

Chesterton Humberts' *Poll of Polls*

The truth about residential property price trends

September 2009

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key findings

- The average price of a residential property in England and Wales was £169,083 in September 2009, rising by 0.7% from August.
- The annual decline in house prices continues to ease, with prices now 5.9% lower than a year ago compared to a revised contraction of 8.9% over the year to August.
- The average house price in England and Wales is now £28,404 lower than its peak in January 2008, having risen by £1,142 during September.
- Six of the eight house price indices tracked by the Poll of Polls showed monthly increases for their most recent month of data. Of the indices with September figures one showed a 1.6% rise in prices at the point of sale, whilst another showed a decline of 0.6% in asking prices.
- House prices rose across all countries and regions of the United Kingdom. Northern Ireland, which has experienced the largest fall from peak prices showed a 3.1% increase over the month to September.
- House prices in London rose by 0.4% over the month to September, however the annual decline is smaller than the national average.
- Less than a third (30.0%) of all local authorities experienced monthly falls in house prices in September. Almost one in six (15.3%) of local authorities now report higher house prices than this time last year.
- All of the four main property types experienced similar increases in prices over the month. The price of semi-detached housing rose by 0.8% in September from August, but terraced housing experienced a smaller increase of 0.4% over the month.
- The top 20% of properties by value experienced an increase in house prices of 1.6% over the month to September, whereas, prices of the bottom fifth fell by a marginal 0.2%. More expensive properties have become increasingly attractive to foreign investors due to the depreciation of sterling over the last two years.

