

# LSL Property Services/Acadametrics England & Wales House Price Index

DECEMBER 2011

STRICTLY UNDER EMBARGO UNTIL 00.01 FRIDAY 13TH JANUARY



## Property prices resist economic gloom

- Property prices rose 0.2% to £220,385 in December, but fell 0.5% annually
- London's property values are 3.1% higher than last year
- Wales joins London as the only other region to show annual house price growth
- Transactions in 2011 fell 2.1% year on year, but activity in the second half of 2011 was faster than the year before

House Price	Index	Monthly Change %	Annual Change %
£220,385	224.4	0.2	-0.5

**Richard Sexton, director of e.surv comments:** "The final month of 2011 saw a modest rise in prices, which rounded off a year of economic turmoil in which the property market showed remarkable resilience. Despite the growing fears of a debt crisis in the Eurozone, prices rose 0.7% in the second half of 2011 and, with high inflation and reasonably static prices, this has helped make property more and more affordable. While transactions fell slightly in 2011 compared to 2010, the last five months of 2011 all saw higher activity than 2010, boosted by the increasing number of buyers eager to make the most of the affordable – if hard to obtain – mortgage finance coming onto the market.

"But despite prices showing such astonishing staying power, 2012 is set to be another tough year. With the global economy in a parlous state, the size of mortgage advances, which rose in the last 12 months by 3.5%, could begin to decline. The stamp duty holiday for first-time buyers will end in April which means first-time buyers will have to stump up an extra £2,200. This is likely to create a rush in the first part of this year at the lower end of the market as buyers scramble to avoid the purchase tax – after that, we could see first-time buyer activity fall sharply. The government's mortgage insurance scheme, which aims to boost the supply of mortgage finance to first-time buyers, will provide some help for those trying to get their foot on the ladder, but it's unlikely it can offset the impact of the end of the tax holiday."

For detailed analysis by Dr Peter Williams, housing market specialist and Chairman of Acadametrics, see page 3.

# House price index: historical data



Table 1. Average House Prices in England & Wales for the period January 2011 - December 2011

		House Price	Index	Monthly Change %	Annual Change %
January	2011	£222,176	226.2	0.3	1.0
February	2011	£223,962	228.0	0.8	0.2
March	2011	£224,381	228.4	0.2	1.0
April	2011	£222,119	226.1	-1.0	0.3
May	2011	£219,111	223.1	-1.4	-1.1
June	2011	£217,488	221.4	-0.7	-2.2
July	2011	£218,767	222.7	0.6	-2.0
August	2011	£220,340	224.3	0.7	-1.6
September	2011	£220,116	224.1	-0.1	-1.7
October	2011	£220,186	224.2	0.0	-1.3
November	2011	£219,878	223.9	-0.1	-0.8
December	2011	£220,385	224.4	0.2	-0.5

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## Press Contacts:

Monica Daniel, LSL Property Services  
David Pickles, Acadametrics  
James Staunton, Wriglesworth PR

01392 355090  
020 8392 9082  
020 7427 1404

[monica.daniel@lslps.co.uk](mailto:monica.daniel@lslps.co.uk)  
[david.pickles@acadametrics.co.uk](mailto:david.pickles@acadametrics.co.uk)  
[J.Staunton@wriglesworth.com](mailto:J.Staunton@wriglesworth.com)



Dr Peter Williams, housing market specialist and Chairman of Acadametrics, comments:

## House prices

“Our average house price in England & Wales at December, measured over a three month period to capture the underlying trends, rose by a marginal £342 (+0.2%) from November to £220,385. This is up £2,897 on the year’s lowest price in June but down £3,996 on the highest in March. The twelve month story is that prices fell (-1.8%) in the first six months of the year and rose (+1.3%) in the second half, accounting for the 0.5% fall over the year. But, in fact, the price recovery in the second part of the year took place as a “summer bounce” in July and August – a bounce not repeated over the remainder of the year. Setting aside the April and May price hiccups caused by Stamp Duty changes, our average price has not changed by more than 1% in any month, at national level, since February 2010. We have had 7 months where prices have increased on a monthly basis and 5 where the average price has fallen. Generally, the changes have been marginal and in essence we have experienced a period of relative stability in house prices, which is perhaps surprising given the turmoil observed in the financial markets over the same period. At regional and county levels, it remains, as previously this year, a different story.

“The marginal price rise in December cut last month’s year on year house price fall from -0.7% to -0.5%, in England & Wales as a whole. The current average price of £220,385 is now £20,150, or 10.1%, above the £200,235 price at the April 2009 trough of the last housing recession, but £11,443, or 4.9%, below the price peak of £231,828, recorded in February 2008. Given that the December 2011 average house price is only 0.5% below that in December 2010, house prices, nationally, have proved more durable than our original expectation of a c.2.5% fall and than the 1% fall that we thought, last month, would be the outcome.

“On a regional basis, Greater London is no longer the only region showing (at +3.1%) annual house price growth from November 2010 to November 2011. Wales, perhaps because it is the second smallest region with more volatility, now shows year on year growth at 0.7%. Figure 4 shows the annual house price growth for each of the regions in England & Wales over the last three months and demonstrates that house prices are falling in all regions except for Greater London and Wales. In fact, Figure 4 page 7 illustrates how negativity in the % Annual change, averaged over the past 3 months, for every region lessened somewhat in December, in contrast to the increasing falls we observed in October. Prices in Wales overall have certainly been affected by their 11% growth in Cardiff over the last 6 months which, with Caerphilly, appears amongst the five unitary authorities in our Figure 7 on page 9 showing positive % annual price growth in the last quarter.

