

### A new normal for house price growth

- ✓ Wales still enjoys the highest annual growth rate at 11.2%
- ✓ The market is rebalancing after the partial ending of the tax holidays
- ✓ Flats prices are beginning to recover with Central London leading the way

**Note:** The e.surv Acadata House Price Index was formerly the LSL Acadata House Price Index. Content and methodology are unchanged. Please refer to the Notes at the end for more information.

| House Price | Index | Monthly Change % | Annual Change % | Annual % (excluding London and the SE) |
|-------------|-------|------------------|-----------------|--|
| £328,610    | 316.4 | 1.2              | 3.6             | 5.0                                    |

#### Richard Sexton, director at e.surv, comments:

“House price growth is clearly in retreat in headline terms but there is little evidence of prices stagnating or falling. Indeed, regionally, there are substantial pockets of resistance to overall falls in house price growth.

“Our data shows that while some regions like the North East suffered their largest fall in the annual rate of growth (down by 6.3%) over the month, other areas like Wales fared much better. Indeed, Wales comfortably out-performed the rest of the country - having the smallest fall in price growth from 12.2% down to 11.2%. The Land Transaction Tax holiday came to an end at the end of June – but the tax savings available in Wales were not as large as in England (£2,450 in Wales vs £15,000 in England). This is we think a key reason potentially why the fall in prices in Wales has not been as significant as in England over the past few months. Wales therefore stands out as having the highest annual rate of price growth at 11.2%.

“In terms of property types, it’s worth noting too that, while the pandemic drove a race for space the price of flats in September staged a small recovery with the largest gains in flat prices being seen in Prime Central London and in Hammersmith and Fulham.

“On September’s data, there is little evidence that home buyers are being spooked by the end of the furlough scheme. Data from government points to a resilient job market that will further underpin buyer and lender confidence.”

Table 1. Average House Prices in England and Wales for the period September 2020 – September 2021

[Link to source Excel](#)

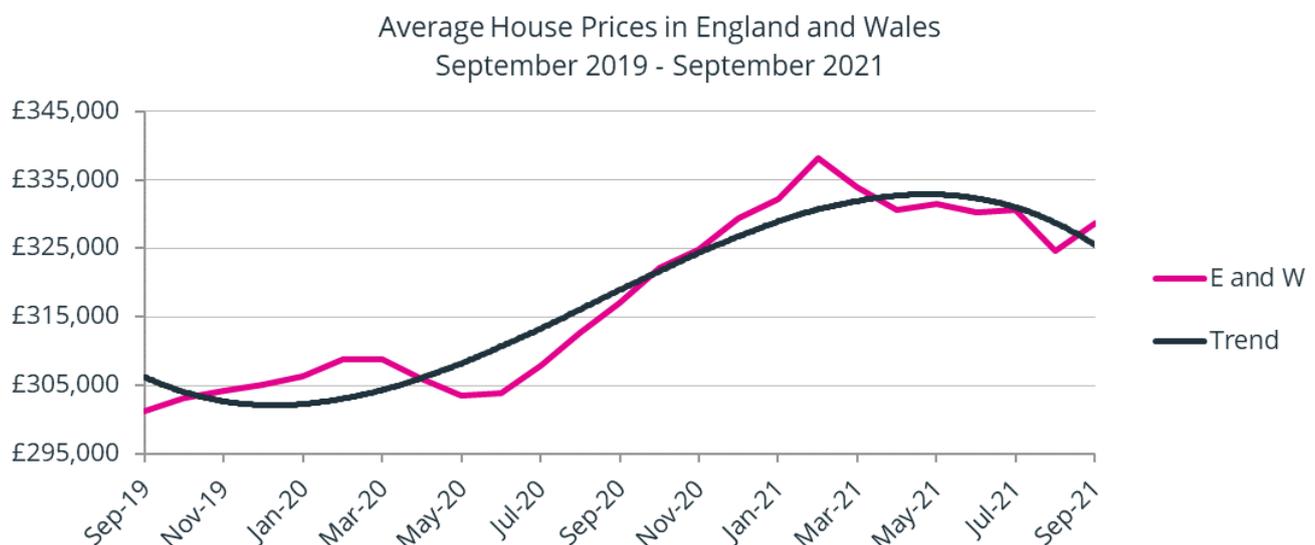
| Month     | Year | House Price | Index | Monthly Change % | Annual Change % |
|-----------|------|-------------|-------|------------------|-----------------|
| September | 2020 | £317,070    | 304.4 | 1.4              | 5.3             |
| October   | 2020 | £322,139    | 309.9 | 1.6              | 6.3             |
| November  | 2020 | £324,757    | 313.5 | 0.8              | 6.8             |
| December  | 2020 | £329,424    | 317.1 | 1.4              | 8.0             |
| January   | 2021 | £332,243    | 319.9 | 0.9              | 8.5             |
| February  | 2021 | £338,132    | 325.5 | 1.8              | 9.5             |
| March     | 2021 | £334,040    | 321.6 | -1.2             | 8.1             |
| April     | 2021 | £330,705    | 318.4 | -1.0             | 8.1             |
| May       | 2021 | £331,529    | 319.2 | 0.2              | 9.3             |
| June      | 2021 | £330,228    | 317.9 | -0.4             | 8.7             |
| July      | 2021 | £330,616    | 318.3 | 0.1              | 7.4             |
| August    | 2021 | £324,671    | 312.6 | -1.8             | 3.8             |
| September | 2021 | £328,610    | 316.4 | 1.2              | 3.6             |

