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Poll of Polls

May 2011

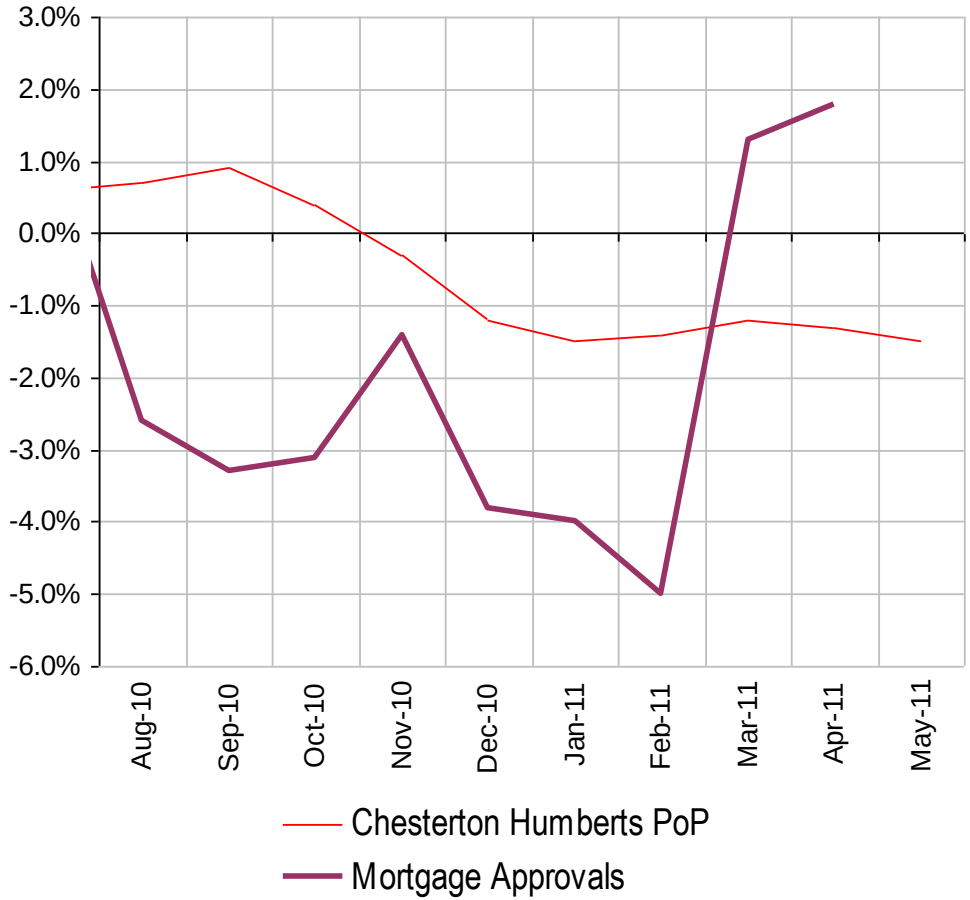
The truth about residential property price trends

Gradual pick up in mortgage market lends a floor to house prices

- House prices have begun to stabilise as gradual improvements in economic conditions and the mortgage market have increased buyer sentiment. The number of mortgage approvals in April was 45,166, which equates to quarter-on-quarter growth of 1.8% - the highest rate of growth since December 2009.
- According to the Chesterton Humberts Poll of Polls, house prices held firm in May at £173,379 – ending seven consecutive months of price falls.

Key findings	England and Wales PoP	Mortgage approvals
Latest estimate	£173,379	45,166
Quarter-on-quarter change	-1.7%	1.8%
Year-on-year change	-2.9%	-4.3%

Quarter on quarter average growth in Chesterton Humberts PoP house prices and mortgage approvals



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contents

Overview	2
How much is your property worth?	3
Regional analysis	4
London’s property market	6
By type of property	7
Sub-regional analysis	8
The other house price indices	9
Appendix & methodology	11

