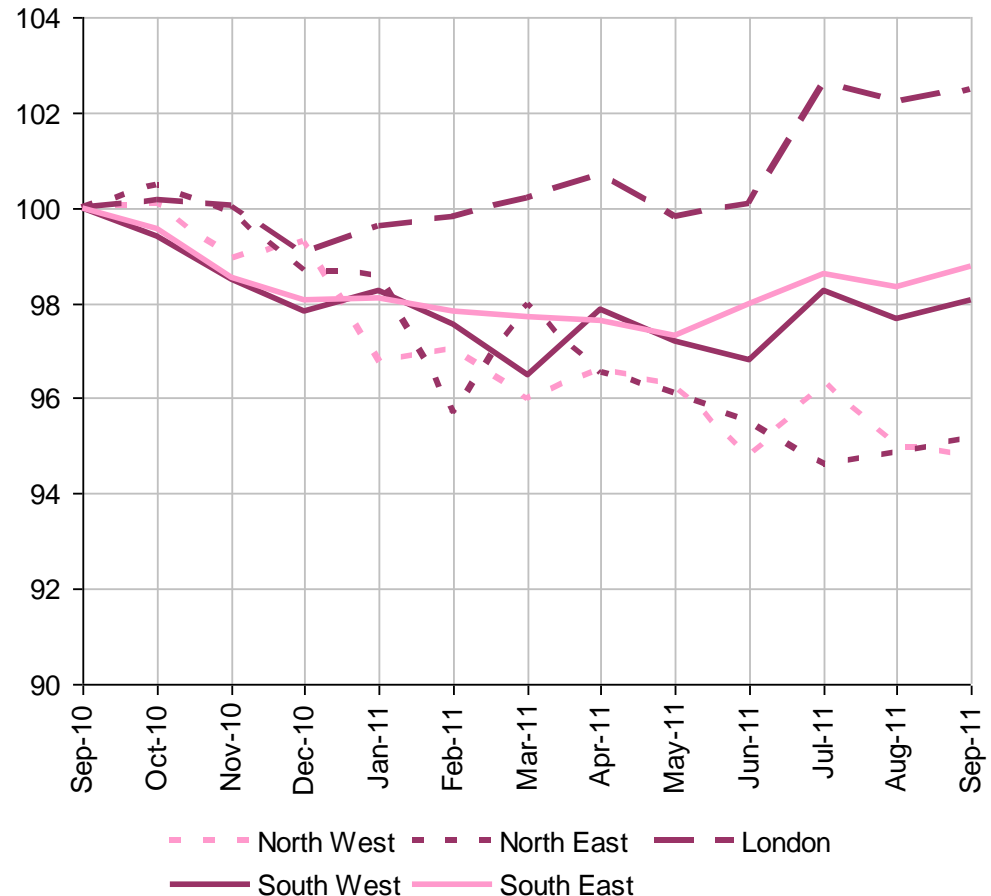


## House price stability amidst gloomy economic outlook

- House prices ticked up by 0.2% between August and September 2011 adding to the stabilisation of house prices across the country.
- The national picture somewhat masks a diverging trend between the North and South of England, highlighted by the chart on the right hand side.
- House prices in London grew in line with the UK average this month, but have far outpaced the national trend over the year.

**Index of average house prices for selected UK regions**



Key findings	England and Wales	London
Latest estimate	£176,553	£341,874
Month-on-month change	+0.2%	+0.2%
Year-on-year change	-1.6%	+2.5%

