

STRICTLY UNDER EMBARGO UNTIL 00.01 FRIDAY 9TH JULY 2010

HOUSING ACTIVITY INCREASES AS BUYERS RETURN TO THE MARKET

- **Housing market transactions rose by 20% in June**, from 52,975 in May to an estimated 63,500 in June ([Page 2](#)). While still down on the long-term national average, this increase in sold properties sharply reverses the drop in transactions last month.
- **House prices continued to fall in June, down 0.5%** on May levels. This is mainly a result of sellers finally coming to terms with buyer demand for greater price discounts ([Page 5](#)). The good news is that the oversupply in the market, prevalent last month, is now reducing.
- **Annual prices are 7.7% above a year ago**, down from a 9.1% annual rise last month ([Page 5](#)).

David Brown, commercial director of LSL Property Services comments:

“June’s transaction figures are the highest this year and suggest last month’s stalemate between sellers and buyers failing to agree terms is on the wane. We can’t discount further house prices falls over the next few months, as the market continues to stabilise and normalise. However the demographic age profile of the UK suggests there is an army of over one million would-be first-time buyers delaying purchases, who are ready to enter the market when conditions allow. This suggests the current drop in house prices may well be short lived. The key to recovery is more attractive first-time buyer mortgage deals offered by lenders.”

For analysis by Dr Peter Williams, housing market specialist and Chairman of Acadametrics, see page 2.

	House Price	Index	Monthly Change %	Annual Change %
July 2009	£204,194	207.8	0.8	-8.9
August	£206,469	210.2	1.1	-6.6
September	£209,287	213.0	1.4	-3.8
October	£211,703	215.5	1.2	-0.9
November	£212,314	216.1	0.3	1.6
December	£216,488	220.4	2.0	5.3
January 2010	£219,785	223.7	1.5	7.8
February	£223,386	227.4	1.6	10.3
March	£222,232	226.2	-0.5	10.6
April	£220,330	224.3	-0.9	10.0
May	£219,288	223.2	-0.5	9.1
June	£218,119	222.0	-0.5	7.7

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

“The average price of a home in England & Wales is now £218,119. At this level, it is down £13,709, or 5.9%, from its peak in February 2008 of £231,828. In terms of annual price changes, the housing market appears to be divided between what is happening to higher value homes and the remainder of properties. There has been an upward movement in the prices of properties in the most affluent areas of the country, whilst the remainder of the market is experiencing relatively small changes in price, in either a positive or negative direction. However, this trend has been less marked over the last three months compared with the previous three months, with prices in the less affluent areas staging a modest recovery.

“Given the number of policy changes that have impacted to varying degrees upon the housing market in recent months, it remains difficult to tease out what is really happening in terms of underlying trends. Confidence remains weak as does the supply of credit and the Bank of England’s recent Financial Stability Review (June) points up the funding difficulties being faced by lenders. Acadametrics has now reported price falls over the last four months, totalling 2.4% or just over £5,250. Apart from the period March 2008 to April 2009, this is the longest running fall for some years. There has been much debate about a ‘double dip’ recession in the housing market, paralleling what might happen in the wider economy. Without doubt those risks exist and the pattern of falls we report is not dissimilar so far to the early months of the last major re-adjustment. Much turns on the economy, unemployment and interest rates where the Bank has been sending “lower for longer” messages in terms of rates, even though inflation has gathered pace (along with what happens in the USA). With the possibility of rate rises later in the year together with the scaling back of support for home owners in difficulty, we could see pressures begin to build in the market that might give further momentum to price falls.

“For the present, the outlook for the housing market remains negative. However, with continued demographic pressures (and at least 1 million first time buyers waiting to enter the market when conditions allow) and much reduced housing supply, there is a real possibility of a strong recovery in prices once conditions allow demand to become effective. So a limited dip might be followed by a sharp rise but much turns on the supply and price of mortgages. That said, it is hard to see how, despite new entrants and government pressure on lenders to increase lending, prices will surge. Whilst mortgage supply remains restricted, price competition is dampened and, given the shift to greater reliance on retail funding, mortgages will inevitably cost more anyway, providing a further dampener.

“In conclusion, the outlook remains challenging. In the more affluent parts of the UK, the market will remain more buoyant because higher incomes mean more cash buyers/parental support for deposits and such areas will also attract more of the limited supply of mortgages. All this puts a premium on accurate and independent reporting on the housing market.

HOUSING TRANSACTIONS

“We normally expect the number of houses sold in June to increase over May levels and, in that regard, June 2010 has not proved to be an exception. We estimate that the number of properties sold in June will be 63,500, an increase of 20% over May transactions, although May sales were abnormally low, possibly due to uncertainties in the market not least as a consequence of the General Election.