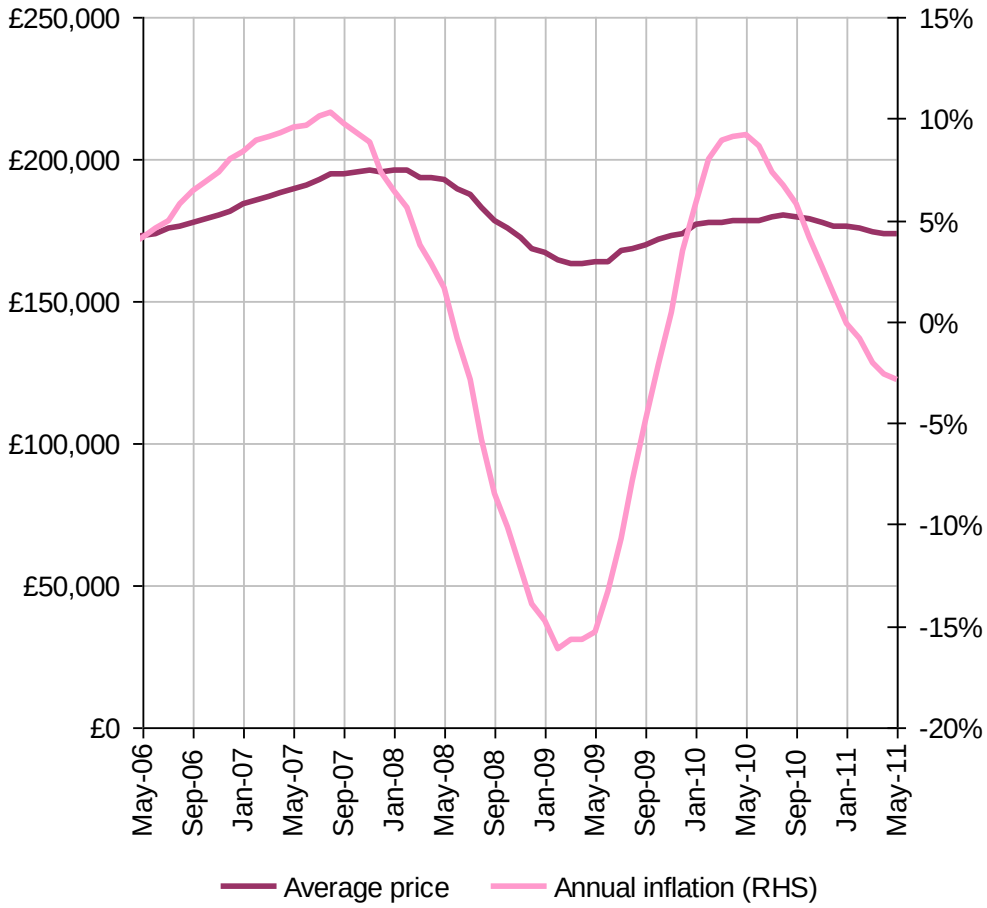
overview

Housing transactions suffered from modest falls as the extended Bank Holiday weekends reduced the number of sales. The Bank of England reported that the number of approvals declined from 47,600 in March to 45,166 in April. Nevertheless, a steady number of buyer enquiries and a pick up in viewings - supported by the unusually good weather in April – has improved sales expectations for the immediate future.

House price falls have begun to stabilise although the future remains uncertain as the mortgage market remains in turmoil. Higher sales to stock ratios indicate that the market has tightened modestly – sales now account for roughly a quarter of unsold stock, which is still lower than the long-run average of around a third.

Only two out of seven national house price indices are reporting falls in house prices over the month. This month's Poll of Polls confirms that prices stabilized over May – ending seven consecutive months of house price falls since September 2010.

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



Source: Cebr

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how much is your property worth?

Three of the eight house price and asking price indices tracked in this report (see slides 9-10) show falling values for the most recent month of data, another improvement on last month. However, conditions at the bottom end of the market have not stabilised just yet.

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 has stabilised over the month to May. This ends three consecutive months of house price falls averaging -0.6%.

House prices in England and Wales are now 2.9% lower than they were at the same time a year before, marking the fifth month in a row that has seen the annual percentage change in prices fall. House prices in May are lower than last year due to a downturn that begun in October 2010 – when economic conditions were weak. However, prices have stabilised now, and over the period between May 2010 – May 2011, prices are actually 2.2% higher compared to between May 2009 – May 2010.