“2011 was a year of great market uncertainty with the market fluctuating both over time and by type and area. Some households will have experienced growth in the nominal value of their homes while others will have seen falls. Most will have seen real falls in prices relative to inflation. If this is the essence of 2011 then 2012 seems likely to be a repeat with uncertainty, once again, dominating the picture. The market is not expecting base rates to rise in 2012 but unemployment will rise and the supply of mortgage finance will remain tight. Expectations are that gross mortgage lending in 2012 will be lower than in 2011, reflecting balance sheet reductions by some major lenders and the limitations imposed by a now largely retail funded market. Arrears and possessions might edge up a little but, generally, the combination of low interest rates and lender forbearance should keep numbers down. The government’s home owner support scheme is now closed and there is a current consultation on support for mortgage interest which threatens to further limit the benefits of that assistance. The Financial Services Authority has published its consultation paper on the mortgage market and the proposed rules will reduce access to the mortgage market, in a modest way, but this impact will intensify if the market picks up steam. On that note the Bank of England’s current consultation on macroeconomic controls highlights potential interventions around loan to value ratios as one way of dampening market activity in a boom period.

“The current crop of published forecasts for the housing market in 2012 offer up a mixed view of price increases and falls with most being in the range of 3% up or down over the year in nominal terms. Looking ahead, most then expect house prices to begin to recover and move ahead, reflecting the underlying and continuing mismatches between demand and supply. The recent Bank of England credit conditions survey and the statistics on lending to individuals give little basis for optimism and there are only very modest increases in lending or easing of credit terms predicted for the next three months.



“Although, however, none of this suggests anything very exciting, the fact is that the housing market has on balance performed well compared to the economy as a whole. It has shown considerable resilience and subject to any sharp rise in interest rates or unemployment (or falls in income) it looks likely that it could continue along this path in 2012. On balance, this is good news of a sort for existing owners who should not see the value of their homes radically reduced. It also means that, over time, affordability for first time buyers has eased although, if their incomes are also falling, access to the market will not have improved. Given this situation, government has to ensure that it does nothing to make matters worse and, where possible, it should ease constraints. The scrapping of the first time buyers stamp duty relief scheme in the Spring won’t help and nor would any sharp reduction in support for mortgage interest payments. More positively the government’s new mortgage insurance scheme, aimed at securing higher loan to value mortgages for first time buyers, comes into place in April. Assuming this scheme is delivered without undue complexity it should be a welcome boost in an otherwise modest year. The state of the housing market is an important driver of economic health and household confidence and, in that regard, it requires careful nurturing. We have got through 2011 and the challenge now is to do the same in 2012.”

## Housing Transactions

Table 2 The number of housing transactions per quarter, in England & Wales

	Q1	Q2	Q3	Q4	Total
Long Term Average	218,198	274,604	295,681	276,639	1,065,122
Yr 2011 (estimates)	125,520	158,737	192,493	173,250	650,000
% of long term	58%	58%	65%	63%	61%

Source: Land Registry data and Acadametrics estimates. Not seasonally adjusted.

“We estimate that December transactions in England & Wales amounted to some 59,150 taking the annual total to 650,000. This is marginally fewer than the 664,000 properties sold in 2010, although during the last five months of 2011, total sales exceeded those for the same five months in 2010.

“Our 650,000 estimate falls 39% below the 16 year 1995-2010 long term average of 1,065,000 p.a. transactions – a shortfall of no less than 400,000 sales. At 650,000 annual sales, 2011 will prove to be the second lowest year for housing sales - equal to that of 2008 - since Land Registry began computerising its records, back in 1995. The lowest recorded sales in a year occurred in 2009 at 624,000.

“Where have the 400,000 ‘missing sales’ gone? Gone, we suggest, mostly with the loss of 300,000 first time buyers from the long-term average of 500,000 p.a. to the new 200,000 p.a. average, reported by the CML in December. The driver for this decline, according to the CML, is the fact that FTBs cannot raise the deposits now required to obtain a mortgage loan or are otherwise now deemed unsuitable because of tighter credit standards. Undoubtedly, the freezing-out from the market of FTBs has opened it for the buy-to-let investor with cash or equity to assist in obtaining a loan. However, buy-to-let investors will only under-pin the market, at its new shrunken level, rather than replace every lost first time buyer. We anticipate that it is in Greater London and the South East and at local levels, such as Cambridge, that the advance in BTL, reported by estate agents and rental landlords, will mostly be found.”