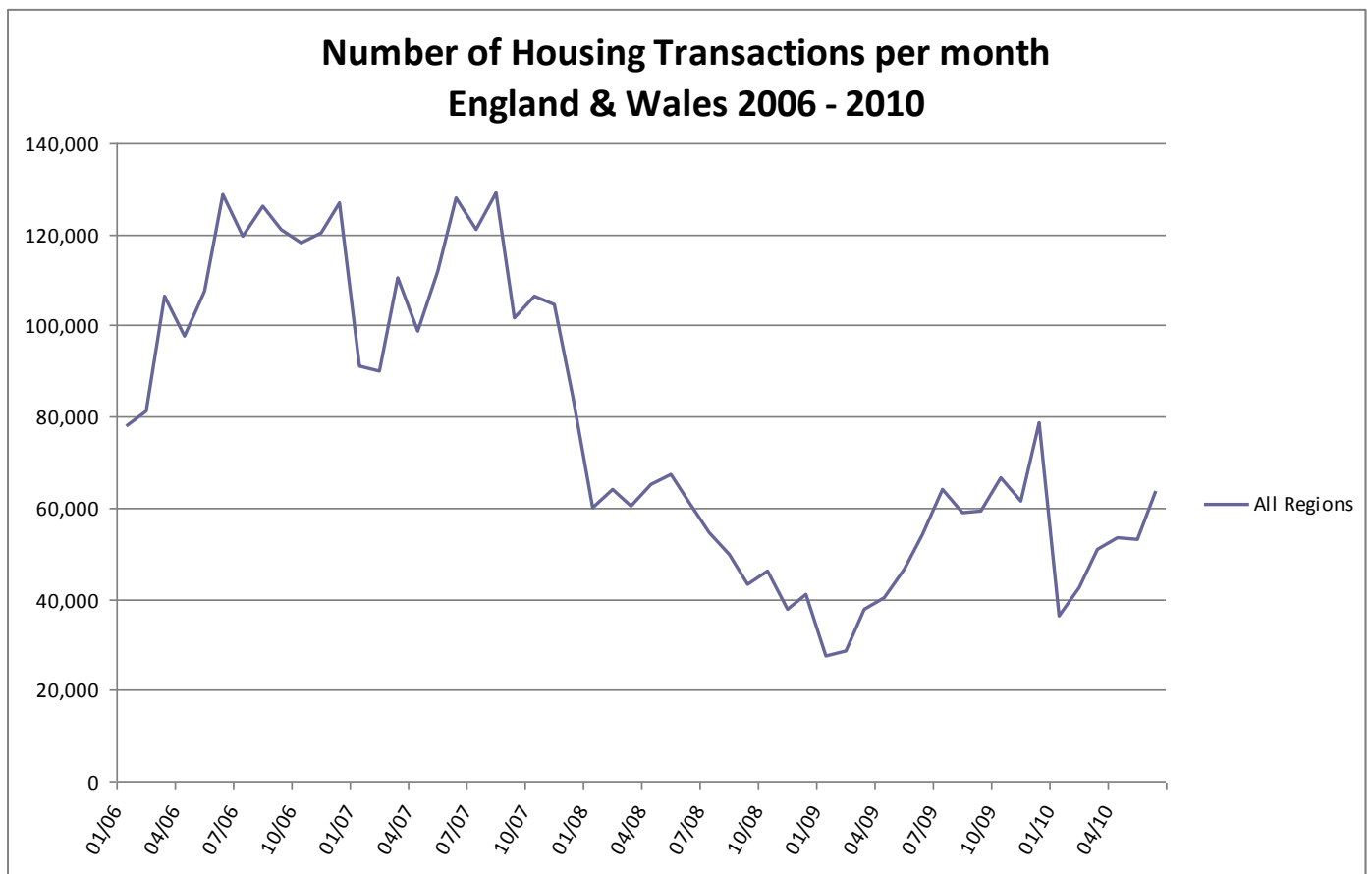
“In the table below, we compare housing transactions in the first six months of 2010 with the long term average for the fifteen years, 1995–2009.