	Average residential property price	month-on-month change	year-on-year change
Houses on the market today will sell for…	£173,379	0.0%	-2.9%
Top 20% of market will sell for…	£399,829	0.3%	2.1%
Bottom 20% of market will sell for…	£104,551	-0.4%	-6.0%
Detached house	£254,076	-0.3%	-1.6%
Semi-detached house	£152,193	-0.4%	-3.5%
Terraced property	£121,940	-0.1%	-3.9%
Flat / apartment / maisonette	£148,353	-0.1%	-4.0%

Indicator is higher or lower compared to the previous month

*Based on national stock of property regardless of sale in the period
*Based on only sold properties in the period regardless of national stock

Source: Cebr

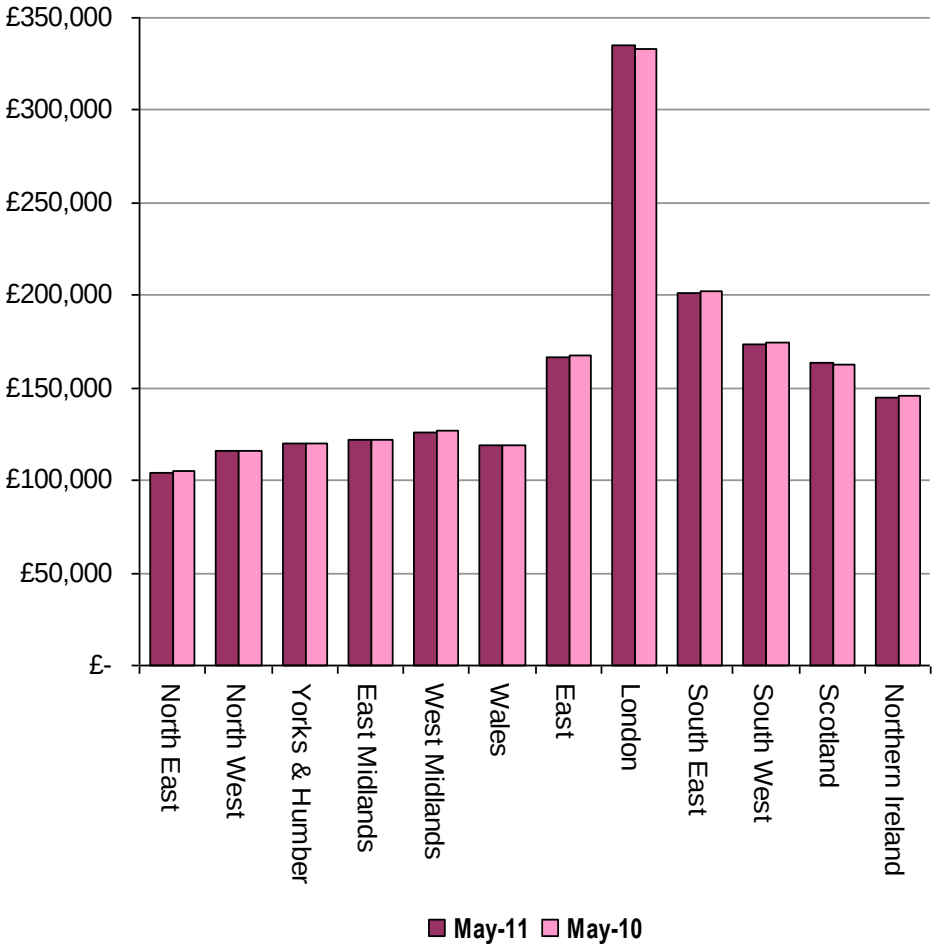
regional analysis

Of the twelve countries and regions within the United Kingdom, nine saw house prices fall over the month to May. Scotland saw the strongest monthly increase in prices since May 2010 – increasing 0.8% over the month.

London is the only region where house prices are higher compared to last year. London prices are up by 0.4% over the year as the number of instructions remains muted. Prime properties remain the most attractive, which has provided support for price growth.

Residential property prices in the South East reflect the wider picture outside London. House prices are down by 3.1% year-on-year – which roughly around the UK average. Low activity levels and confidence has kept a cap on price growth. Divergent economic growth and employment between London and the rest of the regions is evident in house price growth. Restricted mortgage lending outside the capital has kept sentiment low, although activity is expected to pick up as economic conditions improve.