**Note:** The e.surv Acadata House Price Index provides the “average of all prices paid for domestic properties”, including those purchases made with cash.

## Commentary: John Tindale and Peter Williams, Acadata Senior Analysts

Figure 1. The average house price in England and Wales, September 2019 – September 2021

[Link to source Excel](#)



The market may have begun to settle on a new normality after two turbulent years - Figure 1 shows the path of the average house price in England and Wales over that period. House prices initially fell at the start of the pandemic in March 2020, but recovered three months later. This was in part due to the stamp duty holiday, introduced from 8 July 2020, and in part due to the lifestyle changes associated with working from home. The result was a significant shift in housing preferences to larger properties - with space for home working - rather than commuting to places of work.

Competition for large premises became prevalent, with prices rising as a consequence. Prices peaked in February/March 2021, coinciding with the scheduled date for the ending of the stamp duty holiday, although this date was subsequently extended to June in Wales, and to September in England, albeit at a reduced rate. The end-June date also caused a flurry of housing transactions and resulted in a smaller second peak in prices as can be seen on the graph.

## Annual and Monthly Price Trends

The average price of all completed sales funded by both mortgages and cash grew at an annual rate of 3.6% in September. This is just 0.2% lower than the rate of 3.8% recorded in August, but is a reduction of 5.1% from the 8.7% growth in prices seen in June.

The slowing in price growth since June almost certainly relates to the ending of the first stage of the Stamp Duty holiday in England, along with the complete withdrawal of the Land Transaction tax holiday in Wales.

The influence of the SDLT tax holiday on England's housing market is possibly best demonstrated by considering the number of transactions that took place over the period from June to August 2021. In June 2021, HMRC estimated that 190,760 residential sales took place in England and 8,060 in Wales. These levels of sales are double those usual in an average month. The much-reduced figures for July and August were 64,980 and 87,860 in England and 4,560 and 5,080 in Wales.

This pattern of sales volumes is often seen in the period surrounding the termination of such temporary tax holidays. In those situations, there is typically a spike in sales as the tax holiday deadline draws to its close, followed by a month - or two - when sales fall below their usual levels due to purchases having been brought forward into earlier months to take advantage of the tax savings, with transaction levels thereafter often returning to their more normal levels.

House prices also tend to follow a distinctive pattern during such periods, with higher average prices being seen in the last month of tax savings. This can then be followed by one or two months of low average prices, due to the likelihood that the purchase of higher-valued properties will have been brought forward to take advantage of the tax holiday. The consequence is that there can be fewer of them following the tax deadline, and lower-value homes could then weigh more heavily on price indices until the market rebalances. This has certainly been the case over the summer months in England and Wales.

