

LSL Property Services/Acadameetrics England & Wales House Price Index

SEPTEMBER 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 FRIDAY 11TH OCTOBER 2013

House prices hit new record high in September

- Prices £8,526 higher than one year ago
- Up by £1,127 compared to a month ago
- House sales 12% higher than last year

House Price	Index	Monthly Change %	Annual Change %
£235,534	239.8	0.5	3.8

David Brown, commercial director of LSL Property Services, comments: “2013 will be remembered as the year first-time buyers returned to the market. Up until this year the market was still in trouble, thanks to the financial crisis. It was a long way from recovery. But what a difference six months makes. In that time we’ve seen the banks ease criteria on mortgages for people with small deposits, which has opened the door to new buyers who have spent years on the outside looking in. More people are in work. Inflation has begun to ease. And clearer forward guidance on interest rates has brought more certainty and confidence.

“The return of the first-time buyer has triggered a ripple of activity all the way up the housing ladder. It is starting to unlog the blockage at the bottom end of the market, which is helping make the whole system more fluid. Demand has increased significantly in a short space of time, and raced ahead of the supply of homes, which is causing house prices to rise. Think of it as shaking up a can of coke. When it is opened, you get the fizz, froth and overflow. Then it flattens out again. That’s what we’re seeing with the housing market. Demand has been bottled up by a lack of mortgage finance, but now that mortgages have been made more accessible, the backlog of buyers has spilled onto the market after years of frustration, scrimping and saving.

“But this is still only a fledgling recovery. First-time buyer numbers are still some way short of their historic levels. It is not a ‘boom’, nor a ‘bubble’. It is a market correction, albeit a fairly quick one. The only ‘boom’ is the loud noise coming from alarmists and sensationalists warning about a return to the bad old days of the 2000s. We’re not even close to that. There is no sub-prime mortgage lending, and no lending above 95% LTV. Credit checks are tough, rates are fairly high on high LTV mortgages, and lenders now carry out stringent affordability checks for every single mortgage.

“Plenty of would-be buyers in the North of the country are still struggling to obtain a mortgage and to get on the housing ladder. The South East is dominating the market because it has more equity-rich buyers, with London the target for scores of foreign property investors. The improvements in the North are much less pronounced, and there is still plenty of room for improvement. Help to Buy is needed to make the market accessible to the many, not just the few. In the South East, buyers need the scheme because house prices are so high. In the North, house prices are much lower, but so are incomes and wage growth. The whole country will benefit from the scheme. It does, however, need to be complemented by more house building so that supply keeps pace with demand, which will in turn make house prices more affordable for future generations.”

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

House price index: historical data



Table 1. Average House Prices in England & Wales for the period September 2012 – September 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
September	2012	£227,008	231.1	0.2	3.0
October	2012	£227,382	231.5	0.2	3.0
November	2012	£227,613	231.7	0.1	3.6
December	2012	£228,209	232.3	0.3	3.8
January	2013	£229,104	233.3	0.4	3.9
February	2013	£230,987	235.2	0.8	4.3
March	2013	£232,026	236.2	0.4	3.8
April	2013	£232,497	236.7	0.2	3.6
May	2013	£232,362	236.6	-0.1	2.4
June	2013	£232,381	236.6	0.0	2.3
July	2013	£233,303	237.5	0.4	2.7
August	2013	£234,407	238.7	0.5	3.5
September	2013	£235,534	239.8	0.5	3.8

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

House prices

This month the South East region joins Greater London - and England & Wales as a whole - in setting a new record house price. At £278,620, average prices in the region are now £1,000 higher than the previous peak set in February 2008, and before the recent mortgage credit squeeze took its toll.

There continues to be a North/South divide in the recovery rates seen across the country. Figure 1 below shows the extent to which current average prices are below their peak for each of the ten regions in England & Wales. Indeed, Wales merits special mention because prices there continue to fall on an annual basis. It is the only region where house price growth is currently negative and now takes the lowest position in terms of the percentage by which prices are below their previous peak. A full recovery in prices has only been seen in Greater London and the South East, with East Anglia likely to be next. The geography of the recovery rates is very clear from Figure 1, conforming to the long established pattern of price rises rippling out from London.

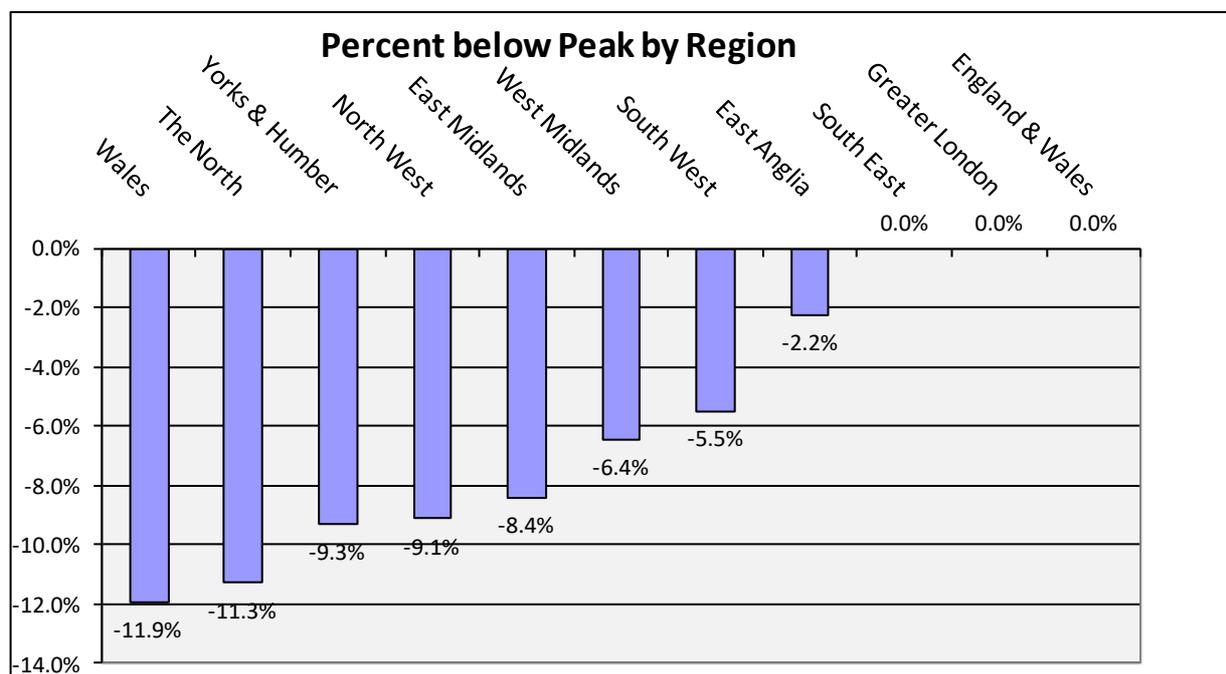


Figure 1. The percentage below Peak Average House Price by Region, based on August 2013 prices.

[link to source Excel](#)

On a monthly basis, the average house price in September in England & Wales as a whole increased by 0.5%, or £1,127. Over the last twelve months the average house price has increased on eleven occasions, with only May 2013 seeing a minor fall. This is a common enough occurrence; over the period March 1996 – April 2005 there were 110 months in succession in which house prices rose.