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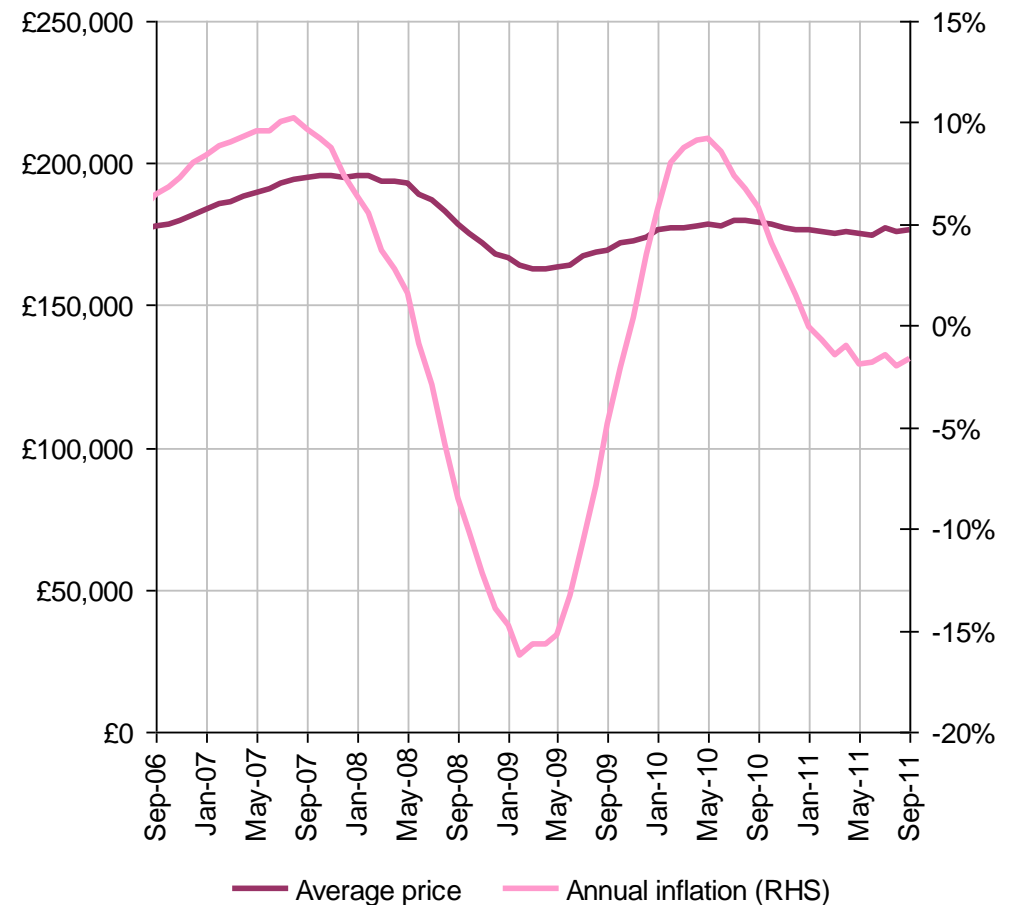
## overview

Amidst the doom and gloom of recent prophecies for the international economy and turbulence in financial markets, house prices in the UK remain roughly stable. The average price of a house in the UK rose by 0.2% in September to reach £176,553, which is -1.6% lower compared to the same month last year.

However, this figure masks a significant difference between homes in the North and South of England. For example, house prices in London have risen by 2.5% over the year compared to a fall of -5.2% in the North West. Taken together, this means that the national average is being heavily supported by the desirability of homes in the capital.

Nevertheless, there were 52,410 new mortgage approvals in August compared with 49,644 in July – the highest level since May 2010. Higher transaction activity in the market is largely down to more favourable lending terms, which have allowed cash-rich investors to take advantage of higher rental yields. The housing market presently appears to be better placed than most other parts of the economy to weather the impending storm.

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



## how much is your property worth?

Exactly half of the eight house price and asking price indices tracked in this report (see slides 9-10) showed house price rises for the most recent month of data – highlighting the on-going stability of UK house prices.

Taking into account the timeliness, lag and accuracy of the various indices, the Chesterton Humberts' Poll of Polls shows that the average price of a residential property in England and Wales increased by 0.2% over the month to September reaching £176,553. This is -9.8% down on the price of houses back in February 2008, when prices peaked before the start of the financial crisis.

The methodology behind the Poll of Polls is unique in that it uses all of the major national house price and asking price indicators and weights their results according to the historical accuracy of the various indices. It also captures all residential properties, rather than only those which have been sold or are for sale, by incorporating the stock of residential properties in England and Wales.