The big question is, of course, what happens next? The tax holiday conferred individual advantage, but it also led to a wider market re-pricing, leading some households to pay more to buy their home. It is in essence a zero-sum outcome, and even the Exchequer has also done well out of it in terms of total tax revenue. Looking forward, it seems that the momentum in the market is far from spent and there doesn't seem to be any sense of an imminent downturn.

## Regional House Prices, August 2021

Figure 2. The annual change in the average house price for the three months centred on August 2021, analysed by GOR

[Link to source Excel](#)

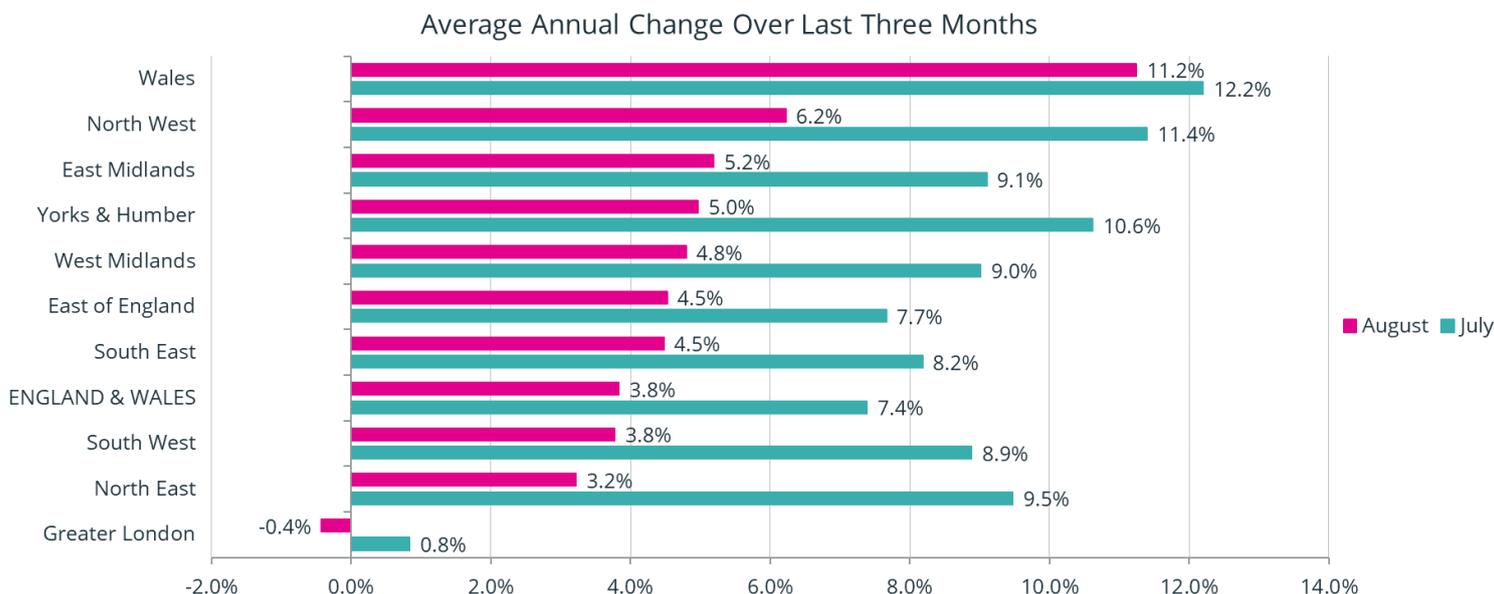


Figure 2 shows the percentage change in annual house prices on a regional basis for August, averaged over the three-month period of July, August and September 2021, compared to the same three months in 2020. It also shows the similarly-averaged figures from July.

In general terms, all areas - except for Wales at the top of the bar chart and Greater London at the bottom - have seen their annual rates of growth halve over the three months, being a consequence of the ending of the Stamp duty holiday for high value properties in June, since when the housing market in England has been rebalancing.

