

### House price change turns negative for the first time since March 2012

- Average prices now falling by an annual -1.3%
- Transactions also at lowest level for seventeen years...
- ...but some parts of the country continue to see price gains

**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)
£369,127	353.7	-0.2	-1.3	-1.8

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

“August has traditionally been a quieter time in the housing market but this has been compounded by the cost-of-living crisis and associated affordability challenges for buyers. Our data shows that house prices have fallen by some -£755, or -0.2%, in the month of August, the third largest monthly fall of 2023. Prices have now dropped in each month since November 2022 and on an annual basis, the average sale price of completed home transactions using cash or mortgages in England and Wales fell by some £4,800, or -1.3% in August 2023, and now stands at £369,127.

“But the story is not uniform across the UK. Buyers’ expectations are evolving in many cases as they begin to look at different areas and different property types. In other markets, cash buyers, who account for a third of transactions, remain particularly active in highly-priced areas.

“For borrowers, the recent comments by Andrew Bailey, Governor of the Bank of England, may prove to give some respite from rising loan costs in due course, and we should keep some perspective on current price falls. The fall in the average price of £9,300 since its peak in October 2022 must be viewed against the cumulative £54,000, or 17%, rise in prices since the start of the pandemic in March 2020. By that measure houses remain a very good investment.”

Table 1. Average House Prices in England and Wales for the period August 2022 – August 2023

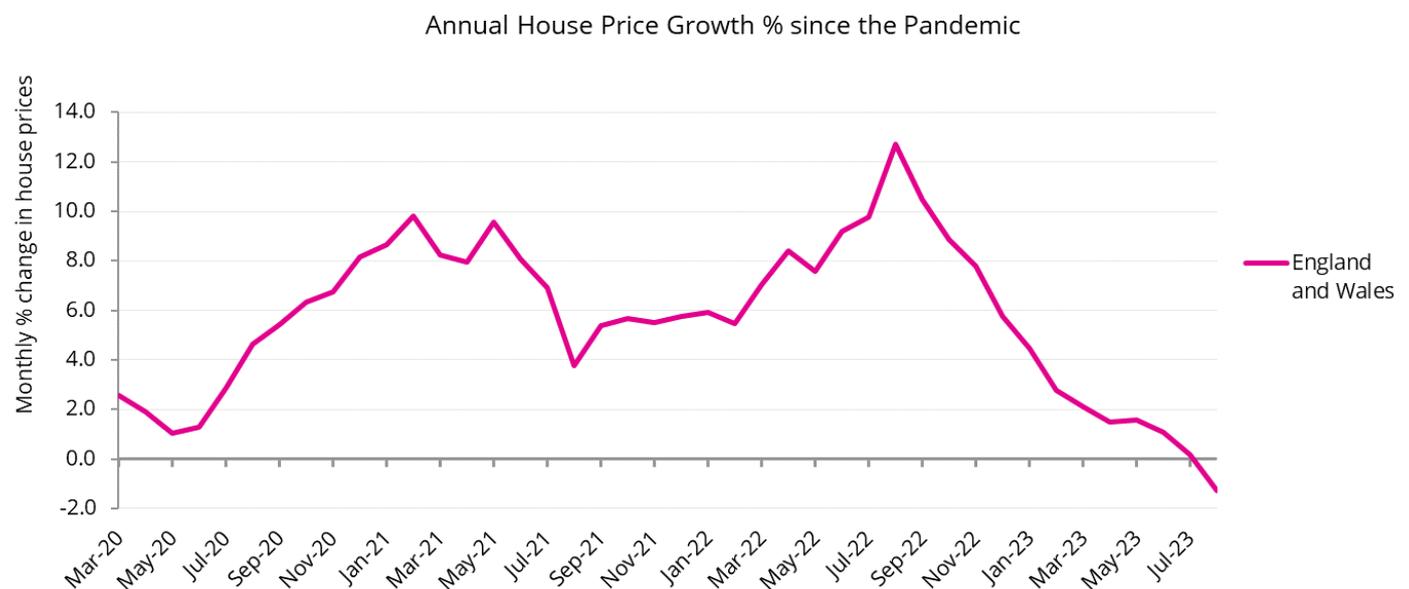
[Link to source Excel](#)

