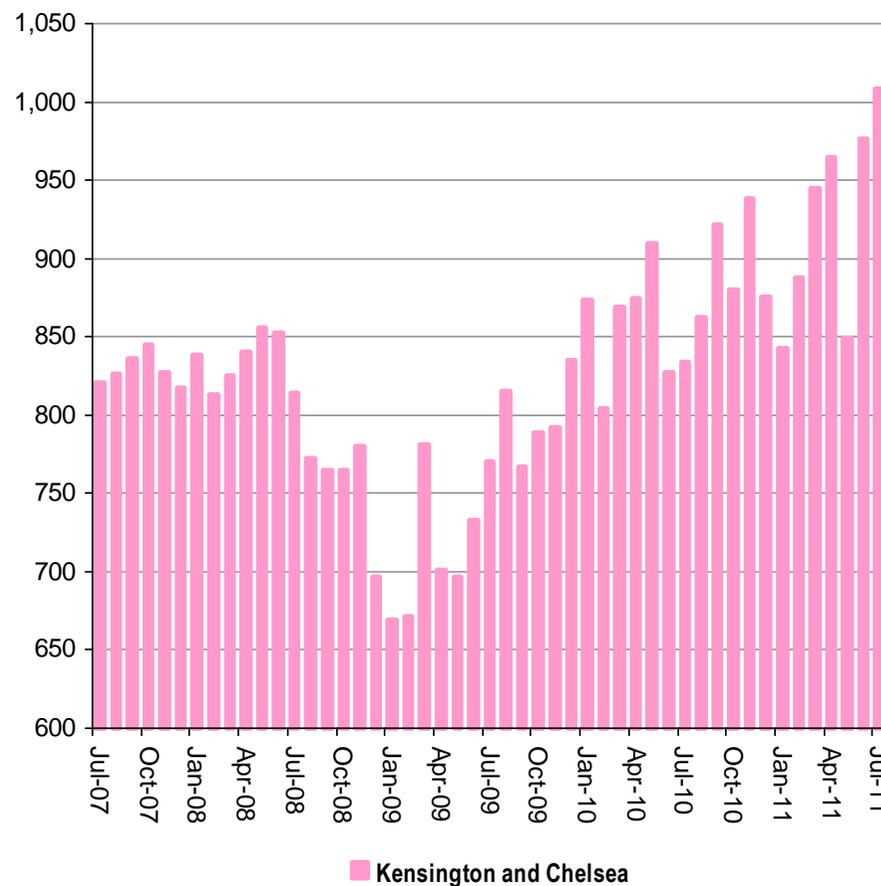


Homes in Kensington and Chelsea breach £1m mark

- For the first time, house prices in Kensington and Chelsea rose above the one million pound.
- House prices in Kensington and Chelsea have increased by 17.5% over the year to August. The average home in this prime area of the capital is worth £1.01 million.
- Overall, London house prices have increased by 1.5% in the last three months. The average price of a property in London is £341,874.

Average house prices since July 2007, thousands of pounds



Key findings	England and Wales	London
Latest estimate	£177,245	£341,874
Month-on-month change	+0.6%	+0.4%
Year-on-year change	-1.4%	+1.0%

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overview

House price growth stayed positive for the fourth consecutive month in August which indicates further strengthening in the market.

