

Price rises continue to slow in November

- ✓ Price increases in all England and Wales Unitary Authorities over the year
- ✓ London is the region with lowest annual price growth at 2.8%
- ✓ Cash sales accounted for 28.5% of transactions during the pandemic
- ✓ East Midlands records top regional price increase at 12.8%

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)
£378,778	363.3	0.7	9.3	11.7

Richard Sexton, director at e.surv, comments:

“Sentiment is absolutely key to economic confidence. While our index may differ from others being published at the moment, it illustrates **the value of considering all types of transactions over the period**. When you factor in cash and mortgaged transactions, the picture is less bleak.

“Consequently, our findings that house prices in England and Wales rose by a marginal 0.7% in November is the result of this broader consideration. This is important because while the picture it portrays is one of slowing growth which has been evident over the last 4 months, it doesn’t yet talk of price reductions.

“What this tells us is that cash-based transactions are a significant part of the overall market and key in sustaining prices.

“This continuing growth in process, albeit small, shows the value of property as an investment. The average price paid in both cash- and mortgage-based transactions for a home in England and Wales in November 2022 was still higher - by some £2,600 at £378,778 - than the average price paid in October.

“From the start of the pandemic in March 2020 to the end of October 2022, the average price paid for a home has increased by some 20.4%, which contrasts with the increase in consumer price inflation (including housing - CPIH) of 14.5% over the same period. Property prices have thus risen in real terms and this explains why property remains in demand even when many market supports like the Stamp Duty holiday are distant memories.”

Table 1. Average House Prices in England and Wales for the period November 2021 – November 2022

[Link to source Excel](#)

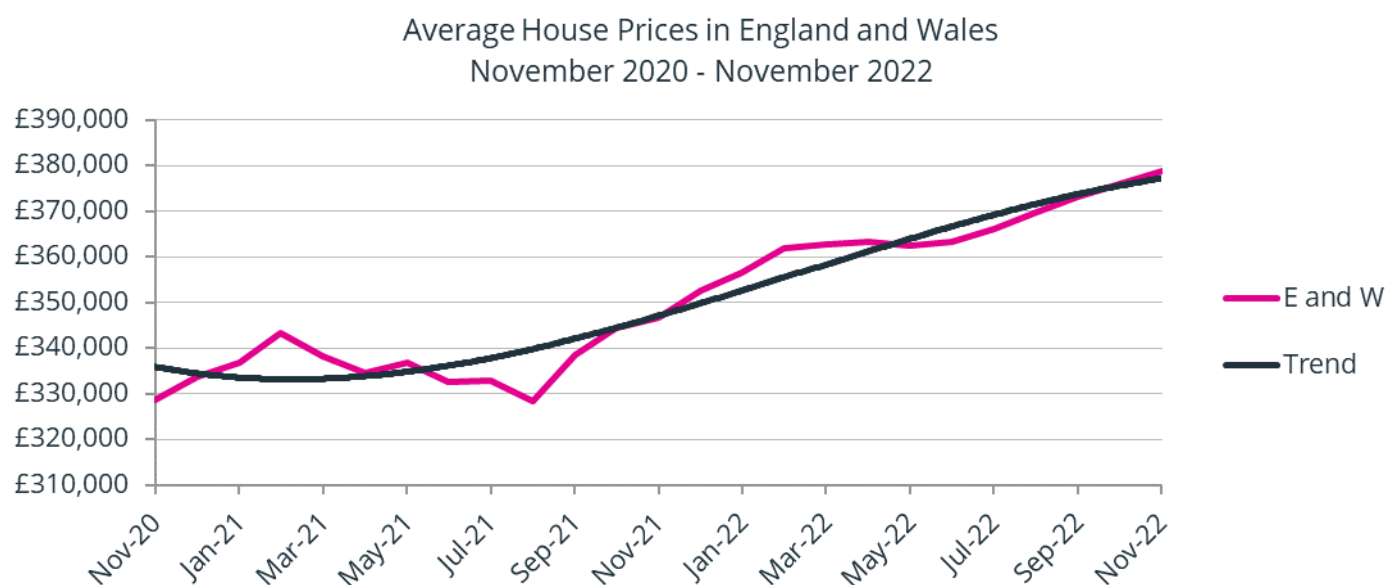
Month	Year	House Price	Index	Monthly Change %	Annual Change %
November	2021	£346,665	332.5	0.6	5.5
December	2021	£352,644	338.2	1.7	5.6
January	2022	£356,646	342.1	1.1	5.8
February	2022	£362,045	347.3	1.5	5.5
March	2022	£362,873	348.1	0.2	7.3
April	2022	£363,205	348.4	0.1	8.6
May	2022	£362,556	347.8	-0.2	7.7
June	2022	£363,452	348.6	0.2	9.3
July	2022	£366,060	351.1	0.7	10.0
August	2022	£369,873	354.8	1.0	12.7
September	2022	£373,140	357.9	0.9	10.3
October	2022	£376,166	360.8	0.8	9.2
November	2022	£378,778	363.3	0.7	9.3