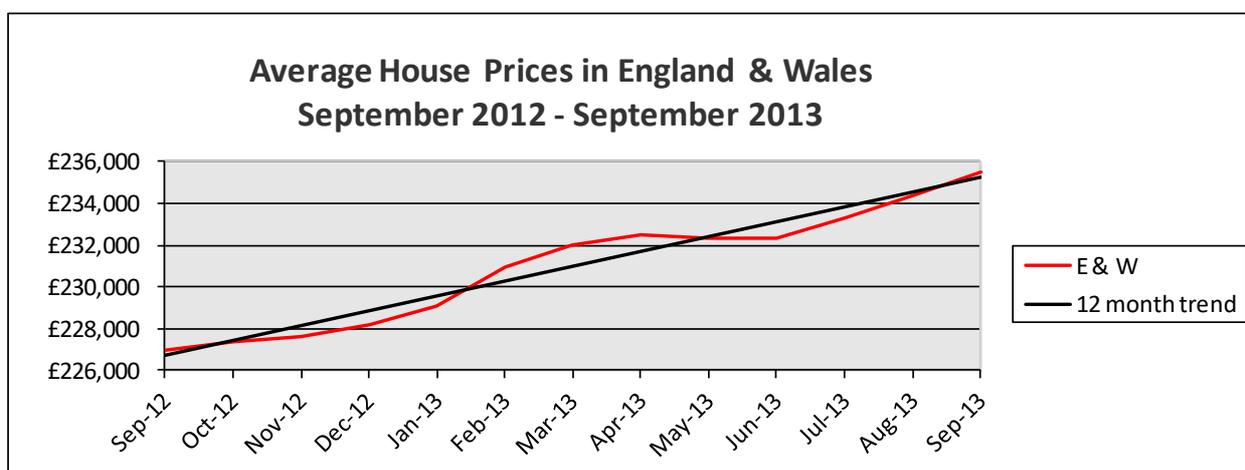


Figure 2. The Average House Price in England & Wales, September 2012 – September 2013

[link to source Excel](#)



As the trend line in Figure 2 above shows, prices have been rising over the last year on a near straight-line basis, indicating relative stability in the market. On an annual basis, the average house price has increased by 3.8% since September 2012. This level of house price growth is marginally ahead of the ONS annual Retail Price Inflation (RPI) Index of 3.3% for August 2013, so in real terms house prices have increased by 0.5% over the year. This statistic, although perhaps comforting to property owners, gives little or no support to those who argue that the market is currently over-heating, although with wages rising by less than inflation these increases do generate pressures.

Housing Transactions

Figure 3 below shows the number of housing transactions per month for the four years 2010 – 2013. As can be seen, sales in May to August 2013 were higher than the equivalent period for the previous three years, with sales in July and August 2013 both exceeding 70,000 transactions. This is the first time that sales over two consecutive months have been higher than 70,000 since November/December 2007, when transaction levels were 104,486 and 84,524 respectively.

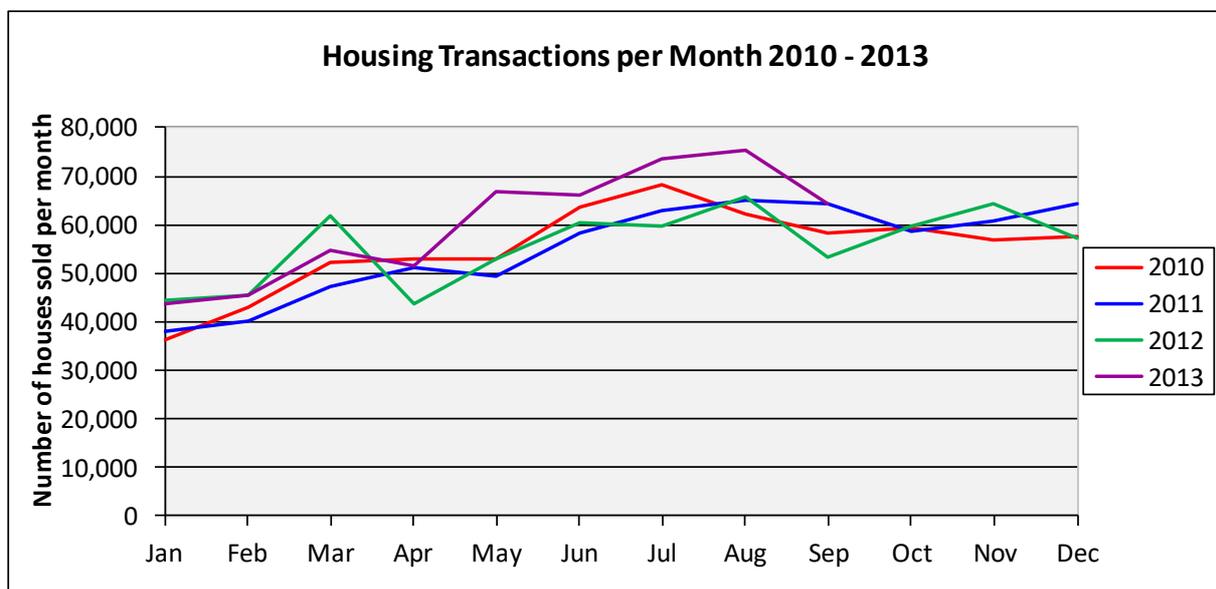


Figure 3. Number of properties sold per month in England & Wales, Jan 2010 – September 2013. Source Land Registry [link to source Excel](#)

We estimate that sales in 2013 show an increase of 12% in the number of properties sold compared to 2012. This increase in sales activity has come mainly from the first time buyer sector of the market.

Figure 3 also shows that in a typical year, housing transactions fall by 10% in September compared to the previous month. Many families take their summer holidays in August, with a consequent reduction in housing completions the following month. We believe this pattern applies this year, and estimate that there was a 12% fall in property sales in September 2013 compared to August 2013.

Figure 4 below places the current levels of housing transactions into an historical perspective. Although housing transactions in the first nine months of 2013 show an increase of 12% over 2012 levels, the market is still only running at 72% of the level of the long term average number of transactions over the last eighteen years – there is therefore still plenty of catching up to be done before the market returns to the levels seen prior to the banking crises. This also helps keep the housing bubble debate in perspective. We are still in recovery mode across much of England & Wales.

