

## House prices remain suppressed as economy could be in a double-dip

- House prices in the UK are -0.6% lower in January 2012 compared to a year earlier.
- The average house price is £175,020, which is around 1.5% lower than the average house price throughout 2010 and broadly flat compared to 2011.
- Business confidence remains weak in January, which points to an increased chance of a double-dip recession. This is likely to rein in housing transaction activity.

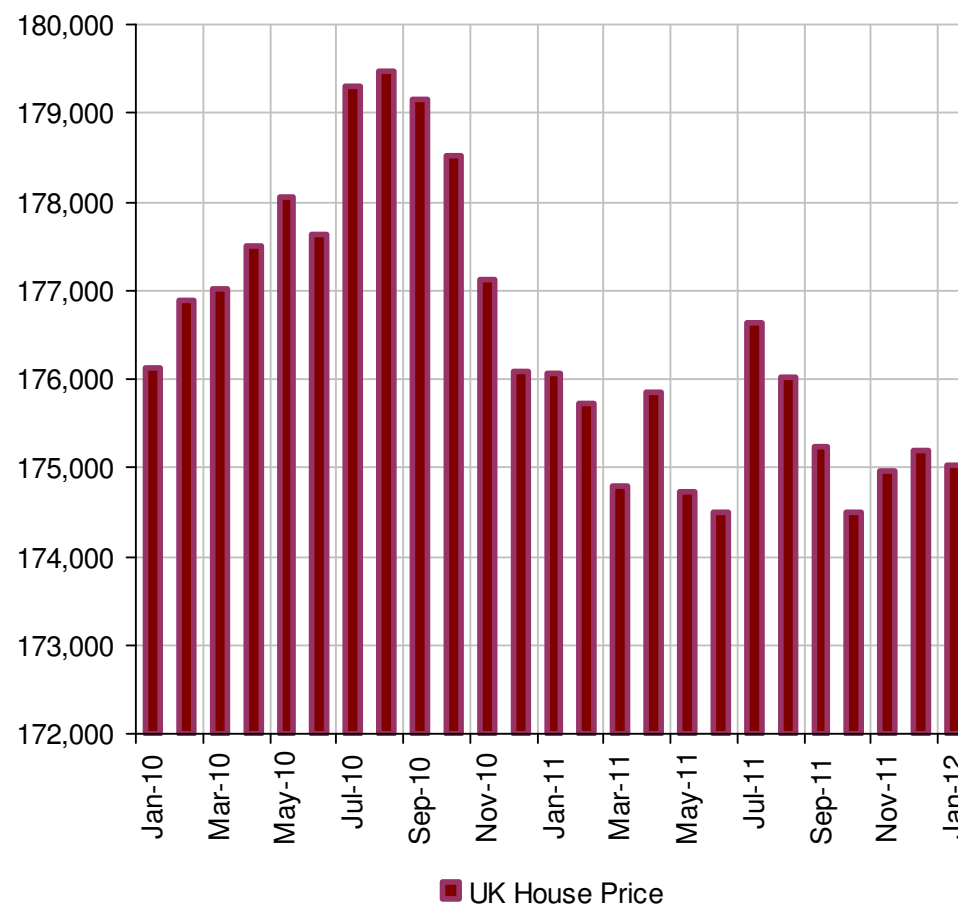
Key findings	England and Wales	London
Latest estimate (Dec)	£175,020	£348,678
Month-on-month change (Dec)	-0.1%	0.6%
Year-on-year change (Dec)	-0.6%	+3.9%