Number of properties sold per month: England and Wales

Month	Jan	Feb	Mar	Apr	May	Jun	Jan - Jun
2010	36,012	42,376	50,740	53,343	52,975 est	63,500 est	298,946
15 Year Average (1995–2009)	68,647	69,867	85,770	85,579	93,860	100,213	503,936
2010 / 15 Yr Ave	52%	61%	59%	62%	56%	63%	59%

Source: Land Registry data and Acadametrics estimates

“Our table shows that the number of properties sold in June, as a percentage of the long term average sales per month, is the highest so far in 2010. There are a number of possibilities as to why June sales have increased over the previous months in 2010; i) we are witnessing a gradual recovery in the housing market; ii) May transactions were abnormally low and hence there has been a once-off bounce back in transactions in June; or iii) a number of Buy-to-Let Landlords sold their properties in June to avoid paying a much anticipated increase in Capital Gains Tax, which came into effect via the Emergency Budget on 22nd June (and subsequently the rate increase announced was lower than anticipated and may have encouraged some transactions to go ahead). At this stage, we simply don't know what caused the increase and we need more data to emerge from the Land Registry before we can state with more certainty the reasons for the increase in sales.”

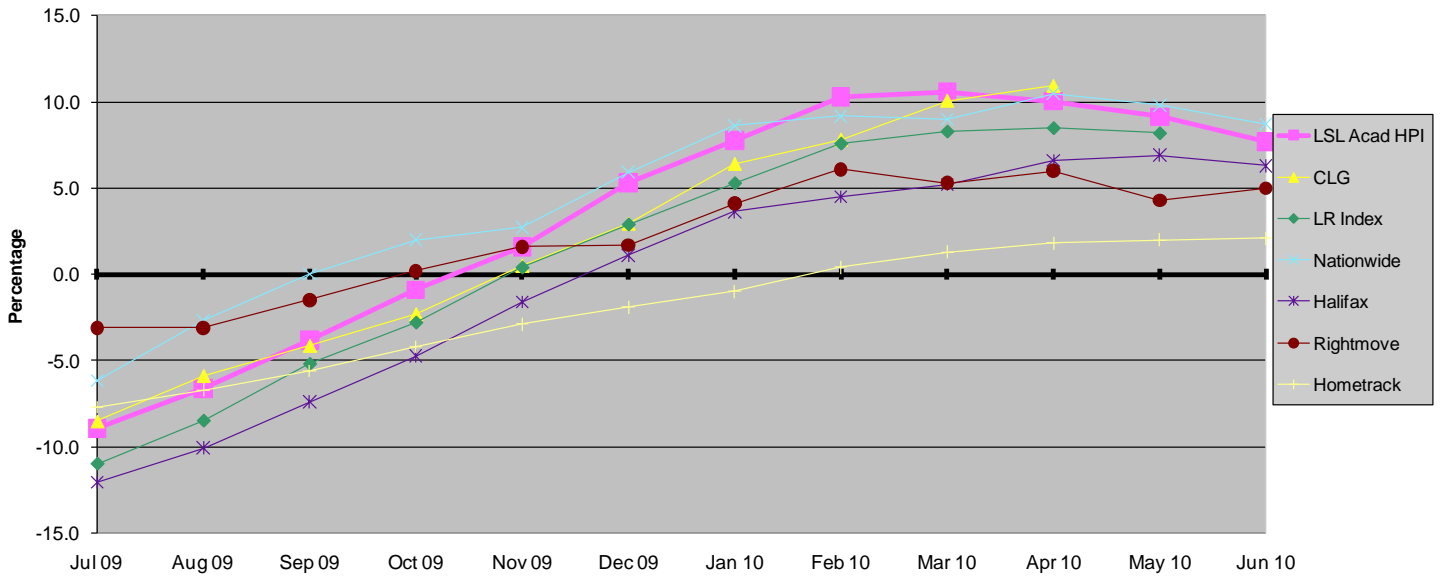


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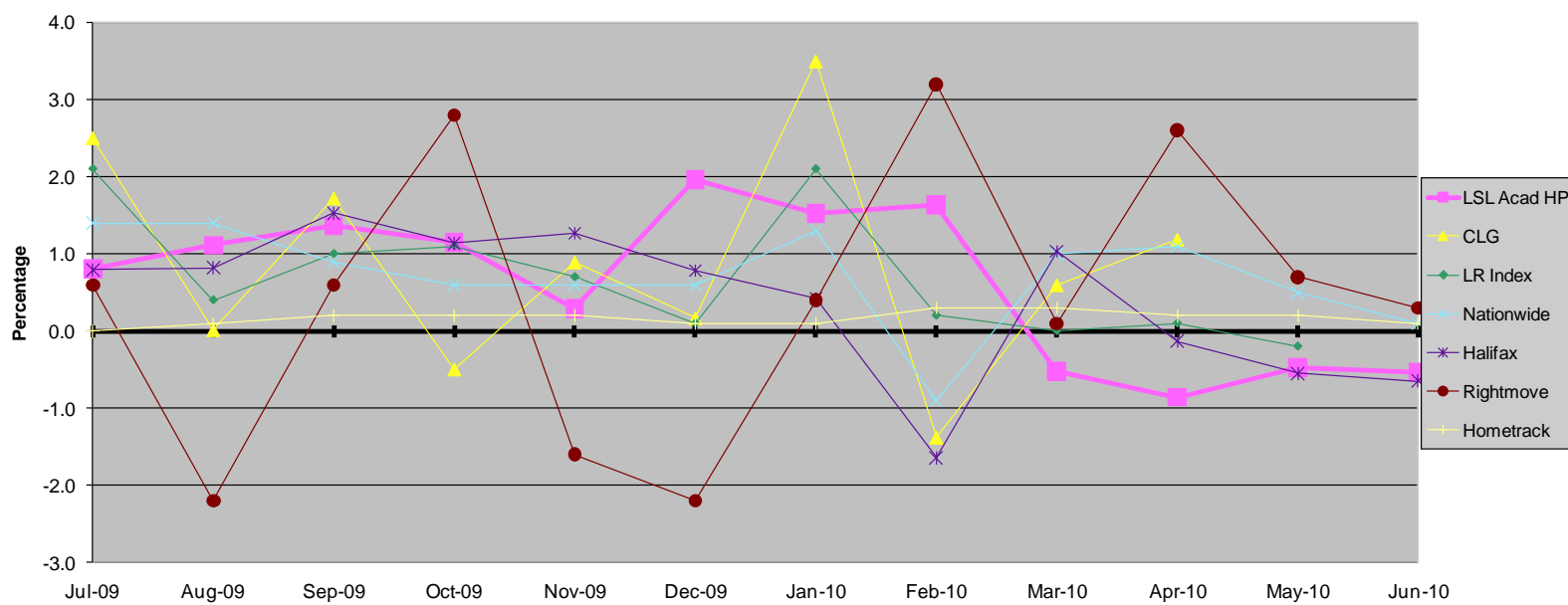
1. LSL Acad HPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samples
2. LSL Acad HPI is a price series as opposed to a value series.
3. 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.
4. 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.
5. the accuracy of our forecasts is shown monthly on the Acadametrics website www.acadametrics.co.uk in our “[Development of Forecasts](#)” and in our “[Index Monitor](#)”, 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.
6. the Acadametrics website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information
7. 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.
8. 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

