

ACADHPI NEWS RELEASE

9:30 FRIDAY 11TH JUNE 2010

England and Wales house price trends from Acadametrics

- **The housing market stalls in May** [Page 2](#)

Both the number of homes sold and the prices achieved fell, during the month, indicating that the housing market stalled in May although it remains unclear as to whether this is the start of a sustained decline. There were modest price falls in every region in England and in Wales.

- **Housing transactions fall** [Page 2](#)

The number of properties sold in May fell by an estimated 18% from April levels which were, themselves, running at approximately 35% less than the number of properties sold in April 2007.

- **House prices fall in the month** [Page 4](#)

The value of the average home in England and Wales fell by 0.2% in May.

- **Annual price increase is 9.7%** [Page 4](#)

The annual average price of all residential property transactions in England & Wales was 9.7% higher than it was a year ago. The annual rate of change has begun to decline from its peak in February 2010, as upward house price movements one year ago, not reflected in today's market, affect the index.

Dr Peter Williams, Chairman of Acadametrics, said

“Perhaps unsurprisingly, given the widespread uncertainty that exists, the housing market dipped in May. The average price of a home in May 2010 was £220,352 - slightly down on April's figure and well below the peak of £231,828 in February 2008. On a regional basis, we saw price reductions in all regions, ranging from a 2% fall in the East Midlands to a 0.1% fall in Greater London.”

	House Price	Index	Monthly Change %	Annual Change %
June 2009	£202,554	206.2	0.8	-11.0
July	£204,190	207.8	0.8	-8.9
August	£206,463	210.2	1.1	-6.6
September	£209,288	213.0	1.4	-3.8
October	£211,681	215.5	1.1	-0.9
November	£212,296	216.1	0.3	1.6
December	£216,452	220.3	2.0	5.3
January 2010	£219,796	223.7	1.5	7.8
February	£223,428	227.4	1.7	10.3
March	£222,403	226.4	-0.5	10.7
April	£220,806	224.8	-0.7	10.3
May	£220,352	224.3	-0.2	9.7

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Dr Peter Williams, Chairman of Acadametrics, comments:

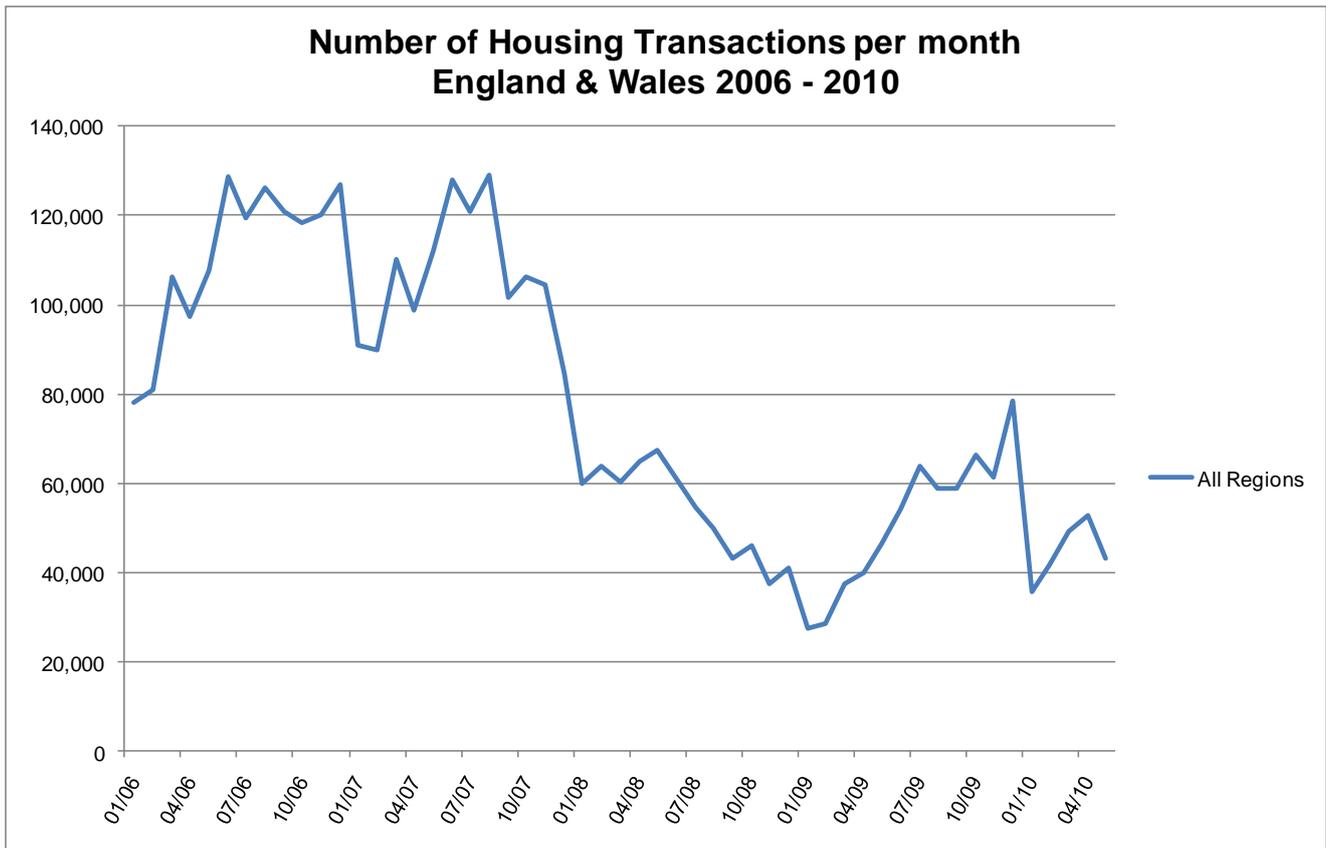
“The average price of a home in England & Wales is now £220,352. At this level, it is down £11,476, or 5.0%, from its peak in February 2008 of £231,828. With prices starting to fall, there will be a number of homeowners who continue to experience negative equity on their property purchase, with house prices returning to the same level as they were in March 2007. The problem for these owners will be that, if they need to re-negotiate their mortgage at the end of its first term, their lender may be willing to offer only a lower LTV loan. Negative equity is also a factor in loan modification and repossession cases with lenders being reluctant to crystallise losses.

