasts](#)" and in our "[Comparison of Indices](#)", which shows how each index, including the LSL Acad E&W HPI "forecast", compares with the LSL Acad E&W HPI, once sufficient factual Land Registry data have replaced forecast data, to enable LSL Acad E&W HPI to approach the "ultimate" results.
5. the Acadata website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information.
6. Acadata is an independent privately owned consultancy working with Dr Stephen Satchell, Economics Fellow Trinity College Cambridge, and specialist in the assessment of risk in property and mortgage portfolios.
7. Acadata Prices and Transactions [\[sample here\]](#), which exclude any forecast element, underlie the LSL Acad E&W HPI 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.

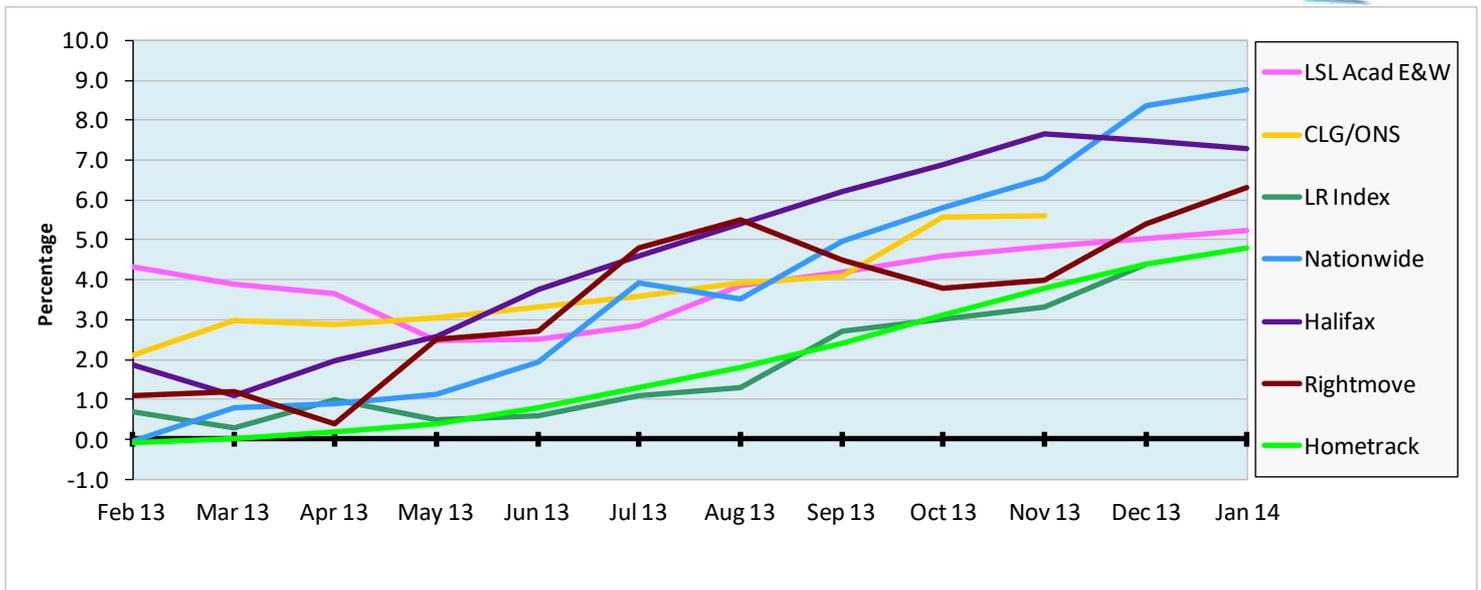


Figure 4. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

[link to source Excel](#)

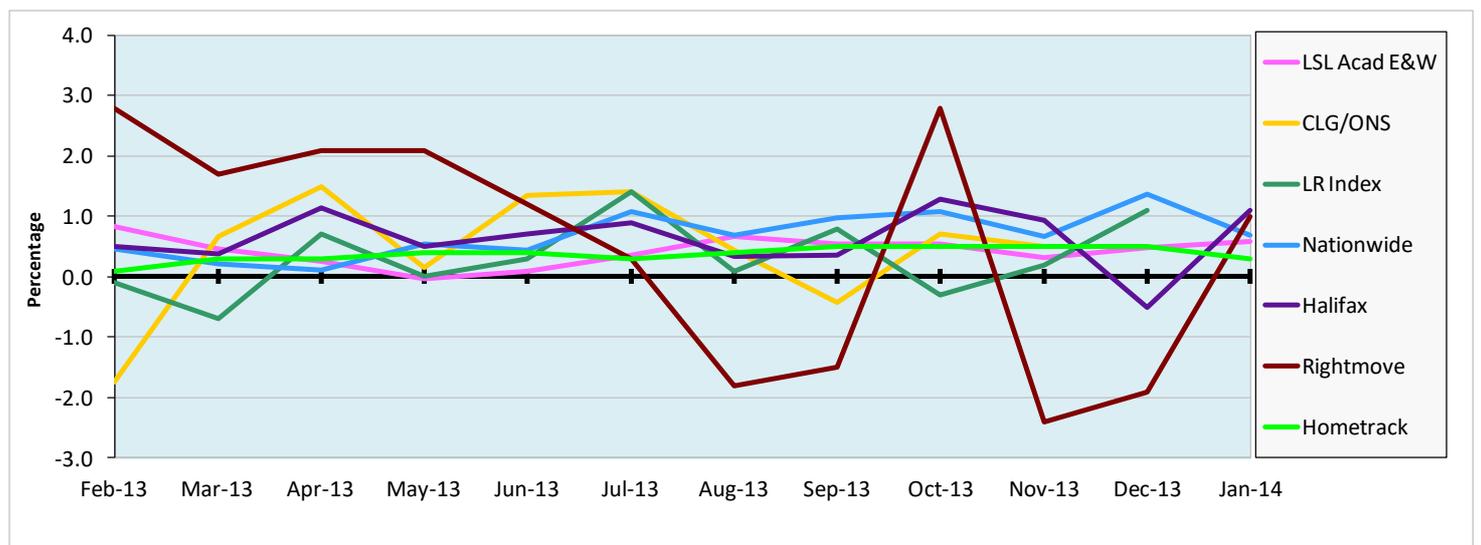


Figure 5. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

[link to source Excel](#)