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making business sense

**Chesterton Humberts House Price Poll of Polls**



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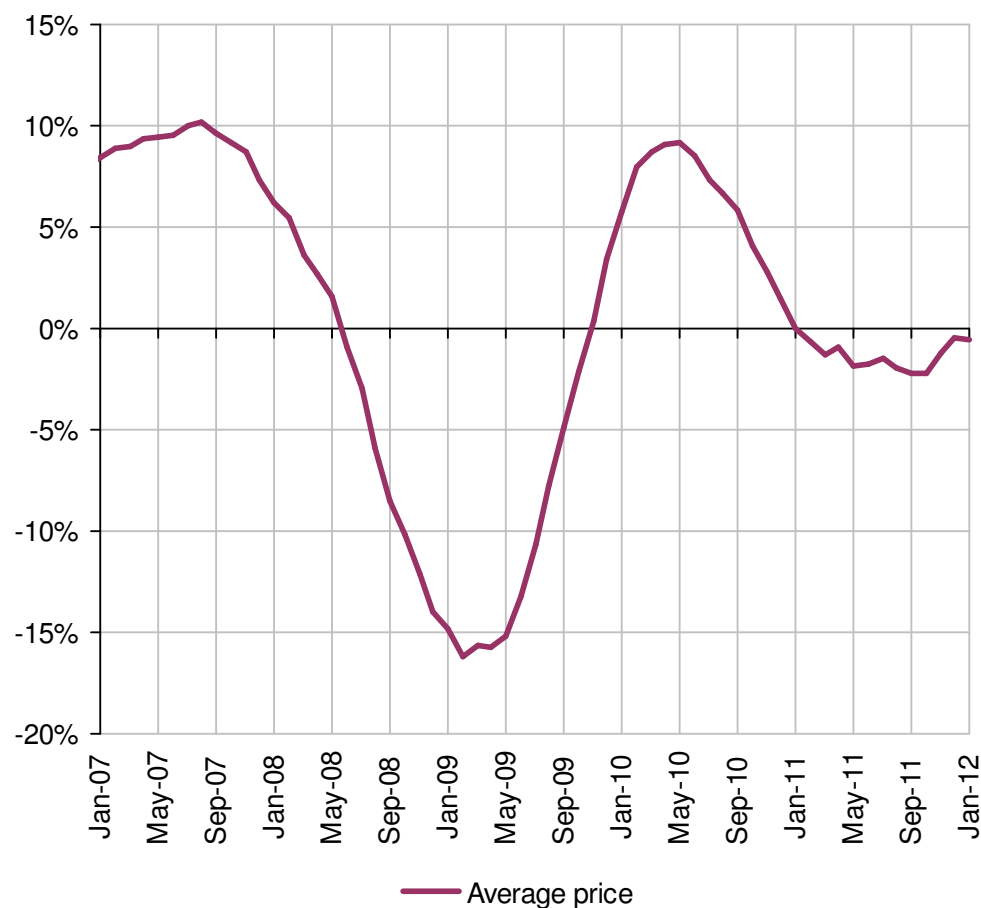
## overview

In the midst of a housing double-dip that has lasted for ten straight months, confidence has yet to fully return to the market. House prices have fallen year-on-year by 0.6% in January which is a reflection of price declines across all regions outside London.

A total of 52,939 mortgage approvals were transacted in December 2011, which is 24.5% higher than the same month a year earlier. However, mortgage approvals are still some 50% below levels reached during 2007.

Lower registered house prices compared to last year are particularly poignant as December 2010 was fraught with disrupted economic activity and poor weather conditions. In contrast, December 2011 was comparatively mild in terms of weather, although uncertainty from the Eurozone crisis had reached its peak during this time.

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



## how much is your property worth?

Four out of eight house price and asking price indices tracked in this report (see slides 9-10) showed house price falls for the most recent month of data – demonstrating ongoing fragility in the housing market.

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 fell by -0.1% over the month to January reaching £175,020. This is 0.6% lower than the price of houses at the same time last year.

Detached properties experienced the largest fall this month, registering a 0.7% month-on-month fall.

	Average residential property price	month-on-month change	year-on-year change
Houses on the market today will sell for...*	£175,020	-0.1%	-0.6%
Top 20% of market will sell for...	£422,653	0.3%	3.6%
Bottom 20% of market will sell for...	£103,748	-0.3%	-4.1%
Detached house	£250,266	-0.7%	-3.1%
Semi-detached house	£152,699	-0.2%	-0.9%
Terraced property	£120,810	-0.5%	-3.1%
Flat / apartment / maisonette	£148,968	0.0%	-2.6%