The Poll of Polls, therefore, provides a more complete analysis of house prices than most other measures of house price movements, which only tell part of the story as they are based on a single set of data.

	Average residential property price	month-on-month change	year-on-year change
Houses on the market today will sell for...*	£176,553	0.2%	-1.6%
Top 20% of market will sell for...	£426,291	0.3%	4.5%
Bottom 20% of market will sell for...	£105,534	-0.4%	-5.5%
Detached house	£256,116	0.4%	-2.0%
Semi-detached house	£153,075	0.0%	-2.9%
Terraced property	£124,033	0.0%	-2.2%
Flat / apartment / maisonette	£151,688	0.2%	-2.8%



Indicator is higher or lower compared to the previous month

\*National average house prices are weighted by stock and may not align with house prices arranged by type, which are not weighted by stock.

## regional analysis

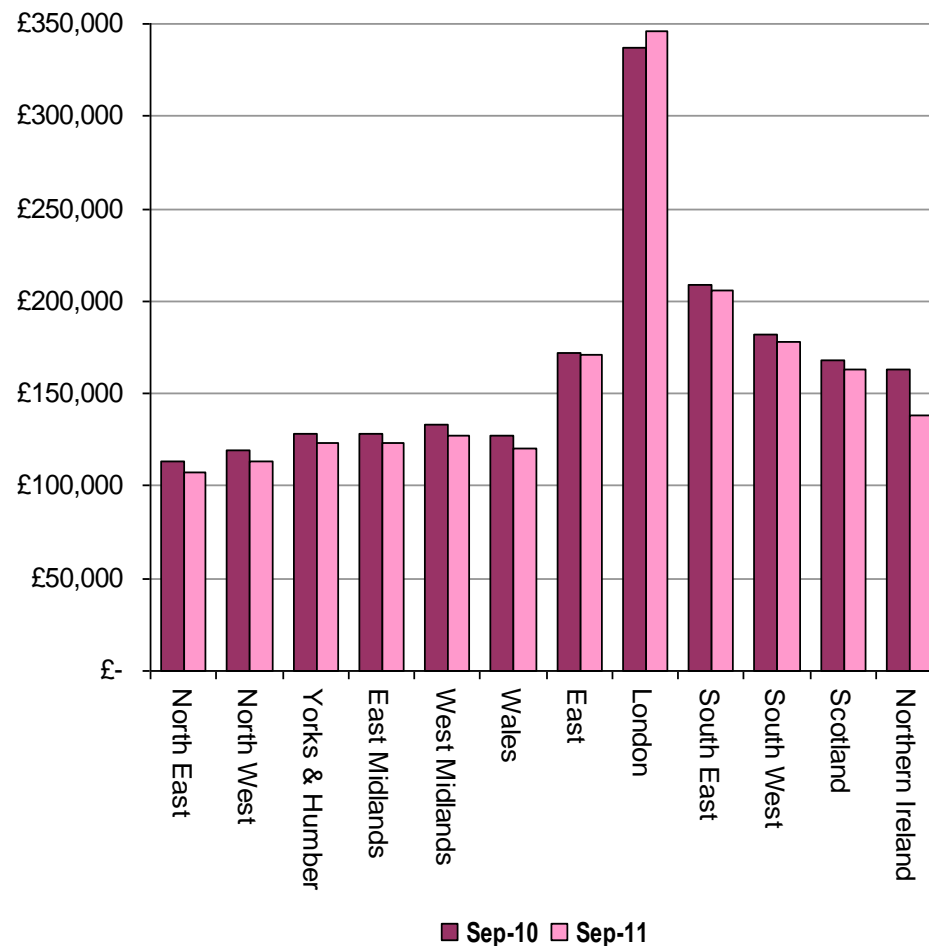
Ten out of the twelve countries and regions within the UK, saw price increases between August and September. House prices slipped by -0.2% in the North West and dropped by -1.4% in Northern Ireland, taking the annual decline in the troubled UK country to a worrying -15.3%.