The comparison of indices charts (figures 4 and 5) show that across the different indices asking prices, mortgage approval prices and completion prices have been generally rising on an annual basis since the beginning of 2013. It is evident from Figure 4 that the indices showing this month's highest annual growth in prices are all mortgage based (Halifax, Nationwide and ONS), whereas the indices incorporating cash purchases (LSL Acad, Land Registry and Rightmove) are reporting lower rates of house price inflation and giving a whole-of-market view at this crucial turning period. Historically, cash sales have been a small part of the market overall, though very significant in some segments. We would expect to see cash based transactions fall back as mortgage supply improves. At peak, cash sales were around 50% of the market, but have now fallen back to around 30% according to the latest RICS figures.



REGIONAL ANALYSIS

In many respects the regional analysis of house price trends becomes a key arena as the evidence for the strength of the housing market recovery builds. For the fifth successive month, all ten regions in England & Wales are showing positive movement in their annual rate of house price change, giving a very clear sense of both widespread and sustained recovery. As figure 6 shows, Greater London continues to dominate the housing market with house price inflation more than double that of any other region in England & Wales. Outside of Greater London there is a broad sense of recovery across the whole country, with six regions seeing house price inflation in excess of December's annual RPI.

There continues to be the vestige of a North/South divide in terms of regional house price growth, although the West Midlands is breaking this trend with growth in excess of the South West. This is very much in line with previous recoveries, with price growth rippling out from London across southern England and East Anglia and then moving north and west through the midlands.

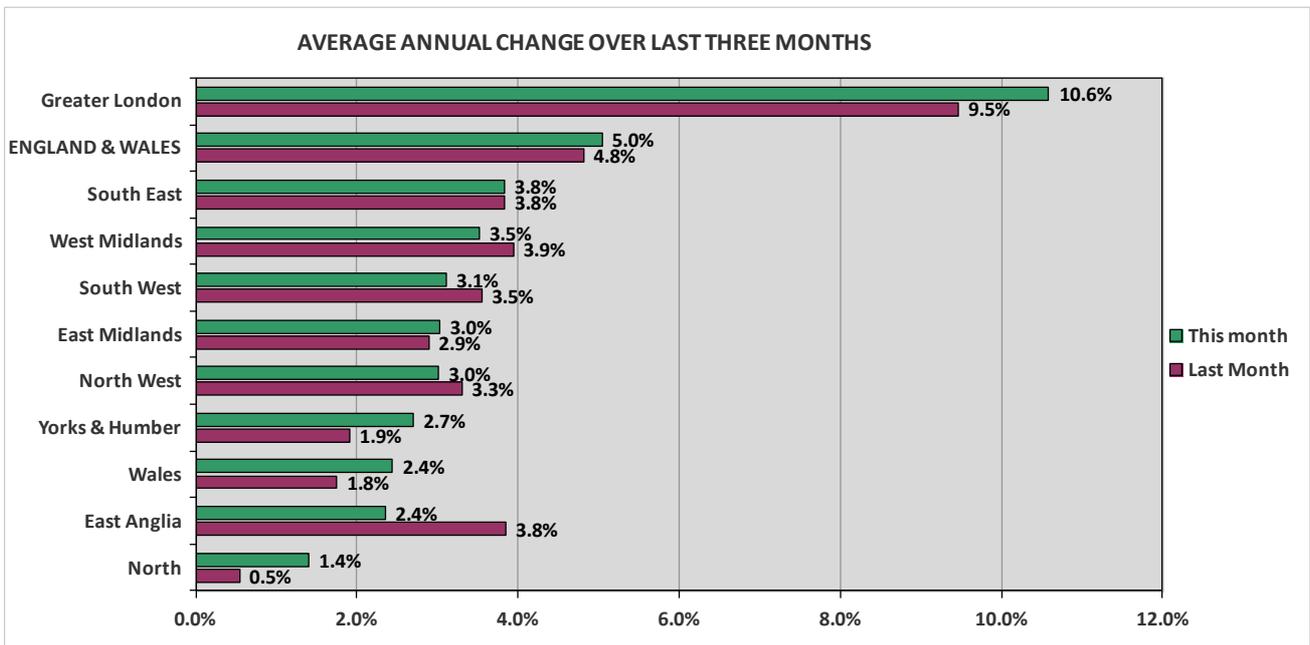


Figure 6. The annual change in the average house price, analysed by region

[link to source Excel](#)

Record average house prices have again been achieved for Greater London and the South East region, with 21 London boroughs and 5 Unitary Authorities surpassing their previously recorded highs. Six regions are showing an increase, or maintaining parity, in the rate of price growth this month compared to last. However, four regions, the North West, the West Midlands, the South West and East Anglia are seeing their respective price growth diminish.

Each month we analyse the extent to which house price inflation in England & Wales would differ if we were to exclude Greater London from the HPI calculations. The results of this analysis are shown in figure 7 below. The inclusion of Greater London causes the percentage increases in average house prices in England & Wales to be 1.8% higher than they otherwise would have been. Nevertheless, the overall increase in prices since May 2013 follows a broadly matching trajectory, even when Greater London is excluded from the figures.