Indicator is higher or lower compared to the previous month

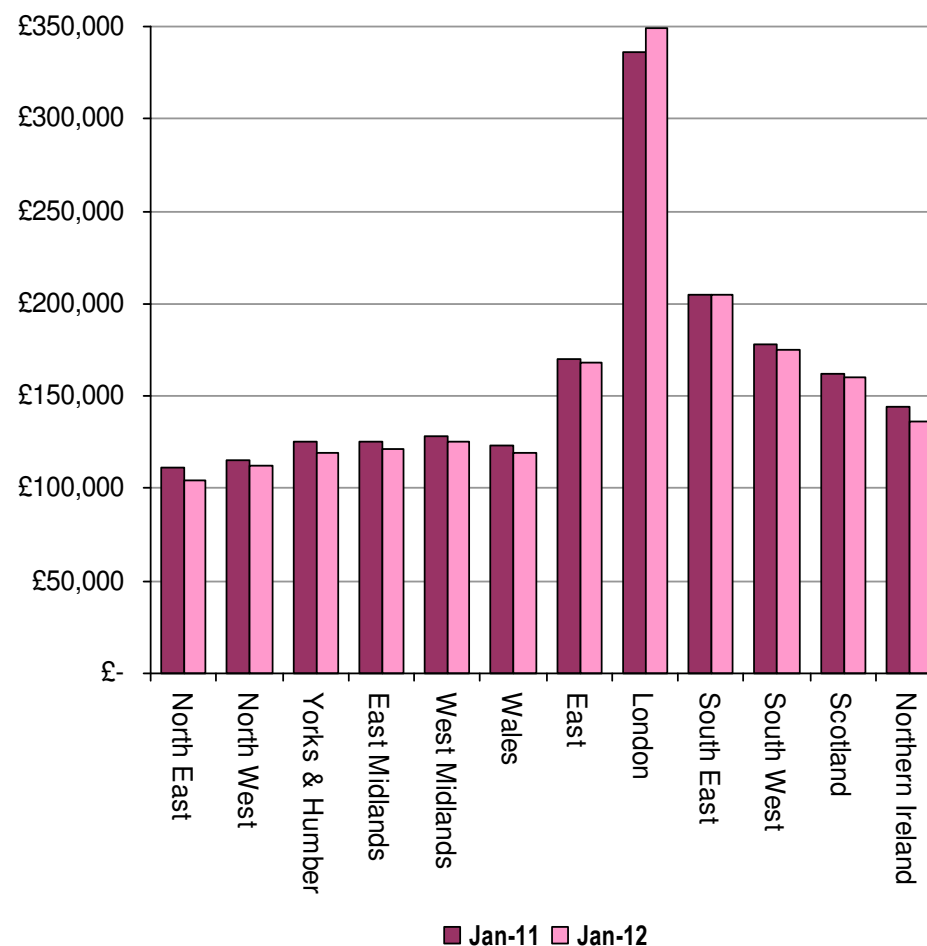
\*National average house prices are weighted by stock and may not align with house prices arranged by type, which are not weighted by stock.

## regional analysis











































Nine out of twelve countries and regions within the UK saw price falls between December and January. The East of England, London and the South East bucked the trend, recording mild price rises. London performed the best, seeing prices rises of 0.6% over the month.

On an annual basis, house prices in London are 3.9% higher in January 2012 compared to a year earlier. The South East is the only other region where prices are higher compared to last year – although the difference is meagre – 0.2% higher compared to last year.

United Kingdom average property price by region / January 2011 & January 2012



## region summary

	Average residential property price	month-on-month change	year-on-year change	Monetary value of monthly change
North East	 £104,080	 -0.2%	 -6.4%	 -£170
North West	 £111,884	 -1.7%	 -2.9%	 -£1,916
Yorkshire & Humber	 £119,305	 -0.5%	 -4.4%	 -£612
East Midlands	 £121,045	 -0.4%	 -3.2%	 -£442
West Midlands	 £124,808	 -0.4%	 -3.0%	 -£483
Wales	 £118,972	 -0.5%	 -3.8%	 £655
East	 £167,919	 0.1%	 -1.2%	 £199
London	 £348,678	 0.6%	 3.9%	 £1,958
South East	 £205,057	 0.4%	 0.2%	 £787
South West	 £174,576	 -0.2%	 -2.1%	 -£264
Scotland	 £160,260	 -0.8%	 -0.9%	 -£1,313
Northern Ireland	 £136,664	 -1.1%	 -5.1%	 -£1,540