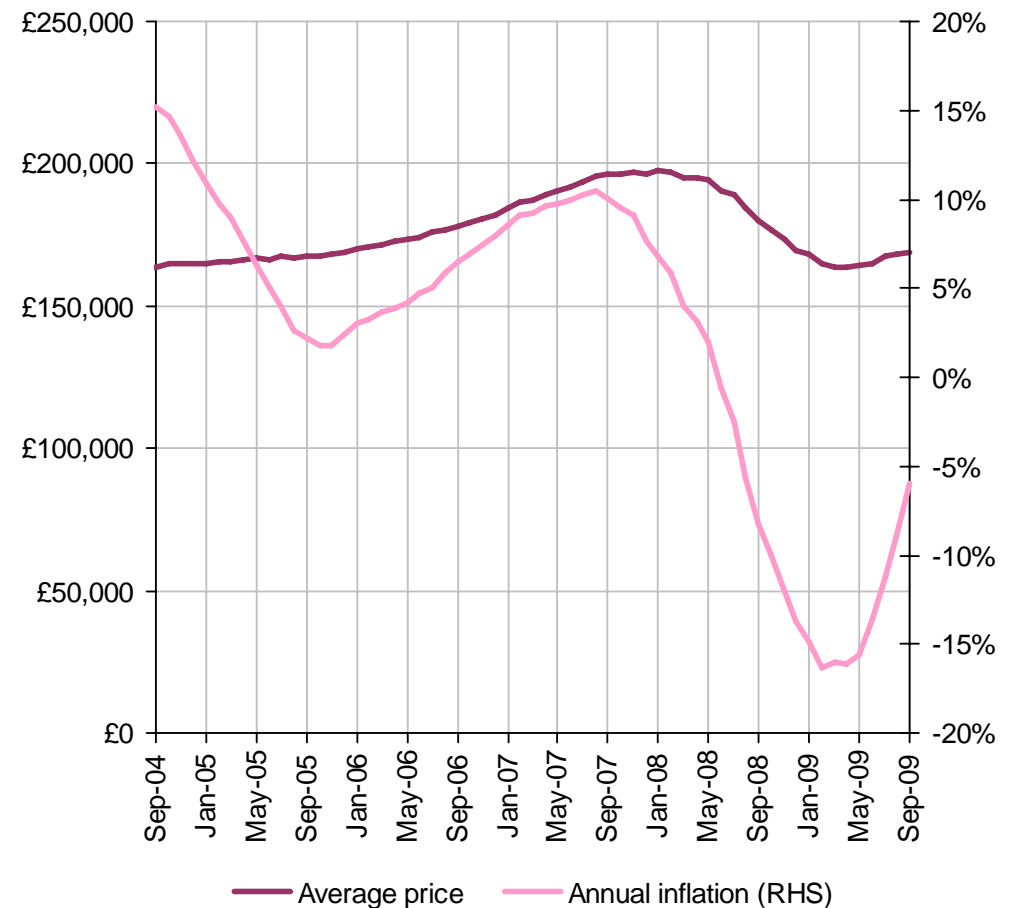
overview

House prices rose by 0.7% over the month to September bringing the average price of a house in England and Wales to £169,083. The pace of the annual decline continues to slow, with prices now 5.9% lower than September 2008.

However, the national increase disguises a mixed picture at either end of the property market. Owing in part to sterling losing around one quarter of its value since its 2007 peak, more expensive properties have become increasingly attract for wealthy foreign investors. In contrast, the lower end of the market has been relatively slow to recover, with prices of the bottom fifth of houses by value declining slightly over the month to September.

Lower mortgage costs and an undersupply of housing are expected to aid recovery at both ends of the market over the medium term. An extended period of loose monetary policy is required to balance a sharp fiscal contraction expected over the coming years. We expect the Bank of England to keep the official rate at historical lows until 2011. This will help lower borrowing costs and increase affordability much to the benefit of home owners. Although the risks to this are rising unemployment and weak earnings growth – and the danger of imported inflation with weak sterling.

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



summary table

	Average residential property price	month-on-month change	year-on-year change
Houses on the market today will sell for...	↑ £169,083	↑ 0.7%	↑ -5.9%
Top 20% of market will sell for...	↑ £364,713	↑ 1.6%	↑ -2.1%
Bottom 20% of market will sell for...	↓ £107,042	↓ -0.2%	↑ -9.9%
Detached house	↑ £244,081	↑ 0.8%	↑ -5.0%
Semi-detached house	↑ £148,047	↑ 0.7%	↑ -6.2%
Terraced property	↑ £120,145	↑ 0.4%	↑ -7.9%
Flat / apartment / maisonette	↑ £147,481	↓ 0.5%	↑ -6.4%

↑ ↓ Compared to last month. Note that historic data can change.

regional summary

	Average residential property price	month-on-month change	year-on-year change
North East	🏠 £113,209	🏠 0.1%	🏠 -7.2%
North West	🏠 £115,920	🏠 1.1%	🏠 -9.0%
Yorkshire & Humber	🏠 £122,532	🏠 0.2%	🏠 -8.5%
East Midlands	🏠 £122,879	🏠 0.5%	🏠 -6.9%
West Midlands	🏠 £129,178	🏠 0.5%	🏠 -6.6%
Wales	🏠 £123,686	🏠 0.6%	🏠 -5.0%
East	🏠 £163,440	🏠 0.6%	🏠 -4.5%
London	🏠 £309,085	🏠 0.4%	🏠 -4.0%
South East	🏠 £193,332	🏠 1.1%	🏠 -6.2%
South West	🏠 £173,308	🏠 0.9%	🏠 -5.1%
Scotland	🏠 £159,159	🏠 0.8%	🏠 -0.7%
Northern Ireland	🏠 £181,178	🏠 3.1%	🏠 -13.8%