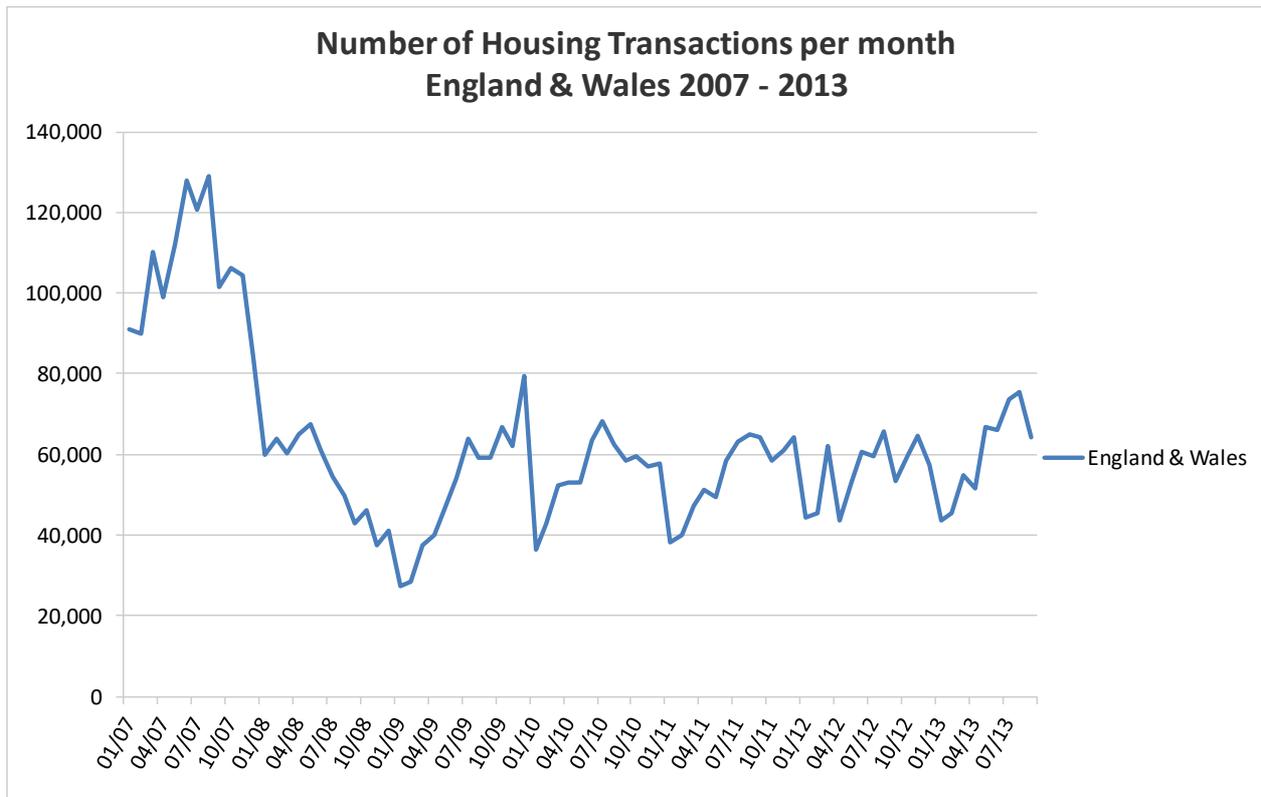


Figure 4. The number of housing transactions by month in England & Wales, 2007-2013 (not seasonally adjusted) [link to source Excel](#)

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 Acadametrics website www.acadametrics.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 Acadametrics 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, Economics Fellow Trinity College 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 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.

Comparison of indices

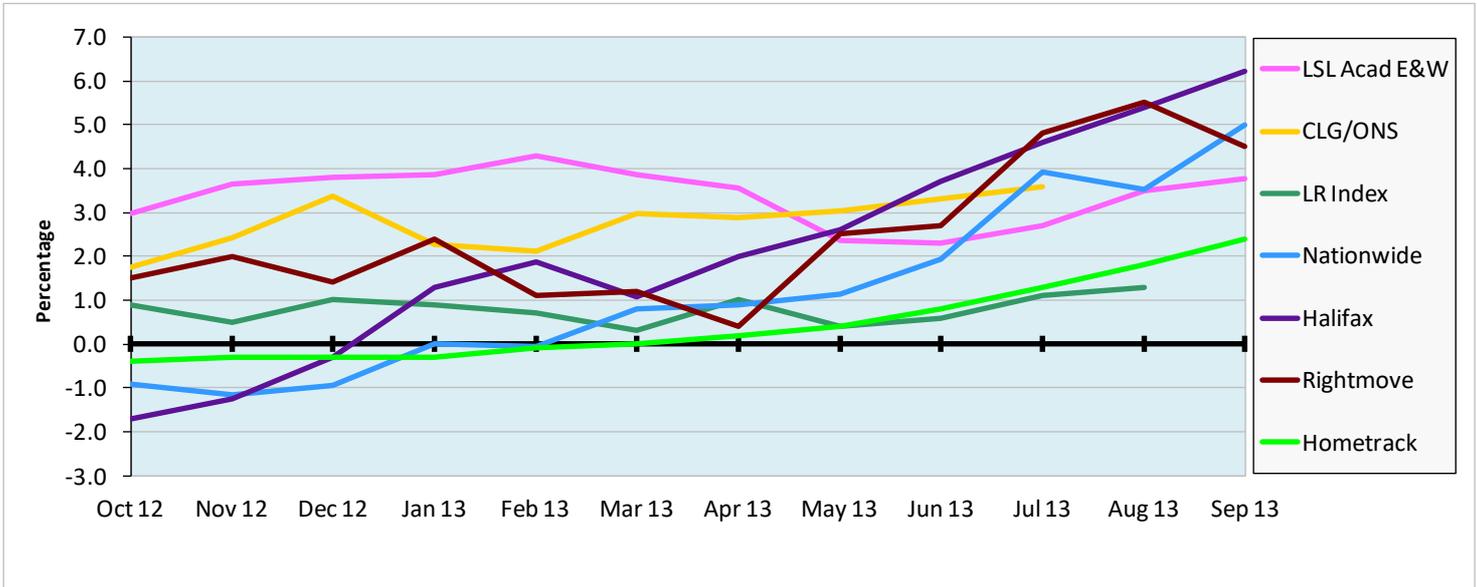


Figure 5. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

[link to source Excel](#)

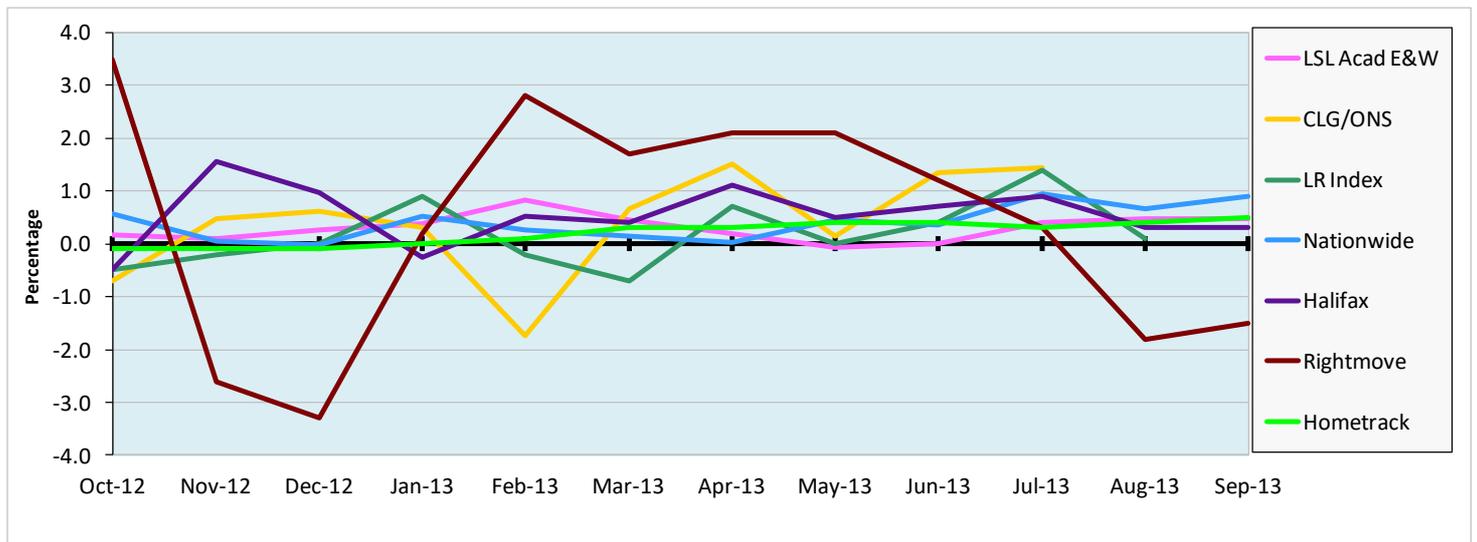


Figure 6. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

[link to source Excel](#)

The comparison of indices charts (figures 5 and 6) show that asking prices, mortgage approval prices and completion prices have been generally rising on an annual basis since the beginning of the year. Cash purchases remain strong at around 30% of transactions, although mortgage approvals are steadily increasing, reflecting lender confidence and competitive pressures. However, it does give some sense of the challenge to the Bank of England’s monitoring even at a national level. Tracking the performance of the market and deciding when bubbles exist (defined simply as house prices which are based on unrealistic expectations of future performance) is no easy task given the diversity of markets, measures and drivers.