“The market conditions in May were obviously influenced by the suspension of Home Information Packs on May 20th (as a prelude to their being scrapped) and by the Government announcements on increased Capital Gains Tax on property investments on 12th May. Together, these propelled more homes onto the market and thus adjusted the demand/supply balance. Net new mortgage lending was lower in April than anticipated and remortgage activity remained very low. What all this suggests is a market which is delicately poised and easily buffeted in one direction or another by slight changes in circumstances. The May downturn shown by our index is in line with the Halifax index and other market predictions. The question now is will that decline continue through to the end of the year and beyond? There is much to suggest that it will although, in reality, there is a spectrum of views from analysts – ranging, according to the Sunday Times, from a price fall of 7% to a 3% rise, over the next 6 months. Clearly, the Emergency Budget on 22nd June will offer some clarity, not least on CGT but also on other tax rises and expenditure cuts. More positively, we may see new measures introduced to help buyers although whether these will in themselves overcome the continuing shortage of mortgages is another question. That issue remains unresolved and whilst there is a recovery in savings and some modest evidence of faster debt repayment, the lending industry is still expecting to see total gross lending of around £150/160 billion for the year and net lending (this is the total minus repayments) of around £15/20 billion, well below anything that might be deemed a level of funding for a ‘sustainable and healthy’ housing market.

HOUSING TRANSACTIONS

“In normal circumstances, estate agents look forward to the late spring months as the number of property transactions increase from the lower levels of the winter months. For example, in 13 out of the last 15 years, the number of properties sold in May increased over the numbers sold in April, by around 10%. However, in May 2010 we estimate the number of properties sold in England and Wales to be 43,250, a decrease of 18% on the number of properties sold in April and only 46% of the long term average of 93,860 properties sold in May (1995 – 2009). In fact, May 2010 will have the lowest transaction levels for the month over the last 15 years.

“Comparing the last three months, February – April 2010, for which we have more definitive data, with the same period for 2009, there has been an average 28% increase in transactions. The start of 2010, therefore, looked promising in terms of a recovery in the housing market. However, this did not continue into May and we are now left with the question as to whether we will see an above average increase in sales volumes in June, as investors seek to sell before the presumed CGT rise. Sales by property investors typically make up less than 10% of the market but, if this increase in sales should happen, it would largely be in the “flats” market in urban conurbations, as the majority of buy-to-let properties comprise flats in city centres. We will wait to see if such a trend materialises.”

