

LSL Property Services/Acadameetrics

House Price Index

JULY 2011

STRICTLY UNDER EMBARGO UNTIL 00.01 FRIDAY 12TH AUGUST



Prices fall to lowest level in 19 months

- Prices fall only 0.1% but reach lowest level since December 2009 following a 3% drop in Q2 2011
- Transactions down 5.9% year on year as cheap mortgage deals fail to stimulate demand
- Amongst regions, London alone has seen consistent price growth in the last 4 years

David Brown, commercial director of LSL Property Services, comments:

“The fact that prices have only fallen by 0.1% means the steep declines seen between April and June have ceased. Transactions met their expected seasonal rise of 5% in July. This indicates that the market is not falling off a cliff in the short-term, but that it remains weak in the longer term. The number of properties sold in Q2 2011 was 5.9% down on the same period of 2010. This is primarily a result of the continuing restriction on demand from tight mortgage lending criteria. Lenders worried about the economic picture in the UK and beyond are reluctant to return to high-volume lending at high LTVs.

“But this hasn’t stopped lenders taking advantage of low interest rates to compete for market share of borrowers who are considered a safe bet. Below 70% LTV, there are now five year fixed rate deals below 3.4% and for many buyers stagnant prices and increasingly affordable mortgages make for great opportunities to lock into deals at an unprecedentedly low cost. Those able to convince lenders they are a low-risk borrower are taking their chance to get onto the market at a favourable time and this has driven transactions for larger properties. The 22% growth in mortgage lending for house purchase announced this week by the CML is testament to this. Of all types of property, flats have shown the weakest growth in transactions. This indicates that the first-time buyers who would normally be driving the market for smaller properties remain excluded from the market.

“Since 2007, only Greater London has seen a rise in property prices, but even this 5.6% rise over the last four years means prices in the capital have fallen 7.5% in real terms. Nationally, prices have fallen in real terms by just over 17%. This has significantly reduced homeowners’ ability to fund additional spending through equity release, but means cash buyers and low LTV borrowers will find property great value.”

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

House prices continue to fall on an annual basis



Table 1. Average House Prices in England & Wales for the period August 2010 - July 2011

		House Price	Index	Monthly Change %	Annual Change %
August	2010	£223,969	228.0	0.4	8.5
September	2010	£223,877	227.9	0.0	7.0
October	2010	£223,019	227.1	-0.4	5.3
November	2010	£221,499	225.5	-0.7	4.3
December	2010	£221,520	225.5	0.0	2.3
January	2011	£222,106	226.1	0.3	1.0
February	2011	£223,883	227.9	0.8	0.2
March	2011	£224,285	228.3	0.2	0.9
April	2011	£222,639	226.7	-0.7	0.6
May	2011	£219,932	223.9	-1.2	-0.7
June	2011	£217,426	221.4	-1.1	-2.3
July	2011	£217,300	221.2	-0.1	-2.6

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

“The average price of a home in England & Wales at the end of July was £217,300, a level last seen in December 2009. The market is moving backwards, taking with it the modest gains seen in 2010 and in the early months of 2011. That said, the July 2011 price is still significantly higher than the £200,234 to which the average fell in April 2009, at the low point in the last recession.

“The LSL/Acadametrics Index slipped to 221.2 in July, from 221.4 in June, with a -0.1% monthly fall in prices. This fall was much less than had occurred in the previous three months. Likewise, with a fall in July to -2.6%, compared with the June fall of -2.3%, the rate of decline on an annual basis is slowing.

“On an annual basis, prices in the majority of unitary authorities in England and Wales (85 of the 108) are falling; the exceptions to this rule continue to be the inner boroughs of London and the more affluent areas elsewhere. Table 5 shows the annual change in prices across the regions averaging -2.6%, with all the regions, except the North and North-West, experiencing further declines this month.

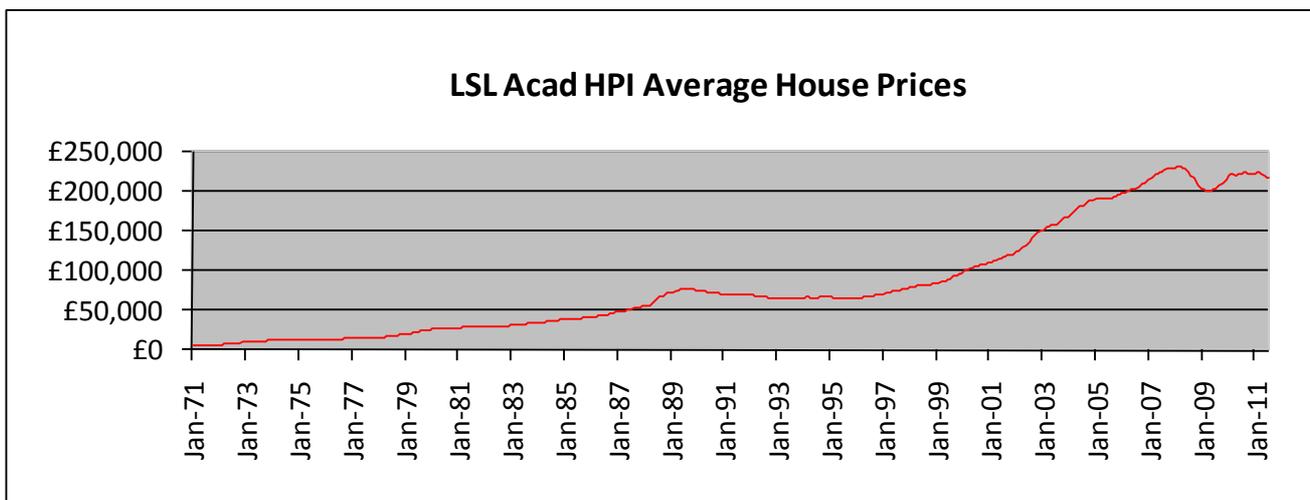


Figure 1. Average house prices, Jan 1971 – Jan 2011. (The graph & price series are available on the Acadametrics website).