The East of England saw the steepest monthly increase in house prices with a 0.8% rise over the month. This was followed by a 0.5% increase in the South East, adding just under £1,000 to the price of homes in September.

















































One interesting point of note among the various house prices indices is the difference between those that take into account the total stock of housing and those house price indices that do not.

Those house price indices, like the Poll of Polls, that take into account all homes in the UK – regardless of whether or not they are for sale – have tended to show a more favourable picture of price movements of late.

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



## region summary

	Average residential property price	month-on-month change	year-on-year change	Monetary value of monthly change
North East	 £107,603	 0.4%	 -4.8%	 £393
North West	 £113,110	 -0.2%	 -5.2%	 -£257
Yorkshire & Humber	 £122,985	 0.2%	 -4.3%	 £294
East Midlands	 £122,921	 0.2%	 -4.0%	 £190
West Midlands	 £127,275	 0.2%	 -4.6%	 £300
Wales	 £120,100	 0.2%	 -5.4%	 £262
East	 £171,037	 0.8%	 -0.6%	 £1,352
London	 £345,804	 0.2%	 2.5%	 £729
South East	 £206,169	 0.5%	 -1.2%	 £951
South West	 £178,180	 0.4%	 -1.9%	 £724
Scotland	 £163,436	 0.0%	 -2.8%	 £45
Northern Ireland	 £137,898	 -1.4%	 -15.3%	 -£1,933

  Indicator is higher or lower compared to the previous month

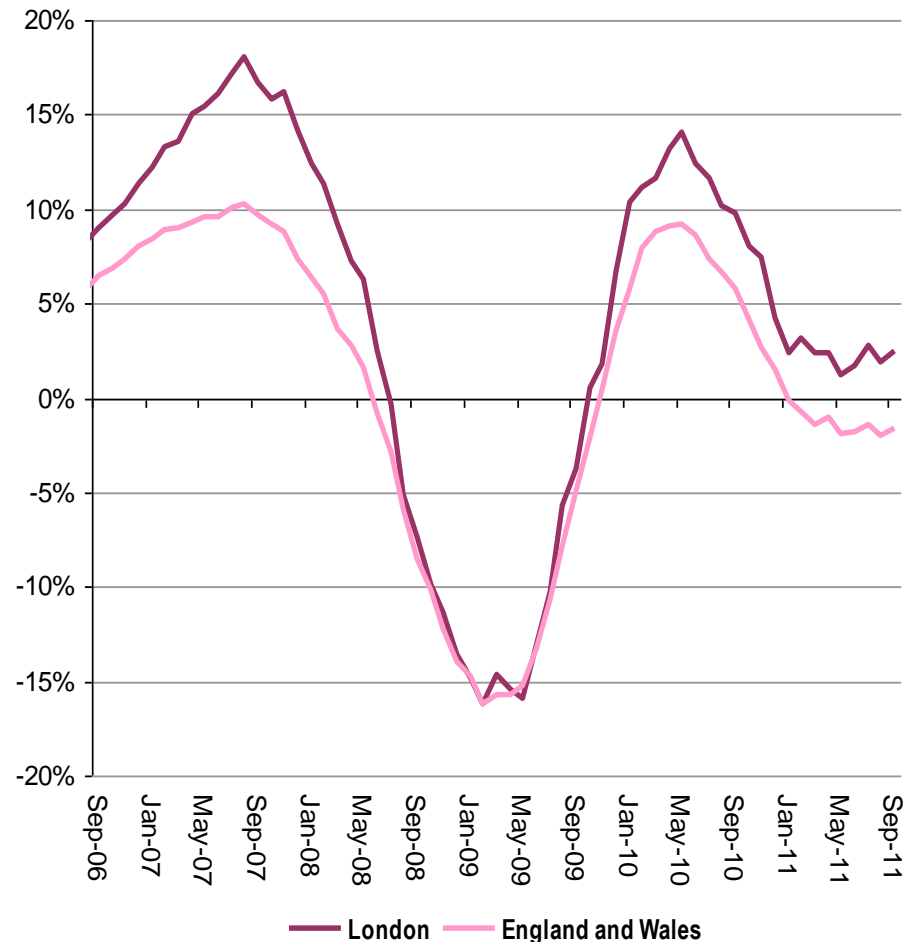
## London's property market

House prices in the capital rose by 0.2% between August and September, in line with the national average. However, house prices in London are around twice the price of houses in the rest of the country and comfortably supported by wealthy foreign buyers and a cheap pound.