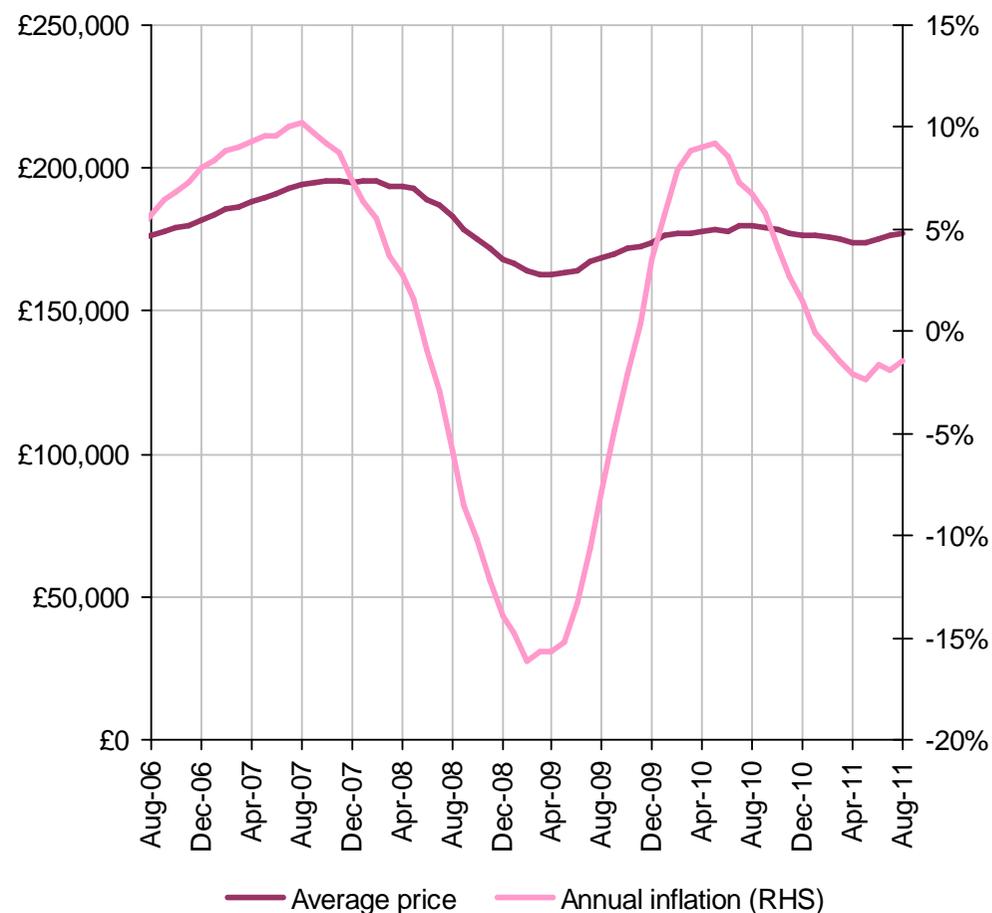
House prices are 1.4% lower in August 2011 compared to last year. The top 20% of the market has seen flat growth of 0.5% over the year to August. The bottom-end has seen prices fall by 5.5% over the same period.

Cebr expects the divergence in growth between the top and bottom to continue into next year as weakness in the mortgage market affects low-end property prices.

The average price of a property in the UK is £177,245, which is 9.5% lower than the peak in Q1 2008. In London, prices have risen for three consecutive months to finish 1.0% higher in August compared to last year.

Overall, the housing market has performed relatively well in recent months, despite an increasing number of people turning to the rental market. For those who can afford the deposit, low mortgage rates are keeping affordability attractive.

Average residential property price & annual property price inflation / England & Wales



how much is your property worth?

Only three of the eight house price and asking price indices tracked in this report (see slides 9-10) showed falling values for the most recent month of data – with the steepest decline coming in at -2.1%. Two indices showed prices flat-lining over the most recent month; and three showed positive changes – with the highest registering only a +1.2% month-on-month increase.

This breakdown of house price and asking price indices is similar to that uncovered in last month’s report, demonstrating the increasing stability of national house price movements.

Taking into account the timeliness, lag and accuracy of the various indices, the Poll of Polls shows that the average price of a residential property in England and Wales increased by 0.6% over the month to August, following an earlier 0.6% rise in July.

This was the steepest monthly increase since July last year, when house prices rose by 0.9% over the month. While house prices do have a tendency to rise during the summer months, the fact that they are doing so in the current economic environment highlights the emerging price floor in the housing market.