As figure 7 shows, Greater London continues to dominate the housing market in terms of annual price change, with house price inflation more than double that of any other region of England & Wales. For the eighth month running, East Anglia takes second place, boosted by price growth in both Norfolk and Cambridgeshire. However, it is one of only two regions this month that are showing a slackening of pace compared to the previous month, the other being the North West. As noted already, Wales is now the only region in negative territory, with prices falling by 0.9%, although this is largely due to an increase in activity by first time buyers, which has had the effect of lowering the prices being paid in the purchase of a property.

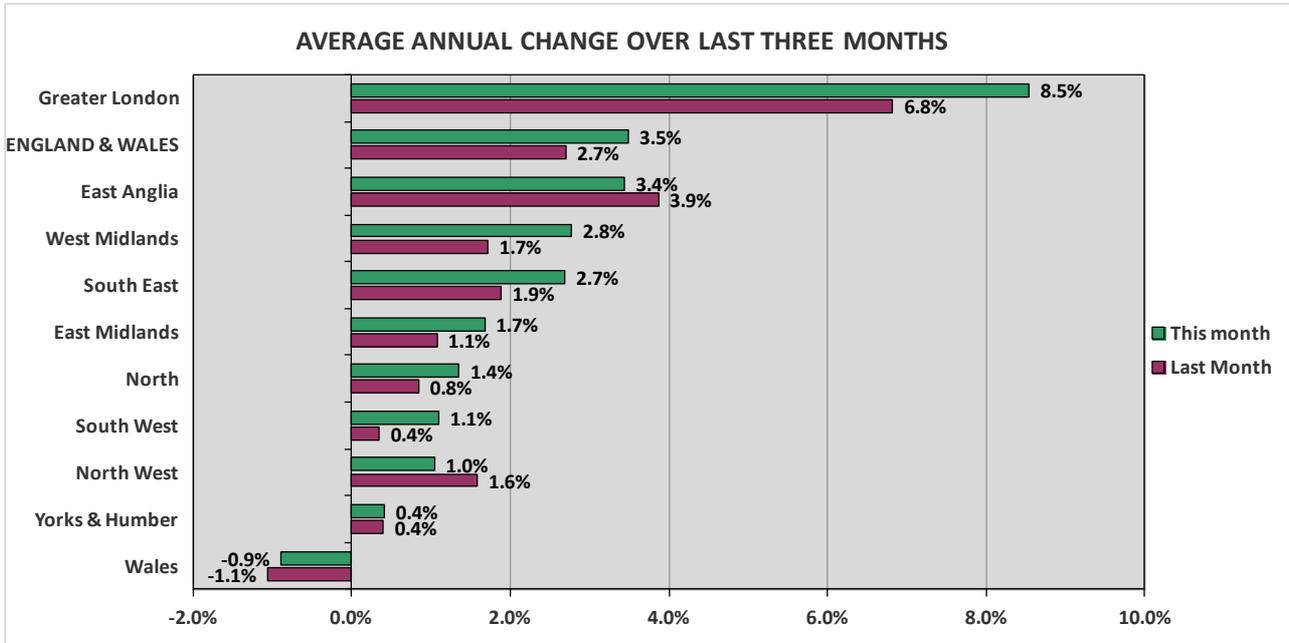


Figure 7. The annual change in the average house price, analysed by region

[link to source Excel](#)

ANNUAL CHANGE IN PRICE BY REGION

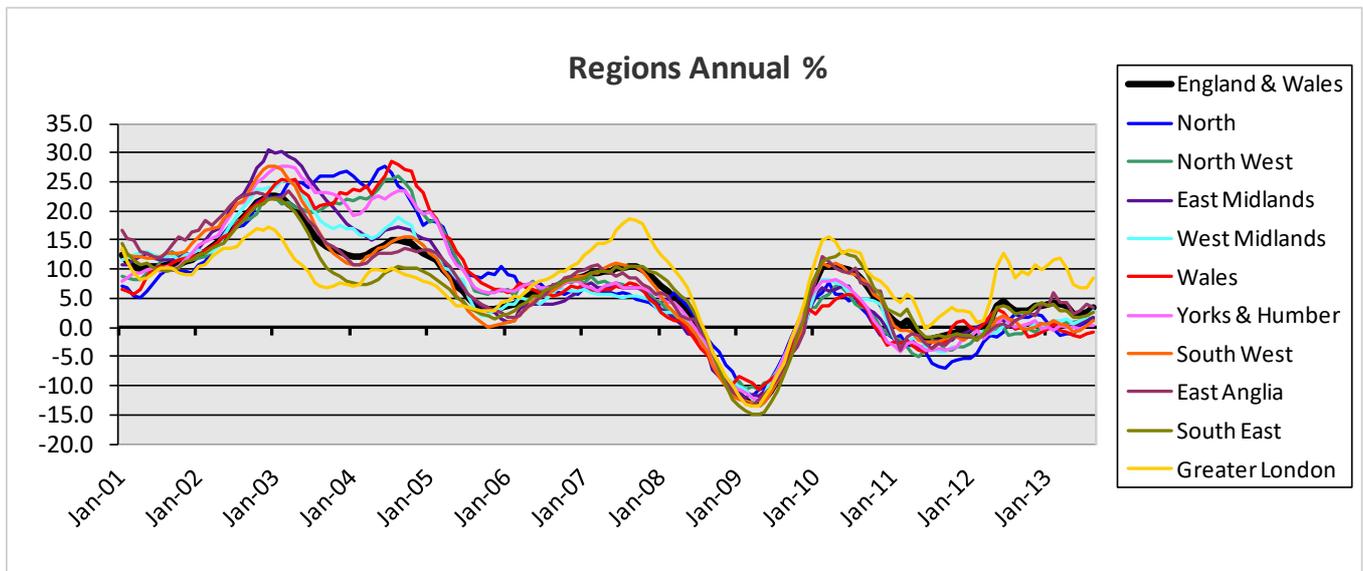


Figure 8. A comparison of the annual change in house prices, by region for the period January 2001 – August 2013