“As Figure 1 demonstrates, over the period 1997 – 2008, house price movements have been largely positive, with the purchase of a property being close to a ‘one-way’ bet in terms of an investment opportunity. Buyers were keen to get onto the property ladder since even a month of delay could mean having to pay a yet higher price. Our chart shows how, in the summer of 2007, the market peaked and prices started to fall. From then on, the notion that houses were a safe investment began to fade. On page 10 of this month’s News Release, we look at the returns purchasers are likely to have made on a purchase of property over the last five years.

“Over the past 15 years, the number of properties sold in England & Wales in July has averaged 102,800. Figure 2 below shows that monthly sales now range around 60,000 - some 40% less. Not since the summer of 2007 do we find a July in which more than 100,000 properties were sold.

“Figures 3 & 4 below show that all indices have trended down since August 2010 and are now in or close to negative territory. Even though Nationwide and Halifax both reported marginal increases for July (0.2% and 0.3% respectively) there is little to suggest the market will change greatly in the next few months. Clearly, recent events continue to erode both confidence and the prospects for growth in house prices or indeed for the wider economy. Having said that, the costs of mortgages have recently fallen and loans have become more readily available with a strong suggestion that the core problem at present in the housing market is a lack of demand - itself a reflection of the difficult circumstances many would-be buyers find themselves in with respect to jobs and incomes.

“Although the housing market in England & Wales is depressed, it is very clear that in some areas and for some properties there is an active market with rising prices. Market segmentation is strengthening with some markets being underpinned by high numbers of cash buyers. Although there has been a shift from owning to renting, it is clear that there is still an underlying appetite to own a house and the question in part is how to translate that hidden demand into activity. More innovative mortgage products will help but a stronger outlook for the UK economy is the essential key. Little wonder that Whitehall is very focussed on its review of growth prospects and of ways to stimulate activity.



“As we write, the loss by the USA of its triple A status and, even more so, the political and financial crisis in Europe threaten the world economy and components such as the UK housing market. Were the economic news to improve and were the rate of price falls to continue to slow over the next few months, activity could pick up. As things stand, it is hard to see how the 2011 market forecasts for £140 billion of gross lending and some 750,000 transactions for England & Wales by year end will be met, given half year figures of £63.7 billion and 262,000 respectively. The next three months will be critical.”

Housing Transactions - quarter on quarter movement

Based on the average number of transactions per quarter over the last 15 years, we might have expected the number of properties sold in England & Wales to increase by 26% in the second quarter of the year (April - June) when compared with the first quarter (January - March). This year is no exception and, despite historically low volumes, Table 2 shows that the increase in the number of transactions between the first two quarters is coming in on target at 26%.

Table 2 Reported number of transactions at the end of July 2011 for April to June 2011 compared with the reported number of transactions at the end of April 2011 for Jan 2011 to Mar 2011

3 months	YORKS & HUMBERSIDE	SOUTH WEST	EAST MIDLANDS	NORTH	WEST MIDLANDS	ENGLAND & WALES	EAST ANGLIA	NORTH WEST	SOUTH EAST	WALES	GREATER LONDON
Q1 2011	9,595	12,626	9,314	5,863	9,861	116,835	5,951	11,918	28,987	5,456	17,264
Q2 2011	12,847	16,853	12,407	7,615	12,600	146,924	7,471	14,908	36,117	6,624	19,482
% change	34%	33%	33%	30%	28%	26%	26%	25%	25%	21%	13%

Table 3 As Table 2 by property type

3 months	DETACHED	SEMI-DETACHED	TERRACED	FLATS	ALL PROPERTY TYPES
Q1 2011	26,284	32,743	35,198	22,610	116,835
Q2 2011	34,530	42,939	43,961	25,494	146,924
% change	31%	31%	25%	13%	26%

Tables 2 & 3 show the percentage change in the number of housing transactions between Q1 2011 and Q2 2011, analysed by region and by property type. In eight of the ten regions, the numbers of properties being sold are either close to, or in excess of, the average increase of 26%, with the exception of Greater London where transactions have increased by a much lower 13%. With regard to property types, we can see that detached and semi-detached property sales are running at an above average rate whilst the market for flats is subdued. Since Greater London accounts for a relatively high proportion of all flats sold, these two statistics may well be describing the same phenomenon, to wit that flats are currently the weakest sector of the property market and that this is the case despite the upsurge in the buy to let (BTL) market. It does support the view that BTL does not drive the market.