	Average residential property price	month-on-month change	year-on-year change
Houses on the market today will sell for...	£177,245	0.6%	-1.4%
Top 20% of market will sell for...	£393,019	0.3%	0.5%
Bottom 20% of market will sell for...	£105,710	-0.3%	-5.5%
Detached house	£256,949	0.6%	-2.0%
Semi-detached house	£154,815	0.5%	-1.7%
Terraced property	£122,799	0.3%	-3.8%
Flat / apartment / maisonette	£153,462	0.7%	-1.2%



 Indicator is higher or lower compared to the previous month

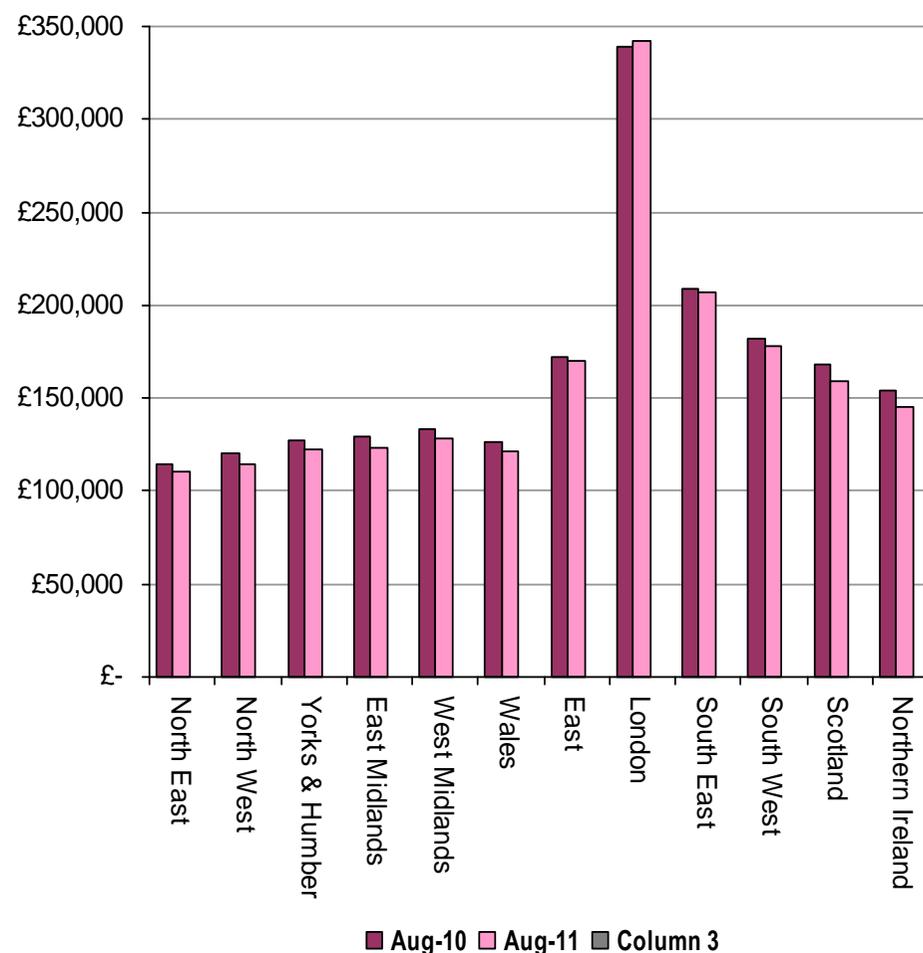
regional analysis

All of the twelve countries and regions within the United Kingdom, saw price increases between July and August. East Anglia saw the largest monthly increase, growing by 0.7% over the month. The manufacturing regions in the Midlands saw price increases of 0.3% and 0.2% in the East and West respectively.

Within England, the North West has seen the largest fall over the year, registering a price decrease of 4.7% in the month to August. The North West has the second lowest prices in the UK as a whole, which is only marginally higher than the North East.

Homes in Scotland and Wales have seen flat price growth over the month which is reflective of the disparity of the economic recovery between regions. House prices in Scotland and Wales are 5.6% and 4.5% lower respectively over the year to August. Prices in London are up 1.0% largely due to recent price gain in the last three months. London prices are now just 2.9% lower than their peak in Q1 2008.