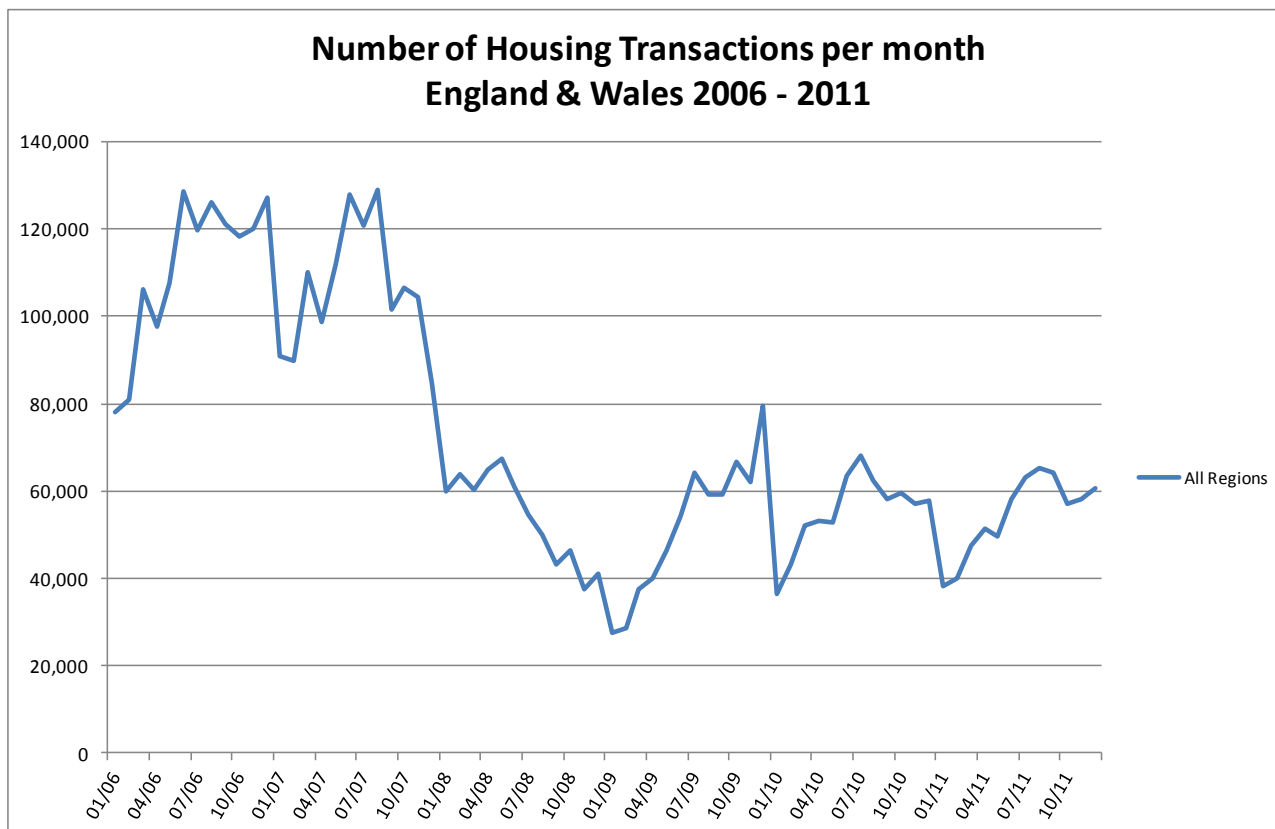


Figure 1. The number of housing transactions by month in England & Wales, 2006 - 2011 (not seasonally adjusted)

In ten out of the last fifteen years, the volume of housing transactions in December has increased when compared to the previous month, with purchasers keen to complete the transaction move prior to the New Year. 2011 proved no exception, with sales in December up by some 3% over the previous month. We have also seen a small (3.6%) increase in activity during the latter half of 2011 (August - December) when compared with the same period in 2010, as the buy-to-let market re-emerges and begins to strengthen.

#### NOTES

1. LSL Acad E&W HPI is the only house price index to use:
  - the **actual** prices at which every property in England & 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
 LSL Acad E&W HPI is a price series as opposed to a value series.
2. the current month LSL Acad E&W HPI 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. LSL Acad E&W HPI forecasts are progressively replaced with real data, until every transaction reported to the Land Registry has been recorded and we have provided our LSL Acad E&W HPI "ultimate" data. All LSL Acad E&W HPI numbers, published prior to receipt of all transaction data, are subject to change; in publishing precise numbers for a number of reasons, we do not claim precision.
4. the accuracy of our forecasts is shown monthly on the Acadametrics website [www.acadametrics.co.uk](http://www.acadametrics.co.uk) in our "[Development of Forecasts](#)" and in our "[Comparison of Indices](#)", which shows how each index, including the LSL Acad E&W HPI "forecast", compares with the LSL Acad E&W HPI, once sufficient factual Land Registry data have replaced forecast data, to enable LSL Acad E&W HPI to approach the "ultimate" results.
5. the Acadametrics 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, Economics Fellow Trinity College 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 LSL Acad E&W HPI 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