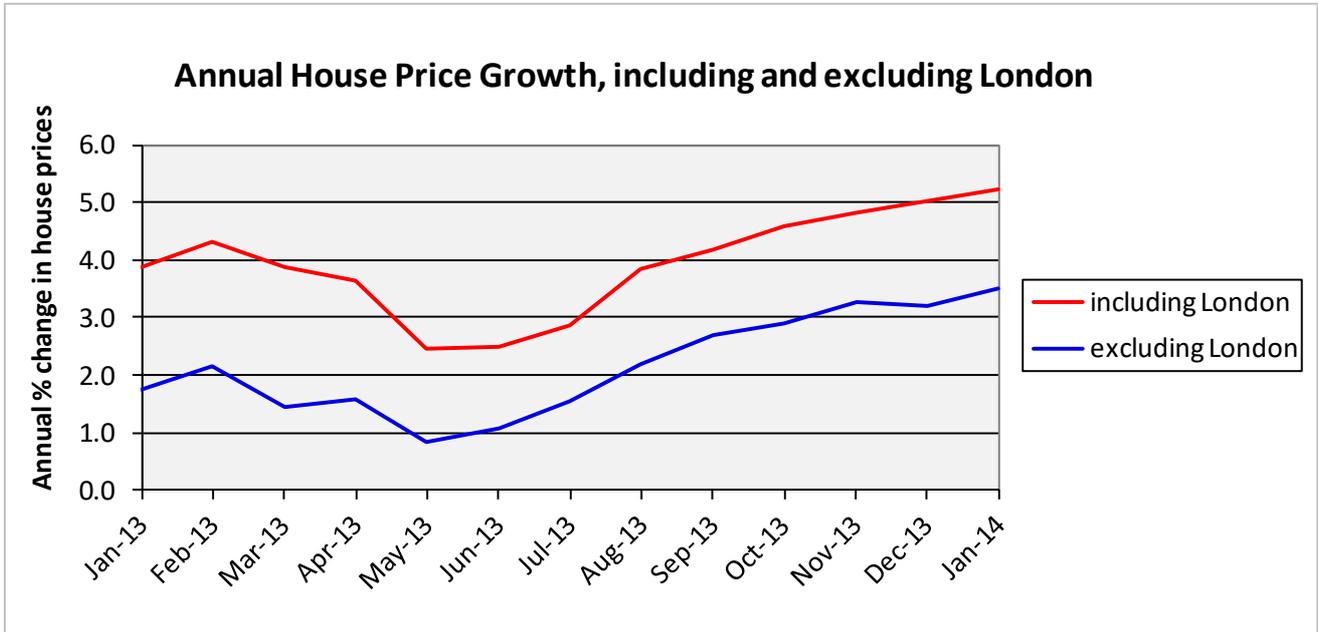


Figure 7. The Annual Rate of House Price Growth by month in 2013, including and excluding London

[link to source Excel](#)

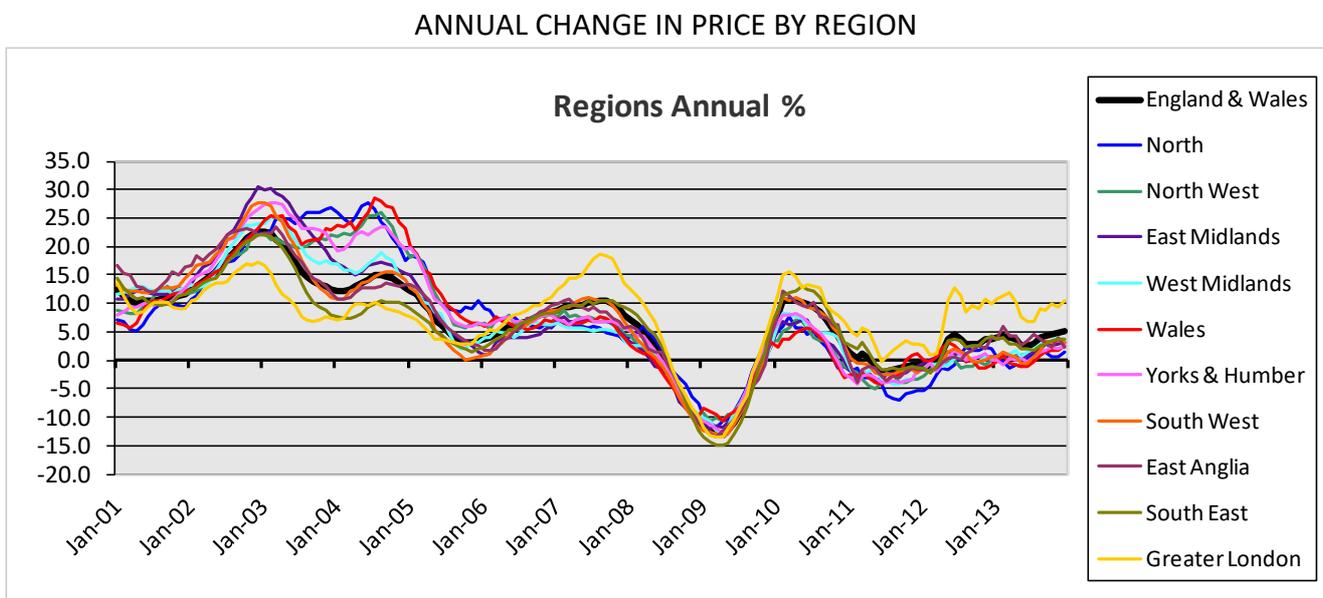


Figure 8. A comparison of the annual change in house prices, by region for the period January 2001 – December 2013

[link to source Excel](#)