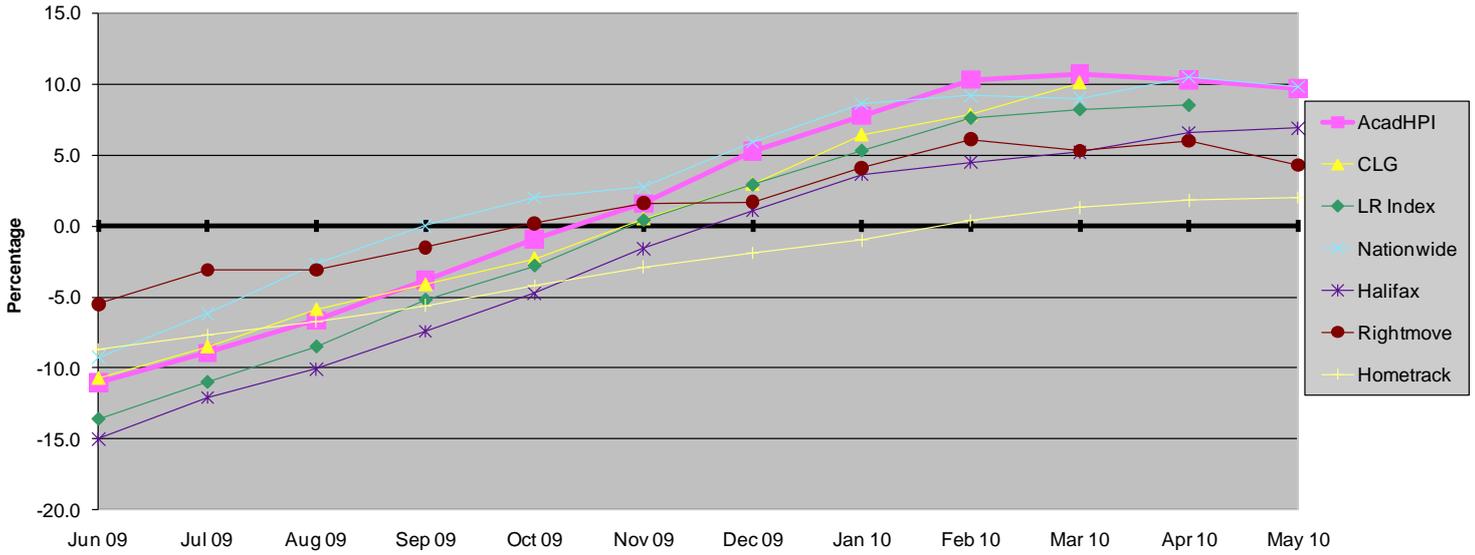


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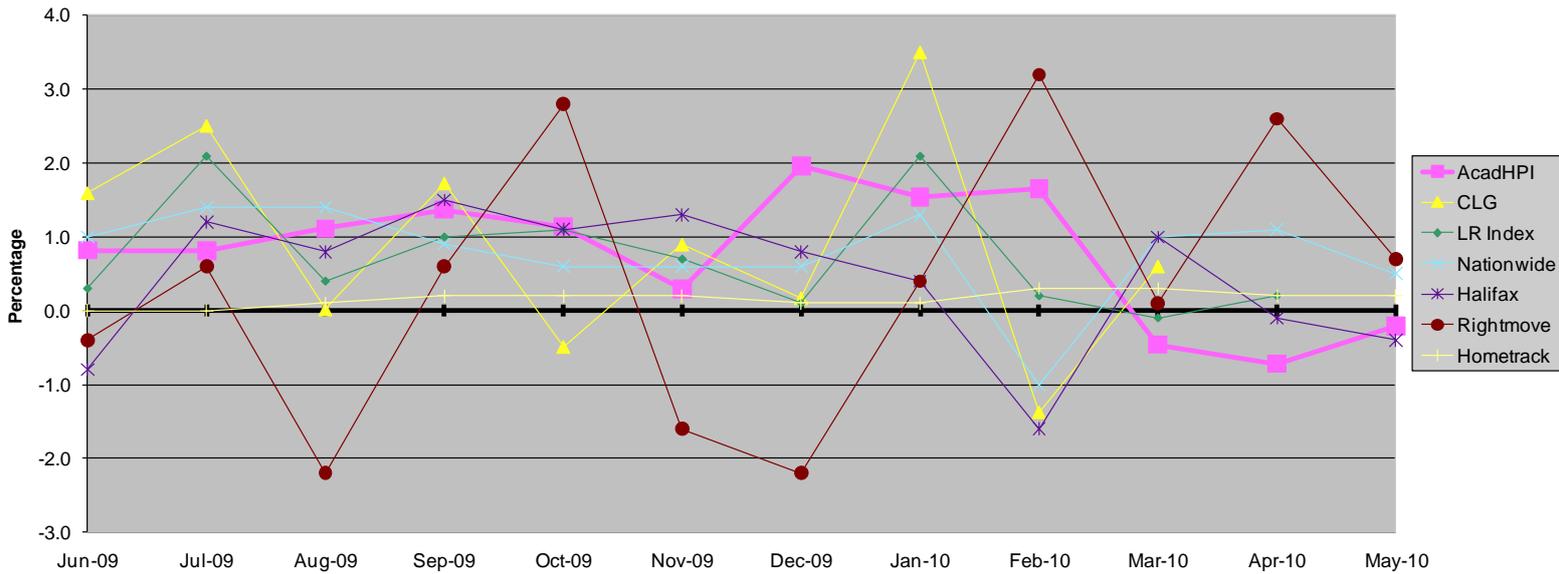
1. AcadHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samples
 AcadHPI is a price series as opposed to a value series.
2. the current month AcadHPI comprises a forecast of the LR outcome, using an academic “index of indices” model, pending release of sufficient real data from the Land Registry.
3. AcadHPI forecasts are progressively replaced with real data, until every transaction reported to the Land Registry has been recorded and we have provided our AcadHPI “ultimate” data.
4. the accuracy of our forecasts is shown monthly on our website www.acadmetrics.co.uk in our “[Development of Forecasts](#)” and in our “[Index Monitor](#)”, which shows how each index, including the AcadHPI “forecast”, compares with the AcadHPI, once sufficient factual Land Registry data have replaced forecast data, to enable AcadHPI to approach the “ultimate” results.
5. our website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information
6. Acadametrics is an independent privately owned consultancy working with Dr Stephen Satchell, The Reader in Financial Econometrics at the University of Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.
7. Acadametrics Prices and Transactions ([sample here](#)), which exclude any forecast element, underlie the AcadHPI 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