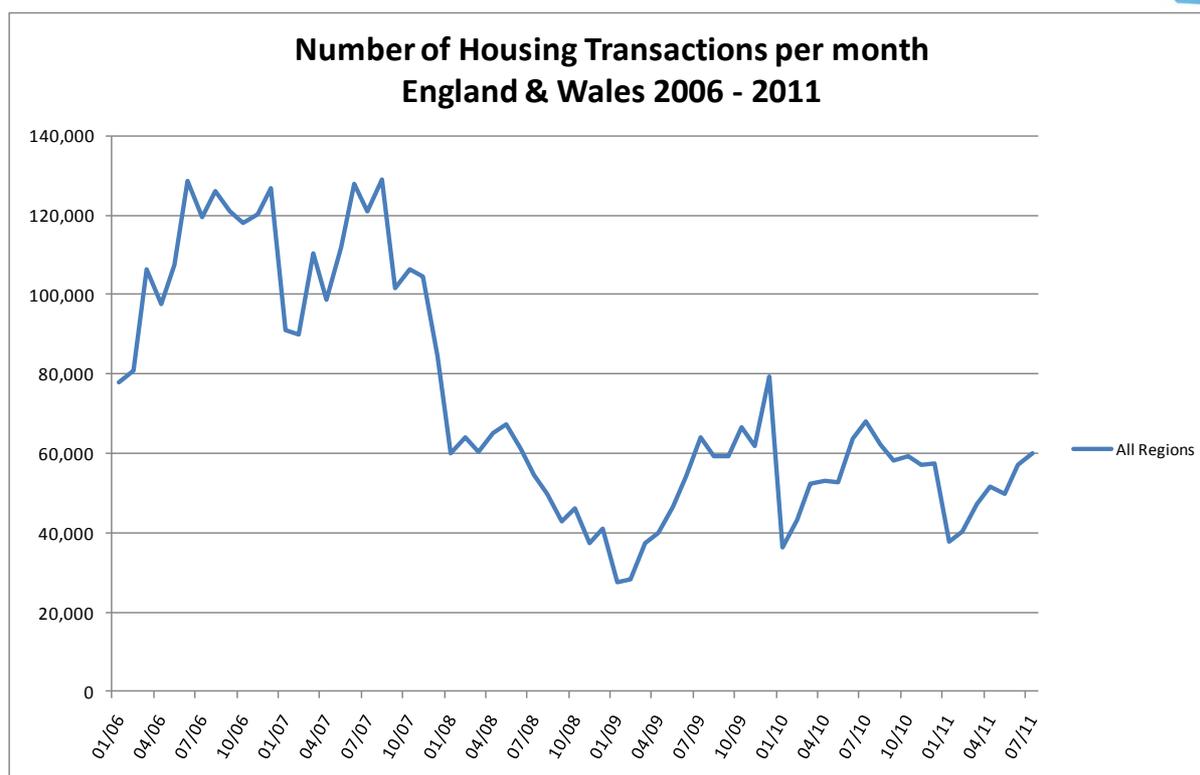


Figure 2. The number of housing transactions by month in England and Wales, 2006 – 2011 (not seasonally adjusted)

We estimate that housing transactions in England & Wales in July 2011 will total 60,000. This level represents a 5% increase over our revised estimate for June and is close to the typical increase of 4% month on month at this time of year. However, at 58%, transactions continue to be running at less than two thirds of the long term average.

NOTES

- LSL Acad HPI 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
 LSL Acad HPI is a price series as opposed to a value series.
- the current month LSL Acad 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.
- LSL Acad 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 HPI “ultimate” data. All LSL Acad 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.
- 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 HPI “forecast”, compares with the LSL Acad HPI, once sufficient factual Land Registry data have replaced forecast data, to enable LSL Acad HPI to approach the “ultimate” results.
- the Acadametrics website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information.
- 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.
- Acadametrics Prices and Transactions ([sample here](#)), which exclude any forecast element, underlie the LSL Acad 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.



ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

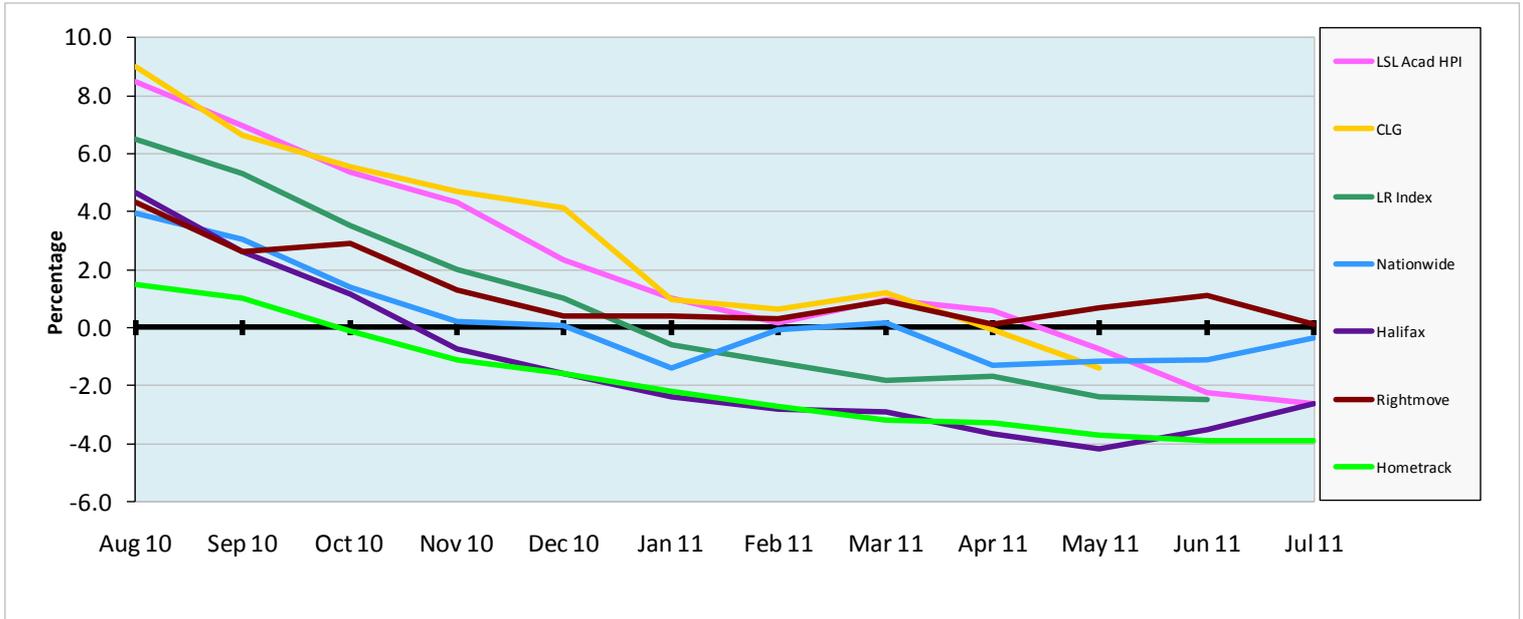


Figure 3. A comparison of the annual change in house prices, by Index provider

MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

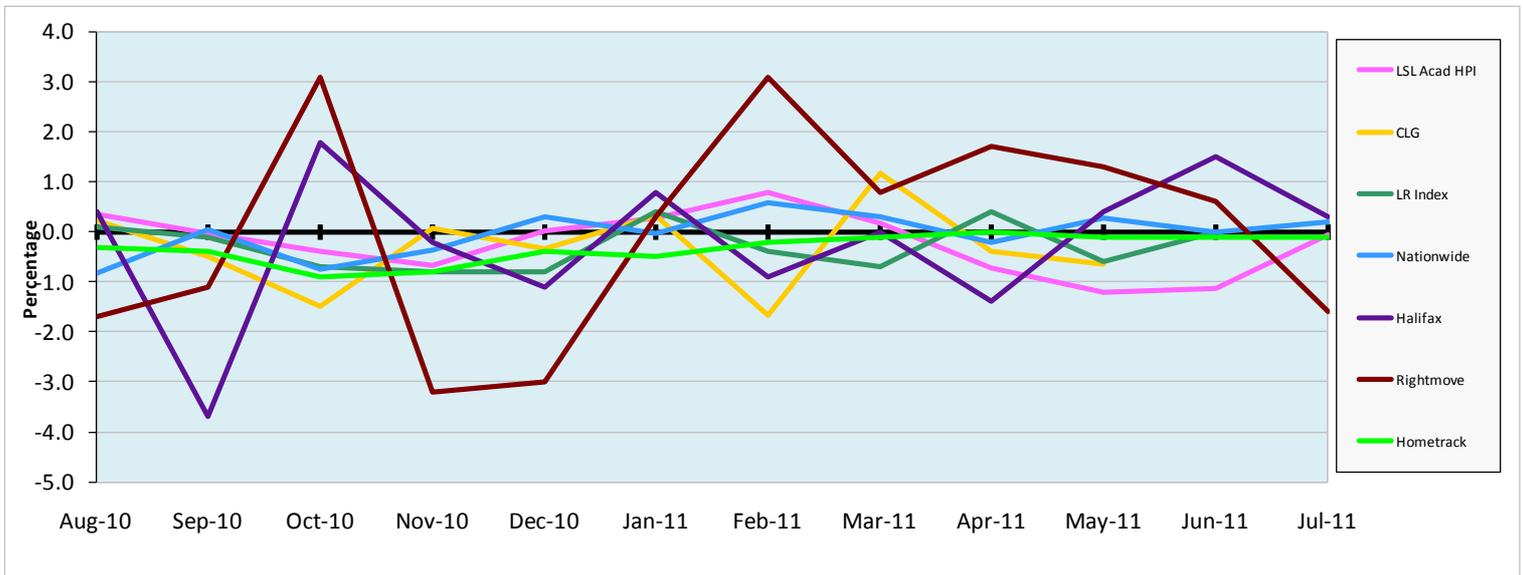


Figure 4. A comparison of the monthly change in house prices, by Index provider



Based on the average annual change over the last three months, Greater London is now the only region in England & Wales that is currently experiencing a rise in house prices, with the South East moving further into negative territory. The graph below shows both this month's and last month's annual percentage change in price. As can be seen, in eight of the ten regions the rate of decline has increased this month over last month, with only the North and North West showing some signs that the rate of decline is now slowing.