🏠🏠 Compared to last month

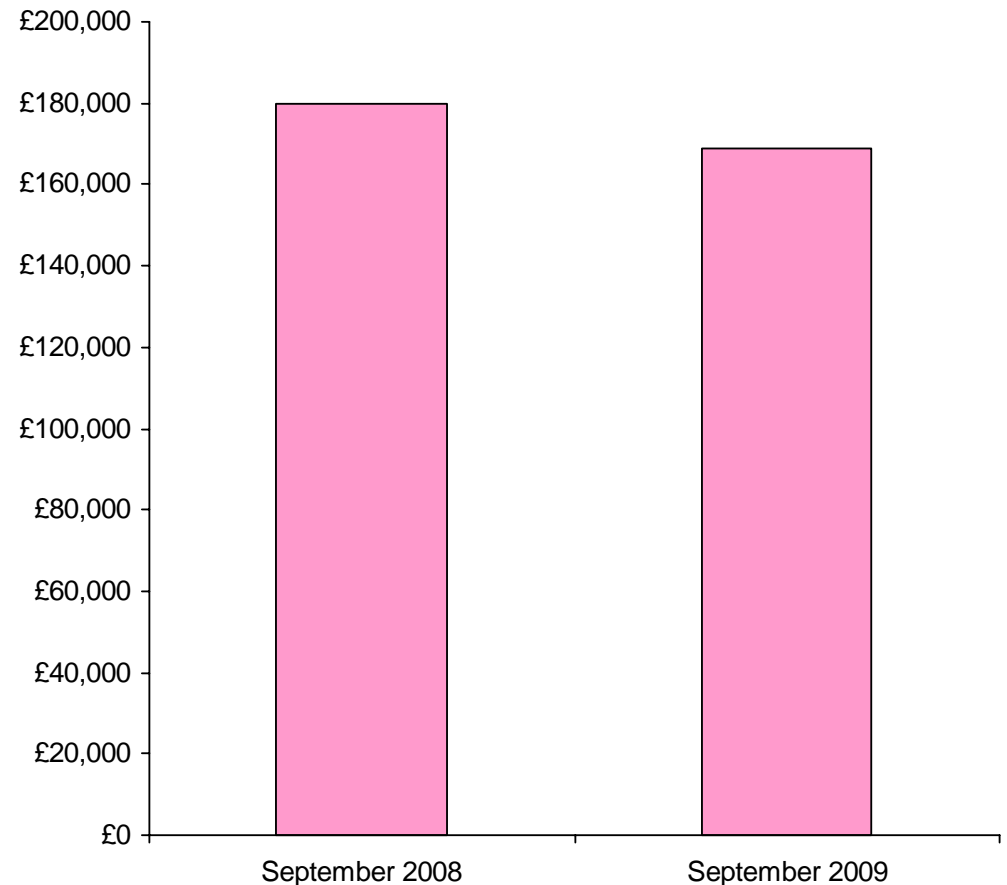
how much is your property worth today?

Six of the eight major house price indices showed monthly increases for the most recent month of data (see pages 12-13). One index recorded a 1.6% increase in prices at the point of sale for the month of September, but another showed a fall in asking prices of 0.6% for the same month.

Taking into account the timeliness, lag and accuracy of the indices, the Chesterton Humberts' House Price Poll of Polls shows that the average selling price of a residential property in England and Wales rose by 0.7% over the month to September. This brought the price of a typical house to £169,083.

House prices are now 5.9% lower than they were this time last year. This is the lowest annual contraction in prices since August 2008. Base effects caused by monthly declines of around 2.5% this time last year are helping to slow the pace of the annual decline. Even so, house prices in England and Wales are still 14.4% below their peak in January 2008 and are expected to remain structurally weaker for some time.

Chesterton Humberts' House Price Poll of Polls / England & Wales September 2008 & September 2009