[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 August 2012 with July and August 2013. [link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	LONDON BOROUGH	Aug-12	Jul-13	Aug-13	Month % Change	Annual % Change
1	1	KENSINGTON AND CHELSEA	1,427,010	1,532,766	1,553,042	1.3%	8.8%
2	2	CITY OF WESTMINSTER	1,128,250	1,163,339	1,150,826	-1.1%	2.0%
3	3	CAMDEN	743,358	813,429	836,131	2.8%	12.5%
5	4	CITY OF LONDON	597,751	819,455	787,963	-3.8%	31.8%
4	5	HAMMERSMITH AND	661,769	741,879	755,371	1.8%	14.1%
6	6	RICHMOND UPON THAMES	563,831	641,973	650,582	1.3%	15.4%
8	7	WANDSWORTH	515,254	564,969	578,767	2.4%	12.3%
7	8	ISLINGTON	516,087	583,024	577,340	-1.0%	11.9%
9	9	BARNET	444,889	488,072	492,354	0.9%	10.7%
13	10	HARINGEY	408,955	467,496	487,891	4.4%	19.3%
10	11	MERTON	412,591	477,487	484,433	1.5%	17.4%
14	12	HACKNEY	407,222	448,960	453,585	1.0%	11.4%
12	13	SOUTHWARK	409,668	442,410	448,771	1.4%	9.5%
15	14	EALING	396,464	445,522	448,398	0.6%	13.1%
11	15	BRENT	411,821	434,552	443,282	2.0%	7.6%
17	16	LAMBETH	392,051	428,281	426,125	-0.5%	8.7%
16	17	KINGSTON UPON THAMES	394,144	398,986	398,591	-0.1%	1.1%
18	18	HOUNSLOW	365,590	377,440	385,180	2.1%	5.4%
19	19	TOWER HAMLETS	359,793	384,046	382,302	-0.5%	6.3%
20	20	HARROW	348,316	353,939	359,617	1.6%	3.2%
21	21	BROMLEY	330,864	338,145	339,895	0.5%	2.7%
25	22	GREENWICH	279,546	311,221	313,540	0.7%	12.2%
22	23	REDBRIDGE	303,614	305,307	313,463	2.7%	3.2%
23	24	ENFIELD	299,718	300,256	306,685	2.1%	2.3%
26	25	LEWISHAM	279,160	304,283	303,872	-0.1%	8.9%
24	26	HILLINGDON	292,285	291,354	293,531	0.7%	0.4%
28	27	WALTHAM FOREST	242,479	271,756	277,302	2.0%	14.4%
27	28	SUTTON	260,748	278,371	276,597	-0.6%	6.1%
29	29	CROYDON	242,220	256,800	257,619	0.3%	6.4%
30	30	HAVERING	239,413	253,539	257,501	1.6%	7.6%
31	31	NEWHAM	223,019	232,984	232,090	-0.4%	4.1%
32	32	BEXLEY	221,033	230,591	228,621	-0.9%	3.4%
33	33	BARKING AND DAGENHAM	178,174	185,686	185,002	-0.4%	3.8%
		ALL LONDON	420,677	452,260	456,586	1.0%	8.5%

Table 2 above shows the average house price by London borough for August 2012, July 2013 and August 2013. It also records the percentage change in these prices over the last month and year. On an annual basis, house prices have increased in all 33 London boroughs (last month it was 32 boroughs). This month, some 15 London boroughs, highlighted in grey above, are seeing peak prices (up from 12 last month), as is Greater London as a whole.

The Table demonstrates that the majority of the boroughs experiencing peak prices this month are at the higher end of the price spectrum in London. Among the top 15 boroughs ranked by price, 11 have set new peak levels, with only a further 4 boroughs setting new peak prices amongst the lowest 18 ranked by price. A similar picture emerges when looking at the annual price change for each borough. Of the top 14 London boroughs ranked by price, 13 have annual price changes in excess of the average 8.5% for London as a whole.

On a monthly basis house prices have risen in 22 boroughs and fallen in 11, with an overall average increase of 1.0%. The similar figures last month were 25 boroughs showing an increase in prices and 8 recording price falls, with an average increase of 0.7%. The borough with the highest increase in prices in the month was Haringey, where the average price of semi-detached properties almost doubled, assisted by the sale of a number of such properties in Highgate. The area with the largest fall in prices over the month was the City of London, down 3.8%, followed by the City of Westminster, down 1.1%, both probably due to the skewing effect of very expensive homes being sold in particular months.

Is London experiencing a housing bubble? Most commentators would probably agree that the City of London's annual price change at 31.8% is excessive. But we should note that the City of London has a very small number of housing transactions, typically about 20 per month, which tends to make percentage changes highly volatile; the average value



of each transaction, at £787,963, gives a clue as to the nature of this market (and is well in excess of the £600,000 threshold for the Help to Buy 2 mortgage guarantee scheme).

In Figure 9 below, we show the annual rate of change for Greater London over the period August 2011 to August 2013. As the graph shows, annual price growth in London was relatively low over the period August 2011 – March 2012, but then rose to 12.7% in June 2012, a month prior to the London Olympics. Price growth has remained at a level of between approximately 7 and 12% after this date. London’s price growth over the last four months has been lower than in the previous twelve, and overall prices in the capital reflect very strong demand.

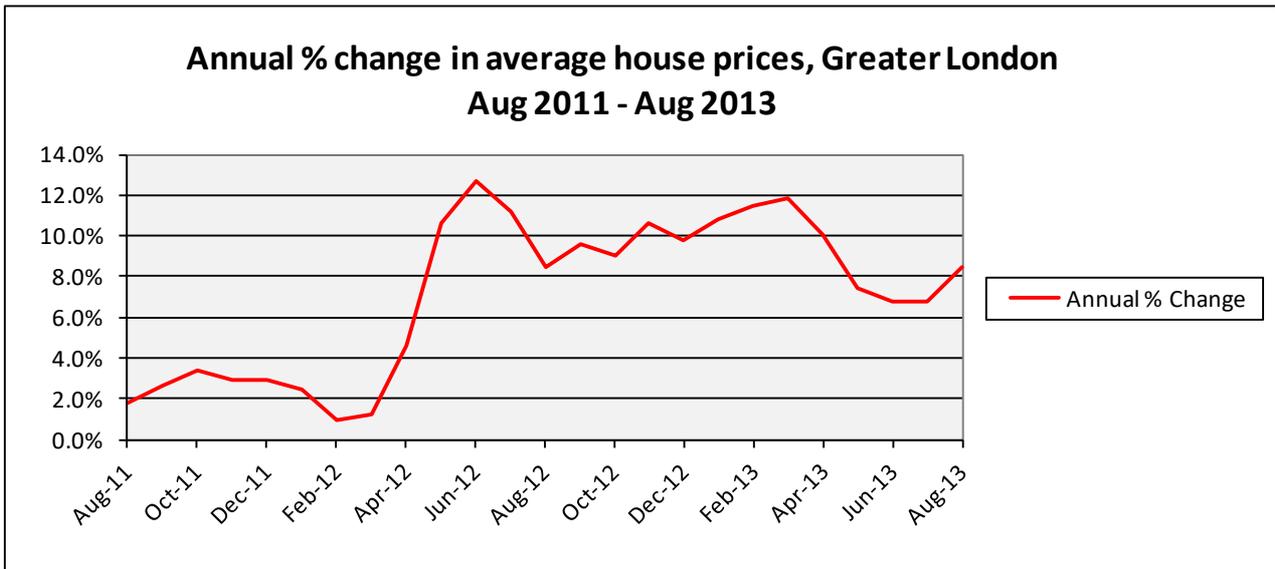


Figure 9. The annual change in average house prices in Greater London, August 2011 – August 2013