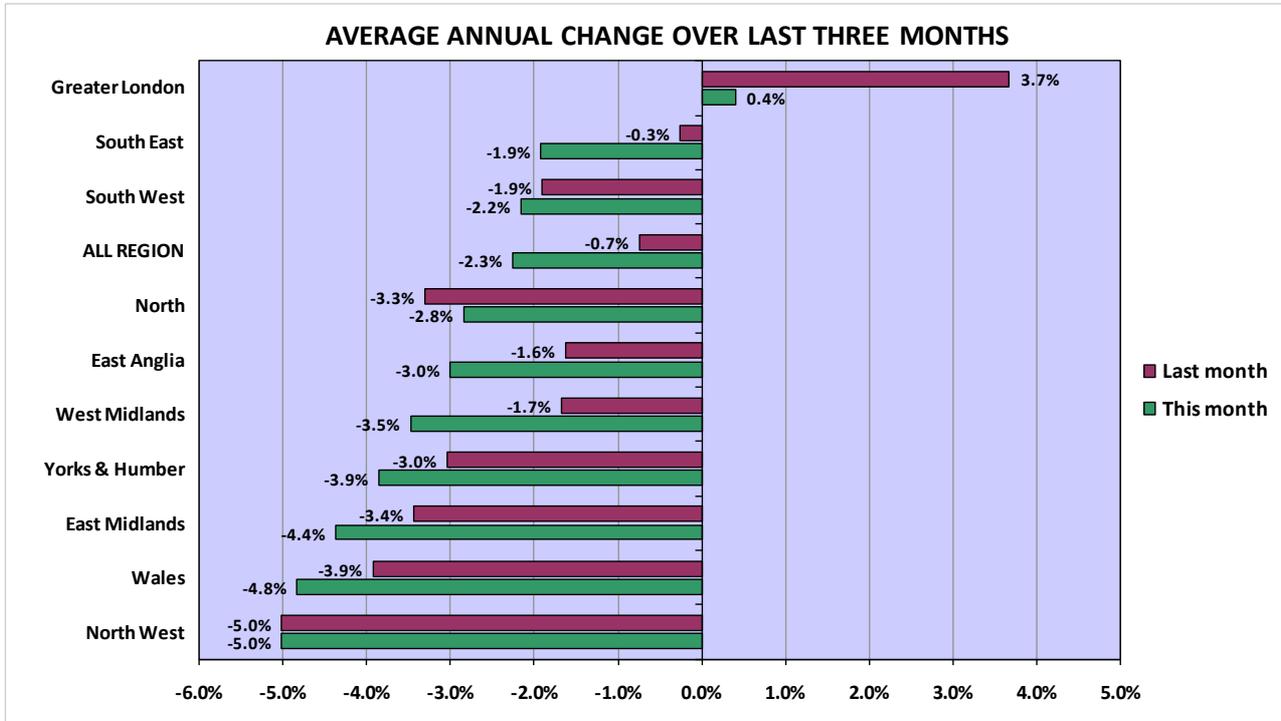


Figure 5. The annual change in the average house price, analysed by region

ANNUAL CHANGE IN PRICE BY REGION

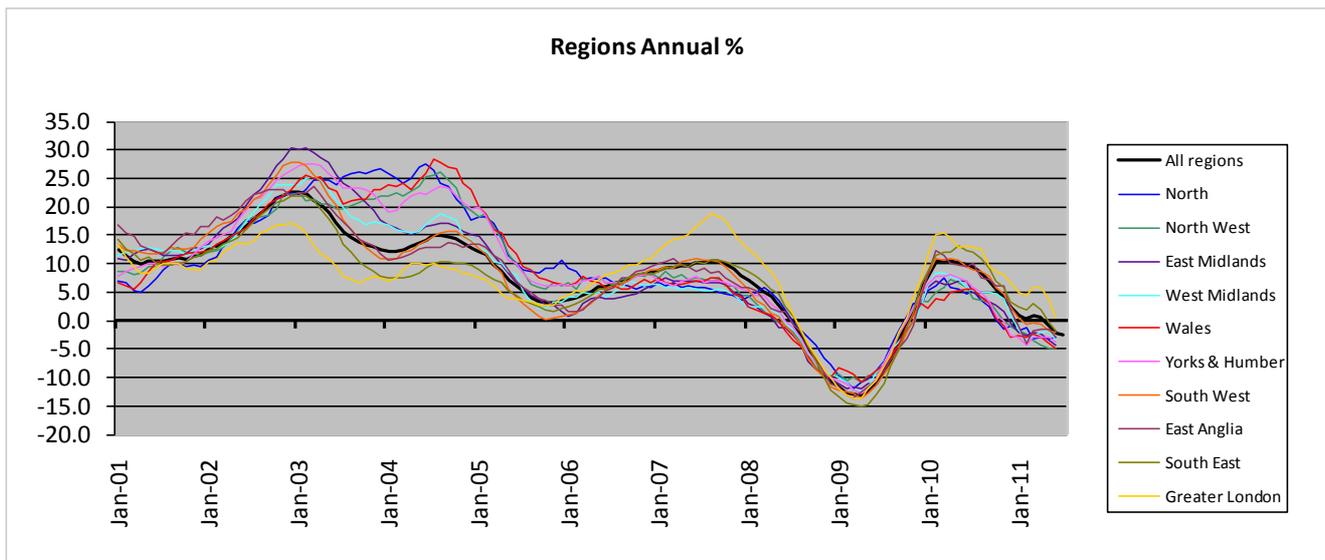


Figure 6. A comparison of the annual change in house prices, by region for the period Jan 2001 - Jun 2011

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.



AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS

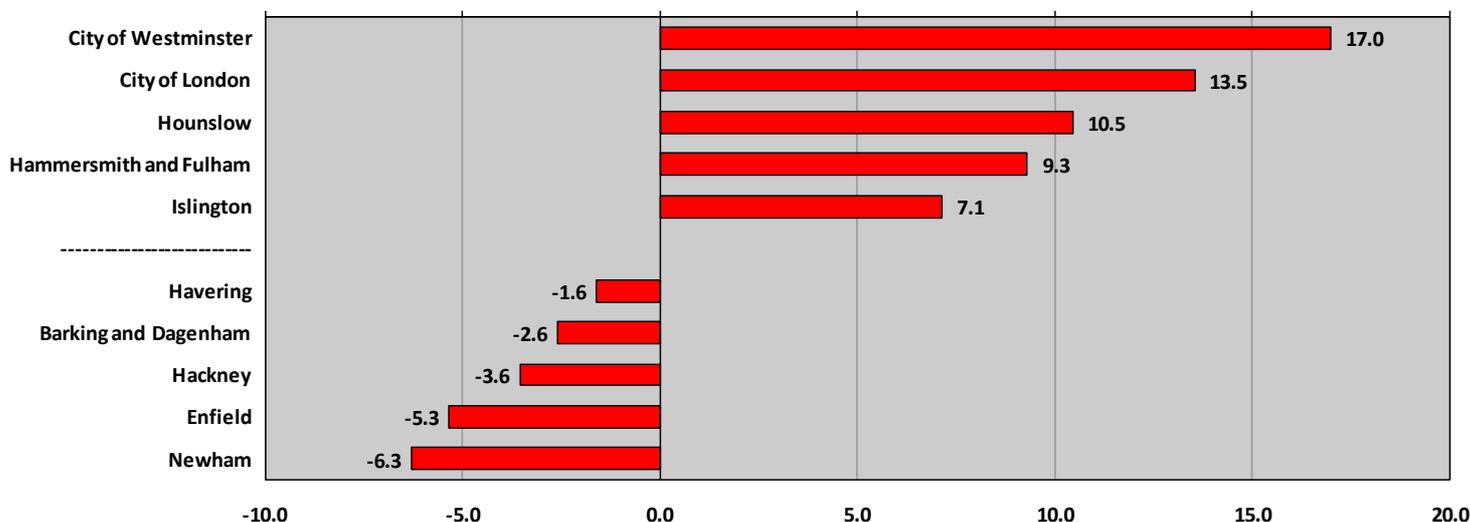


Figure 7. The annual change in house prices, based on a three month average, for the London boroughs

House prices

Figure 7 shows the % **annual** price change in ten London boroughs, averaged over three months, for those with the highest and lowest growth. As can be seen, prices in the more expensive areas of London continue to increase, whilst prices in the least expensive areas are seeing the largest falls.