COMPARISON OF INDICES

ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

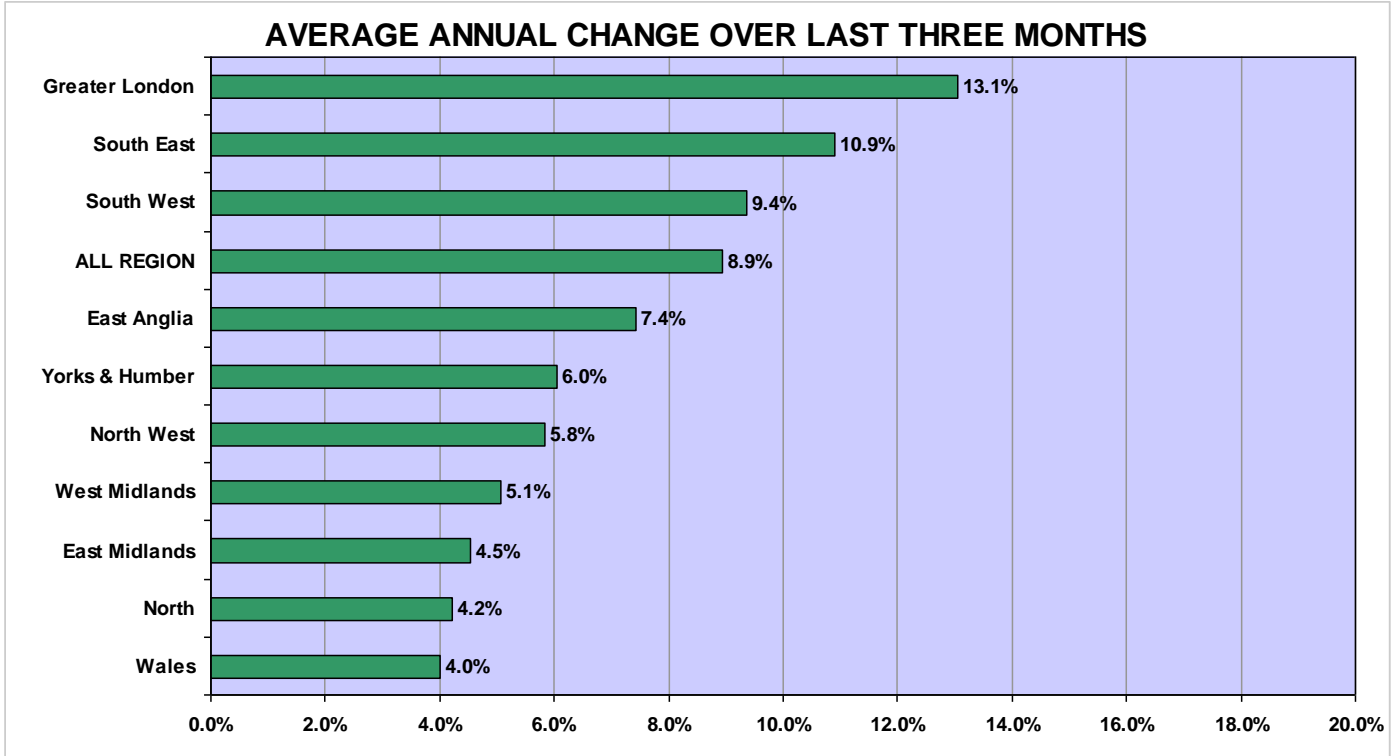


MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

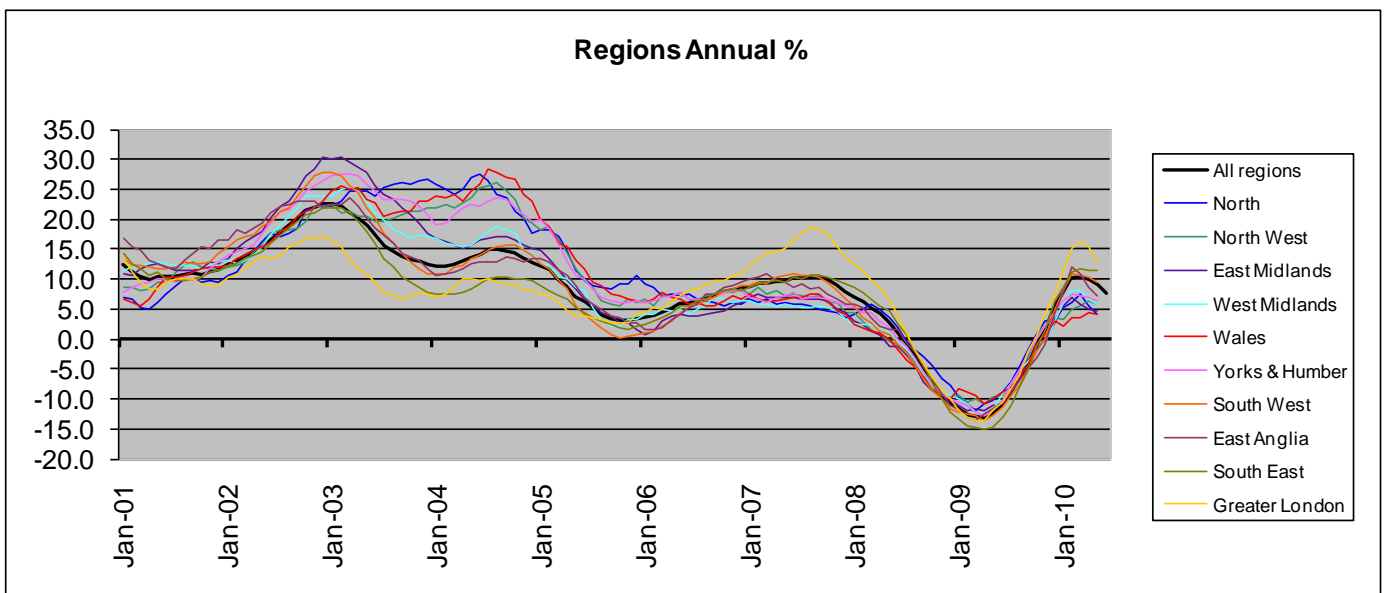


REGIONAL ANALYSIS

Although all regions in England & Wales are currently experiencing annual house price increases, based on the last three months, the pattern remains one of a strong contrast between London and the South, and other English regions and Wales. Indeed, as the chart shows, we are seeing an annual 13.1% increase in London over 3 months (April–June 2010) compared to 4.0% in Wales. The London market is being particularly influenced by foreign purchasers who are taking advantage of a relatively weak pound. Estate agents are reporting that foreign purchasers in the prime London areas are accounting for as much as 50% of all properties being sold.