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



Table 2. The change in mix adjusted house prices, for the 33 London boroughs, comparing December 2012 with November and December 2013. [link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	LONDON BOROUGH	Dec-12	Nov-13	Dec-13	Month % Change	Annual % Change
1	1	KENSINGTON AND CHELSEA	1,440,592	1,582,803	1,660,918	4.9%	15.3%
2	2	CITY OF WESTMINSTER	1,179,173	1,172,207	1,142,306	-2.6%	-3.1%
3	3	CAMDEN	715,317	812,697	843,719	3.8%	18.0%
4	4	HAMMERSMITH AND	688,622	800,698	817,663	2.1%	18.7%
6	5	CITY OF LONDON	623,128	739,836	754,704	2.0%	21.1%
5	6	RICHMOND UPON THAMES	623,802	652,728	659,417	1.0%	5.7%
8	7	ISLINGTON	537,809	605,443	624,509	3.1%	16.1%
7	8	WANDSWORTH	538,133	621,291	622,957	0.3%	15.8%
14	9	HARINGEY	422,720	492,835	494,533	0.3%	17.0%
9	10	BARNET	456,992	498,402	490,791	-1.5%	7.4%
16	11	LAMBETH	392,541	491,237	490,037	-0.2%	24.8%
13	12	HACKNEY	428,468	479,773	489,205	2.0%	14.2%
15	13	SOUTHWARK	420,304	463,484	476,711	2.9%	13.4%
10	14	MERTON	437,298	462,240	467,359	1.1%	6.9%
12	15	BRENT	428,761	458,625	461,329	0.6%	7.6%
11	16	EALING	432,148	442,742	444,965	0.5%	3.0%
18	17	TOWER HAMLETS	373,904	423,346	433,729	2.5%	16.0%
17	18	KINGSTON UPON THAMES	388,049	416,933	425,678	2.1%	9.7%
19	19	HOUNSLOW	357,113	432,420	408,000	-5.6%	14.2%
20	20	HARROW	346,605	372,961	375,800	0.8%	8.4%
21	21	BROMLEY	324,512	363,227	364,451	0.3%	12.3%
22	22	GREENWICH	304,341	343,317	348,430	1.5%	14.5%
25	23	LEWISHAM	288,490	317,060	324,093	2.2%	12.3%
26	24	REDBRIDGE	282,817	312,551	317,113	1.5%	12.1%
24	25	ENFIELD	295,375	317,892	316,912	-0.3%	7.3%
23	26	HILLINGDON	295,883	310,413	312,241	0.6%	5.5%
29	27	WALTHAM FOREST	246,230	292,130	296,959	1.7%	20.6%
27	28	SUTTON	259,348	284,958	284,641	-0.1%	9.8%
28	29	CROYDON	254,094	268,738	272,260	1.3%	7.1%
30	30	HAVERING	242,064	250,459	250,529	0.0%	3.5%
31	31	BEXLEY	229,523	236,133	239,259	1.3%	4.2%
32	32	NEWHAM	223,803	235,621	237,330	0.7%	6.0%
33	33	BARKING AND DAGENHAM	185,362	188,723	193,818	2.7%	4.6%
		ALL LONDON	431,483	472,734	477,157	0.9%	10.6%

Table 2 above shows the average house price and percentage change (over last month and year) by London borough for December 2012, November 2013 and December 2013. It is a striking portrayal of the housing market recovery in London both in terms of prices and transactions. On an annual basis, house prices in Greater London have risen by 10.6%, with increases being seen in 32 of the 33 London boroughs, with only the City of Westminster showing a negative movement over the year. This month, some 21 London boroughs - highlighted in grey above - are seeing peak prices (one less than last month but 14 more than a year ago), as is Greater London as a whole. Greater London has now set six successive months of peak prices, indicating that the rise in house prices in the capital is firmly entrenched.

The borough with the highest change in prices over the year is Lambeth, up 24.8%, where average prices have increased by almost £100k over the period, with all property types seeing a similar climb in prices. The most popular type of property in Lambeth is flats, where there has been a 62% increase in the numbers sold when comparing Q4 2013 with Q4 2012. The borough with the second highest rise in prices over the year is the City of London, up 21.1%, followed by Waltham Forest, up 20.6%, where average prices have risen by £50k over the year. Terraces are the most popular property type in Waltham Forest, with terraced average prices increasing by £60k in the area over the year, and numbers sold up by 28% in Q4 2013 compared to Q4 2012. This increase is particularly interesting, as it shows that rising prices on such a scale are no longer limited to the prime central London areas, but have migrated towards the outer suburbs.

Across Greater London transactions for Q4 2013 have increased by 33% over the same period in 2012. The largest increases were in the sale of flats, up by 38%, followed by detached properties up by 35%. The highest increase in the number of properties sold in a borough was in Greenwich, up 63%, where flats and terraces are the most popular property types - here the number of flats sold more than doubled, when comparing Q4 2013 with Q4 2012. Greenwich is followed by Havering, where the number of properties sold increased by 62%, with semi-detached and terraced properties being the most popular property types.