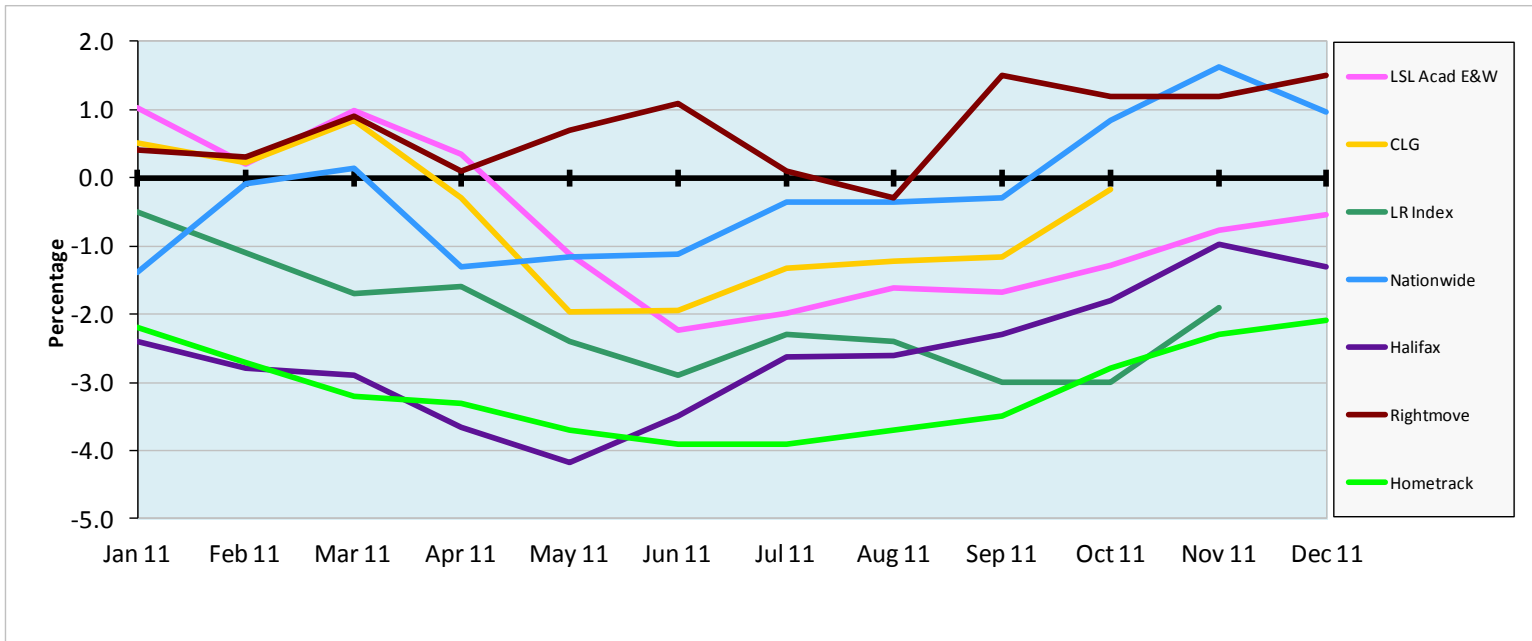


Figure 2. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

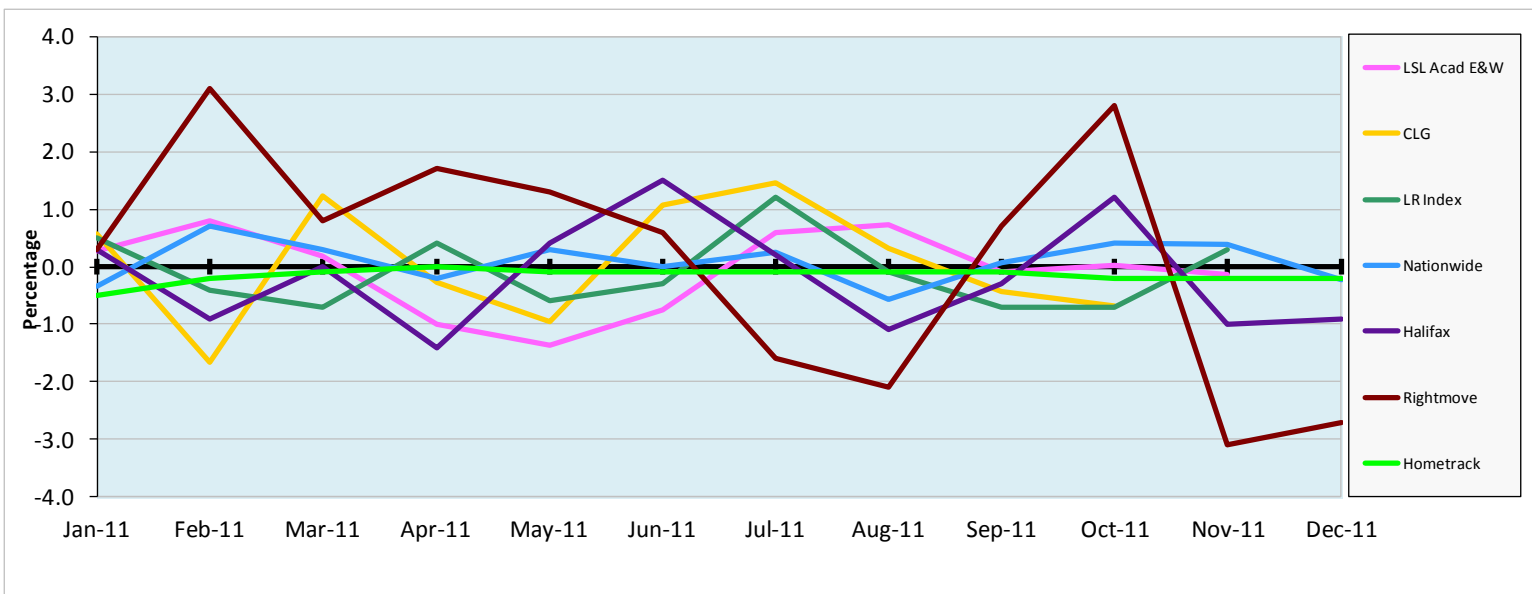


Figure 3. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART



We take our year on year house price change figures for each of the past three months and average them, in order to minimise the volatility which might, otherwise, mask the trends at regional level. The results show that Greater London has now been joined by Wales, as the only two regions in England & Wales experiencing year on year price growth. In fact every region, showed some growth in the annual rate, calculated over the three month period, in comparison with last month's outturn. This is the second month in succession in which we have observed this slowing in the rate of annual decline, which we expect to continue next month as the relatively large negative percentages seen in October and November 2010 drop out of the annual calculations and are replaced by more benign movements in prices in the same months of 2011.