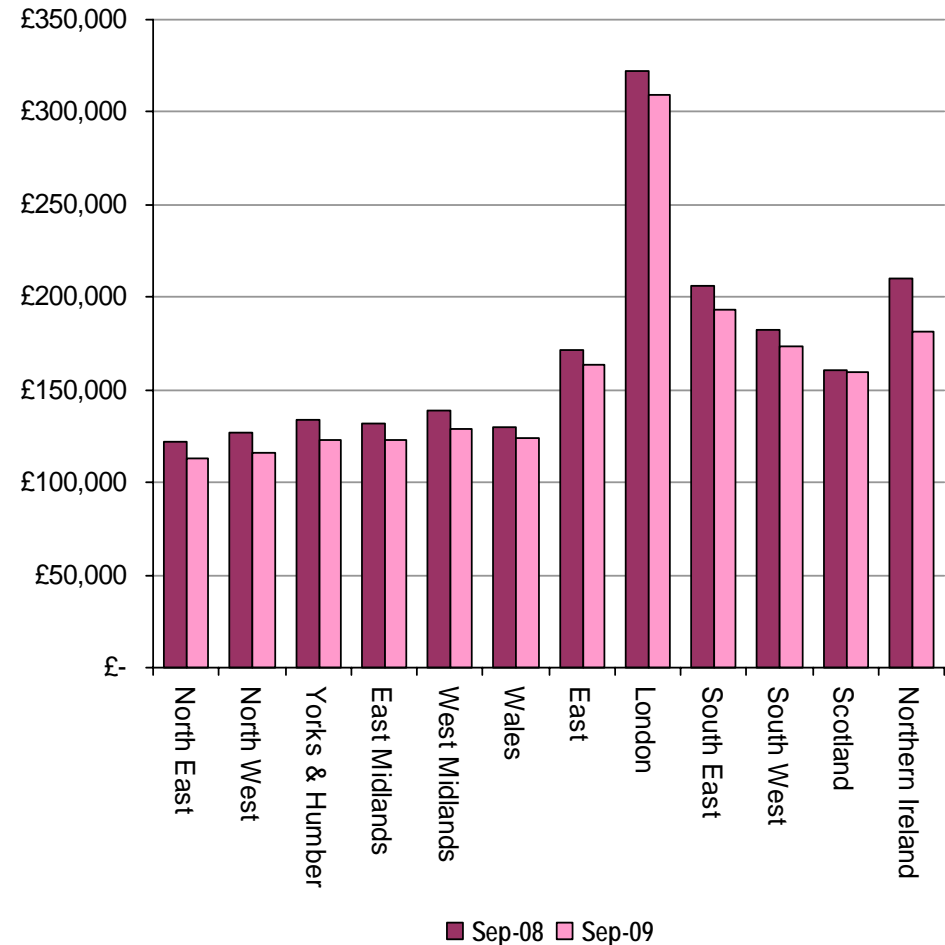
regional analysis

All regions of the United Kingdom experienced house prices increases over the month to September. Having so far experienced the largest fall from peak of any country or region, Northern Ireland experienced a 3.1% increase over the month.

The North West and South East were the only English regions to experience monthly increases in excess of 1.0%. The shallowest monthly rises were recorded in the North East and Yorkshire and Humber with increases of 0.1% and 0.2% respectively.

The year-on-year contraction in prices slowed for all countries and regions in the United Kingdom – with prices in Scotland now only 0.7% lower than a year ago. The North West has experienced the largest annual decline in England with prices now 9.0% lower than the same period a year earlier. The shallowest annual fall has occurred in London. Prices in the capital are now only 4.0% lower compared to September 2008.

United Kingdom average property price by region / September 2008 & September 2009



residential property price & inflation by region

	North East	North West	Yorkshire & Humber	East Midlands	West Midlands	Wales
Residential property price Sept 2009	£113,209	£115,920	£122,532	£122,879	£129,178	£123,686
Residential property price August 2009	£113,041	£114,715	£122,295	£122,268	£128,576	£122,997
Change since August 2009	0.1%	1.1%	0.2%	0.5%	0.5%	0.6%
Residential property price Sept 2008	£121,975	£127,404	£133,969	£131,989	£138,343	£130,250
Change since Sept 2008	-7.2%	-9.0%	-8.5%	-6.9%	-6.6%	-5.0%
Monetary value of monthly change	£168	£1,205	£237	£611	£603	£689