[link to source Excel](#)

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 August 2012 with July and August 2013 [link to source Excel](#)

PRIOR YR RANK	RANK BY PRICE	COUNTY / UNITARY AUTHORITY / REGION	Aug-12	Jul-13	Aug-13	Monthly change	Annual Change
17	16	CAMBRIDGESHIRE	245,030	247,898	252,835	2.0%	3.2%
71	70	CITY OF PETERBOROUGH	154,150	152,803	154,658	1.2%	0.3%
50	46	NORFOLK	179,391	188,987	189,156	0.1%	5.4%
42	41	SUFFOLK	199,824	204,943	204,276	-0.3%	2.2%
		EAST ANGLIA	200,316	205,928	207,203	0.6%	3.4%
86	80	CITY OF DERBY	140,880	146,866	144,112	-1.9%	2.3%
101	99	CITY OF NOTTINGHAM	109,812	114,485	111,239	-2.8%	1.3%
62	63	DERBYSHIRE	160,180	162,221	163,481	0.8%	2.1%
87	87	LEICESTER	138,609	135,769	136,276	0.4%	-1.7%
47	48	LEICESTERSHIRE	181,869	185,400	185,256	-0.1%	1.9%
74	71	LINCOLNSHIRE	151,678	152,797	154,379	1.0%	1.8%
52	52	NORTHAMPTONSHIRE	175,424	179,178	177,986	-0.7%	1.5%
67	65	NOTTINGHAMSHIRE	155,756	158,421	158,401	0.0%	1.7%
14	10	RUTLAND	267,742	273,665	286,378	4.6%	7.0%
		EAST MIDLANDS	159,802	162,420	162,481	0.0%	1.7%
		GREATER LONDON	420,677	452,260	456,586	1.0%	8.5%
61	58	CUMBRIA	164,844	168,181	171,925	2.2%	4.3%
91	90	DARLINGTON	129,949	132,059	132,378	0.2%	1.9%
98	97	DURHAM	119,210	118,487	118,383	-0.1%	-0.7%
96	96	HARTLEPOOL	122,334	118,470	119,933	1.2%	-2.0%
99	100	MIDDLESBROUGH	118,619	110,996	108,938	-1.9%	-8.2%
59	53	NORTHUMBERLAND	165,873	173,512	175,444	1.1%	5.8%
95	95	REDCAR AND CLEVELAND	122,629	122,684	121,801	-0.7%	-0.7%
73	79	STOCKTON-ON-TEES	151,899	147,147	145,043	-1.4%	-4.5%
88	85	TYNE AND WEAR	136,722	138,736	138,801	0.0%	1.5%
		NORTH	140,702	141,957	142,609	0.5%	1.4%
97	98	BLACKBURN WITH DARWEN	121,502	117,850	115,365	-2.1%	-5.1%
104	104	BLACKPOOL	98,227	103,719	102,079	-1.6%	3.9%
38	36	CHESHIRE	205,728	209,960	210,708	0.4%	2.4%
79	75	GREATER MANCHESTER	147,568	148,877	149,691	0.5%	1.4%
89	84	HALTON	135,085	139,410	140,181	0.6%	3.8%
81	78	LANCASHIRE	145,704	147,066	146,239	-0.6%	0.4%
85	83	MERSEYSIDE	141,072	140,957	140,708	-0.2%	-0.3%
45	45	WARRINGTON	187,994	186,934	190,049	1.7%	1.1%
		NORTH WEST	151,708	153,109	153,296	0.1%	1.0%
30	28	BEDFORDSHIRE	213,742	217,440	218,247	0.4%	2.1%
12	9	BRACKNELL FOREST	270,102	291,040	295,068	1.4%	9.2%
10	12	BRIGHTON AND HOVE	276,059	277,986	275,402	-0.9%	-0.2%
3	3	BUCKINGHAMSHIRE	365,056	362,621	363,484	0.2%	-0.4%
21	22	EAST SUSSEX	235,163	236,039	234,125	-0.8%	-0.4%
16	17	ESSEX	245,049	248,483	251,269	1.1%	2.5%
13	13	HAMPSHIRE	268,214	273,492	272,424	-0.4%	1.6%
4	6	HERTFORDSHIRE	325,476	334,134	335,115	0.3%	3.0%
43	43	ISLE OF WIGHT	195,999	195,309	200,077	2.4%	2.1%
18	18	KENT	244,051	248,583	249,891	0.5%	2.4%
65	66	LUTON	156,126	156,030	158,193	1.4%	1.3%
58	59	MEDWAY	166,098	172,276	170,844	-0.8%	2.9%
26	34	MILTON KEYNES	215,277	214,776	211,134	-1.7%	-1.9%
6	4	OXFORDSHIRE	317,344	336,051	343,503	2.2%	8.2%

Counties and unitary authorities



60	60	PORTSMOUTH	164,973	168,910	170,737	1.1%	3.5%
19	20	READING	241,921	238,046	240,557	1.1%	-0.6%
37	29	SLOUGH	207,414	217,670	216,471	-0.6%	4.4%
56	62	SOUTHAMPTON	168,653	164,504	165,165	0.4%	-2.1%
44	35	SOUTHEND-ON-SEA	195,942	208,295	210,813	1.2%	7.6%
2	2	SURREY	394,038	415,351	413,998	-0.3%	5.1%
49	49	THURROCK	180,322	182,217	183,378	0.6%	1.7%
8	8	WEST BERKSHIRE	299,061	309,084	303,770	-1.7%	1.6%
11	11	WEST SUSSEX	270,739	274,726	276,459	0.6%	2.1%
1	1	WINDSOR AND MAIDENHEAD	421,836	442,956	434,346	-1.9%	3.0%
5	5	WOKINGHAM	322,955	333,284	335,273	0.6%	3.8%
		SOUTH EAST	271,325	277,902	278,620	0.3%	2.7%
7	7	BATH AND NORTH EAST SOMERSET	310,914	306,753	321,019	4.7%	3.3%
29	27	BOURNEMOUTH	214,536	226,769	221,691	-2.2%	3.3%
25	26	CITY OF BRISTOL	217,035	222,000	224,522	1.1%	3.4%
68	69	CITY OF PLYMOUTH	155,600	156,771	154,858	-1.2%	-0.5%
24	25	CORNWALL	220,127	225,256	226,594	0.6%	2.9%
22	21	DEVON	234,036	235,381	237,116	0.7%	1.3%
15	14	DORSET	260,777	259,958	261,575	0.6%	0.3%
23	23	GLOUCESTERSHIRE	229,318	228,890	230,834	0.8%	0.7%
27	32	NORTH SOMERSET	215,031	214,828	214,342	-0.2%	-0.3%
9	15	POOLE	282,958	258,842	260,380	0.6%	-8.0%
40	40	SOMERSET	202,634	204,691	207,407	1.3%	2.4%
36	38	SOUTH GLOUCESTERSHIRE	208,379	209,694	208,712	-0.5%	0.2%
54	55	SWINDON	169,369	171,921	174,259	1.4%	2.9%
51	50	TORBAY	179,143	183,738	182,973	-0.4%	2.1%
20	19	WILTSHIRE	241,474	240,920	241,325	0.2%	-0.1%
		SOUTH WEST	223,369	224,503	225,824	0.6%	1.1%
108	108	BLAENAU GWENT	77,174	83,352	82,740	-0.7%	7.2%
90	88	BRIDGEND	134,125	136,854	136,158	-0.5%	1.5%
94	94	CAERPHILLY	122,842	122,961	122,337	-0.5%	-0.4%
48	47	CARDIFF	181,144	181,636	185,289	2.0%	2.3%
82	91	CARMARTHENSHIRE	142,330	130,425	129,784	-0.5%	-8.8%
46	51	CEREDIGION	183,544	182,746	181,873	-0.5%	-0.9%
69	64	CONWY	155,449	160,867	160,615	-0.2%	3.3%
84	89	DENBIGHSHIRE	141,971	132,182	133,314	0.9%	-6.1%
66	81	FLINTSHIRE	156,032	147,757	143,461	-2.9%	-8.1%
80	76	GWYNEDD	146,848	151,512	149,335	-1.4%	1.7%
64	67	ISLE OF ANGLESEY	157,142	156,541	158,134	1.0%	0.6%
106	106	MERTHYR TYDFIL	95,508	97,991	96,732	-1.3%	1.3%
32	30	MONMOUTHSHIRE	213,012	217,217	215,415	-0.8%	1.1%
102	102	NEATH PORT TALBOT	107,776	104,957	105,904	0.9%	-1.7%
72	74	NEWPORT	152,054	151,004	151,673	0.4%	-0.3%
55	57	PEMBROKESHIRE	169,077	172,315	172,399	0.0%	2.0%
57	56	POWYS	166,762	174,182	173,542	-0.4%	4.1%
103	103	RHONDDA CYNON TAFF	106,150	104,682	103,388	-1.2%	-2.6%
78	82	SWANSEA	147,956	146,645	142,121	-3.1%	-3.9%
33	39	THE VALE OF GLAMORGAN	212,351	208,464	208,253	-0.1%	-1.9%
92	93	TORFAEN	127,508	128,277	127,659	-0.5%	0.1%
70	77	WREXHAM	155,304	147,867	148,365	0.3%	-4.5%
		WALES	151,360	150,389	150,016	-0.2%	-0.9%
34	31	HEREFORDSHIRE	210,341	213,483	214,632	0.5%	2.0%
41	44	SHROPSHIRE	201,883	199,036	199,776	0.4%	-1.0%