Counties and unitary authorities



Table 3. The annual percentage change in mix adjusted house prices, for the 108 Counties and Unitary Authorities in England & Wales, comparing December 2012 with November and December 2013 [link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	COUNTY / UNITARY AUTHORITY / REGION	Dec-12	Nov-13	Dec-13	Monthly change	Annual Change
17	19	CAMBRIDGESHIRE	243,382	251,455	246,180	-2.1%	1.1%
79	80	CITY OF PETERBOROUGH	146,907	149,812	150,695	0.6%	2.6%
45	46	NORFOLK	185,764	191,984	193,494	0.8%	4.2%
36	40	SUFFOLK	205,897	207,521	209,156	0.8%	1.6%
		EAST ANGLIA	203,420	208,447	208,205	-0.1%	2.4%
85	86	CITY OF DERBY	137,781	142,837	142,016	-0.6%	3.1%
97	96	CITY OF NOTTINGHAM	116,984	122,275	123,010	0.6%	5.2%
65	64	DERBYSHIRE	159,050	162,167	162,779	0.4%	2.3%
83	82	LEICESTER	138,171	147,306	146,840	-0.3%	6.3%
46	49	LEICESTERSHIRE	185,447	187,821	186,427	-0.7%	0.5%
73	67	LINCOLNSHIRE	150,548	158,369	159,402	0.7%	5.9%
50	48	NORTHAMPTONSHIRE	180,768	188,137	187,154	-0.5%	3.5%
68	71	NOTTINGHAMSHIRE	154,341	158,182	157,112	-0.7%	1.8%
10	14	RUTLAND	280,661	273,730	269,791	-1.4%	-3.9%
		EAST MIDLANDS	160,979	166,191	165,856	-0.2%	3.0%
		GREATER LONDON	431,483	472,734	477,157	0.9%	10.6%
61	61	CUMBRIA	165,233	166,712	166,603	-0.1%	0.8%
90	83	DARLINGTON	131,477	142,533	144,989	1.7%	10.3%
95	97	DURHAM	119,355	118,585	119,912	1.1%	0.5%
99	98	HARTLEPOOL	115,718	114,670	116,581	1.7%	0.7%
101	102	MIDDLESBROUGH	109,395	109,330	111,164	1.7%	1.6%
57	57	NORTHUMBERLAND	168,776	176,921	173,605	-1.9%	2.9%
94	93	REDCAR AND CLEVELAND	123,660	125,895	127,854	1.6%	3.4%
81	77	STOCKTON-ON-TEES	142,394	152,220	153,686	1.0%	7.9%
82	89	TYNE AND WEAR	138,764	138,087	137,275	-0.6%	-1.1%
		NORTH	140,636	142,604	142,615	0.0%	1.4%
98	101	BLACKBURN WITH DARWEN	116,106	110,123	112,049	1.7%	-3.5%
105	104	BLACKPOOL	102,162	100,112	102,858	2.7%	0.7%
40	36	CHESHIRE	202,193	214,611	212,172	-1.1%	4.9%
77	78	GREATER MANCHESTER	148,065	152,455	151,871	-0.4%	2.6%
92	91	HALTON	124,346	134,681	133,147	-1.1%	7.1%
80	81	LANCASHIRE	145,399	147,998	149,044	0.7%	2.5%
88	88	MERSEYSIDE	135,666	140,520	140,299	-0.2%	3.4%
49	47	WARRINGTON	182,075	185,381	188,162	1.5%	3.3%
		NORTH WEST	150,084	154,756	154,606	-0.1%	3.0%
30	26	BEDFORDSHIRE	214,107	226,158	227,093	0.4%	6.1%
11	11	BRACKNELL FOREST	273,063	290,292	290,361	0.0%	6.3%
9	10	BRIGHTON AND HOVE	281,305	298,854	305,851	2.3%	8.7%
3	3	BUCKINGHAMSHIRE	363,239	360,972	363,508	0.7%	0.1%
20	20	EAST SUSSEX	235,100	239,947	243,072	1.3%	3.4%
16	16	ESSEX	246,752	254,394	253,672	-0.3%	2.8%
14	13	HAMPSHIRE	262,910	274,810	275,681	0.3%	4.9%
7	5	HERTFORDSHIRE	316,480	336,103	335,241	-0.3%	5.9%
47	43	ISLE OF WIGHT	184,871	199,164	202,694	1.8%	9.6%
18	17	KENT	239,003	248,122	248,401	0.1%	3.9%
67	66	LUTON	156,923	159,781	161,443	1.0%	2.9%
58	54	MEDWAY	168,157	175,212	175,395	0.1%	4.3%
31	32	MILTON KEYNES	212,732	220,919	220,215	-0.3%	3.5%
4	6	OXFORDSHIRE	329,629	329,306	331,364	0.6%	0.5%
60	58	PORTSMOUTH	165,458	170,662	171,784	0.7%	3.8%

Counties and unitary authorities



24	21	READING	224,121	234,154	240,753	2.8%	7.4%
37	38	SLOUGH	204,390	211,860	210,259	-0.8%	2.9%
54	55	SOUTHAMPTON	169,370	173,563	174,032	0.3%	2.8%
41	37	SOUTHEND-ON-SEA	201,533	207,753	210,869	1.5%	4.6%
2	2	SURREY	410,284	417,077	423,105	1.4%	3.1%
51	50	THURROCK	177,603	185,439	183,567	-1.0%	3.4%
5	8	WEST BERKSHIRE	328,499	314,302	314,736	0.1%	-4.2%
13	12	WEST SUSSEX	267,109	279,999	280,549	0.2%	5.0%
1	1	WINDSOR AND MAIDENHEAD	459,432	460,650	469,099	1.8%	2.1%
6	4	WOKINGHAM	322,150	338,129	344,868	2.0%	7.1%
		SOUTH EAST	271,926	280,831	282,338	0.5%	3.8%
8	9	BATH AND NORTH EAST SOMERSET	293,203	314,636	308,360	-2.0%	5.2%
34	30	BOURNEMOUTH	209,777	216,686	222,963	2.9%	6.3%
29	25	CITY OF BRISTOL	214,838	225,702	229,154	1.5%	6.7%
70	69	CITY OF PLYMOUTH	153,194	157,491	157,729	0.2%	3.0%
25	29	CORNWALL	222,430	223,297	224,056	0.3%	0.7%
21	22	DEVON	231,967	240,049	240,607	0.2%	3.7%
15	15	DORSET	259,368	265,057	265,629	0.2%	2.4%
22	23	GLOUCESTERSHIRE	229,474	231,628	235,365	1.6%	2.6%
26	28	NORTH SOMERSET	222,272	224,860	224,171	-0.3%	0.9%
12	7	POOLE	270,979	299,643	315,053	5.1%	16.3%
32	42	SOMERSET	211,575	207,431	207,564	0.1%	-1.9%
33	33	SOUTH GLOUCESTERSHIRE	211,011	221,500	218,926	-1.2%	3.8%
53	56	SWINDON	170,789	172,458	173,948	0.9%	1.8%
48	51	TORBAY	182,617	177,565	179,403	1.0%	-1.8%
19	18	WILTSHIRE	238,578	246,253	246,663	0.2%	3.4%
		SOUTH WEST	223,107	228,570	230,049	0.6%	3.1%
108	108	BLAENAU GWENT	85,407	82,191	83,965	2.2%	-1.7%
86	87	BRIDGEND	137,587	141,587	141,458	-0.1%	2.8%
96	94	CAERPHILLY	118,880	125,545	126,332	0.6%	6.3%
44	45	CARDIFF	189,277	197,675	197,122	-0.3%	4.1%
89	90	CARMARTHENSHIRE	135,256	136,706	135,714	-0.7%	0.3%
52	52	CEREDIGION	171,959	178,926	179,089	0.1%	4.1%
64	70	CONWY	160,545	159,006	157,238	-1.1%	-2.1%
84	85	DENBIGHSHIRE	137,915	141,284	143,392	1.5%	4.0%
63	75	FLINTSHIRE	164,387	151,499	154,003	1.7%	-6.3%
78	63	GWYNEDD	147,341	158,674	163,785	3.2%	11.2%
66	65	ISLE OF ANGLESEY	157,155	158,569	161,474	1.8%	2.7%
106	106	MERTHYR TYDFIL	98,093	100,640	99,793	-0.8%	1.7%
23	27	MONMOUTHSHIRE	226,364	224,538	225,124	0.3%	-0.5%
102	100	NEATH PORT TALBOT	108,127	110,340	112,609	2.1%	4.1%
74	73	NEWPORT	150,517	155,086	155,953	0.6%	3.6%
59	60	PEMBROKESHIRE	168,071	167,916	168,293	0.2%	0.1%
56	53	POWYS	169,027	178,994	177,434	-0.9%	5.0%
103	103	RHONDDA CYNON TAFF	104,715	106,800	107,231	0.4%	2.4%
69	79	SWANSEA	153,555	148,812	150,800	1.3%	-1.8%
39	35	THE VALE OF GLAMORGAN	202,698	210,308	214,663	2.1%	5.9%
93	95	TORFAEN	124,310	126,229	125,764	-0.4%	1.2%
76	72	WREXHAM	149,528	156,969	156,936	0.0%	5.0%
		WALES	152,365	155,242	156,089	0.5%	2.4%
28	31	HEREFORDSHIRE	216,692	221,750	222,330	0.3%	2.6%
43	44	SHROPSHIRE	200,063	199,603	200,628	0.5%	0.3%
55	59	STAFFORDSHIRE	169,312	173,114	170,464	-1.5%	0.7%
107	107	STOKE-ON-TRENT	95,075	95,253	97,228	2.1%	2.3%