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, smoothed, November 2020 – November 2022

[Link to source Excel](#)



House prices in England and Wales rose by a marginal 0.7% in November - but at a slowing monthly rate - which has been evident over the last 4 months. Key to understanding this outcome, which may seemingly be seen to be at odds with other indices, is to recognise that it is based on all transactions – both cash and mortgage, and not solely the mortgage-based transactions of a single lender. As we go on to show later, cash-based transactions are a significant part of the overall market.

The average price paid in both cash- and mortgage-based transactions for a home in England and Wales in November 2022 was still higher - by some £2,600 at £378,778 - than the average price paid in October. Indeed, from the start of the pandemic in March 2020 to the end of October 2022, the average price paid for a home has increased by some £63,700, or around 20.4%, which contrasts with the increase in consumer price inflation (including housing - CPIH) of 14.5% over the same period. Property prices have thus risen in real terms.

As Table 1 above shows, the monthly rate of price growth has fallen to 0.7% in November, being a gradual reduction of 0.1% over each of the last three months, from the monthly rate of 1.0% seen in August 2022. The annual rate of price growth has similarly slowed from the peak rate of 12.7% experienced in August to 9.3% by the end of November - although this rate has marginally increased from October's 9.2%. However, this latest marginal increase is largely due to a lower-than-average growth twelve months earlier, which has helped flatter the annual rate this November.

The housing market in November 2022

With the publication of the Government's Autumn Statement on the 17th November, a degree of certainty has been re-established and there has been further easing in mortgage rates and availability. However, the statement also underlined the somewhat gloomy outlook for the next two years in relation to inflation, unemployment and the cost of living, all of which have a bearing on the housing market.

Across all major market surveys, we can note a weakening sentiment with respect to house prices and transactions. The latest HM Treasury summary of independent forecasts for 2023 indicates a spread of views regarding house prices in the fourth quarter of that year compared with a year earlier. These range from the highest at -0.2% to the lowest at -9.0% with a median of -5.3%. The OBR has revised its forecasts for 2023 downwards, but still comes in at +0.8%. In part, this outlook is almost inevitable given the significant price inflation we have seen in recent years - so any falls must be viewed in that context.

The RICS survey for October highlighted the weakening of buyer enquiries and agreed sales, while new instructions also continued to fall. This sits alongside the decline in transaction numbers and the Bank of England reporting fewer mortgage approvals. Clearly, the rapid rise in interest rates will impact affordability and market activity, although mortgage rates have come down from the peaks reached in the autumn and are expected to drift down below 5%.

With fewer homes coming onto the market and with the continuing undersupply of homes relative to demand, it is still likely that - even though demand may weaken and there may be more negotiation - it will be strong enough to limit any price falls. In that respect, the Treasury's ranges may be closer to the likely reality than some of the more gloomy predictions made.

Clearly, the housing market is in a transitional phase in the cycle and we will continue to track its progress. The government will no doubt do likewise, as the health of this market is crucial to the recovery of the economy as a whole.

Average Annual Regional House Prices

Figure 2. The annual change in the average house price for the three months from September 2022 to November 2022, analysed by GOR [Link to source Excel](#)