Month	Year	House Price	Index	Monthly Change %	Annual Change %
August	2022	£373,920	356.1	1.3	12.7
September	2022	£377,138	359.0	0.9	10.5
October	2022	£378,423	360.8	0.3	8.9
November	2022	£376,876	360.1	-0.4	7.8
December	2022	£376,584	360.9	-0.1	5.8
January	2023	£375,931	360.3	-0.2	4.5
February	2023	£375,218	359.6	-0.2	2.8
March	2023	£373,031	357.5	-0.6	2.1
April	2023	£371,128	355.6	-0.5	1.5
May	2023	£370,943	355.5	0.0	1.6
June	2023	£370,300	354.9	-0.2	1.1
July	2023	£369,882	354.5	-0.1	0.2
August	2023	£369,127	353.7	-0.2	-1.3

**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 annual house price growth in England and Wales, March 2020 – August 2023 [Link to source Excel](#)

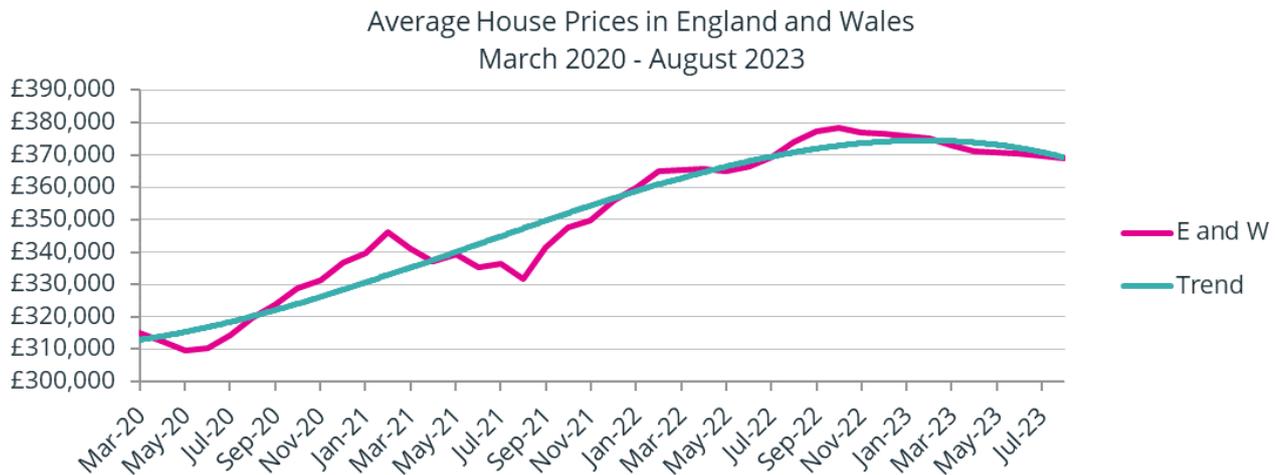


On an annual basis, the average sale price of completed home transactions using cash or mortgages in England and Wales in August 2023 fell by some £4,800, or -1.3%, and now stands at £369,127. This is the first time that the annual nominal rate of growth has been negative since March 2012, when the housing market was recovering from the banking credit crisis of 2007/2010. The negative rate follows almost twelve months of consecutive falls in annual prices, since it

reached a peak of 12.7% in August 2022. The market was at that time experiencing buoyant demand following the Covid pandemic, and with the support of low interest rates.

House prices have fallen by some -£750, or -0.2%, in the month of August, the third largest monthly fall of 2023. Prices have now dropped in each month since November 2022.

Figure 2. The average house price growth in England and Wales, March 2020 – August 2023 [Link to source Excel](#)



However - as Figure 2 illustrates - in terms of actual (nominal) prices, the fall in price of a not insubstantial £9,300 since its peak in October 2022 must be viewed against the cumulative £54,000, or 17%, rise in prices since the start of the pandemic in March 2020 – so some perspective is required when commenting on current price falls. At the same time, over this same period, the CPIH Inflation Index has risen by some 19% - so in real terms, the average price has fallen by -2% since March 2020. Again significant, but it is doubtful if any other asset classes have achieved a return equal to or greater than this over the same time period.