London is the only part of the country where house prices are higher now than they were at the same time last year. House prices have risen by 2.5% since September 2010, compared to a fall of -1.6% for the UK as a whole. It looks increasingly likely that the capital will see record prices again in the not-so-distant future, being as they are now only -1.4% lower than they were at their previous peak in February 2008.

The chart on the right hand side demonstrates, perfectly, the relative robustness of house price in the capital. While prices in both London and the UK as a whole turned the corner sharply at the start of the recovery in spring 2009, prices have remained relatively aloft in the capital, while they have fallen back to a stand-still in the rest of the UK. The supporting role that London's house prices have on the national average should not be underestimated.

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



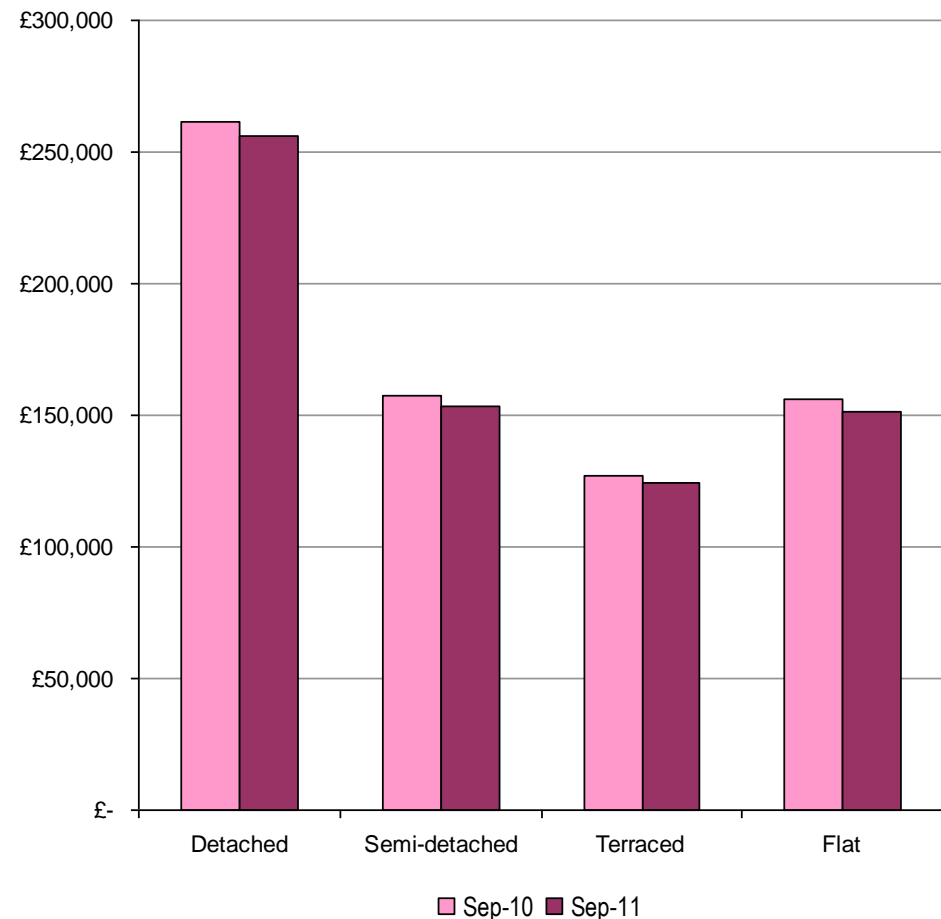
## by type of property

The Poll of Polls shows an unusual – but not unheard of – pattern of house price movements between the four different property type categories this month.

The price of detached homes increased by 0.4% between August and September, to reach £256,116. Flat prices rose by 0.2%, in line with the national trend. But the prices of both semi-detached and terraced housing remained roughly the same over the month at £153,075 and £124,033 respectively.