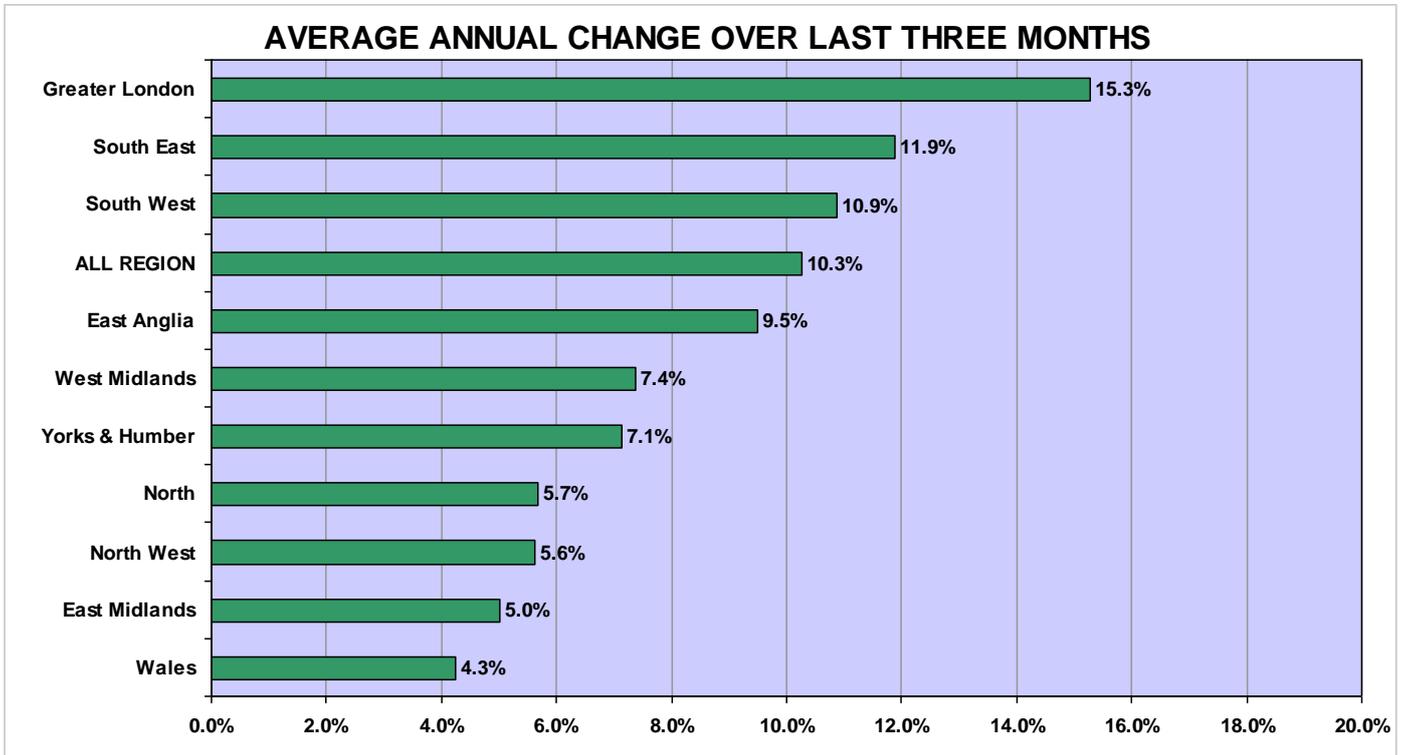


MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

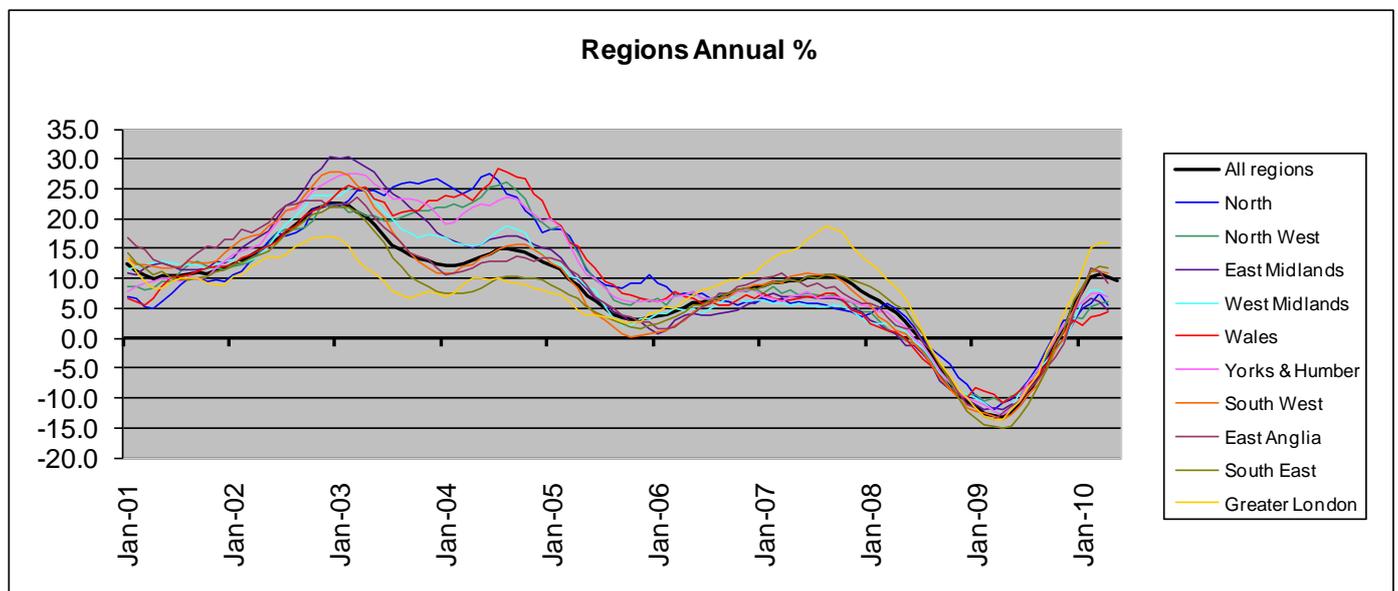


REGIONAL ANALYSIS

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 15.3% increase in London over 3 months compared to 4.3% in Wales. This re-assertion of the London market, in particular, reflects its wider international role and the weak pound. As already noted, with monthly price falls being recorded in May, we can expect to see these three month averages falling back in subsequent months.