United Kingdom average property price by region / August 2010 & August 2011



region summary

	Average residential property price	month-on-month change	year-on-year change	Monetary value of monthly change
North East	🏠 £110,744	📉 1.0%	🏠 -3.1%	📉 £1,118
North West	🏠 £114,181	📉 0.1%	📉 -4.7%	🏠 £157
Yorkshire & Humber	🏠 £122,579	📉 0.3%	🏠 -3.7%	📉 £330
East Midlands	🏠 £122,836	🏠 0.3%	📉 -4.6%	🏠 £402
West Midlands	🏠 £128,647	🏠 0.2%	🏠 -3.4%	📉 -£249
Wales	🏠 £121,028	📉 0.0%	🏠 -4.5%	🏠 £55
East	🏠 £169,792	🏠 0.7%	🏠 -1.3%	📉 £1,168
London	🏠 £341,874	🏠 0.4%	📉 1.0%	📉 £1,302
South East	🏠 £206,777	📉 0.3%	🏠 -1.2%	📉 £622
South West	🏠 £178,067	🏠 0.6%	🏠 -2.2%	🏠 £1,069
Scotland	🏠 £158,992	🏠 0.1%	🏠 -5.6%	🏠 £140
Northern Ireland	🏠 £145,628	🏠 0.6%	📉 -5.4%	📉 £822

🏠 📉 Indicator is higher or lower compared to the previous month

London's property market

House prices in the capital rose by 0.4% between July and August, which marks three consecutive months of house price growth. Prices across all regions rose slightly faster by 0.6% over the same period, highlighting that recent price increases in the capital are starting to impact affordability. Over the year, London house prices are up 1.0% in August compared to an annual fall of 1.4% across all regions.

House prices in the capital are now only 2.5% lower than their highest ever point, set in February 2008. This compares with a 9.5% peak-to-current value fall for the country as a whole.

Over the last three months, London house prices have risen by 1.5%, which in cash terms, equates to a monetary increase of £5,100. The pace of monthly house price increases have typically surpassed other regions of the UK, although prices only increased by 0.4% over the month to August 2011. This underlines that houses are becoming increasingly expensive in London, which has supported demand for renting in the capital .

Cebr expect house price growth in London to accelerate in the coming months, as the capital remains relatively unaffected by the impending public sector cuts.