## The housing market in August 2023

Traditionally the market is quieter in August as households are on holiday, but even that certainty has been eroded by changing patterns of behaviour as well as by the continuing cost of living pressures. This is yet another nuance that comes into the mix of factors shaping the market month-by-month. While the market is continuing to contract in terms of activity and prices, the reality is that the situation varies greatly by area as some buyers have shifted their search to cheaper areas - reflecting the affordability pressures - while in other markets cash buyers are able to negotiate hard and from strength, squeezing prices in chosen areas.

Perhaps unsurprisingly therefore, asking prices have been adjusting downwards, and these act as a precursor to both the mortgage completion price data produced by lenders and the final selling price we report on here. Because Acadata includes cash buyers, who currently make up around a third of all purchases and are particularly significant in chosen areas (and not least the most highly-priced), our index is rightly reflective of a whole of market approach for England and Wales - and hence unlike some of the other indices. However, as we show in the index comparison chart, at a national level the indices do largely track one another, albeit with lags.

The housebuilders have been reporting reduced sales and reducing new output as they react to the unfolding market. Since new homes make up only around 10% of transactions, the short term effects of this contraction are limited - although in some areas new build homes do make up a bigger proportion of housing stock on the market. However, in the long term reduced supply has one obvious consequence - it will add to price pressures as it further exacerbates the already significant mismatch between demand and supply.

As prices falter, dropping in real terms for some months but now edging downwards in nominal terms (actual prices), the headlines typically focus on the negative. However, given that pay has continued to rise strongly in the private sector, as well as to a degree in the public sector (and unemployment though rising is still low), it does mean affordability is improved, at least for some. This in turn then generates new demand and market activity.

Consumer confidence has edged up slightly, and though arrears and repossessions have risen, they still remain very low. As is commented on later, transactions data is somewhat unreliable given processing delays, but the expectation is that recorded numbers will fall - reflecting the pressures discussed here - and that there will be changes in the mix.

How the balance of all these factors then expresses itself through prices and activity is what we will track over coming months, both for England and Wales as a whole, and crucially for regions and localities.

## Average Annual English Regions and Wales House Prices

Figure 3. The annual change in the average house price for the three months from June to August 2023, analysed by GOR [Link to source Excel](#)