Over the year to date, prices of all four property groups have experienced declines. Detached houses have seen the shallowest fall (-2.0%) and semi-detached, the steepest (-2.9%). These annual movements are unaligned with the picture for the UK as a whole owing to the fact that homes, arranged by property, are not weighted by stock.

Property price by type /  
September 2010 & September 2011



## sub-regional analysis

The chart on the right hand side presents a clear representation of a story that is becoming all too familiar for regular readers of the Poll of Polls.

The five most expensive property areas, which are all in London, saw price rises between August and September. In contrast, four of the five least expensive property areas saw falls over the most recent month.

Widening the net slightly further reveals that the top 20% of housing arranged by value saw prices increase by an average of 0.3% over the month to September. Whereas, the cheapest 20% of homes saw prices fall by around -0.4%. The polarisation is even more apparent over an extended time line. Over the year to date prices have risen by 4.5% and fallen by -5.5% in the most expensive and least expensive fifth of property areas respectively.

The picture of diverging house prices is not new. But it does seem to have become clearer recently, spurred on by job losses and anemic wage growth in parts of the country that are more heavily reliant on public spending.

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

	Average residential property price	Annual change%	Monetary value
Kensington And Chelsea	£991,565	7.6%	£70,084
City Of Westminster	£701,638	13.4%	£83,023
Camden	£590,778	8.8%	£47,571
Hammersmith And Fulham	£542,919	8.3%	£41,426
Islington	£453,829	5.1%	£21,874
Neath Port Talbot	£72,817	-16.7%	-£14,604
Hartlepool	£72,680	-16.8%	-£14,692
City Of Kingston Upon Hull	£70,299	-7.7%	-£5,870
Rhondda Cynon Taff	£69,527	-12.2%	-£9,705
Blaenau Gwent	£68,224	-8.8%	-£6,544

## what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Department of Communities and Local Government	July	+0.3%	In July, mix-adjusted UK house prices decreased by -1.5% over the year but increased by 0.3% over the month. Average house prices were -0.7% lower over the quarter to July, compared to a quarterly decrease of -0.2% over from the quarter to April.
Halifax	August	-1.2%	The underlying trend, as measured by the latest three months compared with the preceding three months, showed a modest improvement in house prices for the second consecutive month in August. Prices in the three months to August were 1.0% higher than in the previous three months.
Land Registry (Calnea Analytics)	August	-0.3%	The August data shows a return to negative monthly price change. The rate of annual change of -2.6% is on a similar level to the past four months. The average property price in England and Wales is now £162,347.
Nationwide	September	+0.1%	UK house prices continued to tread water in September, with prices rising by 0.1% during the month. Prices were also essentially flat over the year, just -0.3% lower than September 2010. The three-month on three-month measure of house prices was unchanged in September.

## what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Financial Times (Acadameetrics)	August	+0.3%	The average price of a home in England & Wales increased by a marginal 0.3% during August and now stands at £219,078. London prices moved ahead more sharply on the month rising 1.6% after three months of fall and, in each of the other nine regions, prices showed small positive movements, if only in slowing monthly falls.
Home.co.uk (Calnea Analytics)	September	-0.2%	Overall the mix-adjusted average asking price for homes on the market in England and Wales has fallen -0.2% since August. London prices dropped back by -0.9% over the last month. Home prices fell in 6 out of 9 English regions and in Scotland and Wales, during the last month.
Hometrack	August	-0.1%	The overall trend in prices remains downward and average prices moved -0.1% lower in August. The headline price change masks the fact that prices were down across 28% of the country. Prices were higher in 9% of postcodes.
Rightmove.co.uk	September	+0.7%	This month's new sellers made up some of the holiday quarter's lost ground by upping their average asking price by 0.7%. Heavy falls in the previous two months have still left sellers with a deficit of 3.0% over the three months of the summer downturn, which this year was again exacerbated by stagnant market conditions.

## 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 Index<sup>1</sup>
- 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.

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<sup>1</sup>A 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.