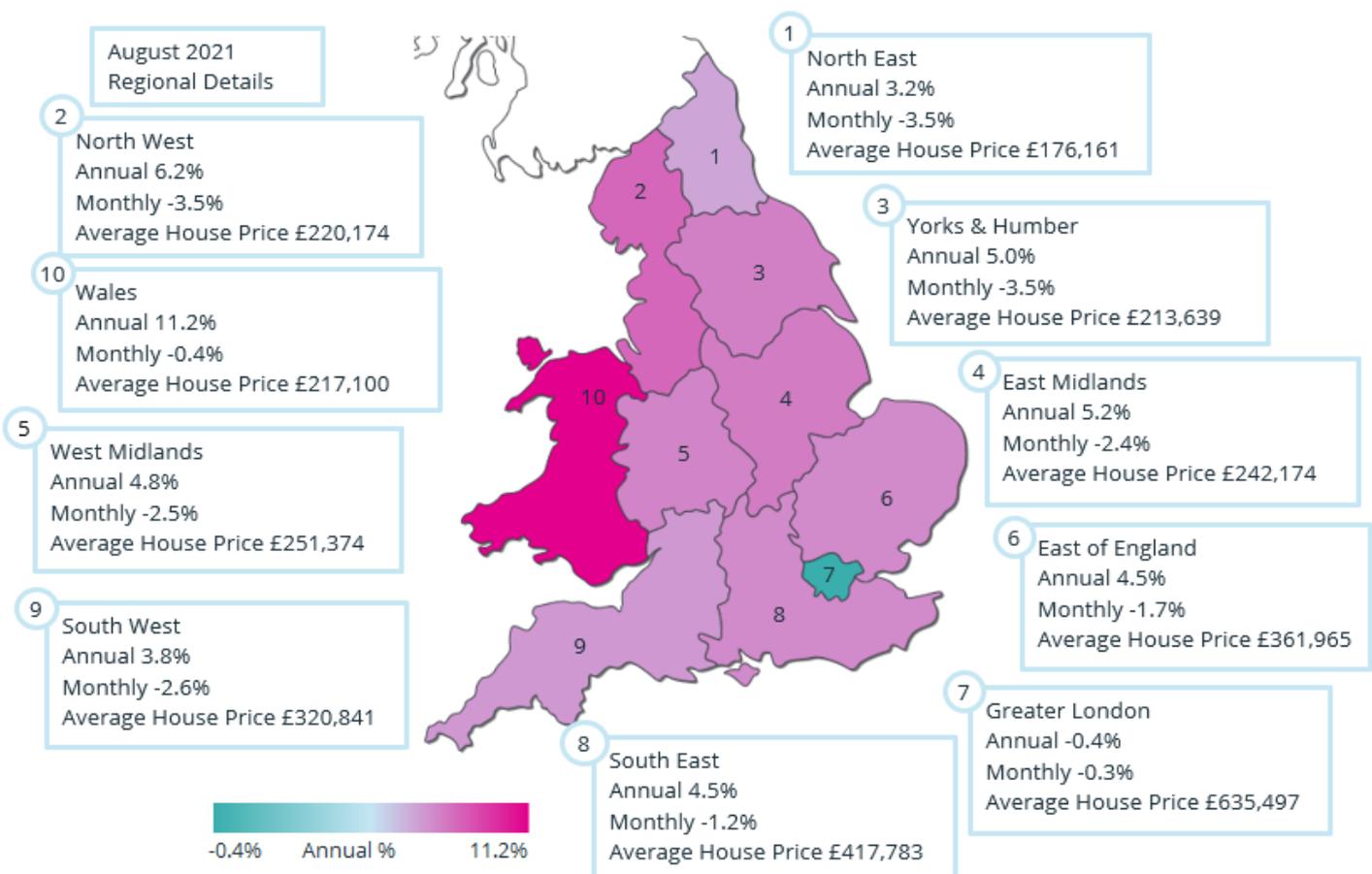
The largest fall in the annual rate of growth was in the North East, down by 6.3%, from 9.5% to 3.2% over the month. The North East was followed by Yorkshire and the Humber, down by 5.6% from 10.6% to 5.0% over the period. In fact, 79 of the 87 unitary authorities in England, excluding London Boroughs, or 91%, saw prices fall in the month.