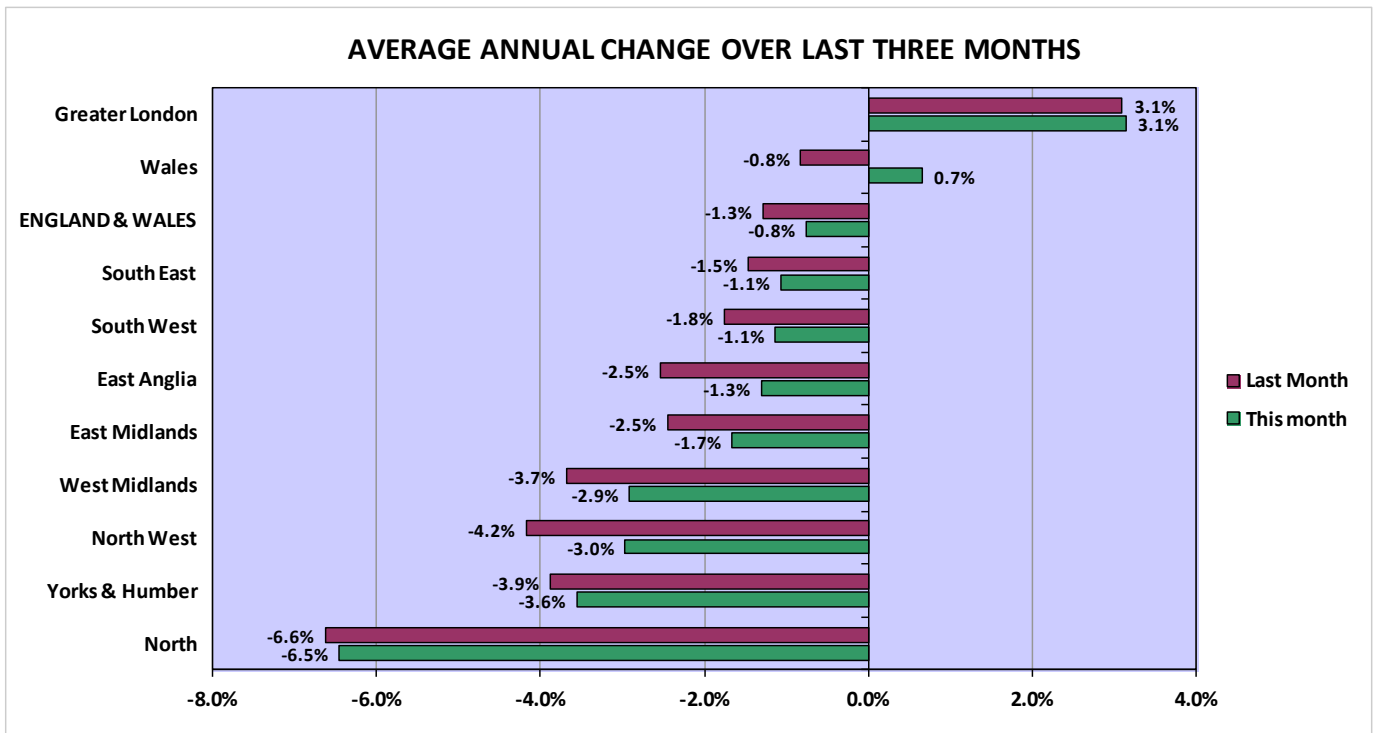


Figure 4. The annual change in the average house price, analysed by region

### ANNUAL CHANGE IN PRICE BY REGION

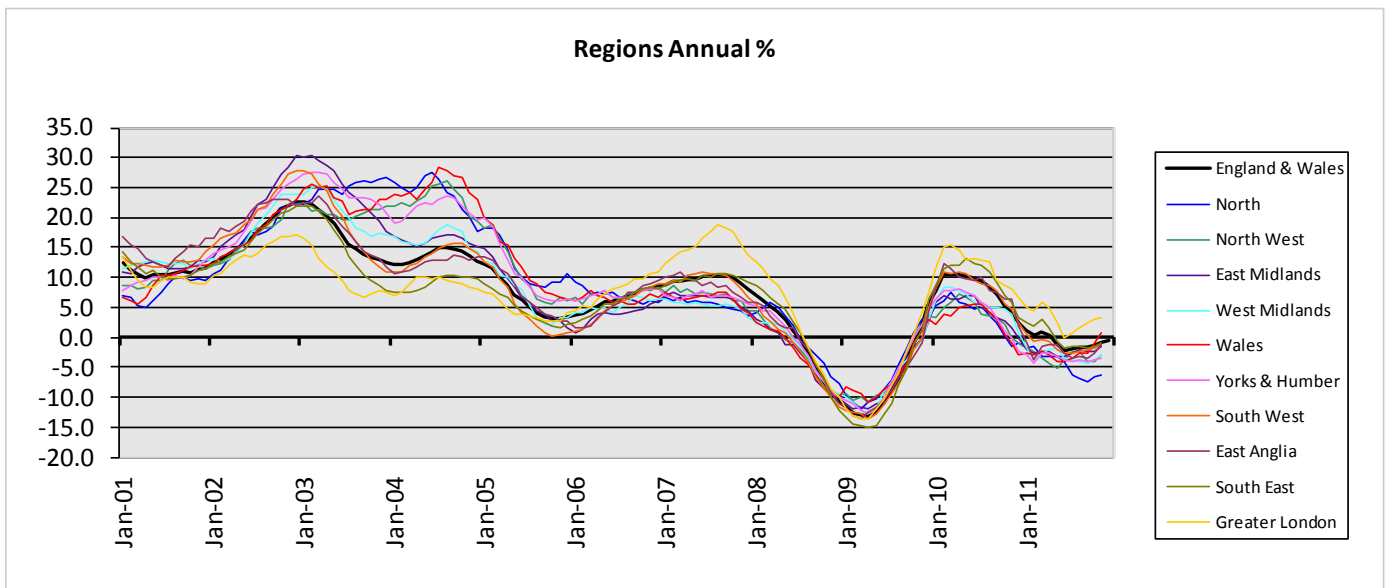


Figure 5. A comparison of the annual change in house prices, by region for the period Jan 2001 - Nov 2011

Note that individual regions can be compared using our "National and Regional series from 1995 with Interactive Charts", linked from page 5 NOTE 5 above and from our covering email; timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.



## AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS

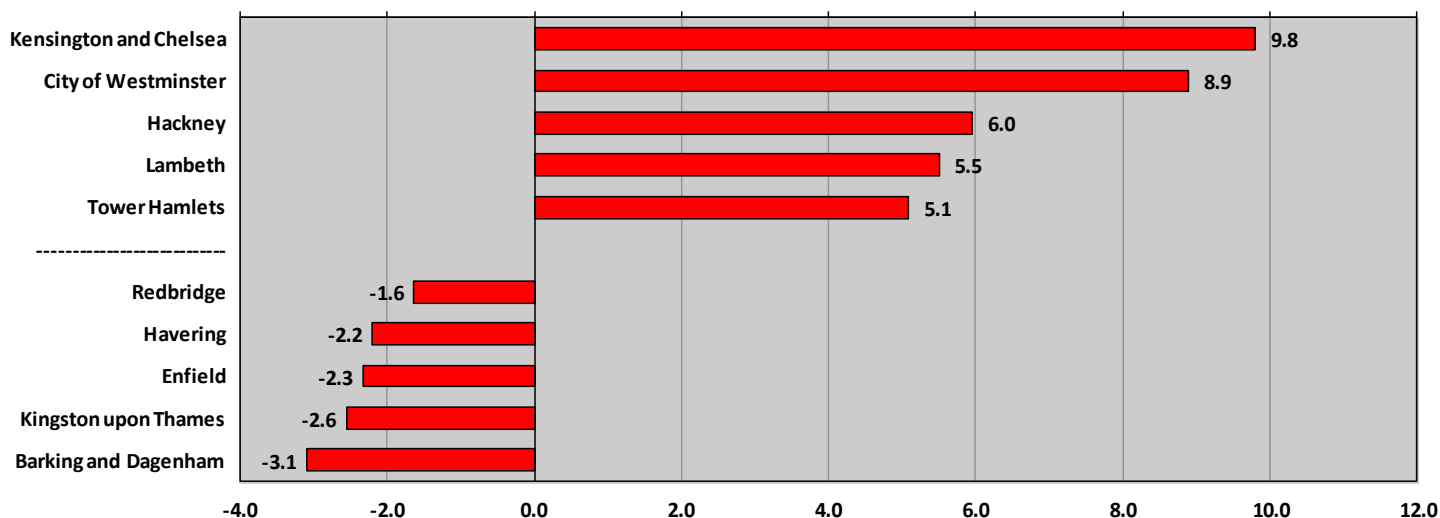


Figure 6. The annual change in house prices, based on a three month average, for the London boroughs

### House prices

Figure 6 shows the % **annual** price change, averaged over three months, in the ten London boroughs with the highest and lowest growth. The two boroughs with the strongest growth shown above are also ranked first and second in terms of average price of all the London boroughs. Thus, we continue to observe the phenomenon of rising prices in central London, fuelled by strong demand from overseas investors, looking for a safe haven for their funds. Hackney, Lambeth and Tower Hamlets have all seen increases in the price of flats over the last quarter, these areas tending to be favoured by buy-to-let landlords looking to rent to tenants working in the nearby City of London and Canary Wharf financial centres. It can be noted that the five boroughs with the lowest price growth are all outer London boroughs, which indicates that there is a distinction to be made between the inner and outer boroughs when considering price movements.

Last month, we reported that **fourteen** of the thirty-three London boroughs were recording price falls on an annual basis; this month that number has reduced to **twelve**, suggesting that the increases in house prices in London are beginning to be seen across a wider area than previously. Comparing the three months September - November 2011 with the same period last year, there has been an average 3.1% increase in prices across London. The largest movement in prices by property type over the year has been in flats, up an average 4%, followed by terraced and semi-detached properties, up 3%, whilst detached homes saw a decline in prices of -2.5%. Flat prices have been depressed for some time but, clearly, the combination of renewed demand from buyers and investors has now turned that around.

Comparing the last three months, September - November 2011, with the previous three months, June - August 2011, prices increased by 2.5%, mainly fuelled by a 5% rise in the average price of detached properties. This month, there are three boroughs experiencing record average house prices, Ealing, Kensington & Chelsea and Tower Hamlets, with Kensington & Chelsea and Tower Hamlets seeing a strong performance in the sale of flats.

### Transactions

Firstly, comparing the three months September - November 2011 with the same three months in 2010, the number of London properties sold has increased by 4.2%. This positive figure reflects a general increase in the England & Wales market where the number of property sales strengthened from July onwards. The boroughs which have seen the highest growth in property transactions over the year are the City of London +56% (albeit from a very low base), Barking & Dagenham +25% (mainly in the sale of terraced properties) and Hammersmith & Fulham +15% (mainly in the sale of flats).

Secondly, comparing the three months, September - November 2011, with the preceding three months, June - August 2011, sales volumes in London have fallen by -5%, which is less than the seasonal decline of -8% which one would expect for this time of year. The boroughs that have seen the largest increase in transactions over this period are Havering and Hillingdon, each up +9%, and Enfield +6%. Over this period, flats have seen the smallest decline in sales, down -4%, whilst sales of detached properties have fallen by -8%, these latter figures have not been seasonally adjusted.



## AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES

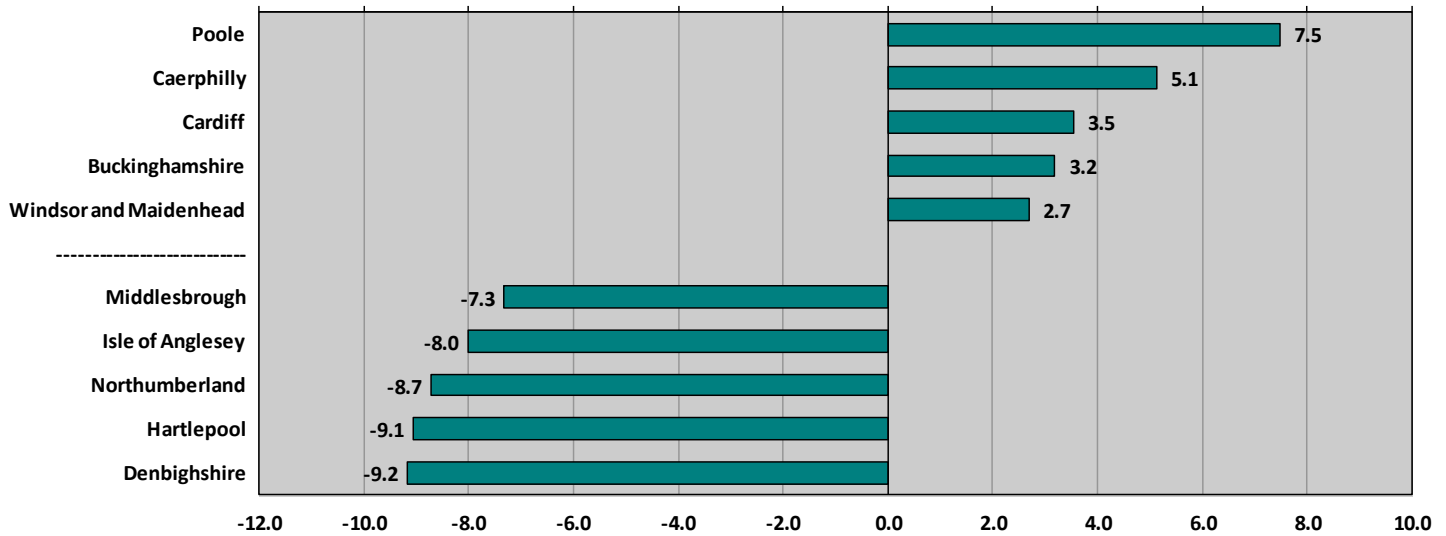


Figure 7. The annual change in house prices, based on a three month average, for the unitary districts

### House Prices

Figure 7 shows the % **annual** price change for unitary districts and counties, measured over three months and ranked by the highest and lowest five districts. It is interesting to note that Poole is the top district by price in the South West, Windsor and Maidenhead and Buckinghamshire are ranked first and third respectively by price in the South East region and Cardiff is the third highest district by price in Wales, reflecting again the trend in 2011 for prices in the most expensive areas of England & Wales to show the largest increases. Of the five unitary districts showing the biggest decline in prices, three are in the North - where regional house price falls are the greatest.

Last month, we reported that **ninety-seven** of the one hundred and eight counties and unitary districts in England & Wales were recording price falls on an annual basis. This month that total has decreased to **ninety-one** – the lowest number of districts showing price falls that we have seen since June 2011. However, this still indicates that prices are continuing to fall in over 80% of the unitary districts and counties across England & Wales.

Comparing the three months September - November 2011 with the same three months in 2010, average prices in England & Wales are showing a fall of -1.3%. Over this period, flats have seen price increases of +2%, mainly due to the strength of the market in London, whilst other property types across the country have seen falls of between -1% and -3%. Outside Greater London and Wales, all regions have seen price falls across all property types, with the largest fall being in the prices of flats in the North, which are down some -8% over the year. The renaissance in Wales has been in the detached property sector of the market, particularly in the Cardiff and Vale of Glamorgan areas.

Comparing the three months September - November 2011 with the preceding three months June - August 2011, we find a fall in prices of -1.4% on a non-seasonally adjusted basis. But prices of detached properties rose in Wales, the West Midlands and the South West, and the price of flats rose by +6% in East Anglia. The latter rise was mainly driven by price increases in Cambridge, possibly associated with parents buying their offspring flats in the student areas of the city at the start of the academic year.

### Transactions

Comparing the three months September - November 2011 with the same three months in 2010, property transactions have increased by +5.6% in England & Wales. All regions showed rises, ranging from +2.3% in the South West to +8.2% in East Anglia. The unitary district with the biggest increase in sales over the year is The Vale of Glamorgan +33%, followed by North East Lincolnshire and Torbay, +25%; whilst the area experiencing the greatest decline in sales is Leicester -16%.

# Regional data table



Table 3. Average house prices by region, December 2010 - November 2011, with monthly and annual % growth

	North			North West			East Midlands			West Midlands		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Dec-10	£145,640	-1.0	-1.1	£155,466	-0.6	-1.0	£161,630	-0.6	-0.2	£173,639	-0.6	0.8
Jan-11	£146,435	0.5	-1.9	£154,620	-0.5	-1.8	£161,575	0.0	-2.0	£173,385	-0.1	-1.7
Feb-11	£148,135	1.2	-1.4	£154,669	0.0	-2.2	£161,514	0.0	-2.7	£172,269	-0.6	-3.7
Mar-11	£147,577	-0.4	-3.2	£153,237	-0.9	-3.5	£160,661	-0.5	-2.3	£171,873	-0.2	-2.6
Apr-11	£145,449	-1.4	-3.2	£152,241	-0.7	-4.5	£159,627	-0.6	-2.3	£171,111	-0.4	-2.1
May-11	£144,297	-0.8	-3.3	£150,590	-1.1	-5.1	£158,628	-0.6	-3.3	£171,018	-0.1	-1.7
Jun-11	£142,176	-1.5	-4.2	£151,067	0.3	-3.9	£159,405	0.5	-3.3	£169,449	-0.9	-3.4
Jul-11	£139,069	-2.2	-6.2	£152,490	0.9	-2.5	£159,774	0.2	-2.6	£168,552	-0.5	-3.7
Aug-11	£137,210	-1.3	-6.9	£153,218	0.5	-2.5	£160,231	0.3	-2.2	£169,502	0.6	-4.2
Sep-11	£137,245	0.0	-7.5	£152,475	-0.5	-3.9	£159,943	-0.2	-2.4	£169,319	-0.1	-4.2
Oct-11	£138,407	0.8	-6.6	£151,497	-0.6	-4.2	£159,590	-0.2	-2.5	£170,192	0.5	-3.7
Nov-11	£137,567	-0.6	-6.5	£151,704	0.1	-3.0	£159,873	0.2	-1.7	£169,676	-0.3	-2.9