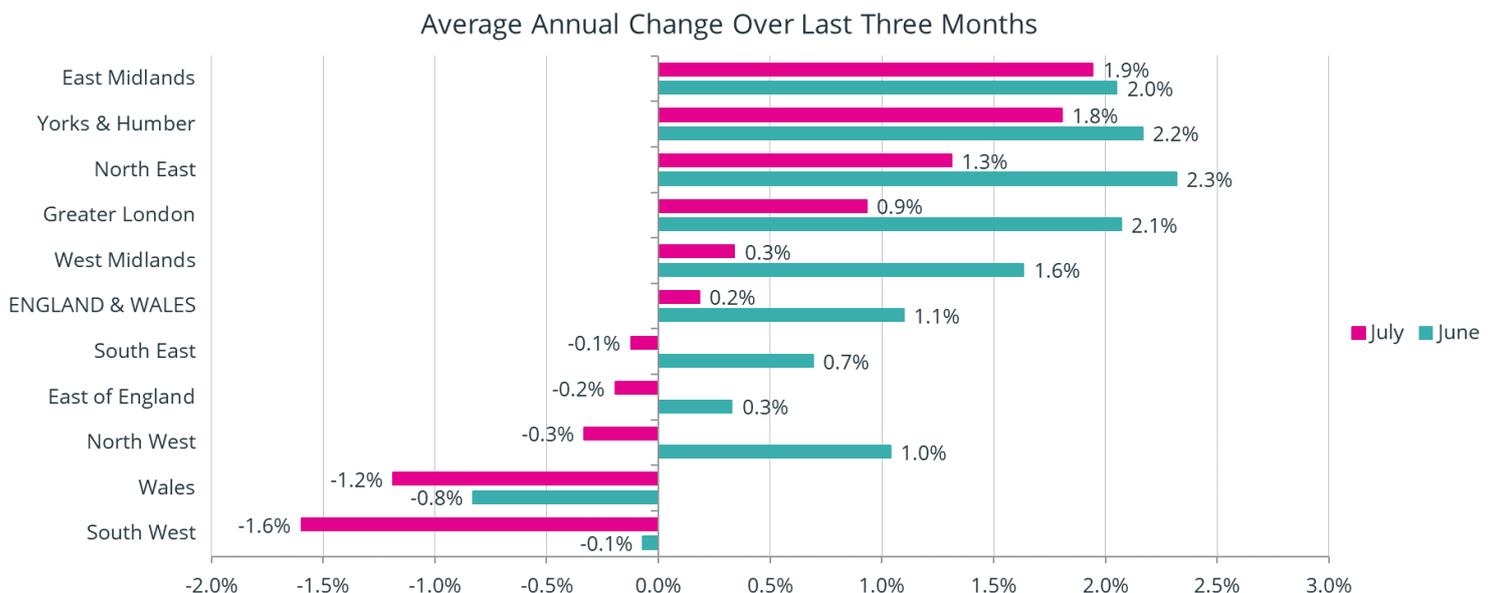


Figure 3 shows the percentage change in **annual** house prices on a regional basis in England and for Wales, **averaged over the three-month period of June to August 2023**, compared to the same three months in 2022. These figures are calculated on a rolling three-month basis to smooth out the minor changes in price which almost inevitably arise, and are centred on July 2023 (pink line), with Figure 2

also showing the similarly averaged figures for June 2023, one month earlier (blue line). The Acadata prices are also adjusted for seasonal variation.

It can be seen that in July there are five GOR areas with a negative movement in their rates of change, compared with just two in June. This month, it is the South West that has the largest fall in its rates at -1.6%, compared to Wales which had the largest fall in June, at -0.8%.

In the South West, 10 of its 14 constituent areas saw prices fall in the month, with a similar number of areas also seeing price falls over the previous twelve months. The three constituent areas in the South West with the largest price falls in July were the City of Bristol, -3.2%, Bath and North East Somerset, -2.6%, and Dorset, -2.6%. In the South West, over the previous twelve months, it was Bournemouth, Christchurch and Poole that had the largest fall in prices at -5.8%, followed by Wiltshire at -4.9% and Swindon at -3.9%.

At the other end of the scale the East Midlands has the highest growth of the 10 GOR areas, at 1.9%, followed by Yorkshire and the Humber at 1.8% and the North East in third place at 1.3%, the North East having been top of the league table for the previous three months.

The East Midlands has been in one of the top four places of the growth league table over the last fourteen months. On a monthly basis, there are six constituent areas in the East Midlands that have seen price rises in July, the top three being Rutland, +6.3%, the City of Nottingham, +3.3%, and the City of Derby, +2.5%. On an annual basis, seven of the ten constituent areas in the East Midlands have seen prices rise over the year, the top three being Rutland, +17.4%, the City of Nottingham, +12.7%, and Leicestershire, +7.0%. Rutland, the City of Nottingham and Leicestershire have all set new record average prices in July – being 3 of the 8 unitary authorities/non-metropolitan counties in England and Wales to have done so in July 2023.

In Greater London, which now stands in fourth place in the growth league table, having been in bottom position from June 2022 to April 2023, the recovery in prices is occurring in the high-value areas of the capital. For example, six of the top eleven boroughs by value saw prices rise in the twelve months to July 2023, while only three of the lowest eleven boroughs by value, and just one of the mid-eleven boroughs by value saw a positive movement in their prices over the year. The highest annual movement in prices in July occurred in the City of London, up by +30.2%, followed by the City of Westminster, up +16.0% and Richmond upon Thames, up +3.8%. The largest annual fall, of -10.8%, was in Tower Hamlets – ranked 23 out of the 33 London boroughs by value. Tower Hamlets has the second-highest percentage of flats in its property stock at 93%, only exceeded by the City of London with 99% of its residential properties being flats. On a monthly basis, the three boroughs with the highest rise in prices in July were the City of London, +11.9%, Hounslow, +3.2%, and Redbridge, +2.6%. And the three boroughs with the largest price falls in July were Hackney, -1.9%, Kingston upon Thames, -1.2%, and Croydon, -1.1%.