Wales had the smallest fall in price growth in the month, from 12.2% down to 11.2%. The LTT tax holiday in Wales terminated at the end of June - but the tax savings available in Wales were not as large as in England (£2,450 in Wales vs £15,000 in England), which is potentially why the fall in prices in Wales has not been as significant as in England over the past few months.

In Greater London, 23 of the 33 boroughs, or 70%, saw prices fall in the month. Interestingly, 7 of the 10 boroughs with price increases in the month were in the top 10 boroughs by value, suggesting a price recovery in Prime Central London, at odds with the remainder of the Greater London area. Last month we were reporting that estate agents were seeing an increase in lettings and purchases by foreign nationals, as a result of the easing in travel restrictions and the start of a new university year. It looks as though these factors are working through the system and are being converted into property sales.

## England and Wales Regional Heat Map for August 2021

All of these different trends are highlighted in the Regional Heat Map for August. Wales stands out as being the only area shaded bright red, reflecting its status as having the highest rate of price growth at 11.2%, while at the other end of the scale Greater London is shaded teal, being the sole area with negative growth, of -0.4%. The South West and North East have become a new grouping this month, despite being at opposite ends of the country. Both areas were near the top of the growth league over the last few months, but their growth rates are now below 4.0%. We then have a grouping of the South East, East of England and West Midlands with rates below 5.0% and finally a grouping of the East Midlands, Yorkshire and the Humber and the North West with rates between 5.0% and 6.2%.



## Transactions

As we have noted before, our published HPI results for the latest three months from July to September 2021 are susceptible to change, since the number of transactions processed by the Land Registry for these months is lower than normal. The monthly transaction count from which we have derived the average prices for June, July, August and September are 42,085, 10,570, 13,330 and 2,597 sales respectively. These figures contrast with the HMRC estimates of housing transactions in England and Wales for June, July and August 2021 of 200,000, 70,000 and 93,000 sales respectively (the September HMRC totals are not yet available at the time of going to press).

## Annual Price Trends by Property Type

Figure 3. The annual change in the average house price for the two years September 2019 – 2021, analysed by Property Type

[Link to source Excel](#)