Last month, **ten** London boroughs were recording price falls on an annual basis; this month that number has increased to **eleven**, which represents a third of all the London boroughs. This percentage compares with the 79% of the Unitary Authorities/counties in England & Wales in which prices are falling, indicating how the behaviour of much of the London housing market differs from the rest of the country. Comparing Q2 2011 (April - June) with Q2 2010, prices have increased year on year by an average 3.7%. However, if we look at the top five London boroughs ranked by price, we find that the average increase in price in these boroughs is 7.7%. Over this same period, the lowest five boroughs ranked by price experienced price falls of -2.1%.

This month, none of the London boroughs are recording a new maximum average price. However, in most boroughs - at least amongst the higher priced areas - the peak was set in March 2011 when properties in excess of £1 million were being snapped up prior to the April 2011 increase in stamp duty on higher priced properties. Comparing the three months April - June 2011 with the preceding three months January - March 2011, prices in London have been falling by -2%. Again, this is likely to be the product of the increase in stamp duty and of the March 2011 boost in the sale of top properties, followed by a fall during the second quarter of 2011.

Transactions

Firstly, comparing the three months April - June 2011 with the same three months in 2010, the number of properties sold in London has declined by -7%. Amongst property types, flats suffered the biggest fall in sales (down some -13%), whilst the three other property types maintained parity with the previous year. Interestingly, Greenwich is a notable exception to the above observations, recording an increase of 18% in the number of flats sold over the year; its nearest rival being Lambeth with an increase of 4% in flats sales.

Secondly, comparing the three months April - June 2011 with the preceding three months January - March 2011, sales volumes in London have risen 13%, which is well below the average 26% seasonal increase which one would expect for this time of year. Over this period, sales of flats in London rose by 10%, whilst sales of semi-detached and detached properties rose by 20%. The largest fall in property sales was experienced in Waltham Forest, down -5.0% over this period, whilst at the other end of the scale, Sutton saw an increase of 46% in sales.



AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES

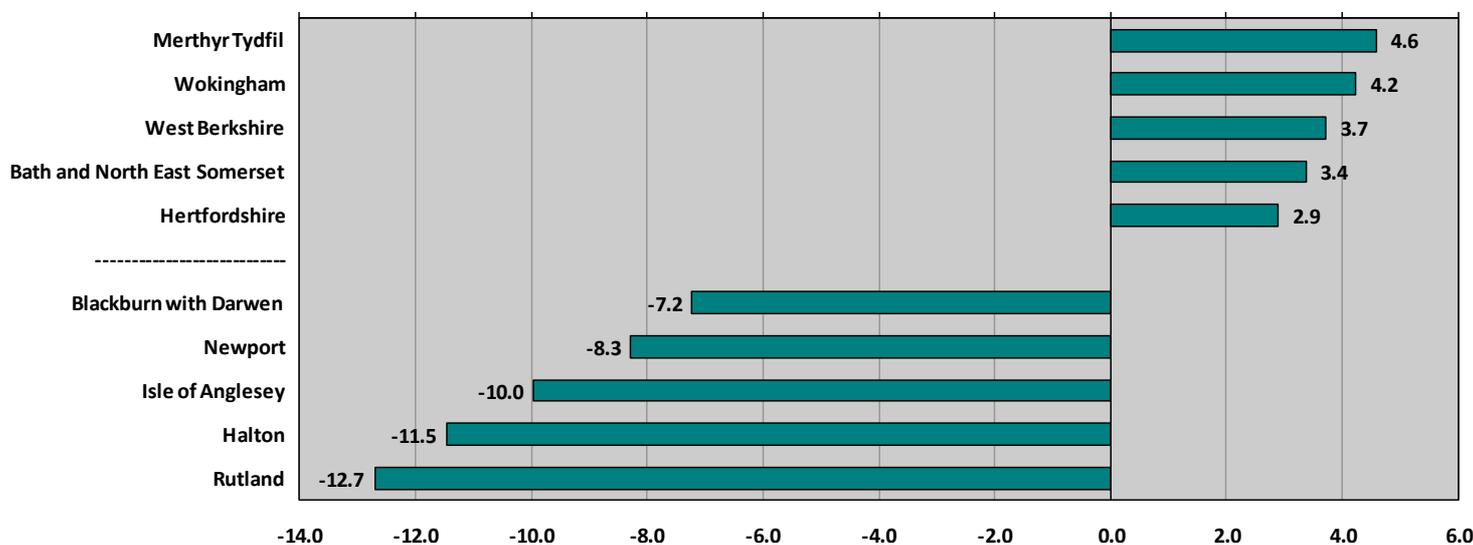


Figure 8. The annual change in house prices, based on a three month average, for the unitary districts

House Prices

Figure 8 shows the % **annual** price change for unitary districts and counties, measured over three months and ranked by the highest and lowest five districts. Last month, we reported that **seventy-seven** of the one hundred and eight counties and unitary districts in England & Wales were recording price falls on an annual basis. This month that number has increased to **eighty-five**, which indicates that falling house prices are becoming more prevalent and are being experienced in more than three-quarters of the unitary districts and counties in England & Wales.