On a **monthly** basis, looking at the movement in the 10 GOR areas in July, there were four areas with price increases and six areas with price falls in the month. The four regions/countries with price rises were Greater London, +0.4%, the East Midlands, +0.3%, Wales, +0.1% and Yorks and Humber, +0.0%. The three largest falls in prices in the month were in the South West, - 1.0%, the North West -0.5% and the North East -0.3%. The various changes in price growth across England and Wales thus reflect the diverse nature of the property markets across both countries.

## England and Wales Regional Heat Map

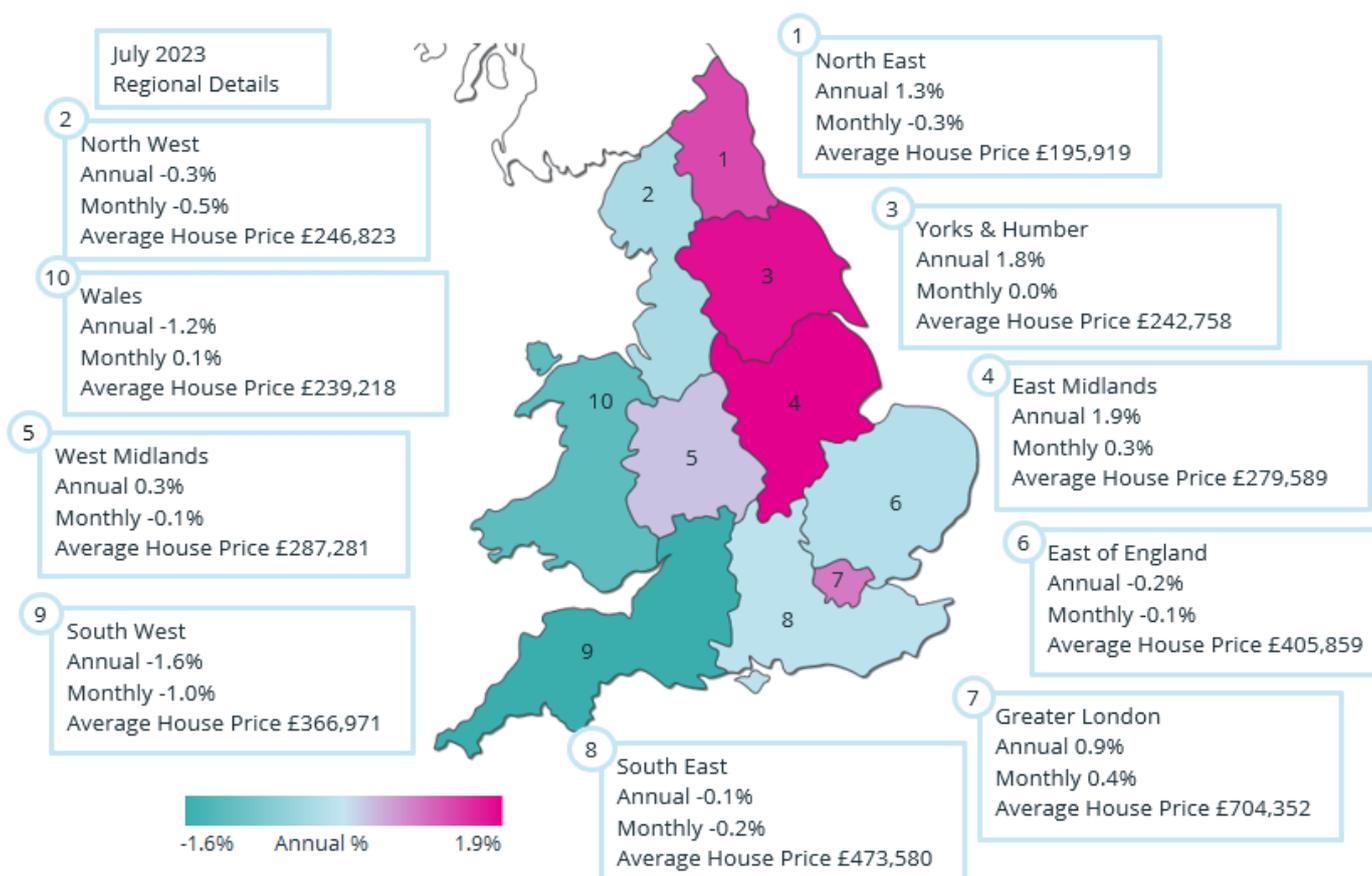
These different trends are evident in the Regional Heat Map shown below for July 2023.