53	54	STAFFORDSHIRE	172,056	172,781	175,094	1.3%	1.8%
107	105	STOKE-ON-TRENT	93,317	98,536	98,094	-0.4%	5.1%
28	24	WARWICKSHIRE	214,635	223,634	227,450	1.7%	6.0%
76	68	WEST MIDLANDS	149,104	154,085	155,266	0.8%	4.1%
39	42	WORCESTERSHIRE	205,516	201,672	202,174	0.2%	-1.6%
77	72	WREKIN	148,778	154,687	153,486	-0.8%	3.2%
		WEST MIDLANDS	169,518	172,818	174,219	0.8%	2.8%
105	107	CITY OF KINGSTON UPON HULL	97,227	95,851	92,771	-3.2%	-4.6%
63	61	EAST RIDING OF YORKSHIRE	158,411	165,910	165,240	-0.4%	4.3%
100	101	NORTH EAST LINCOLNSHIRE	109,995	109,236	108,156	-1.0%	-1.7%
93	92	NORTH LINCOLNSHIRE	126,581	127,708	128,321	0.5%	1.4%
31	33	NORTH YORKSHIRE	213,145	212,413	212,943	0.2%	-0.1%
83	86	SOUTH YORKSHIRE	142,025	137,857	138,242	0.3%	-2.7%
75	73	WEST YORKSHIRE	149,806	152,143	152,511	0.2%	1.8%
35	37	YORK	208,766	211,092	210,485	-0.3%	0.8%
		YORKS & HUMBER	154,155	154,728	154,797	0.0%	0.4%
		ALL ENGLAND & WALES	226,510	233,303	234,407	0.5%	3.5%

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 August 2012, July 2013 and August 2013. It also records the percentage change in these prices over the last month and year.

We can highlight several trends. Firstly, on an annual basis, prices have increased in 73 unitary authority areas (last month 66) and fallen in 35 (last month 42). Thus prices are rising in just over two-thirds of the unitary authorities across the country. The area with the highest change in average house prices among the unitary authorities on an annual basis is Bracknell Forest, up 9.2%. Here, the most popular types of property are terraces, followed by detached homes. It is the latter which have seen significant price rises over the last year, thus putting Bracknell Forest at the top of the price growth league for the third month running. Bracknell Forest is followed by Oxfordshire, where prices have risen by 8.2%, but here it is the price of terraces and semi-detached properties which have seen the highest increases. The area with the largest fall in average prices over the year is Carmarthenshire, where prices fell by 8.8%, largely the result of a reduction in the average sale price of detached homes.

Secondly, looking at the change in prices over the last month from July 2013 to August 2013, there have been falls in 49 of the 108 unitary authority areas. Last month the equivalent figure was 44 unitary authorities with price falls, indicating that there has been a slight weakening in house prices across almost half of England & Wales.

The unitary authority area with the highest change in monthly prices is Bath and North East Somerset, where prices rose by 4.7%, with terraced properties seeing the highest increase in average prices. The unitary authority area with the largest decline in house prices over the month is Kingston upon Hull, down 3.2%. Kingston upon Hull has the lowest property prices of all the unitary authority areas in England, with the average price of a flat at £60k, of which 5 were purchased in August. By way of contrast, the price of flats in Kensington & Chelsea currently averages £1.3m, of which 180 were purchased in August.

Finally, this month there are six unitary authorities in which a new peak price has been set (last month there were three); in the South East region we have Bracknell Forest, Hertfordshire, Oxfordshire and Southend-on-Sea, and in the South West we have Bath and North East Somerset and the City of Bristol.

Conclusion

It is impossible to write any commentary on housing prices this month without reflecting on policy developments. The Help to Buy 2 scheme through which the government is moving to provide lenders with guarantees to encourage more higher loan-to-value lending has been brought forward to this month: this is intensifying debates about market stimuli and house price bubbles. At this stage in the cycle and outside of a small number of select markets in London and the South East, the intervention is not likely to trigger a bubble. Indeed given the Bank's remit, both with respect to the policy itself and the housing market as a whole, we could expect to see steps taken to ease back on the scheme and tighten market controls if evidence of bubbles does emerge. Mark Carney, the Bank of England Governor, was very clear on this in a recent speech:



“The Bank of England is acutely aware of the risk of unsustainable credit and house price growth and will be monitoring it closely. The important thing to recognise is that we now have tools other than interest rates that can be used to contain risks in the property and financial sectors.”

Of course, having the tools and monitoring the market is not the same as doing something, and the BoE has to weigh making an intervention very carefully because of the precedents it sets. One key issue is how the Bank might monitor the market. As shown earlier, the LSL Acadametrics house price index comparison demonstrates huge variation in the different indices, all measuring different things at different times. So which measure or measures will the Bank use? It has tended to work from the government and mortgage lender indices, all of which have their strengths and weaknesses in terms of timing, of what they measure, and of the granularity of their coverage. While having a consistent measure is important, so too is the question of whether it is telling the Bank what is really happening in the market they are monitoring. There are strong grounds for asserting that the current approach needs further refinement if the Bank is to be on top of the tasks the Governor sets out.

He also recently delivered a warning to home owners about the risks of rising interest rates. People should check to see if they could still afford the repayments on their home loans, and he said, "rates rise, as they will, when the recovery takes hold". Few would disagree with that but it does sit slightly uncomfortably with the push for higher LTV loans under Help to Buy.