Comparing the three months April - June 2011 with the same three months in 2010, average prices in England & Wales are showing a fall of -0.7%. Over this period, flats have seen price increases of 3%, mainly due to the market in central London, whilst those of the other property types have seen changes in price of between 0% and -2%. All regions except for London have seen price falls across all property types.

Comparing the three months April - June 2011 with the preceding three months January - March 2011, we find that price changes by property type have varied between -5% for detached houses and -1% for flats. As already noted, the fall in detached prices over the last quarter, compared to the previous quarter, is mainly due to the increase in the sale of higher priced homes in March 2011, which raised average prices in the month.

Transactions

Comparing the three months April - Jun 2011 with the same three months in 2010, property transactions have declined by -5.9% in England & Wales, with all regions experiencing falls in the numbers of properties sold - the largest decline of -13% being experienced in Wales. The decline in sales numbers has been experienced across all property types, although the largest fall has been in the sale of flats which were down -18%, compared with a -2% decline in the sale of semi-detached properties.

Tables 2 & 3 above set out in some detail a comparison of the transactions in the three months April - June 2011 with those in the preceding three months January - March 2011. As we have already noted, the increase in property transactions in Greater London has been half that of the rest of the country. Likewise, the sale of flats rose by half that of the other property types. First time buyers are an important element in the demand for flats and their current conspicuous absence, due to difficulties in finding the deposit required to make a purchase, is having a noticeable effect on this sector of the market.



As noted above, our additional focus this month is on equity gains and losses over the period 2007-2011. Table 4 below has been derived from “LSL Acad HPI National and Regional Formatted Data from 1995”, which can be found on our website www.acadametrics.co.uk.

Table 4. % equity gain made on the average house price by region, since 2007

End Q2	Average House Prices £					% equity gain/(loss) since			
	2007	2008	2009	2010	2011	2007	2008	2009	2010
NORTH	152,788	155,686	141,802	148,328	144,111	(5.7)%	(7.4)%	1.6%	(2.8)%
NORTH WEST	165,375	163,938	148,709	157,191	149,313	(9.7)%	(8.9)%	0.4%	(5.0)%
YORKS & HUMBER	165,641	165,649	148,549	158,844	152,718	(7.8)%	(7.8)%	2.8%	(3.9)%
WALES	164,917	161,842	147,292	155,491	147,982	(10.3)%	(8.6)%	0.5%	(4.8)%
WEST MIDLANDS	183,175	182,197	165,693	175,520	169,414	(7.5)%	(7.0)%	2.2%	(3.5)%
EAST MIDLANDS	174,725	172,523	154,056	164,877	157,671	(9.8)%	(8.6)%	2.3%	(4.4)%
EAST ANGLIA	204,757	207,878	186,197	203,657	197,543	(3.5)%	(5.0)%	6.1%	(3.0)%
SOUTH WEST	235,141	232,995	206,656	226,219	221,329	(5.9)%	(5.0)%	7.1%	(2.2)%
SOUTH EAST	266,200	272,872	237,288	266,540	261,424	(1.8)%	(4.2)%	10.2%	(1.9)%
GREATER LONDON	356,092	369,861	330,960	374,488	376,005	5.6%	1.7%	13.6%	0.4%
ALL REGIONS	224,743	227,581	202,579	222,443	217,426	(3.3)%	(4.5)%	7.3%	(2.3)%

The table shows the average house price by region at the end of June for each of the years 2007 - 2011. The last four columns on the right of Table 4 show the calculated equity gain/(loss) that would have been made on the purchase of a property at the average price for each of the four years 2007 - 2010. For example, the purchaser of a house in the West Midlands in June 2007 for £183,175, who sold it in June 2011 at the average regional price of £169,414, would have made a loss of £13,761 or 7.5% of the original price. As can be seen, those that purchased a property in 2009, at the lowest point in the recent housing recession, would have made gains on their property of an average 7.3%, whilst those purchasing a property in 2008 during the last housing peak are likely to be showing an average loss of 4.5%.

As we reported last month, most owners, with properties purchased before March 2006, are likely to be showing equity gains and those with homes owned for ten or more years are likely to have seen values doubled. Only those with properties bought in the last five years might be facing the problem of negative equity. Since January 2007, according to CML statistics, nearly £19 billion of lending has been made on mortgages with LTVs of 95% or more and at higher income multiples (defined as 3.5 times single income or more). Clearly there is a significant exposure here for a number of borrowers, although some will have opted to pay down debt in the interim. The recent Bank of England report on housing equity withdrawal, however, does suggest that only a relatively few households are making ‘an active effort to pay down debt more quickly than in the past’. (Bank of England Quarterly Quarter 2, 2011, 127-133).

Regional Data Table



Table 5. Average house prices by Region, July 2010 - June 2011, with monthly and annual % growth