  Indicator is higher or lower compared to the previous month

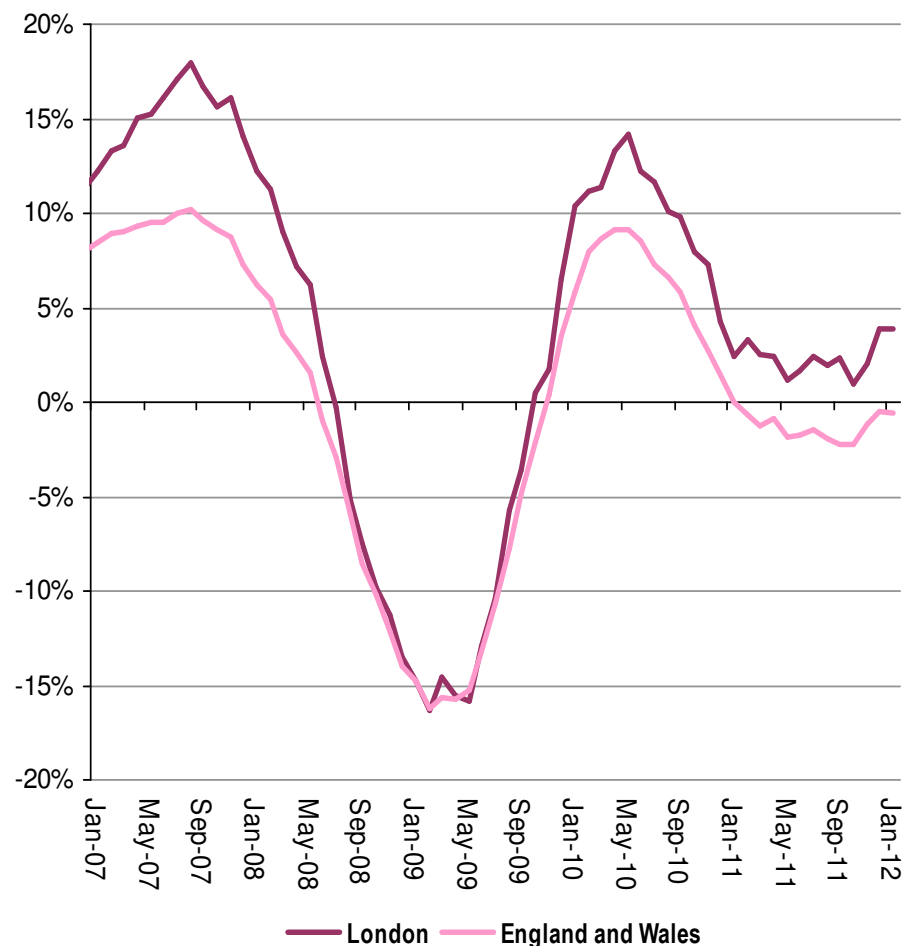
## London's property market

House prices were 0.6% higher in the capital between December and January, with an average price increase of £1,958.

This represents the highest month-on-month increase since July 2011, where house prices increased by 0.7% over a single month.

Over the year to January, London's house prices have increased by 3.9%, a figure which is flattered by a period of weak house price growth caused by adverse weather conditions a year earlier.

**London and England & Wales /  
year-on-year average residential property price changes  
/ January 2007 – January 2012**