**London and England & Wales /
year-on-year average residential property price changes
/ August 2006 –August 2011**



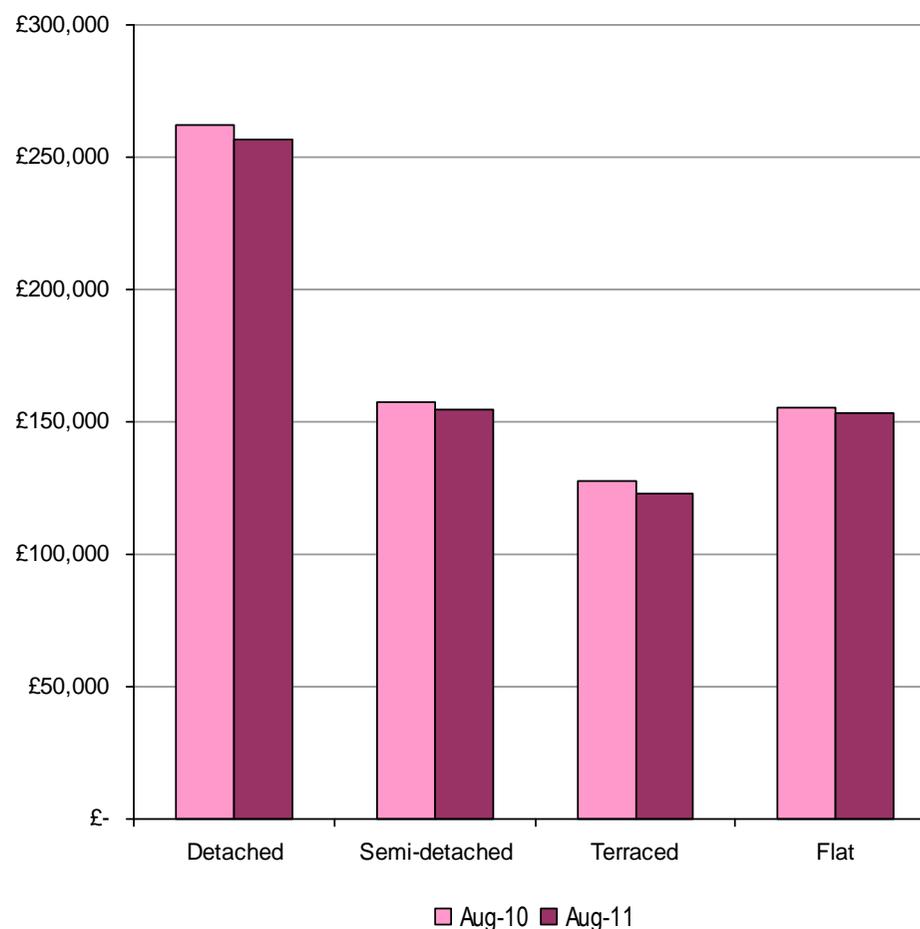
by type of property

Prices of all four main property types rose by similar amounts over the month to August demonstrating yet again, the increasingly stability in the United Kingdom housing market across all regions.

Flats, which are almost as expensive as semi-detached houses, saw the largest increase over the month of 0.7%. Over the year, flats have also depreciated the least – falling by 1.2% compared to 1.4% in the year to August.

A competitive buy-to-let market and increased demand for flats and apartments during austere times has supported price growth. In contrast, detached houses have depreciated by around 2% over the year..

Property price by type / August 2010 & August 2011



sub-regional analysis

Looking at a more detailed picture of house prices reveals a familiar story about price growth divergence between the top and bottom ends of the housing market.

The top 20% of property areas by value continue to break away, growing by 0.3% over the month to August. In contrast, the bottom-end fell by 0.3% over the same period.

When this picture is broken down even further to the five most expensive and five least expensive local authorities, the stark contrast becomes clearer still. Four of the five most expensive property areas, which are all in London, experienced rising prices over the year to August.

Prices in Kensington and Chelsea increased by 17.5% in the year to August to breach the one million pound mark for the first time.

Average property price & annual inflation in most expensive and least expensive local authorities / England & Wales / July 2011

	Average residential property price	Annual change%	Monetary value
Kensington And Chelsea	£1,013,111	17.5%	£150,729
City Of Westminster	£665,355	3.0%	£19,256
Camden	£571,207	-0.2%	-£1,269
Hammersmith And Fulham	£528,093	7.9%	£38,631
Islington	£455,487	5.7%	£24,598
Rhondda Cynon Taff	£74,776	-3.8%	-£2,989
Blackburn With Darwen	£73,008	-10.4%	-£8,509
Merthyr Tydfil	£72,816	-4.5%	-£3,403
Stoke-On-Trent	£72,167	-2.9%	-£2,124
City Of Kingston Upon Hull	£68,407	-12.7%	-£9,926



Indicator is higher or lower compared to the previous month

what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Department of Communities and Local Government	June	+0.6%	In June UK house prices decreased by 2 per cent over the year but increased by 0.6 per cent over the month (seasonally adjusted). The average mix-adjusted UK house price was £204,981 (not seasonally adjusted).
Halifax	July	+0.3%	Prices rose for the third consecutive month, increasing by 0.3% in July. House prices in the three months to July were 0.5% higher than in the previous three months. This was the first increase in this key measure of underlying price movements for 14 months.
Land Registry (Calnea Analytics)	July	+1.3%	The levels of annual price change for London continue to be above those experienced by the rest of the country. The annual change for London now stands at 1.3 per cent and has not dropped below zero since September 2009. The average price of property in the capital is £346,416 in comparison with the average for England and Wales of £163,049.
Nationwide	August	-0.6%	UK house prices declined by 0.6% in August, although this doesn't change the picture of relative stability that has characterised the market over the past twelve months. Indeed, prices were broadly unchanged compared with August 2010 – just 0.4% lower.

what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Financial Times (Acadameetrics)	July	-0.1%	Prices fall only 0.1% but reach lowest level since December 2009 following a 3% drop in Q2 2011. Transactions down 5.9% year on year as cheap mortgage deals fail to stimulate demand. Amongst regions, London alone has seen consistent price growth in the last 4 years.
Home.co.uk (Calnea Analytics)	August	0.0%	The mix-adjusted average asking price for homes in England and Wales has remained essentially unchanged since May. UK property sales are losing momentum: typical time on market is currently 22% longer than in August 2010. In terms of both supply and demand, the 2011 UK home market continues to experience diminishing levels of activity.
Hometrack	August	-0.1%	Headline prices fell by -0.1% in August. There are wide variations to the headline trend in prices. Average prices were up by 0.1% in London.
Rightmove.co.uk	August	-2.1%	August's sellers drop average asking prices by 2.1% (£5,054), and year-on-year prices edge down for the first time since September 2009 (-0.3%). In the four years since the onset of the financial crisis asking prices have fallen by only 4.1% (£9,930).

appendix & methodology

There are a number of house price indices currently available which track the United Kingdom housing market. However, they vary in terms of their accuracy, timeliness and the stage of the transaction process to which they relate.