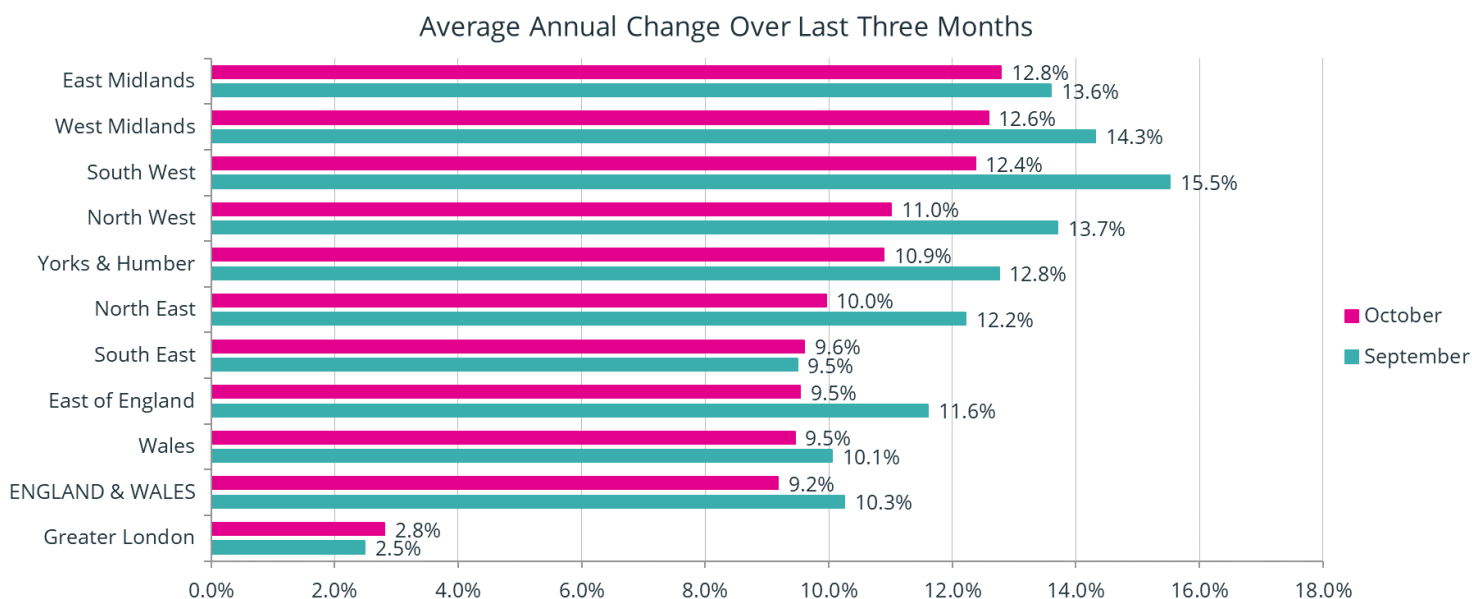


Figure 2 shows the percentage change in **annual** house prices on a regional basis in England, and for Wales, **averaged over the three-month period of September to November 2022**, compared to the same three months in 2021. These figures are produced on a rolling three-month basis to smooth out minor changes in price, with Figure 2 showing the similarly-averaged figures from one month earlier.

As can be seen, the annual rates of price growth in eight of the ten areas have reduced from the previous month, and in some cases by significant amounts. For example, in the South West price growth has slowed in the month by some 3.1% from 15.5% to 12.4%. The two areas with an increase in their annual rates of growth are Greater London, up by 0.3%, to 2.8% and the South East, up by 0.1%, to 9.6%. These two areas typically account for 35% of all residential property transactions in England and Wales.

The East and West Midlands are the top two regions in terms of having the highest annual rates of price growth, at 12.8% and 12.6% respectively. This is the first time that the East Midlands has been top of our regional growth ladder since March 2019. It has been helped this time by four of its ten constituent areas having price growth in excess of 14.0%, being Rutland (+21.7%), Nottinghamshire (+16.9%), Lincolnshire (+14.4%) and Leicester (+14.1%).

The West Midlands is in second place in Figure 2 above, for the fourth month running, with Herefordshire experiencing the highest annual price growth in the region, of +17.4%, followed by the West Midlands (Birmingham), at +15.1%.

By contrast, Greater London has the lowest annual growth rate of just +2.8%, although 22 of the 33 London boroughs saw prices rise on an annual basis (the same number as last month). Broadly, the most expensive inner city areas recorded falling values - impacting six of the top eight boroughs ranked by price. For example, in the City of Westminster, which is ranked in second place in London in terms of its average value, house prices have fallen by -25.6% over the last twelve months, while in