The UK first time buyer market has been driven by 90-95% LTV loans over the last 30 or more years. The median LTV over that period for first time buyers has been 90% and in over a third of the years it was 95%. Savills early estimates of Help to Buy 2 suggest that although it has the potential to support nearly 900,000 loans over 3 years, both lender constraints and pricing, along with borrower reluctance and choosing other products will bring that down to 490,000, of which perhaps 110,000 will be first time buyers. Savills see current mortgage prisoners and remortgaging as dominating the scheme. If that is correct, the main impact will be on boosting transactions and activity rather than directly helping people onto the ladder.

Help to Buy 2 is firmly in the political headlights and we have already seen the consequence in terms of the earlier start. Given this and the Bank's role the scheme does run the risk of being tinkered with on a regular basis creating uncertainty for both lenders and borrowers. It is hard to gauge how many lenders will participate – some suggest possibly a dozen, representing perhaps 90% of mortgage market provision.

So although the market outlook is for more transactions and continued price rises spreading slowly across the UK, we do have considerable uncertainties regarding the different interventions in the market, their role and the consequences of changes and termination. Some may feel a little daunted by the medium term prospect of rate rises. However, looked at another way we see the market moving forward, access increasing and borrowing costs relatively low – it does suggest that those who can buy should, if they so wish, with the added comfort that the government and the Bank need to make a success of their engagement with the market.

Regional data table



Table 4. Average house prices by region, September 2012 – September 2013, 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
Sep-12	£140,484	-0.2	1.9	£150,850	-0.6	-1.2	£160,354	0.3	0.1	£169,528	0.0	0.0
Oct-12	£141,803	0.9	1.7	£151,712	0.6	-0.2	£161,027	0.4	0.6	£170,112	0.3	-0.3
Nov-12	£141,833	0.0	2.3	£149,802	-1.3	-0.9	£161,519	0.3	0.7	£170,061	0.0	0.6
Dec-12	£140,663	-0.8	2.0	£150,104	0.2	0.0	£160,920	-0.4	0.6	£170,778	0.4	0.2
Jan-13	£139,861	-0.6	0.7	£150,807	0.5	0.2	£161,281	0.2	0.4	£171,735	0.6	0.5
Feb-13	£141,328	1.0	-0.2	£152,863	1.4	0.5	£163,135	1.1	1.0	£173,166	0.8	1.2
Mar-13	£142,000	0.5	-1.4	£152,532	-0.2	0.2	£162,356	-0.5	0.4	£172,298	-0.5	1.2
Apr-13	£141,915	-0.1	-1.0	£152,295	-0.2	0.9	£162,195	-0.1	0.4	£171,649	-0.4	1.6
May-13	£140,270	-1.2	-1.2	£151,635	-0.4	0.9	£161,098	-0.7	0.0	£170,565	-0.6	0.6
Jun-13	£141,279	0.7	0.1	£152,736	0.7	1.0	£162,309	0.8	0.6	£172,009	0.8	1.2
Jul-13	£141,957	0.5	0.8	£153,109	0.2	1.6	£162,420	0.1	1.1	£172,818	0.5	1.7
Aug-13	£142,609	0.5	1.4	£153,296	0.1	1.0	£162,481	0.0	1.7	£174,219	0.8	2.8

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Sep-12	£151,968	0.4	0.0	£154,347	0.1	0.3	£221,415	-0.9	-0.4	£201,386	0.5	1.6
Oct-12	£152,619	0.4	-1.5	£154,293	0.0	0.7	£221,997	0.3	-0.2	£202,941	0.8	2.5
Nov-12	£152,557	0.0	-1.3	£154,310	0.0	1.0	£220,752	-0.6	-0.1	£200,707	-1.1	2.1
Dec-12	£152,329	-0.1	-0.8	£153,736	-0.4	-0.1	£223,127	1.1	0.7	£203,393	1.3	4.1
Jan-13	£151,550	-0.5	-0.3	£154,116	0.2	0.0	£223,122	0.0	0.6	£202,582	-0.4	3.6
Feb-13	£153,380	1.2	0.7	£153,822	-0.2	-0.7	£224,166	0.5	1.2	£206,715	2.0	5.9
Mar-13	£152,706	-0.4	-0.5	£154,108	0.2	0.3	£223,451	-0.3	0.7	£205,887	-0.4	4.2
Apr-13	£152,330	-0.2	-1.0	£154,779	0.4	0.0	£223,854	0.2	0.4	£207,142	0.6	4.2
May-13	£151,015	-0.9	-1.5	£155,013	0.2	0.1	£223,954	0.0	-0.7	£205,176	-0.9	2.4
Jun-13	£150,321	-0.5	-1.5	£155,324	0.2	-0.2	£223,591	-0.2	-0.5	£205,141	0.0	2.9
Jul-13	£150,389	0.0	-1.1	£154,728	-0.4	0.4	£224,503	0.4	0.4	£205,928	0.4	3.9
Aug-13	£150,016	-0.2	-0.9	£154,797	0.0	0.4	£225,824	0.6	1.1	£207,203	0.6	3.4

	South East			Greater London			ENGLAND & WALES			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Sep-12	£270,942	-0.1	2.6	£426,483	1.4	9.6		£227,008	0.2	3.0
Oct-12	£270,363	-0.2	2.6	£427,031	0.1	9.0		£227,382	0.2	3.0
Nov-12	£270,473	0.0	3.6	£431,777	1.1	10.6		£227,613	0.1	3.6
Dec-12	£271,932	0.5	4.3	£431,486	-0.1	9.8		£228,209	0.3	3.8
Jan-13	£272,172	0.1	3.7	£437,029	1.3	10.8		£229,104	0.4	3.9
Feb-13	£274,414	0.8	4.0	£440,078	0.7	11.5		£230,987	0.8	4.3
Mar-13	£276,041	0.6	2.8	£447,137	1.6	11.8		£232,026	0.4	3.8
Apr-13	£277,121	0.4	2.9	£448,506	0.3	10.1		£232,497	0.2	3.6
May-13	£277,551	0.2	1.8	£450,335	0.4	7.4		£232,362	-0.1	2.4
Jun-13	£276,393	-0.4	1.7	£449,753	-0.1	6.8		£232,381	0.0	2.3
Jul-13	£277,902	0.5	1.9	£452,260	0.6	6.8		£233,303	0.4	2.7
Aug-13	£278,620	0.3	2.7	£456,586	1.0	8.5		£234,407	0.5	3.5
Sep-13								£235,534	0.5	3.8



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, CLG/ONS and LR) can be prepared only when the prices at which properties have been transacted have been recorded at LR (LSL Acad E&W HPI and LR) or when firm prices at mortgage completion (CLG/ONS) 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. LSL Acad E&W HPI overcomes the above 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; of the price series, LSL Acad E&W HPI, LR and CLG/ONS are published in that order.
3. LSL Acad E&W HPI 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.38% (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 LSL Acad E&W HPI result. Rather than rely upon a small sample, likely to be unrepresentative, LSL Acad E&W HPI 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.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); only CLG/ONS 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 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 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/ONS 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. LSL Acad E&W HPI 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 LSL Acad E&W HPI 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; LSL Acad E&W HPI 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 LSL Acad E&W HPI, together with historic data are available from Acadametrics 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.

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