	East	London	South East	South West	Scotland	Northern Ireland
Residential property price Sept 2009	£163,440	£309,085	£193,332	£173,308	£159,159	£181,178
Residential property price August 2009	£162,463	£307,785	£191,238	£171,707	£157,932	£175,658
Change since August 2009	0.6%	0.4%	1.1%	0.9%	0.8%	3.1%
Residential property price Sept 2008	£171,196	£322,081	£206,153	£182,556	£160,331	£210,070
Change since Sept 2008	-4.5%	-4.0%	-6.2%	-5.1%	-0.7%	-13.8%
Monetary value of monthly change	£977	£1,300	£2,093	£1,601	£1,227	£5,520

  Compared to last month

London's property market

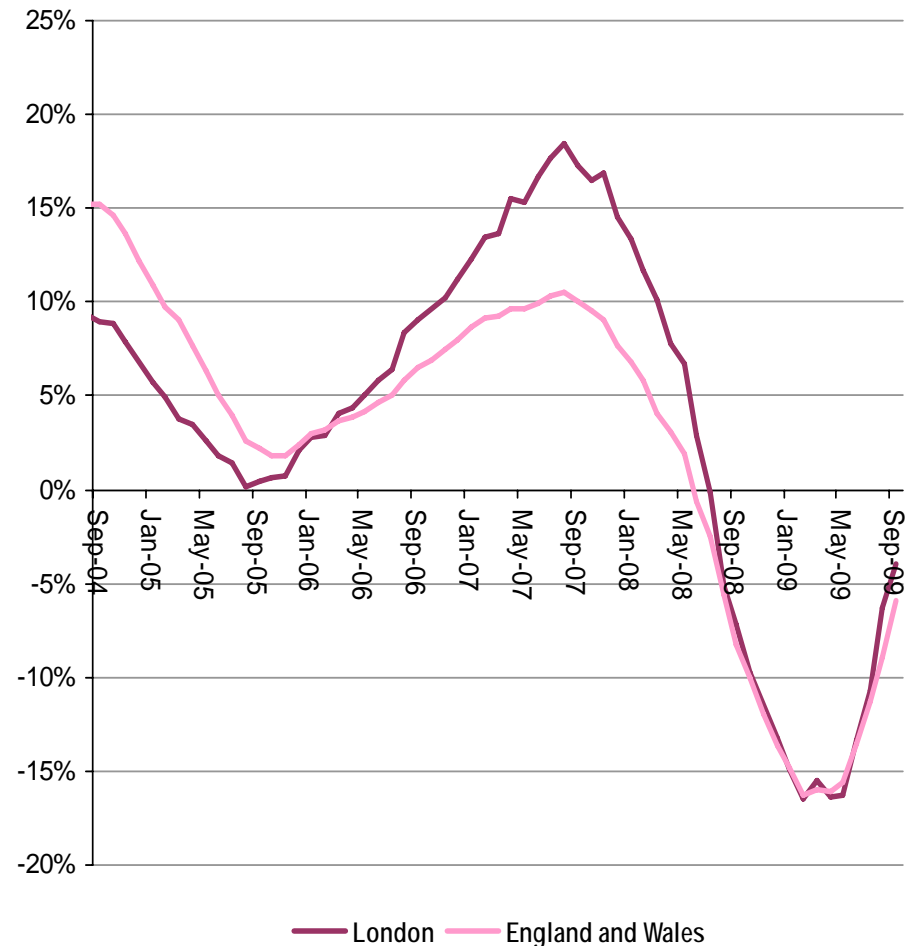
House prices in London rose by 0.4% over the month to September; the fourth consecutive month of price increases in the capital. The annual decline in London shrank to -4.0% and is now at its shallowest since July 2008.

The price of an average house in the capital has risen to £309,085 but still remains 12.6% or £44,583 below its peak in February 2008. Unsurprisingly, as house prices are generally higher in the capital, this is the largest loss in value for any country or region in Great Britain.