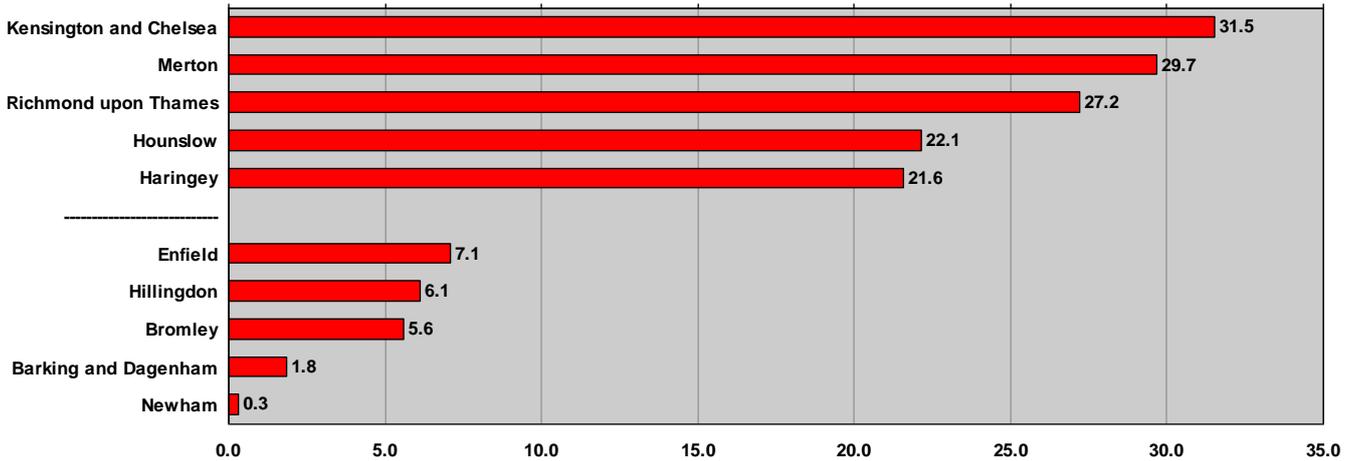
ANNUAL CHANGE BY REGION



Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 3 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

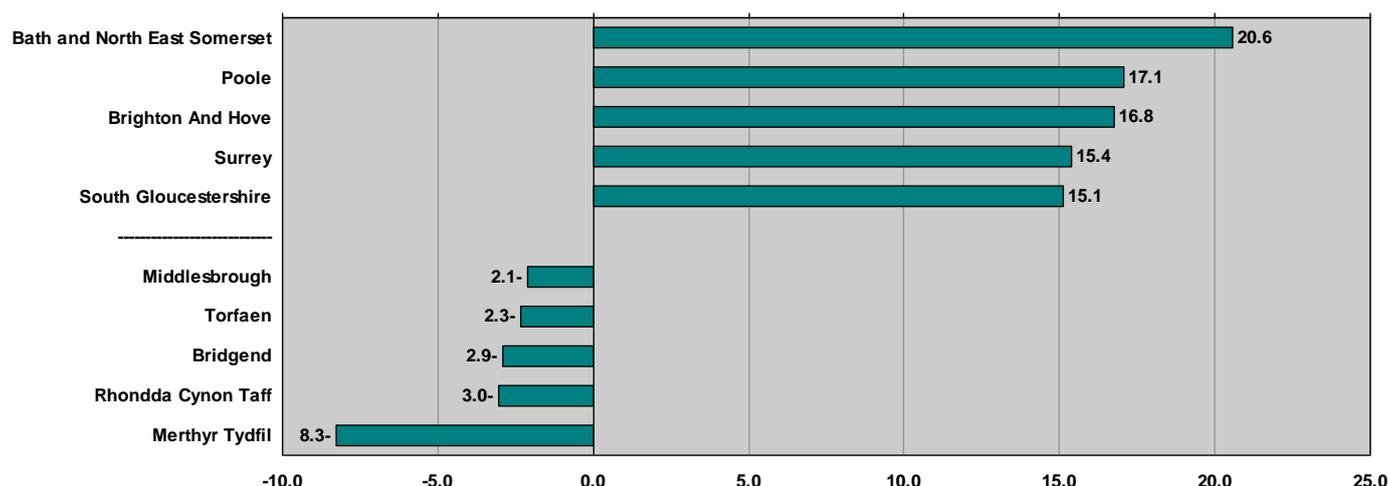


The chart shows the % **annual** price change for London boroughs, averaged over the past three months, ranked by the highest and lowest five. All thirty-three London boroughs are now recording annual price increases; our records show that this is the first time that all thirty-three boroughs have had positive growth in house prices since March 2008. The borough of Kensington and Chelsea has continued to see rapidly increasing prices over the last three months, although the average prices being achieved here are still 1% off their peak which occurred in May 2008.