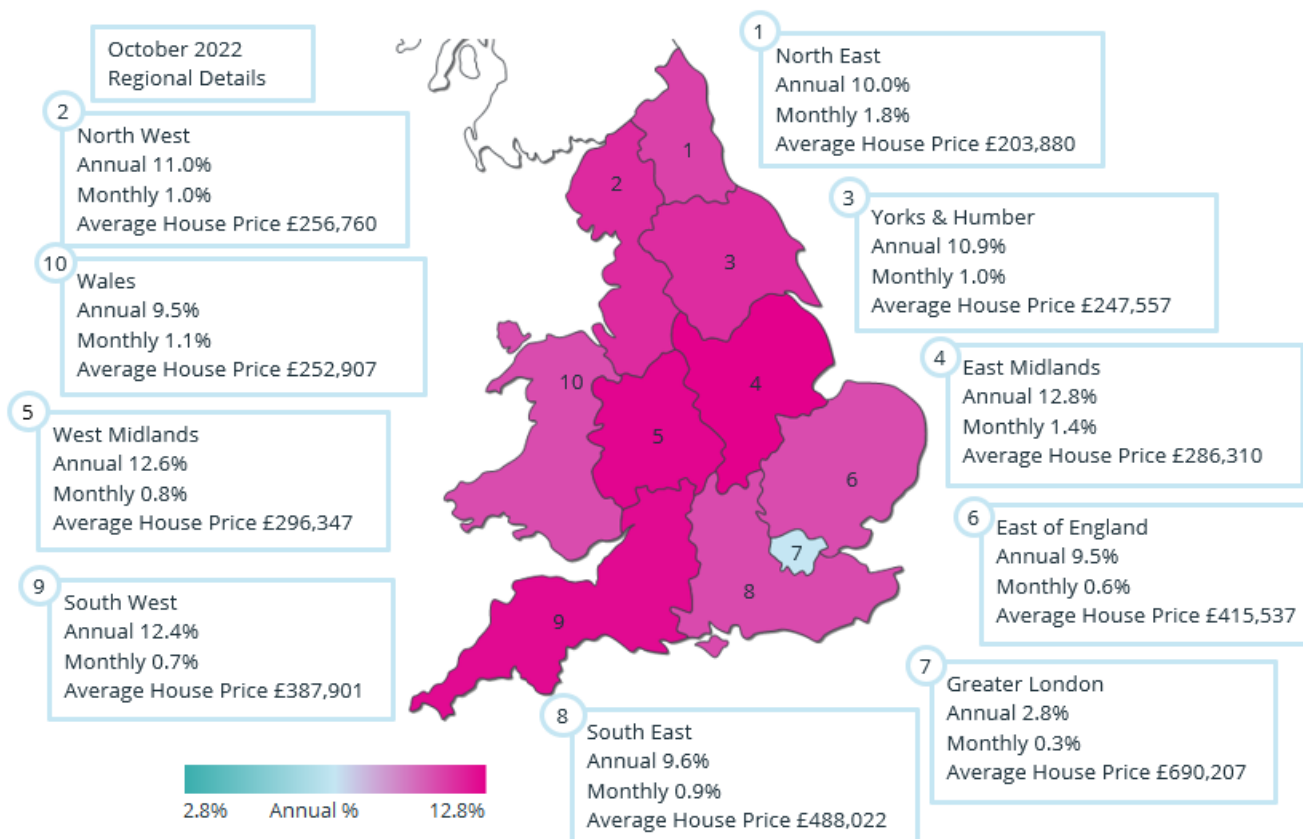
Kensington and Chelsea – the most expensive borough in London – prices fell by -19.1% over the same period.

Over the last twelve months there has been significant change in the ranking of the 33 London boroughs, as measured by their average property values. Hounslow has gained 6 places in its position followed by Kingston-upon-Thames and Brent, both up 5 places. The borough with the largest fall in ranking by price is Tower Hamlets, down 9 places, with average values falling from £660k in October 2021 to £550k twelve months later. Excluding the City of London, Tower Hamlets has the highest proportion of flats in its housing stock of all London Boroughs, at 93%, followed by the City of Westminster at 89%. As discussed on previous occasions, flats have failed to keep pace with the increase in prices for other property types during the Covid pandemic.

England and Wales Regional Heat Map

These different trends are then evident in the Regional Heat Map shown below for October 2022.

There are three distinct groups in England and Wales in October 2022 in terms of house price growth. Five of the ten GOR areas in England and Wales had rates of growth of 10.9% or higher, shaded in the deeper reds on the map. There are then four areas with rates between 9% and 10%, being the North East, the South East, the East of England and Wales. Finally, there is Greater London, out on its own, with an annual rate of just 2.8%, for the reasons discussed above.



Annual Growth Rate

The annual growth rate in the average house price recorded for England and Wales in November 2022 was 9.3%. This is 0.1% above the revised rate of 9.2% seen in October 2022, although as mentioned earlier the November increase was assisted by the fall in rates seen twelve months earlier. The November rate is 3.4% below the 12.7% recorded in August 2022, suggesting that annual rates of house price growth in England and Wales have been slowing since the summer months of 2022 – also see Table 1 above.

As recently reported, the latest Nationwide and Halifax indices are showing a far larger fall in their monthly and annual HPI rates for November 2022 than our own. To help understand this differential we have undertaken an analysis of cash vs mortgage purchases of properties, since the Nationwide and Halifax indices are based solely on transactions funded by their loan financing.