Prices fell in only five of the 32 local authorities in London over the month. This is roughly half the size of the proportion of local authorities experiencing falls nationwide.

Having caught up with the national trend, the annual decline in London is now shrinking faster than that of the country as a whole. While house prices in the capital rose at a slightly slower pace than much of the rest of the United Kingdom in September, base effects caused by large monthly falls in London around the same time last year are mainly driving this difference.

**London and England & Wales /
year-on-year average residential property price changes
/ September 2004 – September 2009**



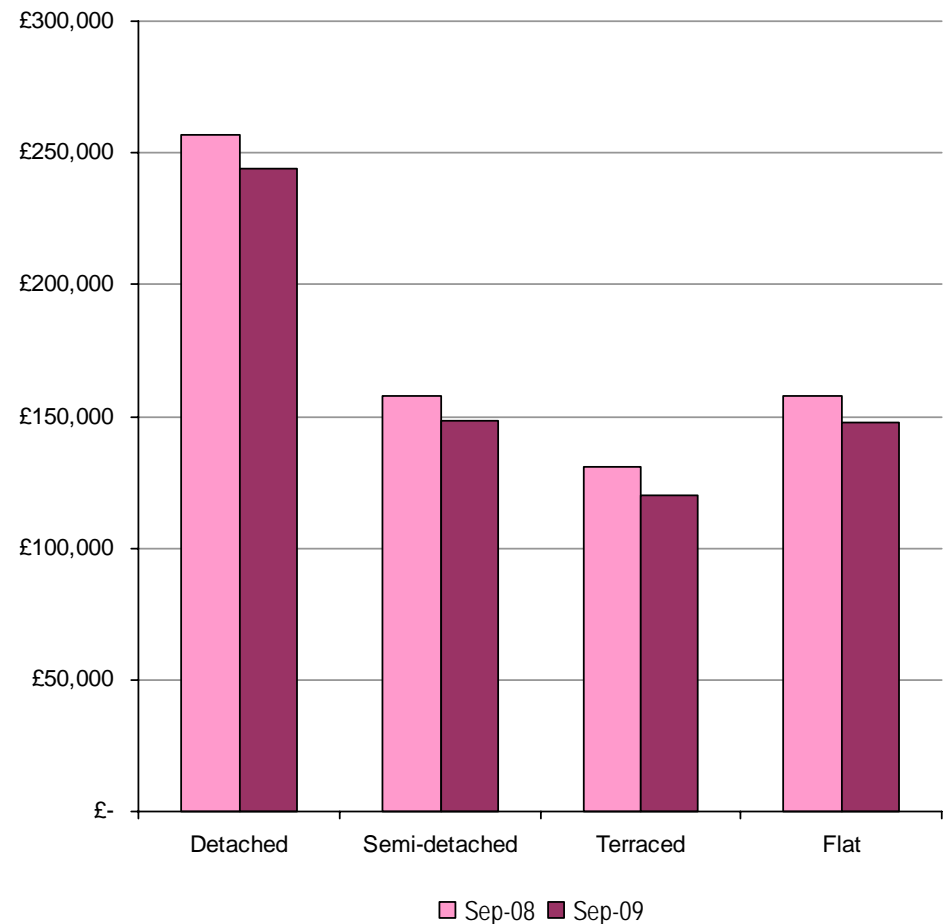
by type of property

All of the four main property types saw price increases again this month, reducing the annual decline in line with the national trend.

Detached housing - the most expensive of the four property types - saw the largest monthly gain, with prices increasing by 0.8% in September from August. The shallowest monthly rise was a 0.4% increase in the price of terraced housing; the cheapest of the four property types. The prices of semi-detached housing and flats increased by 0.7% and 0.5% respectively over the month to September.