Comparing the three months February – April 2010, with the same three months in 2009, house prices in London have increased by 16.1%. Over this period, the largest movement in prices has been in terraced homes (+21.4%), followed by detached homes (+19.5%), semi-detached (+17.9%) and flats (+11.1%). In terms of housing transactions, comparing these two same periods, we have seen an overall increase of 61% in the number of properties sold, with detached properties up 74%, flats up 66% and semi-detached and maisonette sales up 54%. As we discuss below, the average increase in the number of properties sold throughout England and Wales averaged 28% 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 eight 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. The districts showing the highest increase in prices are all based in the south of England, with the four lowest districts based in Wales. The annual price increase for these three months for all England and Wales was an average 10.3%.

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 average increase in house prices of 13.2%; the next two quartiles by price showed an increase of 11.3% and 6.7% respectively, whilst the areas in the lowest quartile by price had an average annual increase in house prices of 3.2%. 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 February – April 2010 with prices three months earlier. A similar pattern emerged over this period with house prices in the top quartile of districts by value increasing by 3.8%; the next two quartiles by value had house price increases/decreases of 2.8% and -1.1% respectively, whilst the lowest quartile of districts by value had average price decreases of -3.9%. It can be concluded that, between the end of 2009 and the early months of 2010, the districts with above average house prices have seen prices rise, whilst those areas with lower valued houses have seen prices fall.

Finally, we analysed the increase in the number of property transactions between February – April 2009 with the same three months in 2010, by district by price. The top quartile of districts by price have seen an average increase in property transactions of 31%; the next two quartiles had increases in transactions of 28% and 21% respectively, whilst the lowest quartile by price had an increase of 16% in transactions. This provides further evidence to show that the areas with higher priced homes have seen more of a recovery in the housing market than the areas with lower priced homes. This may well reflect the emergence of a more discriminating mortgage market, where those with a good credit record and substantial savings can access the market while others will experience difficulty.

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
May-09	£141,355	-0.4	-10.4	£148,781	0.1	-9.7	£153,170	-0.3	-11.0	£162,208	0.0	-11.9
Jun-09	£141,813	0.3	-8.9	£148,711	0.0	-9.3	£154,006	0.5	-10.7	£165,707	2.2	-9.1
Jul-09	£141,027	-0.6	-7.1	£150,441	1.2	-7.3	£156,042	1.3	-8.5	£166,298	0.4	-7.5
Aug-09	£142,389	1.0	-4.6	£151,826	0.9	-5.4	£157,110	0.7	-6.3	£168,596	1.4	-5.1
Sep-09	£144,952	1.8	-1.9	£153,603	1.2	-2.8	£158,654	1.0	-3.5	£168,478	-0.1	-3.7
Oct-09	£147,933	2.1	0.7	£154,863	0.8	0.1	£159,449	0.5	-1.7	£168,915	0.3	-2.1
Nov-09	£149,166	0.8	3.1	£156,263	0.9	2.1	£160,238	0.5	-0.1	£168,316	-0.4	-0.7
Dec-09	£147,117	-1.4	3.1	£157,028	0.5	3.5	£161,967	1.1	2.6	£172,148	2.3	2.9
Jan-10	£149,189	1.4	5.0	£157,576	0.3	3.4	£164,766	1.7	5.6	£176,194	2.4	6.0
Feb-10	£150,268	0.7	5.9	£158,367	0.5	5.2	£165,787	0.6	6.8	£178,676	1.4	8.1
Mar-10	£152,471	1.5	7.6	£158,791	0.3	5.7	£164,028	-1.1	6.0	£176,245	-1.4	8.1
Apr-10	£149,804	-1.7	5.5	£157,614	-0.7	6.0	£160,822	-2.0	4.7	£173,675	-1.5	7.0