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



Source: Cebr

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region summary

	Average residential property price	month-on-month change	year-on-year change	Monetary value of monthly change
North East	£104,331	-1.0%	-8.7%	-£1,104
North West	£115,561	-0.2%	-4.5%	-£201
Yorkshire & Humber	£120,028	-0.2%	-5.3%	-£189
East Midlands	£122,159	-0.6%	-4.2%	-£86
West Midlands	£126,157	-0.1%	-4.9%	-£278
Wales	£118,877	0.0%	-5.2%	£48
East	£166,836	-0.2%	-2.4%	-£281
London	£334,736	0.4%	0.4%	£1,339
South East	£201,527	-0.1%	-3.1%	-£259
South West	£173,930	-0.3%	-4.1%	-£556
Scotland	£163,548	0.8%	-2.3%	£1,277
Northern Ireland	£144,407	-0.8%	-15.2%	-£1,104

Indicator is higher or lower compared to the previous month

Source: Cebr

London's property market

House prices increased by 0.4% in the capital between April and May and fell in every other region except Scotland and Wales. This was equivalent to an additional £1,339 added to the value of the average residential property in London over the month.

Over the year, house prices in London have also risen by 0.4%, compared to a comparatively steep annual decline throughout the rest of the country. The typical price of a house in London (£334,736) is -4.7% below the highest ever price recorded for the capital as a whole.

The housing market remains in a dual-speed recovery as mortgage lending outside the capital is still severely constrained. In contrast, prices in London have been propped up by a strong top-end market and a lack of instructions coming into the market. An improving economic outlook and strong international demand has lent a floor to prices – particularly for apartments and flats.

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

Source: Cebr

by type of property

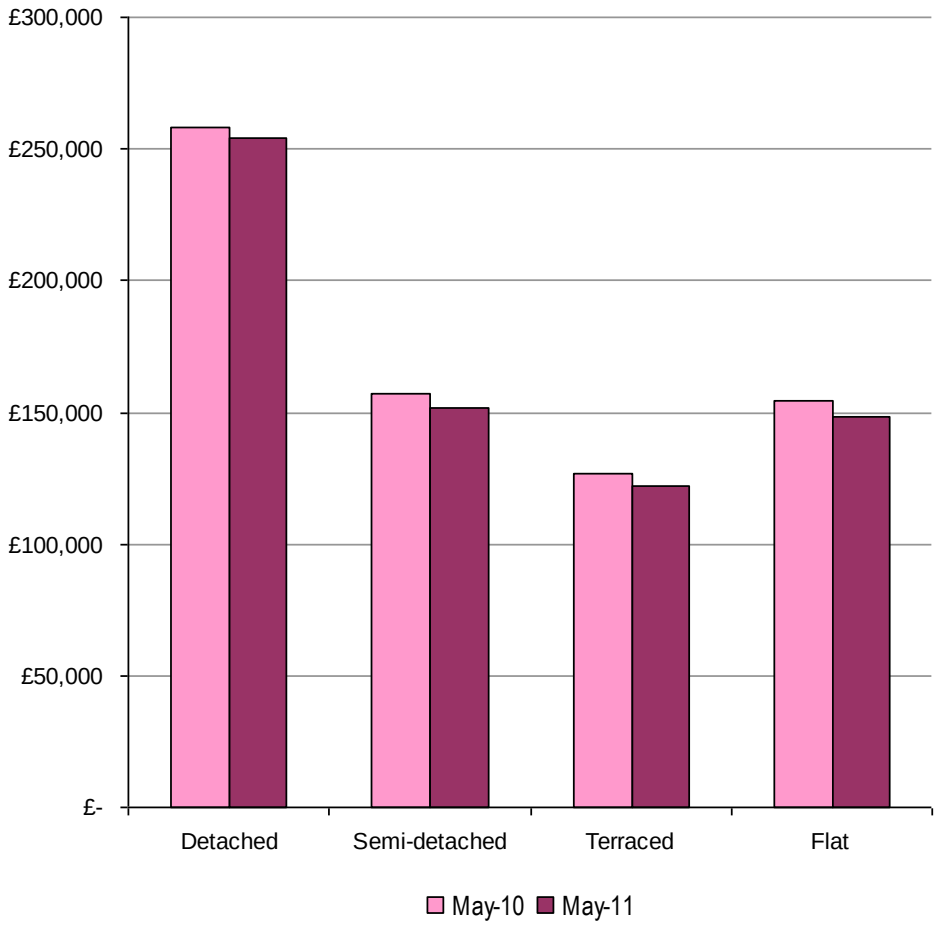
Prices of all four main property types fell in May from April. Semi-detached houses fell by the largest amount, decreasing by 0.3% over the month. The typical semi-detached house is now £5,438 less expensive compared to last year, whilst detached houses held value better – falling by only £4,056.