How is ours different?

We bring the leading house price indices together to create a **house price poll of polls**. This poll of polls is timely, accurate, and includes the total stock of properties in the United Kingdom.

The leading indicators included in our index are the following:

- Communities and Local Government House Price Index¹
- The Land Registry House Price Index
- Halifax House Price Index
- Nationwide House Price Index
- Rightmove.co.uk House Price Index
- Home.co.uk Asking Price Index
- Hometrack National Survey

These indices are aligned and weighted to take into account a mixture of factors including:

- Timeliness
- Accuracy
- Relevance for each region
- Relevance for type of property
- Availability
- Statistical methods used

Our weighting is based on a statistical methodology, using regressions to analyse the historical accuracy of each of the indices.

To ensure the index captures all residential properties, rather than only those which have been sold or for sale, we incorporate the stock of residential properties in England and Wales using a weighting process.

For a full picture of the current United Kingdom housing market we disaggregate our findings into four main areas:

- Average property price by region
- Average price by type of property
- Average price by county

Separate models are built for England and Wales as a whole, the twelve regions in the United Kingdom and for four types of property.

Our poll of polls methodology and report were improved as of December 2007. As a result previous reports are not directly comparable. However, we have backdated our new methodology and figures are compared to revised results.

¹A full explanation of the indices is included in the full methodology. This is available upon request

appendix & methodology

In summary we:

- **Align the indices** – taking into account their timeliness, accuracy, relevance, availability and the statistical methods used – and develop this into a **poll of polls**
- **Weight** our index by **stock** to take into account all residential property prices

Aligning the indices

The accuracy, timeliness and relevance of each index's house price level and inflation rate were assessed using both analytical and statistical techniques. As a part of the statistical analysis we compared the historical relationship of each index with the Land Registry's index. We use regression analysis to quantify the correlation of each index with the Land Registry data. Separate regressions were run for each region and for each type of property.

Weighting by stock

To ensure the index captures all residential properties, rather than only those which have been sold or been for sale, we weight house price figures by the stock of residential properties. The index for England and Wales is calculated using the average price of a property in every county and its corresponding stock level.

We repeat this weighting process for every region, using the price of each county in the specified region and its respective stock level. Using the weighted index we calculate the inflation rates for each region in the United Kingdom and for England and Wales as a whole. Using a similar process we weight our indices for each type of property by stock levels.

Creating a timely index

To create a timely index we use an econometric model which analyses the housing market's relationship with the economic environment and the latest available house price indices. Separate models are built for England and Wales as a whole, the **twelve regions in the United Kingdom** and the **four types of property**.

Residential property price by county

Residential county property prices are available from the Land Registry. We take these county prices and use the relationship between the Land Registry's index and our poll of polls to calculate the inflation rate for each county.

This report has been produced by Chesterton Humberts' and the centre for economics and business research (Cebr).

With a network of 60 offices across the United Kingdom, including 27 in London, Chesterton Humberts is one of the United Kingdom's leading property consultancies with a full range of property services including residential sales and lettings, commercial agency and management, rural land management, professional advisory services, professional valuation and other surveying services. The company also has a significant international presence with offices in St Tropez, Gibraltar, Lake Como, Mallorca, Singapore, Abu Dhabi, Sydney and Brisbane.

Cebr is an independent economics and business research consultancy established in 1993 providing forecasts and advice to City institutions, government departments, local authorities and numerous blue chip companies throughout Europe. The contributors to this report are economists Douglas McWilliams and Benjamin Williamson.

Whilst every effort has been made to ensure the accuracy of the material in this report, the authors, Chesterton Humberts' and Cebr will not be liable for any loss or damages incurred through the use of this report.