27	24	WARWICKSHIRE	217,117	228,739	230,497	0.8%	6.2%
71	68	WEST MIDLANDS	152,925	159,400	159,266	-0.1%	4.1%
42	39	WORCESTERSHIRE	201,161	208,299	209,424	0.5%	4.1%
75	74	WREKIN	150,021	155,131	155,653	0.3%	3.8%
		WEST MIDLANDS	170,800	176,753	176,811	0.0%	3.5%
104	105	CITY OF KINGSTON UPON HULL	102,407	100,524	102,462	1.9%	0.1%
62	62	EAST RIDING OF YORKSHIRE	164,903	166,970	165,809	-0.7%	0.5%
100	99	NORTH EAST LINCOLNSHIRE	113,661	115,689	115,203	-0.4%	1.4%
91	92	NORTH LINCOLNSHIRE	126,852	129,194	128,671	-0.4%	1.4%
35	34	NORTH YORKSHIRE	209,184	214,254	216,951	1.3%	3.7%
87	84	SOUTH YORKSHIRE	137,187	143,464	144,572	0.8%	5.4%
72	76	WEST YORKSHIRE	150,963	153,424	153,784	0.2%	1.9%
38	41	YORK	203,837	209,374	208,140	-0.6%	2.1%
		YORKS & HUMBER	153,754	157,261	157,907	0.4%	2.7%
		ALL ENGLAND & WALES	228,213	238,578	239,717	0.5%	5.0%

A key question then is what is happening at local authority level outside London? Table 3 shows the average house price for each of the 108 unitary authorities and counties in England & Wales, together with a regional summary for December 2012, November 2013 and December 2013. It also records the percentage change in these prices over the last month and year.

As Table 3 shows, there are several trends to highlight. First, on an annual basis, prices have increased in 97 unitary authority areas (last month 91) and fallen in 11 (last month 17). Thus prices have risen over the year in 90% of the unitary authorities across the country, the highest percentage since August 2010, when the market was on the rebound from the trough of 2009. If we compare the annual rate of change in house prices with the December 2013 RPI of 2.7%, we find that 61 of the 108 unitary authorities, some 56% (last month 57%) now have annual house price increases in excess of the RPI.

Despite the general upward trend in prices on an annual basis, on a monthly basis from November 2013 to December 2013 there have been some modest price declines in 36 of the 108 unitary authority areas, suggesting that the gains being made on an annual basis are not always assured on a month by month basis, even in a mix adjusted series.

For the second month running, the area with the highest increase in average house prices among the unitary authorities on an annual basis is Poole, up 16.3%, where the prices of detached properties - the most frequently purchased property type in the area - have risen by an average £75k. Also for the second month running, the area with the largest reduction in annual prices is Flintshire, down 6.3%, where the prices of detached properties have been steadily dropping over the year.

The unitary authority area with the highest change in monthly average prices is also Poole, where prices rose by 5.1% in the month, with neighbouring Bournemouth taking third place in the monthly price increase rankings at 2.9%. Bournemouth's most frequently purchased property types are flats followed by detached properties. The unitary authority area with the largest decline in house prices over the month was Cambridgeshire, down 2.1%, where prices of detached properties have fallen from their recent highs.

This month there are five unitary authorities where a new peak price has been set (last month there were seven); in the South East region we have Bracknell Forest, Brighton & Hove, Surrey and Wokingham; and in the South West the City of Bristol. In percentage terms, 5 out of the 108 (4.6%) unitary authorities are experiencing record prices, compared to Greater London's 21 out of 33 London boroughs with record prices, being 64% of the total number - a tenfold difference between London and the remainder of the country. This analysis of peak prices suggests that if there is a price bubble in the housing market, it is currently limited to the Greater London boroughs and a few unitary authorities in the South East, with the vast majority (95%) of the housing market in England & Wales remaining steadfastly below previous peaks.



At this time last year we looked at the annual change in average house prices by unitary authorities, in terms of the areas ranking by price. We demonstrated that unitary authority areas ranked in the top quartile by price were seeing far higher house price inflation than those ranked in the bottom quartile. The figures are updated below:-

Table 4. % change in average annual house prices, in England & Wales, excluding Greater London, by Unitary Authority area, 2012 & 2013.