The main conclusion from this analysis (reported below) is that there is a surprising similarity in behaviour between the two methods of property finance throughout the pandemic period up to September 2022. This is thus unlikely to be the cause of the difference in the rates of price growth reported.

One factor that may however be relevant is the speed with which prices are reported. The lenders base their house price indices on data obtained from their customers at the time a mortgage is offered to the client – the so-called mortgage approval stage. Our own data comes from the Land Registry and is reported at the time a sale reaches its contract completion date – the completion stage. Given the length of time conveyancing is currently taking in the sale of a property, there could well be a delay of two months or more between an offer being made to provide funds for the purchase of a home (Nationwide and Halifax HPI) and the date of sale completion (Land Registry). This could explain why the lenders data is ahead in terms of reporting a market slowdown.

Monthly Growth Rate

The monthly growth rate in the average house price for England and Wales in November was 0.7% - a decline of -0.1% from the rate seen in October and a -0.3% decline from August. In October 2022, 18 of the 110 Unitary Authorities saw prices fall in the month, which is four less than the 22 with price falls in September 2022, but one more than the 17 Authorities with price falls in August 2022. These statistics accord with the probability that August 2022 will prove to be the highwater month, with the largest house price growth of the past ten years.

In October 2022, the biggest price increase in the month was in Gwynedd, at 5.3%. Prices in Gwynedd were supported by the sale of a 4-bedroom detached cottage, for £825k. The cottage is located on the Abersoch Golf Course, with direct access to Abersoch's sandy beach – a likely "lifestyle" purchase.

All 10 GOR areas in England and Wales saw prices increase during October 2022, with the largest monthly increase of +1.8% being in the North East. In the North East region, it is Tyne and Wear which has the highest house price growth, with prices in the month increasing by 3.3%. This was assisted in the month by the sale of a 5-bedroom detached home in Jesmond for £3.6 million. According to Newcastle's www.chroniclelive.co.uk/news, Jesmond is considered to be one of the most affluent areas in Newcastle upon Tyne, with higher average house prices than most other areas of the city.

Mortgage vs Cash purchases

Figure 3. The average house price purchased for cash or by mortgage, in England and Wales, for the period from March 2020 to September 2022 [Link to source Excel](#)

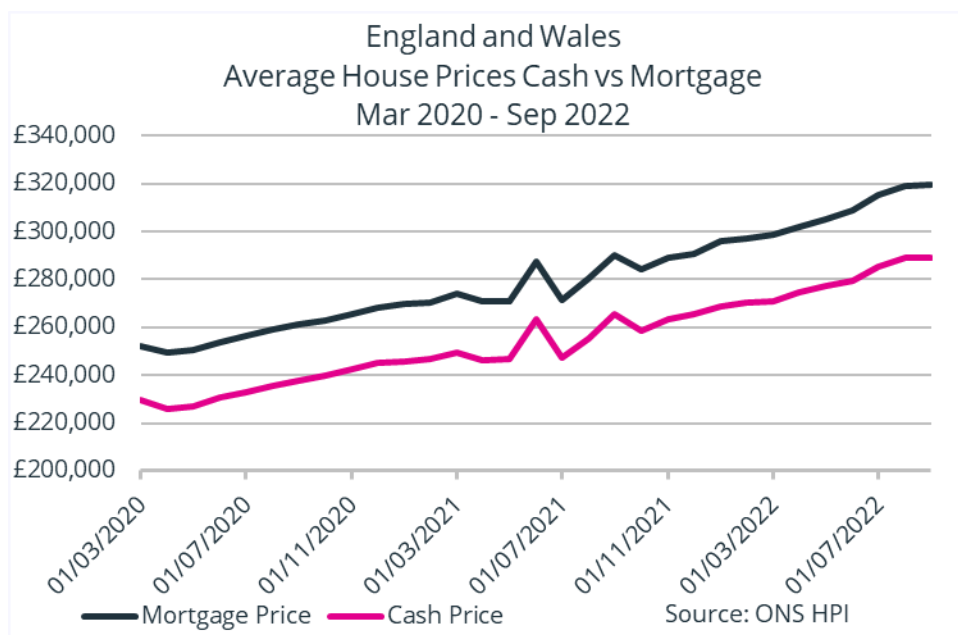


Figure 3 shows the average house prices in England and Wales purchased by cash or by mortgage from the start of the pandemic in Mar 2020 to Sept 2022. The source used is the ONS UK HPI. It should be noted that the ONS UK HPI is calculated using a geometric mean, whereas the Acadata/e.surv HPI uses an arithmetic mean. The two approaches differ in their average values and are not directly comparable.