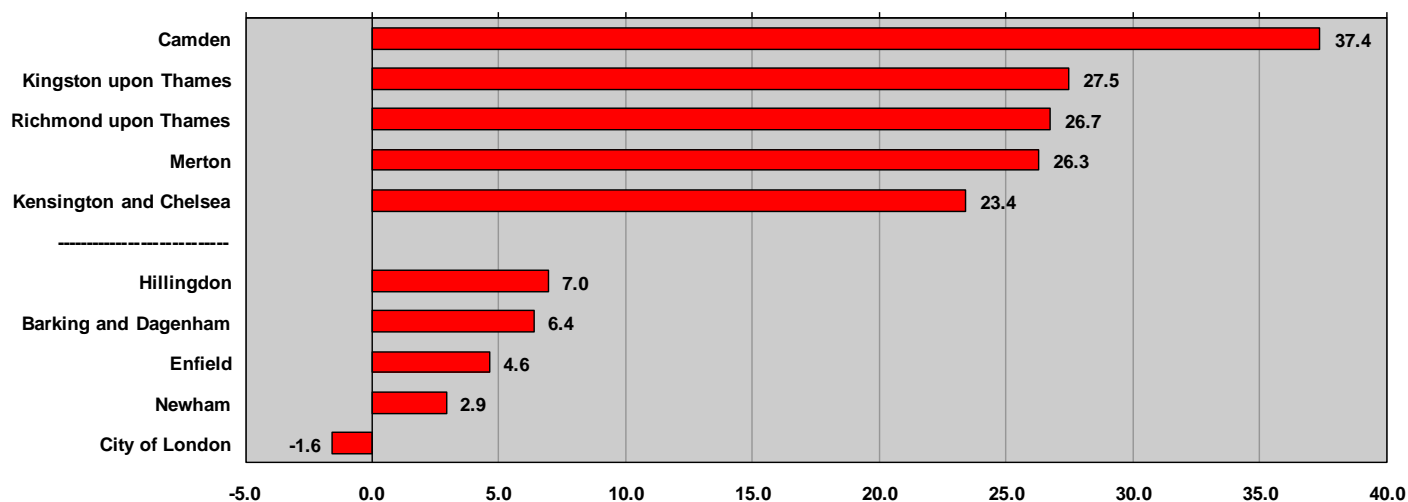
ANNUAL CHANGE BY REGION



Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 4 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.

LONDON BOROUGH ANALYSIS

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS



The chart shows the % **annual** price change for London boroughs, averaged over three months, ranked by the highest and lowest five. All thirty-three London boroughs, except for the City of London, are recording annual price increases. The City of London figures are based on a small volume of transactions, which tends to create high volatility in average prices, and for trend purposes can be ignored. The highest price rises over the past twelve months are being experienced in Camden, Kingston upon Thames and Richmond upon Thames.

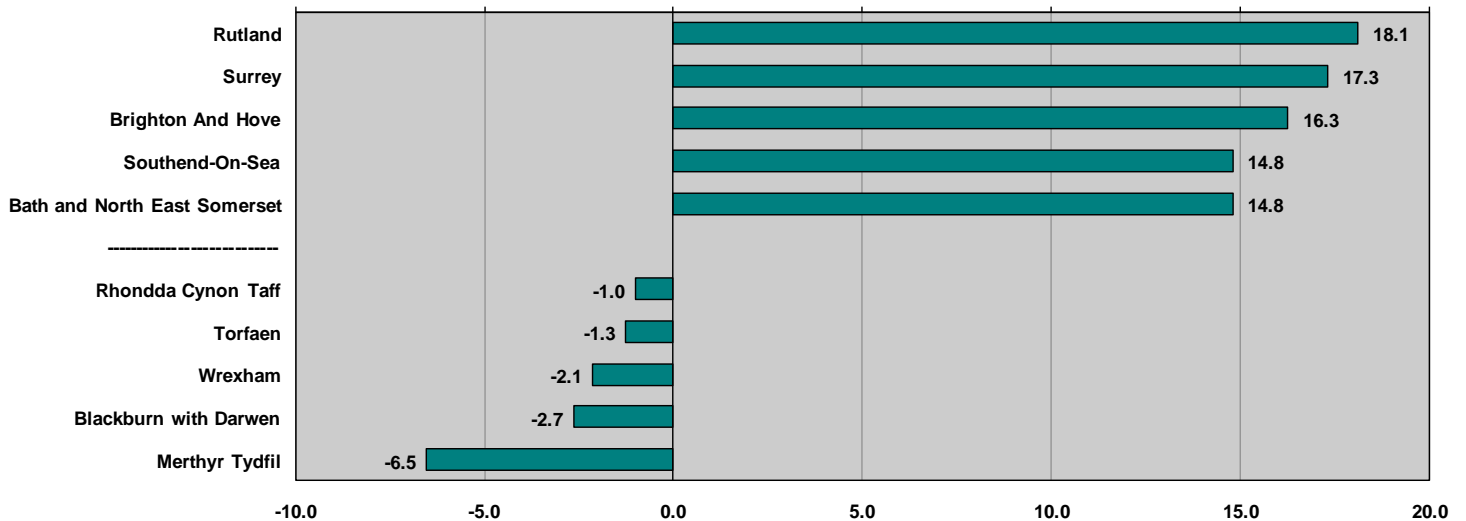
Comparing the three months March–May 2010, with the same three months in 2009, house prices in London have increased by an annual 16.3%. Over this period, the largest movement in prices has been in detached homes (+22.6%), followed by terraced houses (+20.1%), semi-detached (+17.7%) and flats (+12.7%). Looking at the average price in each London borough, and dividing the boroughs into two categories, either above or below the median value of Hounslow at £330,235, the top 16 boroughs by value have seen prices increase by 18.6% over the twelve month period, whilst the lowest 16 boroughs by value have seen prices increase of 9.8%. Clearly, the more expensive London properties have been increasing in value at a faster rate than the London properties at the lower end of the price scale.