Quartile by price	% change in annual house prices, 2012	% change in annual house prices, 2013
Top (>£225,000)	3.6%	3.9%
2nd (> £175,000 and <£225,000)	1.7%	3.2%
3rd (> £150,000 and <£175,000)	0.5%	2.5%
Bottom (<£150,000)	-1.1%	2.6%
All areas E & W, excluding London	2.0%	3.2%

In 2013 average house prices have increased across all price bands when compared to 2012. We can still observe that the highest priced areas ranked in the top quartile have on average a higher rate of price inflation than the lower quartiles. However, during 2013 the differential between the higher priced and lower priced areas has become less distinct, with the rate of change in the lower quartiles increasing at a faster rate than in the higher quartiles. This may reflect the increased demand amongst first time buyers helping to elevate prices in the less expensive areas of England & Wales, with less activity being experienced in the middle market sectors.

Finally, in terms of transactions we note that of the 108 Unitary Authorities in England & Wales, Conwy recorded the highest increase in sales between Q4 2012 and Q4 2013, up 55%, with the sale of detached properties showing a 70% increase in numbers over the year. Stockton-on-Tees is showing the lowest increase in transactions in England & Wales over the same period at 8%, although price increases in the area over the year, also at 8%, mean that Stockton is currently experiencing the second highest house price inflation in the North, after Darlington.

Conclusion

The strength of the current recovery has forced a number of analysts to update their December 2013 predictions for the year ahead with revisions upwards in both transaction numbers and gross mortgage lending. A new report out by the Intermediary Mortgage Lenders Association, *What is the new 'normal'?* looks ahead to consider what the new normal might look like after all the temporary measures in place to assist market recovery have been removed, and when the full impact of 'the triple lock' of new market regulation on mortgage lenders is fully in place: increased capital requirements, the new mortgage market rules and macro-prudential regulation. It suggests that transactions might return to a long run average of 1.7 million (for the UK), though cautioning that turnover rates might be lower due to later entry to home ownership - to which we might also factor in tighter access to mortgages and higher interest costs. What the report highlights is the number of unknowns. Also recently published is the EY Item Club *Special report on the housing market*. This provides a valuable overview of the current situation arguing that the evidence of a bubble is weak outside London and that affordability is much improved compared to 2007. The report forecasts out to 2017, taking the view that prices and activity rise further in 2014 but then settle back. This then allows the Item Club to argue that there will probably be little need for the FPC/MPC to intervene, but if this were to happen it should be by addressing the income multiples used in borrowing.

Our commentary this month makes very clear the strength of the market recovery and the way it has spread across England & Wales. We would expect this to continue next month and through the year. This will ensure the housing market continues to attract a great deal of attention and not least by the Government and the Bank of England, both of which have choices to make about the various policy levers at their disposal. These - in conjunction with the regulatory measures touched on above - plus the continued pressures on wages and household incomes do mean there are some substantial downward pressures in place, albeit currently masked by the new found optimism. It is going to be an interesting year. There has been a clear gear change in the market and the questions now are about whether it will settle at an acceptable level or continue to accelerate.

Regional data table



Table 5. Average house prices by region, January 2013 – January 2014, with monthly and annual % growth

[link to source Excel](#)

	North			North West			East Midlands			West Midlands		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jan-13	£139,852	-0.6	0.7	£150,787	0.5	0.2	£161,388	0.3	0.5	£171,764	0.6	0.6
Feb-13	£141,394	1.1	-0.2	£152,827	1.4	0.5	£163,236	1.1	1.0	£173,265	0.9	1.2
Mar-13	£142,088	0.5	-1.3	£152,503	-0.2	0.2	£162,433	-0.5	0.4	£172,431	-0.5	1.3
Apr-13	£141,998	-0.1	-0.9	£152,271	-0.2	0.9	£162,355	0.0	0.5	£171,785	-0.4	1.6
May-13	£140,321	-1.2	-1.2	£151,652	-0.4	0.9	£161,409	-0.6	0.2	£170,728	-0.6	0.7
Jun-13	£141,810	1.1	0.4	£152,902	0.8	1.2	£162,791	0.9	0.9	£172,505	1.0	1.5
Jul-13	£142,354	0.4	1.1	£153,646	0.5	1.9	£162,865	0.0	1.4	£173,239	0.4	2.0
Aug-13	£143,061	0.5	1.7	£154,337	0.5	1.7	£163,167	0.2	2.1	£174,503	0.7	2.9
Sep-13	£142,427	-0.4	1.4	£155,067	0.5	2.8	£164,847	1.0	2.8	£174,973	0.3	3.2
Oct-13	£142,752	0.2	0.7	£155,085	0.0	2.2	£165,239	0.2	2.6	£175,859	0.5	3.4
Nov-13	£142,604	-0.1	0.5	£154,756	-0.2	3.3	£166,191	0.6	2.9	£176,753	0.5	3.9
Dec-13	£142,615	0.0	1.4	£154,606	-0.1	3.0	£165,856	-0.2	3.0	£176,811	0.0	3.5

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jan-13	£151,570	-0.5	-0.3	£154,024	0.2	-0.1	£223,127	0.0	0.6	£202,613	-0.4	3.7
Feb-13	£153,435	1.2	0.8	£153,729	-0.2	-0.7	£224,342	0.5	1.3	£206,776	2.1	6.0
Mar-13	£152,763	-0.4	-0.5	£154,073	0.2	0.3	£223,650	-0.3	0.8	£205,981	-0.4	4.3
Apr-13	£152,574	-0.1	-0.8	£154,896	0.5	0.1	£224,142	0.2	0.6	£207,287	0.6	4.2
May-13	£151,626	-0.6	-1.1	£155,155	0.2	0.2	£224,143	0.0	-0.6	£205,501	-0.9	2.5
Jun-13	£151,022	-0.4	-1.1	£155,431	0.2	-0.1	£223,750	-0.2	-0.4	£206,185	0.3	3.4
Jul-13	£151,464	0.3	-0.3	£154,923	-0.3	0.5	£224,937	0.5	0.5	£207,178	0.5	4.5
Aug-13	£152,524	0.7	0.8	£156,410	1.0	1.5	£227,388	1.1	1.8	£207,707	0.3	3.6
Sep-13	£154,212	1.1	1.5	£156,801	0.3	1.6	£228,670	0.6	3.3	£207,958	0.1	3.2
Oct-13	£155,477	0.8	1.9	£158,004	0.8	2.4	£229,112	0.2	3.2	£207,513	-0.2	2.2
Nov-13	£155,242	-0.2	1.8	£157,261	-0.5	1.9	£228,570	-0.2	3.5	£208,447	0.4	3.8
Dec-13	£156,089	0.5	2.4	£157,907	0.4	2.7	£230,049	0.6	3.1	£208,205	-0.1	2.4