In general Figure 3 shows that the average price paid using cash follows a very similar pattern to that of purchases via a mortgage, except that the cash price is on average 10% lower. Over the period analysed, the lowest cash “differential”, i.e. from the mortgage-backed price for the same month, was 9.1%, seen in June 2021 - one month prior to the ending of the tax holiday in Wales and the reduction in the tax savings available in England. The highest cash “differential” was in September 2022 at 10.6%.

It is assumed that this cash “discount” arises, in part, from the ability of the buyer to negotiate a lower price from the seller, due to the ability to conclude a speedier contract and offering the higher certainty that a sale will take place. It is also possible that cash buyers are more concentrated at the lower end of the property price spectrum

Figure 4. The monthly house price growth in England and Wales, analysed by cash or mortgage purchases, for the period from March 2020 to September 2022 [Link to source Excel](#)

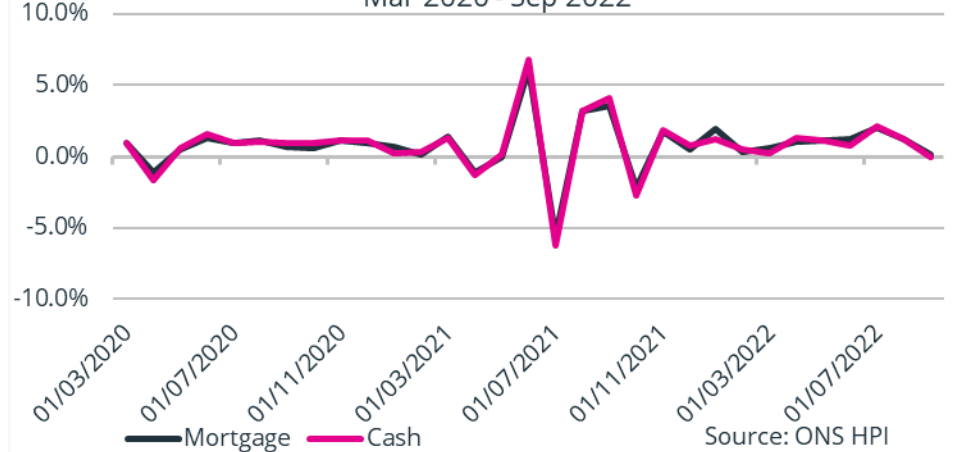


Figure 4 reinforces the observations made relating to Figure 3, as the two different data series of Figure 4 - which track the monthly growth rates over the observed period - are virtually identical to each other.

The two major difference that are just discernible in Figure 4 take place in June 2021 (the first major peak) and in January 2022

Figure 5. The number of transactions per month in England and Wales, analysed by cash or mortgage purchases, for the period from March 2020 to September 2022 [Link to source Excel](#)

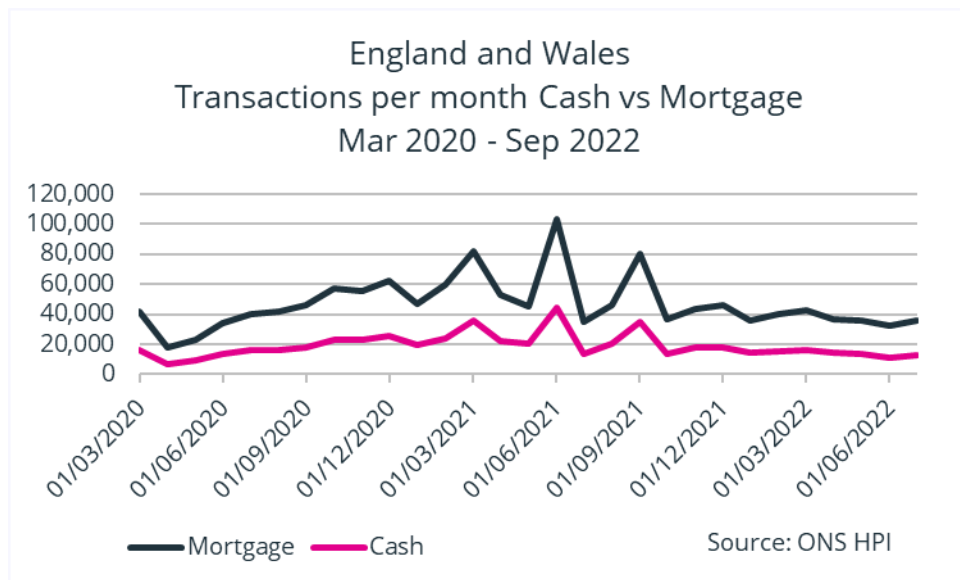


Figure 5 shows the number of transactions that took place in each month in England and Wales, analysed by cash or mortgage purchase, from the start of the pandemic in March 2020 to September 2022.