There would appear to be three different clusters of regions / countries in evidence in the July 2023 Heat Map. Firstly are the reds down the east coast of England - the North East, Yorkshire and the Humber and the East Midlands, where prices are still climbing by 1.3% or higher, to which could be added Greater London, where prices are rising by 0.9%.

We then have the green country and region of Wales and the South West, where prices are falling on an annual basis by amounts exceeding -1.2%.

The remaining in-between regions of the North West, the West Midlands, the South East and the East of England have annual price growth ranges from +0.3% to -0.3%.

It will be interesting to see whether the apparent east/west split in price growth remains next month, or whether the fall in prices becomes more universal across England and Wales.



## Annual Change in prices

The annual price growth rate in England and Wales in August 2023, for both mortgage and cash-based house purchases, was an arithmetic average of -1.3%. As discussed above, this is the first time that the annual rate has been negative since March 2012. The rate of -1.3% in August is -1.5% below the rate of 0.2% for July 2023, and - with the exception of May 2023 - represents the twelfth month in succession in which the annual rate of house price growth has slowed from the peak at +12.7% one year earlier in August 2022.

In July 2023, 54 of the 110 Unitary Authority areas in England and Wales were recording house price gains over the previous twelve months. This is the first time since April 2012 that fewer than half of the 110 unitary authority areas which we monitor have been recording price gains.

The area with the highest annual increase in prices in July 2023 is Rutland, at 17.4% growth – the average price being boosted this month by the sale of a bespoke four bedroom / four bathroom detached home located in Morcott, Oakham for £1.45 million.

By way of contrast, the Unitary Authority area with the largest fall in prices over the last twelve months is Denbighshire in Wales, at -16.6%. All property types in Denbighshire have seen price falls over the year, with the largest fall being seen in detached homes, where prices have fallen from an average £310k in July 2022 to an average £250k twelve months later. In Denbighshire the Council Tax premium on second homes will be rising to 150% from April 2025.

## Monthly Change in prices

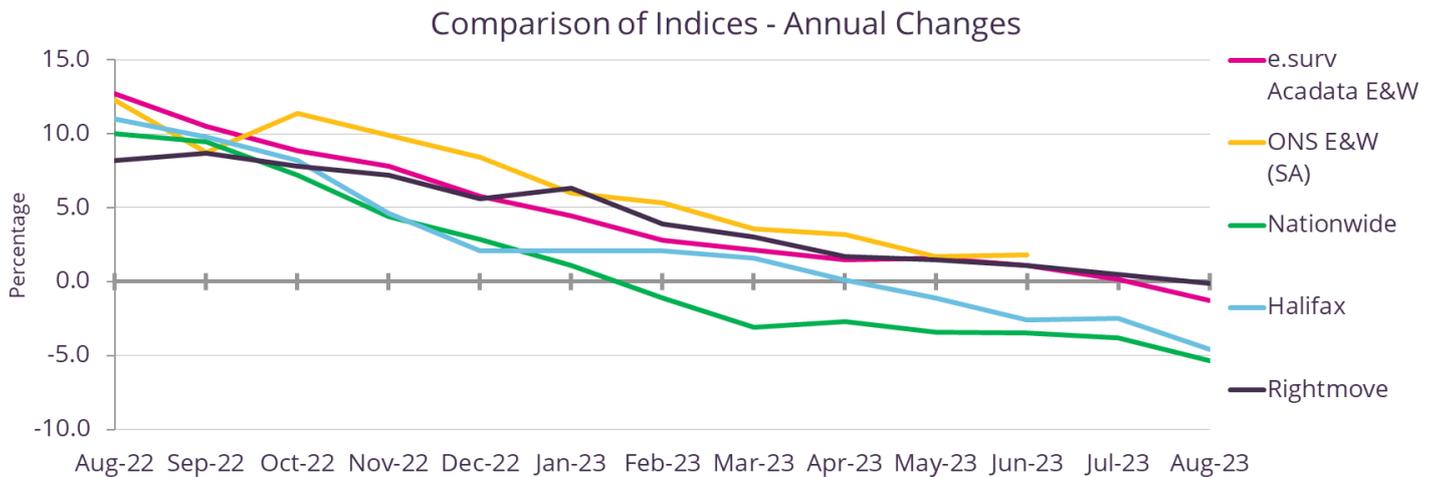
Average house prices fell by £750, or -0.2%, in August 2023. This was the tenth month in succession in which the average price paid for a home has fallen, making the total reduction in 2023 some -£7,500. However, as touched on earlier, this total needs to be contrasted with the near £54,000 increase in prices that has taken place since the start of the pandemic – most homeowners are therefore still likely to have gained considerable equity in their property over this period, despite the recent price falls.