Comparing London prices over the last three months March–May 2010, with the previous three months December 2009–February 2010, the change in prices has been less dramatic. Overall, prices have increased over this period by 3.7%, with the price of flats increasing by 4.7%, detached homes increasing by 4.0%, semi-detached properties increasing by 3.2%, whilst terraced homes have experienced an increase of 1.9%. The distinction between the higher and lower value areas of London has also diminished over this time period, with property values increasing by an almost equal percentage between the top and bottom half of the London boroughs by value.

In terms of housing transactions, comparing the three months March–May 2010 with the same three months in 2009, we have seen an overall increase of 45% in the number of properties sold, with detached properties up 54%, flats up 51% and semi-detached and maisonette sales up 37%. As we discuss below, the increase in the number of properties sold throughout England and Wales averaged 17% over this period, indicating the difference in the strength of the London market, with that being experienced elsewhere in the country.

UNITARY DISTRICT AND COUNTIES ANALYSIS

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES



All but seven of the one hundred and eight counties and unitary districts in England & Wales are now recording price rises on an annual basis. The chart above shows the % **annual** price change for unitary districts and counties, ranked by the highest and lowest 5 districts. With the exception of Rutland, which has small transaction numbers resulting in results volatility, the districts showing the highest increase in prices are all based in the south of England, with four of the five negative growth districts being based in Wales. The annual price increase for these three months for all England and Wales as a whole was an average 9.9%.

We analysed the year on year price increase of each of the 108 counties and unitary districts (treating Greater London as a single entity) based on the average house price for the area. The areas in the top quartile by price showed an annual increase in house prices averaging 11.9%; the next two quartiles by price showed an increase of 10.4% and 7.4% respectively, whilst the areas in the lowest quartile by price had an average annual increase in house prices of 3.9%. There is, therefore, a clear indication that it is the areas with higher priced homes that are experiencing the higher price increases, whilst house prices in the areas with lower values are remaining almost static.

We carried out a similar analysis, comparing prices in March–May 2010 with prices three months earlier. A similar but not so marked pattern emerged over this period with house prices in the top two quartiles of districts by value increasing by 2.0%; the next quartile by value had house price increases of 1.2%, whilst the lowest quartile of districts by value had an average price decrease of -2.4%.

Finally, we analysed the increase in the number of property transactions between March–May 2009 with the same three months in 2010, by district, by price. Overall, there has been an annual increase in the number of properties sold of 17.4%. If one excludes Greater London from this total, the increase in the number of properties sold over this period reduces to 14.0%. The top quartile of districts by price have seen an average increase in property transactions of 19%; the next two quartiles had increases in transactions of 17% and 15% respectively, whilst the lowest quartile by price had an increase of 8% in transactions. This provides further evidence to show that it is the areas with higher priced homes that have seen more of a recovery over the last year than the areas with lower priced homes.