The source used is the ONS UK HPI, which is based on the Regulated Mortgage Survey, with data supplied by UK Finance.

In general, Figure 5 shows a similar pattern of purchases for both mortgage and cash. Over the period covered, cash purchases represent 28.5% of total sales. The minimum level of cash sales was in June 2022 with 25.4% of total sales, whereas the maximum level of cash sales occurred in August 2021, at 30.9% of total sales. During the observed three peaks of the pandemic period, in March, June and September 2021 (all tax-holiday related events), cash sales were a substantial 30.6%, 30.0% and 30.3% of total sales respectively, i.e. higher than average.

Total transactions

Figure 6. The total number of housing transactions per month, Jan 2007 – Sep 2022 [Link to source Excel](#)

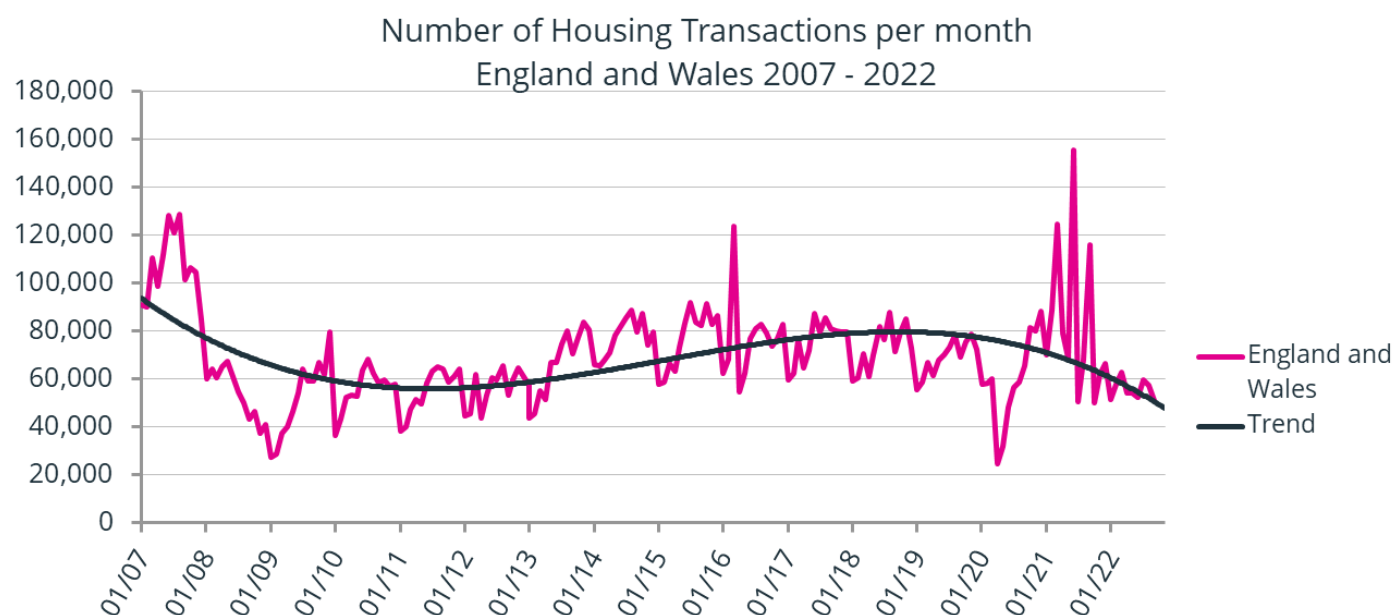


Figure 6 shows the total number of domestic property transactions per month recorded in England and Wales at the Land Registry for the period from January 2007 to September 2022, irrespective of the means of financing. As can be seen, transactions are now trending downwards.

As the chart indicates, the years 2013 - 2019 were relatively “normal”, with only the spike in sales in March 2016 - one month ahead of the additional 3% SDLT on the purchase of second homes and buy-to-let properties - upsetting the usual seasonal patterns. However, from the start of the pandemic in March 2020, the market has become notably more volatile as housing transactions in April 2020 plummeted due to the arrival of the pandemic, to be followed by a slow rise in sales as confidence began to return. Then followed a period when sales exceeded previous levels, from October 2020 to September 2021, as lifestyle changes and the SDLT/LTT tax-holidays pushed up demand, especially for properties with space to allow for working from home.