In July 2023, prices rose on a monthly basis in 44 of the 110 Unitary Authorities, which is 1 less than in June, suggesting a slightly more sluggish environment compared to the first quarter of the year: for example, in February 2023 there were 65 authorities with price rises. The area with the biggest increase in prices in July was also Rutland, up by 6.3% in the month, for the reasons discussed above. The authority with the second-highest price growth in July was Halton, up by 4.8% in the month. In Halton all property types saw prices rise in the month, with the largest rise being in the price of flats, up from an average £117k in June 2023 to an average £123k in July. This increase in Halton's average price of flats was inflated in the month by the sale of a flat on the St Elphin's View estate, Warrington, for £284,500 – the most expensive flat by a factor of 2 to have been sold in Halton this calendar year.

At the other end of the scale, the authority with the largest fall in prices in the month of July was the City of Bristol, where prices fell by -3.2%. This fall has largely occurred as the most expensive property of the year – a flat in Clifton Village, which sold for £2.95 million in May 2023 – dropped out of the statistics this month, resulting in a fall in Bristol's average price.

## Comparison of Indices

Figure 4. The annual change in house prices August 2022 – August 2023 [Link to source Excel](#)



This month, Figure 4 compares the Annual rate of change in house prices as measured by the five different index providers (as listed to the right of the graph), for the period August 2022 to August 2023. Overall, the general direction of travel in house price change is similar, although the rates of decline differ marginally between the indices.

In August 2023, the four indices that have so far reported on the annual rates would appear to be split into two camps - those indices that include cash sales (Rightmove (-0.1%) and e.surv Acadata (-1.3%)) - and those based on mortgage finance (Nationwide (-5.3%) and Halifax (-4.6%)).

Nationwide, in its HPI report accompanying the publication of its figures, discussed the differences that were arising in the market between the two financing methods of cash and loans. "An examination of the composition of transactions reveals that cash purchases, though down from the 2021 highs, have been remarkably resilient, while purchases involving a mortgage have slowed much more sharply."

The commentary continued "Home mover completions (with a mortgage) in the first half of 2023 were 33% lower than 2019 levels, whilst first-time buyer numbers were c.25% lower. Buy-to-let purchases involving a mortgage were nearly 30% below pre-pandemic levels. By contrast, cash purchases were actually up 2%."

"For owner-occupiers buying with a mortgage, there has also been a modest shift in the type of properties being purchased. While transactions are lower than pre-pandemic levels across all property types, the biggest decline has been in detached houses." "There are signs that buyers are looking towards smaller, less expensive properties, with flats seeing a smaller decline. Flats have also remained relatively more affordable; average prices have risen by only 13% since the onset of the pandemic, compared with 23% for detached properties."

Certainly, the more severe downward trajectory of the two lender indices supports the view that cash sales are less susceptible to the vagaries of high interest costs, which are reducing the number of transactions taking place in the current market.