Terraced houses have seen the steepest fall from peak, with prices 16.9% lower than the beginning of 2008. The smallest decline from peak can be seen in the price of detached housing, which has fallen by 12.2% since October 2007. However, this corresponds to a fall of £33,955, the largest for any of the four property types owing to its relative value.

**Property price by type /
September 2008 & September 2009**



sub-regional analysis

Less than one in three (30.0%) local authorities experienced falling housing prices over the month to September. The proportion of local authorities with annual percentage declines in double digits also fell below a third (28.2%) this month.

Whilst average prices are now rising across the country as a whole, prices in the cheapest areas have so far been slower to recover. The bottom fifth of market by value posted a small monthly decline of 0.2% in September. Whilst the top 20% of the market enjoyed a 1.6% price increase over the month. This polarization reflects the fact that the housing market recovery is being driven in part by investment in more expensive properties by wealthy foreign individuals due to the depreciation of sterling over the past two years.

The five least expensive local authorities still show large annual declines, whilst house prices in the two most expensive local authorities, are now higher than they were this time last year.

Please note: Bolton and Hartlepool have been removed from the analysis due to a small sample size giving spurious results. Data from Kensington and Chelsea must be treated with caution owing to the small sample size.

Average property price & annual inflation in most expensive and least expensive local authorities / England & Wales / September 2009

	Average residential property price	Annual change%	Monetary value
Kensington And Chelsea	£897,715	16.1%	£124,536
City Of Westminster	£599,923	3.9%	£22,609
Camden	£482,226	-4.0%	-£20,236
Hammersmith And Fulham	£460,961	-0.9%	-£4,362
Richmond Upon Thames	£393,660	-0.6%	-£2,287
Neath Port Talbot	£78,910	-27.0%	-£29,186
Stoke-On-Trent	£74,795	-14.7%	-£12,925
City Of Kingston Upon Hull	£68,127	-20.2%	-£17,240
Blaenau Gwent	£65,584	-24.1%	-£20,824
Merthyr Tydfil	£65,442	-13.7%	-£10,386



Compared to last month

what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Department of Communities and Local Government	July	+1.4%	UK house prices were 8.3% lower than in July 2008 but 1.4% higher than in June 2009. UK house prices rose by 2.1% in the quarter ending July 2009. This compares with a fall of 2.8% for the quarter ending April 2009.
Halifax	September	+1.6%	House prices increased by 1.6% in September; the third consecutive monthly increase and the fifth so far this year. House prices nationally have risen by 1.7% since the end of 2008. House prices are now only 7.4% lower compared to the same month a year earlier.
Land Registry (Calnea Analytics)	August	-0.1%	The Land Registry data for August show a relatively flat market with a monthly house price change of -0.1%. The annual rate of decline is continuing to slow with an annual movement of -9.4%.
Nationwide	September	+0.9%	The price of a typical house rose by 0.9% on a seasonally adjusted basis in September. The 3 month on 3 month rate of change – generally a smoother indicator of the near term trend – rose from 3.3% in August to 3.8% in September, the highest level since August 2004.

what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Financial Times (Acadametrics)	September	+0.6%	The average price of all property transactions completed in England & Wales in September 2009 was 0.6% higher than in August. This is the fifth month in succession to show positive growth in house prices, albeit at modest levels.
Home.co.uk (Calnea Analytics)	September	-0.6%	The mix-adjusted average Asking Price for homes on the market in England and Wales fell by 0.6% in September. Market house prices fell in all English regions except Greater London, Wales and Scotland.
Hometrack	September	+0.2%	House prices rose by 0.2% in September. Prices on this index have remained relatively flat recently but have now increased over the last two consecutive months.
Rightmove.co.uk	September	+0.6%	Average asking prices rose by 0.6% in September after a 2.2% fall in August. Over the past year house prices have declined by 1.5%, compared to an annual fall of 3.1% over the year to August 2009.

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 63 offices across the UK, including 27 in London, Chesterton Humberts is one of the UK'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, Singapore, Australia and Abu Dhabi.

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.