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
May-09	£147,253	-0.6	-9.9	£147,988	0.0	-12.0	£205,242	1.0	-12.9	£184,934	0.7	-11.5
Jun-09	£147,287	0.0	-9.0	£148,502	0.3	-10.4	£206,590	0.7	-11.3	£186,210	0.7	-10.4
Jul-09	£147,378	0.1	-7.9	£150,332	1.2	-7.5	£207,863	0.6	-9.4	£186,544	0.2	-8.9
Aug-09	£149,613	1.5	-6.4	£152,572	1.5	-5.1	£208,457	0.3	-7.7	£189,569	1.6	-6.9
Sep-09	£151,090	1.0	-4.3	£155,095	1.7	-2.4	£210,559	1.0	-5.1	£190,384	0.4	-4.8
Oct-09	£154,236	2.1	-1.1	£157,117	1.3	-0.1	£213,743	1.5	-2.2	£190,137	-0.1	-3.2
Nov-09	£154,684	0.3	0.9	£158,208	0.7	2.2	£214,032	0.1	-0.1	£187,632	-1.3	-1.0
Dec-09	£156,399	1.1	2.9	£160,667	1.6	4.7	£220,952	3.2	4.9	£194,465	3.6	4.4
Jan-10	£156,101	-0.2	2.1	£161,669	0.6	6.2	£224,059	1.4	8.1	£200,098	2.9	7.8
Feb-10	£157,105	0.6	3.6	£162,355	0.4	7.6	£228,016	1.8	11.0	£206,004	3.0	11.7
Mar-10	£156,277	-0.5	3.8	£160,486	-1.2	7.4	£226,098	-0.8	11.0	£203,043	-1.4	11.1
Apr-10	£154,792	-1.0	4.5	£158,499	-1.2	7.1	£225,466	-0.3	10.9	£200,644	-1.2	9.2

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
May-09	£234,758	-0.1	-14.7	£327,776	1.4	-12.0		£200,911	0.3	-12.4
Jun-09	£237,278	1.1	-13.0	£330,895	1.0	-10.5		£202,554	0.8	-11.0
Jul-09	£238,996	0.7	-11.0	£334,934	1.2	-8.2		£204,190	0.8	-8.9
Aug-09	£242,434	1.4	-8.1	£338,176	1.0	-6.2		£206,463	1.1	-6.6
Sep-09	£245,701	1.3	-5.3	£346,075	2.3	-2.2		£209,288	1.4	-3.8
Oct-09	£249,729	1.6	-1.4	£348,917	0.8	0.5		£211,681	1.1	-0.9
Nov-09	£249,797	0.0	1.3	£351,341	0.7	4.1		£212,296	0.3	1.6
Dec-09	£255,995	2.5	6.4	£358,147	1.9	7.6		£216,452	2.0	5.3
Jan-10	£259,367	1.3	8.6	£366,732	2.4	11.5		£219,796	1.5	7.8
Feb-10	£264,463	2.0	11.3	£375,801	2.5	15.2		£223,428	1.7	10.3
Mar-10	£263,563	-0.3	11.9	£375,297	-0.1	16.0		£222,403	-0.5	10.7
Apr-10	£262,216	-0.5	11.6	£374,758	-0.1	15.9		£220,806	-0.7	10.3
May-10								£220,352	-0.2	9.7

FOOTNOTES ON DATA AND METHODOLOGY

1. AcadHPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. The prices are smoothed to show underlying trends. AcadHPI 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 (AcadHPI, CLG and LR) can be prepared only when the prices at which properties have been transacted have been recorded at LR (AcadHPI 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. AcadHPI overcomes the above delay with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell The Reader in Financial Econometrics at the University of Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School; of the price series, AcadHPI, LR and CLG are published in that order.
3. AcadHPI 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 AcadHPI result. Rather than rely upon a small sample, likely to be unrepresentative, AcadHPI 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 AcadHPI “forecast” with a first AcadHPI “update” result. A further month later, LR provides c.90% of transactions, used to replace the first, with a second, AcadHPI “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 AcadHPI “final” index, closely approximating the AcadHPI “ultimate” results; AcadHPI “ultimate” includes the price of virtually every single LR transaction for the month, smoothed, seasonally and mix adjusted; the first AcadHPI “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 4,000 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 AcadHPI “forecast” results, **blue** data represent AcadHPI “update” results and **black** data represent the AcadHPI “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, AcadHPI is indicative until we are able to publish the AcadHPI “final” index using the LR 95% sample. AcadHPI 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. AcadHPI 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. AcadHPI 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 AcadHPI 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; AcadHPI 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 AcadHPI, together with historic data are available from Acadametrics as in page 3 NOTE 7 above.
10. AcadHPI was published under the name FTHPI from September 2003 until December 2009.