Flats and terraces both fell by 0.1% over the month. Flat prices are now 4.0% lower compared to the same month last year, as buyers prefer to rent in the current climate. Flats and terraces are both around 15% lower than the highest ever recorded prices – back in early 2008.

Semi-detached house prices have fallen for nine consecutive months, with the size of the declines averaging 0.4% per month, or £685 in cash terms.

The pace of detached house price declines continues to stabilize across the board. House prices are around 8.2% lower than their highest ever recorded price – when prices reached £276,196 in early 2008.

Property price by type / May 2010 & May 2011



Source: Cebr

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sub–regional analysis

Looking at a more detailed picture of house prices reveals that 70.2% of all local authorities in the United Kingdom experienced price declines over the month to May and 65.5% have seen year-on-year falls.

The top 20% of the market saw prices fall in 30.0% of local authorities, whilst the bottom-end exhibited falls in 70.5% of local authorities. The top-end saw prices increases of 0.3% over the month, whilst the bottom-end saw falls of 0.4%.

The five most expensive property areas in the United Kingdom saw their prices increase by an average of 0.8% over the month to May. However, the five least expensive local authorities saw price declines of -0.7%.

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

	Average residential property price	Annual change%	Monetary value
Kensington And Chelsea	£918,850	0.6%	£5,129
City Of Westminster	£570,739	-6.8%	-£41,944
Hammersmith And Fulham	£547,919	12.7%	£61,776
Camden	£536,182	4.6%	£23,740
Islington	£465,244	8.1%	£35,006
Middlesborough	£77,002	-18.2%	-£17,154
City of Kingston Upon Hull	£71,201	-8.7%	-£6,770
Neath Port Talbot	£63,359	-24.6%	-£20,715
Merthyr Tydfil	£59,418	-31.6%	-£7,111
Blaenau Gwent	£65,042	-9.2%	-£6,587

Indicator is higher or lower compared to the previous month

Source: Cebr

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what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Department of Communities and Local Government	March	+1.2%	In March UK house prices have fallen marginally by 0.5% over the year but increased robustly by 1.2% over the month. The average mix-adjusted UK house price was £210,999. House prices were 1.5% lower over the quarter to March compared to the previous quarter.
Halifax	May	+0.1%	House prices falls have begun to stabilize on a monthly basis. House prices are down 4.0% compared to last year. Prices are up 0.6% over the quarter to May compared to the previous quarter – showing a gradual improvement over the last three months.
Land Registry (Calnea Analytics)	April	+0.8%	April's data show house prices are up 0.8% over the month to April. The average house price in England and Wales is now £163,083. The annual change is negative at -1.3%, whilst the three-month average rate of change is -0.6%.
Nationwide	May	+1.0%	House prices increased by 1.0% in May, leaving them 1.2% lower than in May 2010. The three month on three month measure of house prices, a better measure of the underlying trend, showed a modest rise of 0.5% in May.

Source: Cebr

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what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Financial Times (Acadametrics)	April	+0.3%	The average price of a home in England & Wales increased by 0.3% in April, which marks the fifth consecutive month of house price rises. The average price of a house was £223,951 in April, which is 1.2% higher than last year.
Home.co.uk (Calnea Analytics)	May	+0.8%	The mix-adjusted average Asking Price for homes on the market in England and Wales has risen by 0.8% since last month. The average house price in April was £229,155, which is 0.1% higher than last year.
Hometrack	May	-0.1%	House prices fell marginally by 0.1% over the month to May. The average price of a house was £152,900, which is 3.7% lower than last year.
Rightmove.co.uk	May	+1.3%	New sellers nudge up average asking prices by 1.3% although buyer interest still remains weak outside London. House prices are up by 0.7% annually.

Source: Cebr

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[1]
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.

[1]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.