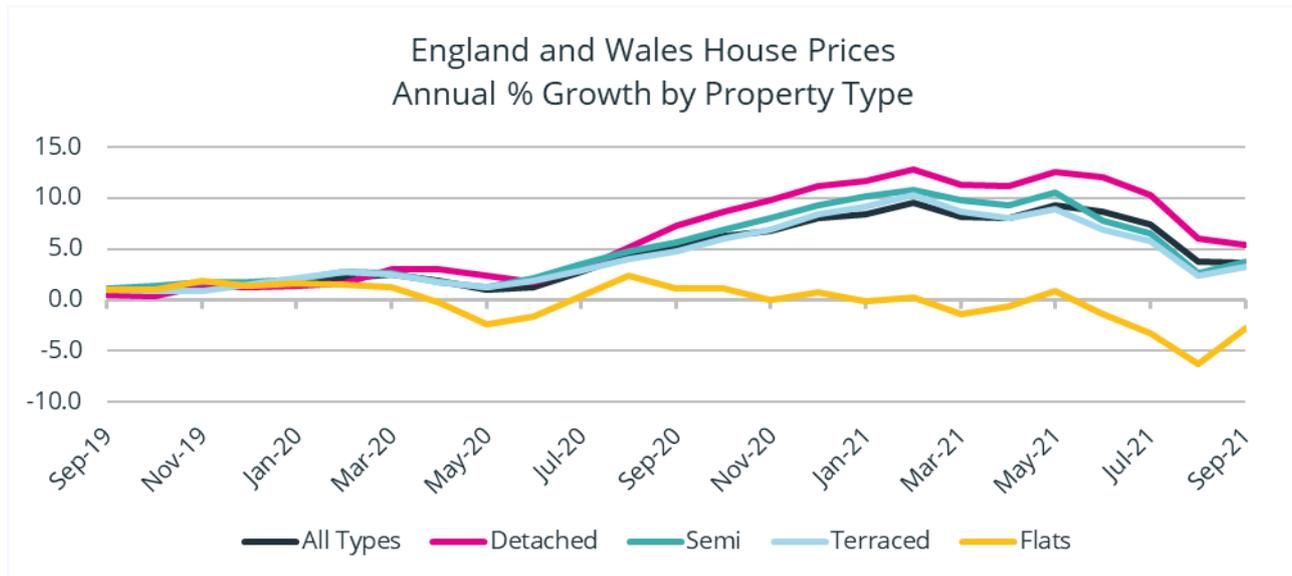


Figure 3 above shows the annual % growth in house prices analysed by property type. As can be seen, the % price growth of detached, semi-detached and terraced homes have had broadly similar trajectories over the last two years, but by contrast the % change in the price of flats has been at odds with the rest of the market. Indeed, while the average price of detached homes was growing at a rate in excess of 10.0% for the first seven months of 2021, flat prices experienced falls in six of the first eight months of 2021, culminating in a -6.2% decline in prices in August.

There are three main reasons for the decline in the price of flats. The first relates to the lifestyle changes described earlier - flats may offer little or no spare space in which to work.

The second factor is that travel restrictions were preventing foreign nationals from coming to work in the UK's major cities – prior to the pandemic, both foreign workers and students would frequently rent or buy flats to provide themselves with accommodation while living away from home.

Lastly, most mortgage lenders are still requiring EWS1 certificates to verify that flatted buildings conform to safety standards, and such certificates can prove difficult to obtain.

However, as can be seen from the graph, the price of flats has staged a small recovery in September. The largest gains in flat prices have been seen in Prime Central London and in Hammersmith and Fulham, which as discussed above, have benefitted from the easing of travel restrictions, encouraging students and foreign nationals to set up temporary homes close to the centre of the capital.

## Notes

### About the e.surv Acadata House Price Index

1. The e.surv Acadata House Price Index was formerly the LSL Acadata House Price Index (e.surv is part of the LSL Property Services group) and is produced by Acadata. Content and methodology are unchanged.
2. The e.surv Acadata House Price Index (England and Wales):
  - ✓ uses the **actual** price at which every property in England and Wales was transacted, including prices for properties bought with cash, based upon the factual Land Registry data as opposed to mortgage-based prices, asking prices or prices based upon samples
  - ✓ is updated monthly so that prices of **all reported** relevant transactions are employed in our latest Acadata England and Wales House Price Index release
  - ✓ provides the arithmetic average of prices paid for houses, different from the geometric average prices used in the ONS UK House Price Index
3. The initial e.surv Acadata House Price Index for each month, employs an academic “index of indices” model, custom-built at Cambridge, pending release of further transacted prices from the Land Registry which are reflected in our monthly index updates.
4. All e.surv Acadata House Price Index numbers, published prior to receipt of all transaction data, are subject to change; we publish the precise numbers that result from our calculations but these numbers reflect our mix adjustment and seasonal adjustment methodologies and, initially, our index of indices model. Our indices also reflect our best endeavours and are issued in good faith without any claim as to precision, accuracy or fitness for any purpose. For more detail see [www.acadata.co.uk](http://www.acadata.co.uk).
5. The Acadata website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information.

For further footnotes and a description of the methodology used in the e.surv Acadata Index please click [here](#).

### About Acadata

1. Acadata is an independent privately owned consultancy specialising in house price data. Our associated company MIAC Acadametrics Limited is an independent asset valuation service provider, specialising in behavioural modelling, stress testing and collateral valuation for the financial services industry.
2. The e.surv Acadata House Price Index may not be used for commercial purposes without written permission from Acadata. Specifically, it may not be used to measure the performance of investments or to determine the price at which investments may be bought or sold or for collateral valuation concerning which enquiries should be directed to MIAC Acadametrics.

### About e.surv Chartered Surveyors

e.surv is the UK’s largest valuation provider, directly employing over 600 residential surveyors across the UK, supported by a network of consultant valuers.

The business is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property, and also provides a number of private survey products direct to the home-buying public.

e.surv is part of [LSL Property Services](#) plc which includes household names Your Move, Reeds Rains and Primis.

For further information, please visit our website: [www.esurv.co.uk](http://www.esurv.co.uk)

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