## Housing transactions per month

Figure 5. The total number of housing transactions per month, January 2017 – July 2023 [Link to source Excel](#)

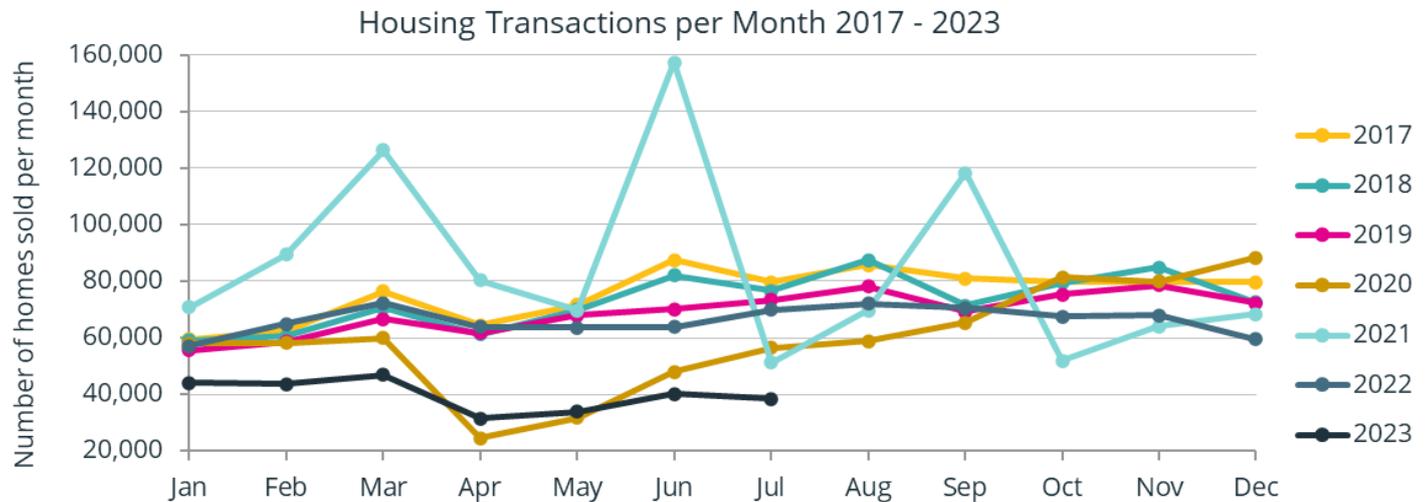


Figure 5 shows the total number of domestic property transactions per month recorded at the Land Registry for England and Wales, covering the period from January 2017 to July 2023.

There are four years of particular interest in Figure 5. The first is the light brown line of 2020. This year began with an average 58,640 transactions in the first three months, up to the start of the pandemic, which was announced during the latter part of March 2020, when households were instructed to remain at home (if not employed in an essential service). The announcement came too late to affect March sales, but in April 2020, the number of property transactions slumped to 24,560. Although property sales slowly increased during the remainder of 2020, the recovery was prolonged.

During 2021, the light blue line, the housing market was transformed, in part due to the tax-holidays that were made available in both England and Wales, and in part owing to the change in attitude brought about by working from home, coupled with the desire for more space. Three spikes are clearly visible in March, June and September 2021, which were all tax-holiday related. The number of transactions in England and Wales in 2021 averaged some 84,800 sales per month.

By contrast 2022, the grey line, proved to be a far more subdued and stable year than 2021, with transactions returning to an average 66,100 sales per month – some 12% ahead of the levels seen in 2020. The reduction in sales from September 2022 onward is visible, coinciding with both the arrival of Mrs Truss as Prime Minister on 6th September 2022 and the sixth increase in the official bank rate, to 2.25%, on 22nd September 2022. Liz Truss departed as Prime Minister on 25th October 2022. The bank rate was further increased on 3rd November and 15th December 2022, ending the year at 3.5%. Housing sales in December 2022 totalled 59,500 – the lowest December total on the graph.

The fourth and final year of interest is 2023, the black line. The year has only seen an average of 39,700 sales per month to the end of July – the lowest level of transactions over these seven months of the last seventeen years. However, the data for each of the months in 2023 is still emerging from the Land Registry, and especially for July 2023, so these totals will slowly increase over time - although they are unlikely to return to earlier peaks.

## 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

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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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