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Dec-10	£151,907	-0.8	-3.0	£156,768	-0.8	-2.5	£226,433	0.9	2.4	£198,475	-0.6	1.9
Jan-11	£152,061	0.1	-2.7	£156,985	0.1	-3.0	£224,986	-0.6	0.4	£198,502	0.0	-1.0
Feb-11	£152,750	0.5	-2.9	£155,829	-0.7	-4.3	£226,492	0.7	-0.6	£198,735	0.1	-3.9
Mar-11	£152,481	-0.2	-2.3	£156,497	0.4	-2.8	£224,250	-1.0	-0.4	£200,210	0.7	-1.6
Apr-11	£150,552	-1.3	-3.1	£155,923	-0.4	-2.6	£224,009	-0.1	-0.7	£199,759	-0.2	-1.2
May-11	£148,814	-1.2	-4.0	£154,252	-1.1	-3.2	£222,070	-0.9	-2.1	£200,046	0.1	-1.3
Jun-11	£149,051	0.2	-4.2	£152,829	-0.9	-3.8	£220,483	-0.7	-2.5	£198,149	-0.9	-2.8
Jul-11	£149,868	0.5	-3.5	£152,632	-0.1	-4.0	£220,448	0.0	-2.7	£198,043	-0.1	-3.6
Aug-11	£151,650	1.2	-2.6	£153,957	0.9	-3.8	£220,652	0.1	-2.4	£197,843	-0.1	-3.1
Sep-11	£151,590	0.0	-2.7	£153,646	-0.2	-4.1	£221,837	0.5	-2.1	£197,354	-0.2	-3.4
Oct-11	£153,670	1.4	-0.8	£152,746	-0.6	-3.9	£221,873	0.0	-1.8	£196,844	-0.3	-2.5
Nov-11	£154,206	0.3	0.7	£152,448	-0.2	-3.6	£221,826	0.0	-1.1	£196,969	0.1	-1.3

	South East			Greater London			ENGLAND & WALES			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Dec-10	£264,435	0.1	3.2	£382,119	0.7	6.7		£221,583	0.0	2.3
Jan-11	£266,211	0.7	2.6	£385,056	0.8	5.0		£222,176	0.3	1.0
Feb-11	£269,941	1.4	2.0	£391,361	1.6	4.3		£223,962	0.8	0.2
Mar-11	£271,470	0.6	3.0	£395,082	1.0	5.7		£224,381	0.2	1.0
Apr-11	£267,498	-1.5	1.5	£389,302	-1.5	5.0		£222,119	-1.0	0.3
May-11	£263,686	-1.4	-0.6	£379,063	-2.6	2.5		£219,111	-1.4	-1.1
Jun-11	£261,758	-0.7	-1.8	£373,970	-1.3	-0.1		£217,488	-0.7	-2.2
Jul-11	£263,534	0.7	-1.7	£380,853	1.8	0.7		£218,767	0.6	-2.0
Aug-11	£265,054	0.6	-1.4	£387,633	1.8	1.7		£220,340	0.7	-1.6
Sep-11	£263,701	-0.5	-1.7	£388,745	0.3	2.5		£220,116	-0.1	-1.7
Oct-11	£263,024	-0.3	-1.5	£390,508	0.5	3.1		£220,186	0.0	-1.3
Nov-11	£261,458	-0.6	-1.1	£391,276	0.2	3.1		£219,878	-0.1	-0.8
Dec-11								£220,385	0.2	-0.5



1. LSL Acad E&W HPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. © Crown copyright material reproduced with the permission of Land Registry. The prices are smoothed to show underlying trends. LSL Acad E&W HPI includes cash purchase prices and is the only index based upon the **complete, factual**, house price data for England & 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 (LSL Acad E&W HPI, CLG and LR) can be prepared only when the prices at which properties have been transacted have been recorded at LR (LSL Acad E&W HPI 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. LSL Acad E&W HPI overcomes the above delay with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell Economics Fellow Trinity College Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School; of the price series, LSL Acad E&W HPI, LR and CLG are published in that order.
3. LSL Acad E&W HPI 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 LSL Acad E&W HPI result. Rather than rely upon a small sample, likely to be unrepresentative, LSL Acad E&W HPI 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 LSL Acad E&W HPI “forecast” with a first LSL Acad E&W HPI “update” result. A further month later, LR provides c.90% of transactions, used to replace the first, with a second, LSL Acad E&W HPI “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 LSL Acad E&W HPI “final” index, closely approximating the LSL Acad E&W HPI “ultimate” results; LSL Acad E&W HPI “ultimate” includes the price of virtually every single LR transaction for the month, smoothed, seasonally and mix adjusted; the first LSL Acad E&W HPI “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 6,000 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 LSL Acad E&W HPI “forecast” results, **blue** data represent LSL Acad E&W HPI “update” results and black data represent the LSL Acad E&W HPI “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, LSL Acad E&W HPI is indicative until we are able to publish the LSL Acad E&W HPI “final” index using the LR 95% sample. LSL Acad E&W HPI 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. LSL Acad E&W HPI 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. LSL Acad E&W HPI 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 LSL Acad E&W HPI 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; LSL Acad E&W HPI 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 LSL Acad E&W HPI, together with historic data are available from Acadametrics as in page 5 NOTE 7 above.
10. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009.