	North			North West			East Midlands			West Midlands		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jul-10	£148,322	0.0	5.2	£156,315	-0.6	3.9	£164,017	-0.5	5.1	£175,107	-0.2	5.3
Aug-10	£147,302	-0.7	3.5	£157,124	0.5	3.5	£163,822	-0.1	4.2	£176,875	1.0	4.9
Sep-10	£148,312	0.7	2.4	£158,704	1.0	3.3	£163,822	0.0	3.3	£176,789	0.0	4.9
Oct-10	£148,170	-0.1	0.2	£157,995	-0.4	2.0	£163,646	-0.1	2.6	£176,685	-0.1	4.6
Nov-10	£147,024	-0.8	-1.4	£156,273	-1.1	0.0	£162,591	-0.6	1.5	£174,741	-1.1	3.8
Dec-10	£145,750	-0.9	-1.0	£155,380	-0.6	-1.0	£161,584	-0.6	-0.3	£173,659	-0.6	0.9
Jan-11	£146,460	0.5	-1.9	£154,571	-0.5	-1.8	£161,531	0.0	-2.1	£173,425	-0.1	-1.6
Feb-11	£148,356	1.3	-1.3	£154,548	0.0	-2.3	£161,505	0.0	-2.7	£172,340	-0.6	-3.6
Mar-11	£147,639	-0.5	-3.1	£153,164	-0.9	-3.5	£160,752	-0.5	-2.2	£171,819	-0.3	-2.6
Apr-11	£145,807	-1.2	-2.9	£152,335	-0.5	-4.4	£159,581	-0.7	-2.4	£171,012	-0.5	-2.1
May-11	£144,295	-1.0	-3.3	£150,754	-1.0	-5.0	£158,387	-0.7	-3.4	£170,990	0.0	-1.7
Jun-11	£144,111	-0.1	-2.8	£149,313	-1.0	-5.0	£157,671	-0.5	-4.4	£169,414	-0.9	-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
Jul-10	£155,353	-0.1	5.4	£159,042	0.1	5.8	£226,530	0.1	9.0	£205,337	0.8	10.0
Aug-10	£155,679	0.2	4.0	£160,080	0.7	4.9	£226,166	-0.2	8.5	£204,112	-0.6	7.6
Sep-10	£155,767	0.1	3.1	£160,126	0.0	3.3	£226,618	0.2	7.6	£204,311	0.1	7.3
Oct-10	£154,896	-0.6	0.4	£158,843	-0.8	1.1	£225,871	-0.3	5.7	£201,696	-1.3	6.1
Nov-10	£153,184	-1.1	-1.0	£158,001	-0.5	-0.2	£224,356	-0.7	4.8	£199,357	-1.2	6.2
Dec-10	£151,783	-0.9	-3.0	£156,681	-0.8	-2.5	£226,352	0.9	2.4	£198,122	-0.6	1.8
Jan-11	£151,929	0.1	-2.7	£156,940	0.2	-3.0	£224,972	-0.6	0.4	£198,352	0.1	-1.1
Feb-11	£152,609	0.4	-3.0	£155,729	-0.8	-4.3	£226,398	0.6	-0.7	£198,526	0.1	-4.0
Mar-11	£152,424	-0.1	-2.4	£156,349	0.4	-2.8	£224,238	-1.0	-0.4	£199,725	0.6	-1.8
Apr-11	£150,938	-1.0	-2.8	£155,485	-0.6	-2.8	£224,188	0.0	-0.6	£199,094	-0.3	-1.5
May-11	£149,012	-1.3	-3.9	£154,439	-0.7	-3.0	£222,529	-0.7	-1.9	£199,329	0.1	-1.6
Jun-11	£147,982	-0.7	-4.8	£152,718	-1.1	-3.9	£221,329	-0.5	-2.2	£197,543	-0.9	-3.0

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jul-10	£267,933	0.5	12.1	£378,350	1.0	12.9		£223,184	0.3	9.3
Aug-10	£268,866	0.3	10.9	£381,186	0.7	12.7		£223,969	0.4	8.5
Sep-10	£268,278	-0.2	9.2	£379,279	-0.5	9.6		£223,877	0.0	7.0
Oct-10	£266,939	-0.5	6.8	£378,731	-0.1	8.6		£223,019	-0.4	5.3
Nov-10	£264,226	-1.0	5.7	£379,222	0.1	8.0		£221,499	-0.7	4.3
Dec-10	£264,406	0.1	3.2	£382,027	0.7	6.7		£221,520	0.0	2.3
Jan-11	£266,092	0.6	2.5	£384,915	0.8	5.0		£222,106	0.3	1.0
Feb-11	£269,794	1.4	1.9	£391,269	1.7	4.3		£223,883	0.8	0.2
Mar-11	£271,220	0.5	2.9	£395,114	1.0	5.7		£224,285	0.2	0.9
Apr-11	£268,279	-1.1	1.8	£391,999	-0.8	5.7		£222,639	-0.7	0.6
May-11	£264,610	-1.4	-0.3	£383,392	-2.2	3.7		£219,932	-1.2	-0.7
Jun-11	£261,424	-1.2	-1.9	£376,005	-1.9	0.4		£217,426	-1.1	-2.3
Jul-11								£217,300	-0.1	-2.6



1. LSL Acad 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 HPI 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 (LSL Acad HPI, CLG and LR) can be prepared only when the prices at which properties have been transacted have been recorded at LR (LSL Acad HPI 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. LSL Acad 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 HPI, LR and CLG are published in that order.
3. LSL Acad 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.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 LSL Acad HPI result. Rather than rely upon a small sample, likely to be unrepresentative, LSL Acad 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.85% of the transactions for the prior month, used to replace the initial LSL Acad HPI “forecast” with a first LSL Acad HPI “update” result. A further month later, LR provides c.90% of transactions, used to replace the first, with a second, LSL Acad HPI “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 LSL Acad HPI “final” index, closely approximating the LSL Acad HPI “ultimate” results; LSL Acad HPI “ultimate” includes the price of virtually every single LR transaction for the month, smoothed, seasonally and mix adjusted; the first LSL Acad HPI “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 6,000 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 LSL Acad HPI “forecast” results, **blue** data represent LSL Acad HPI “update” results and black data represent the LSL Acad 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 HPI is indicative until we are able to publish the LSL Acad HPI “final” index using the LR 95% sample. LSL Acad 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 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 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 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 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 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 HPI, together with historic data are available from Acadametrics as in page 4 NOTE 7 above.
10. LSL Acad HPI was published under the name FTHPI from September 2003 until December 2009.