REGIONAL DATA TABLE

	North			North West			East Midlands			West Midlands		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jun-09	£141,813	0.3	-8.9	£148,705	-0.1	-9.3	£154,019	0.6	-10.7	£165,694	2.1	-9.1
Jul-09	£141,025	-0.6	-7.1	£150,416	1.2	-7.4	£156,049	1.3	-8.4	£166,292	0.4	-7.5
Aug-09	£142,388	1.0	-4.6	£151,791	0.9	-5.4	£157,137	0.7	-6.3	£168,568	1.4	-5.1
Sep-09	£144,945	1.8	-1.9	£153,566	1.2	-2.8	£158,668	1.0	-3.4	£168,466	-0.1	-3.7
Oct-09	£147,964	2.1	0.7	£154,860	0.8	0.1	£159,482	0.5	-1.7	£168,907	0.3	-2.1
Nov-09	£149,196	0.8	3.1	£156,321	0.9	2.1	£160,260	0.5	-0.1	£168,341	-0.3	-0.6
Dec-09	£147,301	-1.3	3.2	£157,119	0.5	3.6	£161,971	1.1	2.6	£172,190	2.3	2.9
Jan-10	£149,335	1.4	5.1	£157,411	0.2	3.3	£164,858	1.8	5.7	£176,233	2.3	6.0
Feb-10	£150,441	0.7	6.0	£158,141	0.5	5.0	£165,881	0.6	6.9	£178,740	1.4	8.2
Mar-10	£152,455	1.3	7.6	£158,584	0.3	5.6	£163,890	-1.2	5.9	£175,877	-1.6	7.9
Apr-10	£149,624	-1.9	5.4	£158,166	-0.3	6.4	£161,200	-1.6	4.9	£172,889	-1.7	6.5
May-10	£147,278	-1.6	4.2	£157,473	-0.4	5.8	£160,334	-0.5	4.7	£171,568	-0.8	5.8

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jun-09	£147,280	0.0	-9.0	£148,509	0.4	-10.3	£206,628	0.7	-11.3	£186,136	0.7	-10.5
Jul-09	£147,361	0.1	-7.9	£150,333	1.2	-7.5	£207,904	0.6	-9.4	£186,520	0.2	-8.9
Aug-09	£149,611	1.5	-6.4	£152,584	1.5	-5.1	£208,479	0.3	-7.7	£189,591	1.6	-6.9
Sep-09	£151,059	1.0	-4.4	£155,095	1.6	-2.4	£210,554	1.0	-5.1	£190,359	0.4	-4.9
Oct-09	£154,189	2.1	-1.1	£157,142	1.3	-0.1	£213,747	1.5	-2.2	£190,073	-0.2	-3.3
Nov-09	£154,630	0.3	0.8	£158,248	0.7	2.2	£214,058	0.1	-0.1	£187,567	-1.3	-1.0
Dec-09	£156,340	1.1	2.9	£160,671	1.5	4.7	£220,943	3.2	4.9	£194,481	3.7	4.4
Jan-10	£156,082	-0.2	2.1	£161,705	0.6	6.3	£224,017	1.4	8.1	£200,271	3.0	7.9
Feb-10	£157,098	0.7	3.5	£162,337	0.4	7.6	£227,973	1.8	11.0	£206,295	3.0	11.9
Mar-10	£156,008	-0.7	3.5	£160,257	-1.3	7.3	£225,384	-1.1	10.7	£202,633	-1.8	10.9
Apr-10	£154,577	-0.9	4.4	£158,279	-1.2	6.9	£224,399	-0.4	10.4	£199,638	-1.5	8.7
May-10	£153,361	-0.8	4.1	£157,312	-0.6	6.3	£224,468	0.0	9.3	£198,063	-0.8	7.1

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jun-09	£237,276	1.1	-13.0	£330,915	0.9	-10.5		£202,557	0.8	-11.0
Jul-09	£238,992	0.7	-11.0	£334,967	1.2	-8.2		£204,194	0.8	-8.9
Aug-09	£242,438	1.4	-8.1	£338,213	1.0	-6.1		£206,469	1.1	-6.6
Sep-09	£245,694	1.3	-5.3	£346,135	2.3	-2.2		£209,287	1.4	-3.8
Oct-09	£249,799	1.7	-1.3	£348,957	0.8	0.5		£211,703	1.2	-0.9
Nov-09	£249,835	0.0	1.3	£351,314	0.7	4.1		£212,314	0.3	1.6
Dec-09	£256,063	2.5	6.4	£358,126	1.9	7.6		£216,488	2.0	5.3
Jan-10	£259,352	1.3	8.6	£366,636	2.4	11.5		£219,785	1.5	7.8
Feb-10	£264,415	2.0	11.3	£375,540	2.4	15.1		£223,386	1.6	10.3
Mar-10	£263,076	-0.5	11.7	£376,369	0.2	16.4		£222,232	-0.5	10.6
Apr-10	£261,599	-0.6	11.3	£373,537	-0.8	15.5		£220,330	-0.9	10.0
May-10	£261,677	0.0	11.5	£370,102	-0.9	12.9		£219,288	-0.5	9.1
Jun-10								£218,119	-0.5	7.7

FOOTNOTES ON DATA AND METHODOLOGY

1. LSL Acad HPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. 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 3 NOTE 7 above.
10. LSL Acad HPI was published under the name FTHPI from September 2003 until December 2009.