	South East			Greater London			ENGLAND & WALES			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jan-13	£272,206	0.1	3.7	£437,001	1.3	10.8		£229,111	0.4	3.9
Feb-13	£274,511	0.8	4.0	£439,878	0.7	11.4		£231,016	0.8	4.3
Mar-13	£276,127	0.6	2.8	£447,091	1.6	11.8		£232,084	0.5	3.9
Apr-13	£277,257	0.4	2.9	£449,020	0.4	10.3		£232,683	0.3	3.6
May-13	£277,797	0.2	1.9	£450,848	0.4	7.6		£232,610	0.0	2.5
Jun-13	£276,871	-0.3	1.9	£450,260	-0.1	6.9		£232,800	0.1	2.5
Jul-13	£277,809	0.3	1.8	£452,599	0.5	6.9		£233,657	0.4	2.9
Aug-13	£278,078	0.1	2.5	£458,595	1.3	9.0		£235,234	0.7	3.9
Sep-13	£278,588	0.2	2.8	£463,561	1.1	8.7		£236,504	0.5	4.2
Oct-13	£279,848	0.5	3.5	£468,752	1.1	9.8		£237,809	0.6	4.6
Nov-13	£280,831	0.4	3.8	£472,734	0.8	9.5		£238,578	0.3	4.8
Dec-13	£282,338	0.5	3.8	£477,157	0.9	10.6		£239,717	0.5	5.0
Jan-14								£241,101	0.6	5.2



1. LSL Acad E&W HPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. © Crown copyright material reproduced with the permission of Land Registry. The prices are smoothed to show underlying trends. LSL Acad E&W HPI includes cash purchase prices and is the only index based upon the complete, factual house price data for England & 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 (LSL Acad E&W HPI, ONS HPI and LR HPI) can be prepared only when the prices at which properties have been transacted have been recorded by the Land Registry (LSL Acad E&W HPI and LR HPI) or when firm prices at mortgage completion (ONS HPI) 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.
3. Typically, only some 38% of transactions are reported to LR at month end. LSL Acad E&W HPI overcomes this delay with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell Economics Fellow Trinity College Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School. LR HPI relies on the sample being reflective of all of the month’s price changes and uses c.40% of these (say c.9,000 price changes) being the prices of properties for which two prices are recorded on the Land Register and a repeat sales regression methodology based on work published by USA academics, notably for the USA S&P Case Shiller HPI. RSR was developed to prepare indices for single family homes using only the limited data volumes available for metropolitan districts, since the USA lacks a central Land Registry. LSL Acad E&W HPI, LR HPI and ONS HPI are published monthly in this order.
4. LSL Acad E&W HPI provides prices at national and regional level back to 1995 and, at county/London borough level, back to 2000; back-cast national prices for graphing are available to 1987. With only some 60,000 monthly transactions now occurring compared with at least 100,000 in past markets, reduced data volumes are a problem for every HPI. LSL Acad HPI employs not only the above “index of indices”, but also a series of auto regression and averaging models. The latter use a rolling 3 months of data to provide an average price for each month to show trends, as mentioned above. After the elapse of one month, LR provides c.88% of the transactions for the prior month, used to replace the initial LSL Acad E&W HPI “forecast” with a first LSL Acad E&W HPI “updated” result. Two months after any given month, LR provides c.96 % of the month’s transactions, sufficient to enable us to describe our next update as an LSL Acad E&W HPI “final” index, closely approximating the LSL Acad E&W HPI “ultimate” results; LSL Acad E&W HPI “ultimate” includes the price of virtually every single LR transaction for the month, smoothed, seasonally and mix adjusted; the LSL Acad E&W HPI “updated” now uses c.37,000 real transactions for the month (as well as, by smoothing, c.40,000 transactions for the prior month); LR HPI also provides an updated LR “latest” HPI shown in our monthly Comparison of Indices table. ONS HPI with, in 2013, c. 28,000 mortgage completions (and the Rightmove asking price index) are also based upon significant data volumes; lender HPI data volumes are not quantified; the Halifax HPI employs three month smoothing for annual but not for monthly change results; Hometrack provides survey data and specifies that theirs is a survey, not an index.
5. In each of the 10 **regions**, an average of only some 6,000 transactions now occur monthly; hence, we wait one month, pending receipt from LR of the c.88% sample and provide monthly results one month in arrears of the most recent month. In our Regional data table, **red** data represent LSL Acad E&W HPI “forecast” results, **blue** data represent LSL Acad E&W HPI “updated” results and black data represent the LSL Acad E&W HPI “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, LSL Acad E&W HPI is indicative until we are able to publish the LSL Acad E&W HPI “final” index using the LR 96% sample. LSL Acad E&W HPI 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. LSL Acad E&W HPI and the LR HPI are unable to identify different prices according to e.g numbers of bedrooms; the lender hedonic indices and the ONS mix adjusted HPI 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 prices do not.
8. LSL Acad E&W HPI is prepared from Land Registry data using a methodology designed to provide a “true measure of house price inflation”; Acadata does not guarantee the accuracy of the LSL Acad E&W HPI results and Acadata 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; LSL Acad E&W HPI is freely provided for publication with due attribution to Acadata. 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 LSL Acad E&W HPI, together with historic data, are available from Acadata as in page 5 NOTE 7 above.
10. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acad E&W HPI was published, it was prepared by Acadametrics. Acadametrics then changed its name to Acadata to reflect its new focus entirely upon house price indices and data following its agreement to sell its 50% holding in MIAC Acadametrics to MIAC Analytics over a 4 year period.