With three tax-related peaks in 2021, transactions from October 2021 through to September 2022 have been running at between 40,000 and 60,000 per month. This is below the pre-pandemic norm, at approximately half of the levels seen from January 2017 to December 2019. However, the current delays in processing transactions at the Land Registry should be noted. The gap in numbers between the latest months and the pre-pandemic levels will be reduced as further sales are processed by the Land Registry. Indeed, the Land Registry is aware of the time being taken to report completed sales and has made plans over the next year to automate and speed up the whole registration process.

Transactions by property type

Figure 7. The number of housing transactions per month, January 2019 – October 2022, analysed by property type [Link to source Excel](#)

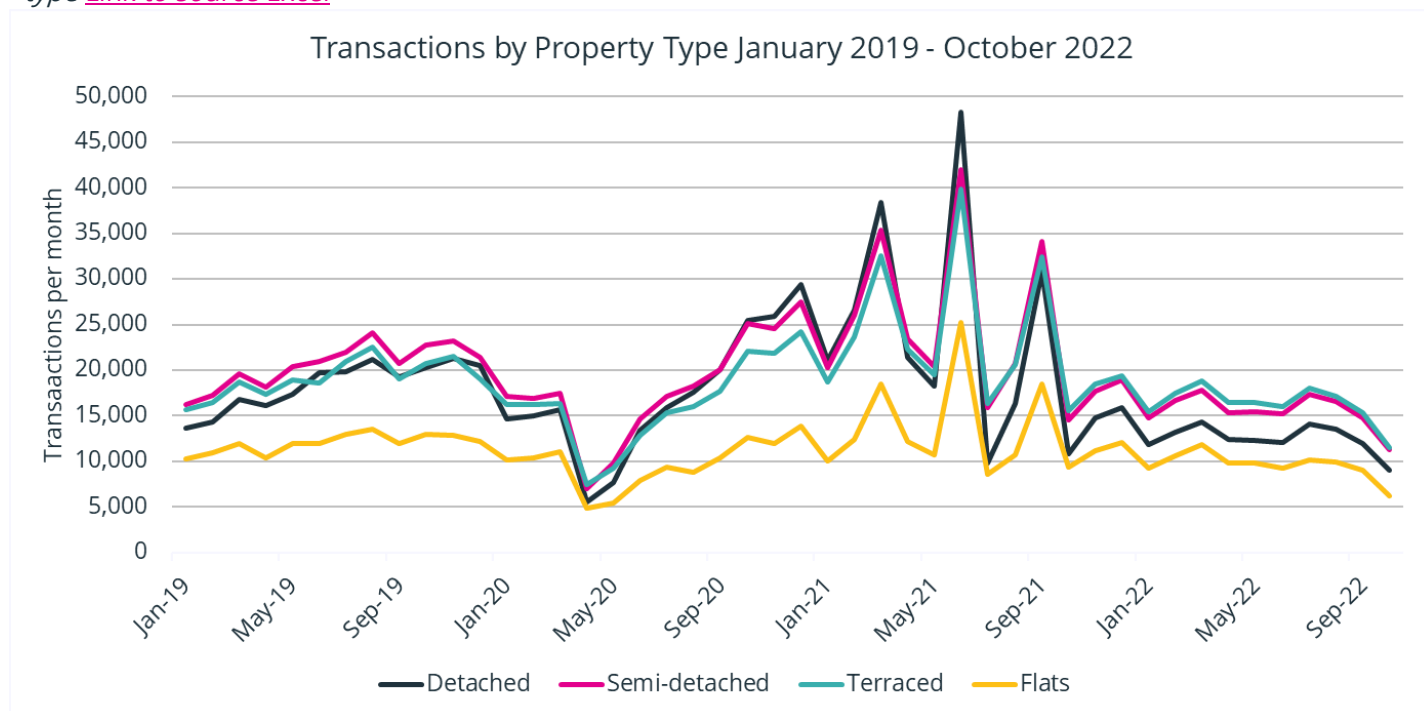


Figure 7 above analyses transactions for the period from January 2019 to October 2022 by property type. In general, transactions by each property type tend to move in similar directions to each other, with peaks and troughs tending to occur in the same months.

On closer examination, it can be seen that during 2019 and the first three months of 2022, the rank order in sales totals is headed by semi-detached, followed by terraces, detached and finally flats. However, from October 2021 onward the rankings change, with terraces outnumbering semi-detached sales, and the number of detached sales being visibly smaller than semi-detached during this latter period. Meanwhile, flats continue to trail the other three property types.

Unfortunately, the data supplied by the ONS relating to cash sales does not extend to property types. An analysis of the way in which cash sales might thus be influencing the different property types is hence not possible.

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.

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

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