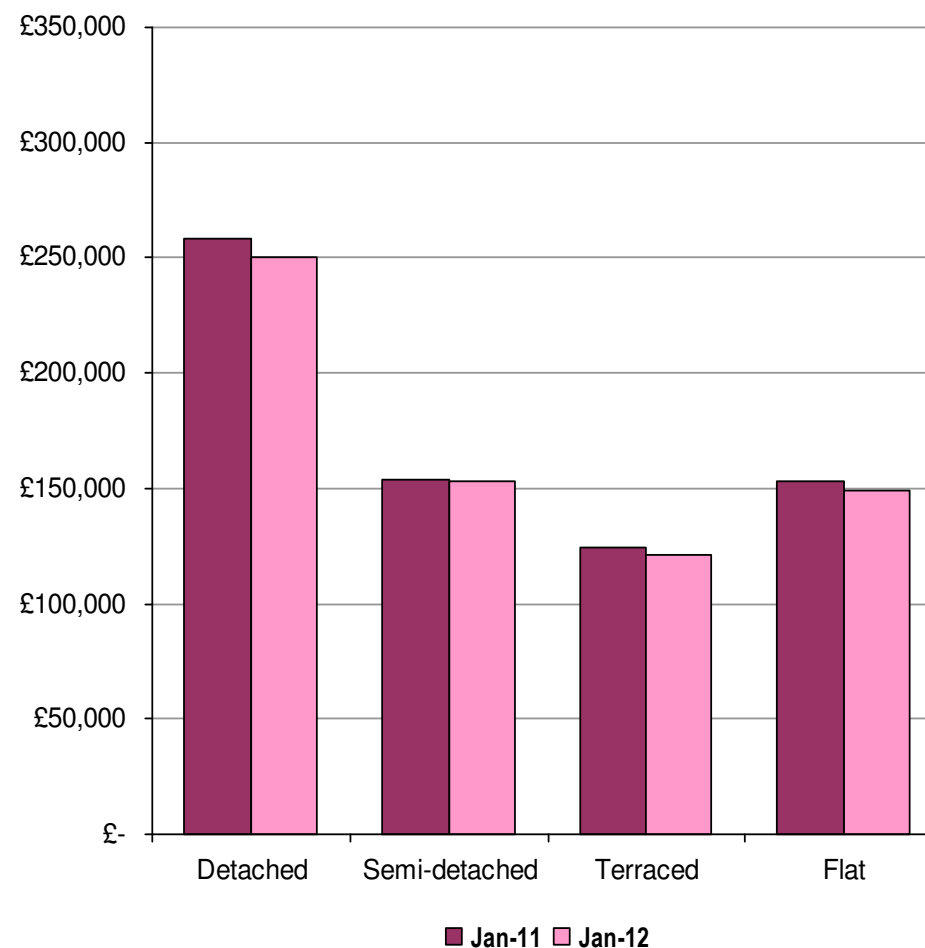


## by type of property

Three of the four main property types fell between December and January. The price of flats/apartments remained stable over the month.

The price of detached homes continued to see the largest fall over the month – contracting by 0.7%. This is perhaps indicative of the current squeeze on household disposable incomes through higher fuel and food prices, affecting the upper middle-classes the most.

Property price by type /  
January 2011 & January 2012



## sub-regional analysis

The chart on the right-hand side presents further evidence of the divergence of house prices in London from those across the rest of the country.

Islington remains in the top five most expensive areas in the UK after overtaking Richmond-upon-Thames in recent months. Four of the five most expensive property areas, which are all in London, saw 5%+ price rises over the year, with the exception of Hammersmith and Fulham which recorded a 2.5% increase over the year.

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 January.

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

	Average residential property price	Annual change%	Monetary value
Kensington And Chelsea	£990,658	18.2%	£152,528
City Of Westminster	£671,689	5.6%	£35,854
Camden	£586,723	5.9%	£32,723
Hammersmith And Fulham	£531,943	2.5%	£13,145
Islington	£460,893	5.8%	£25,113
City of Kingston Upon Hull	£72,201	-6.3%	-£4,839
Stoke-On-Trent	£72,144	4.7%	£3,237
Hartlepool	£69,858	-21.4%	-£18,987
Blaenau Gwent	£62,280	-22.8%	£18,357
Merthyr Tydfil	£53,287	-29.0%	-£21,817

## what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Department of Communities and Local Government	November	-0.1%	In October UK house prices fell by 1.1% over the year and fell by 0.1% over the month. The average mix-adjusted UK house price was £205,796.
Halifax	January	0.6%	House prices in the three months to January were 0.9% lower than in the preceding three months. This was the fourth consecutive month that this measure of the underlying trend has been slightly negative.
Land Registry (Calnea Analytics)	December	0.0%	December's data shows no monthly price change. The annual change now stands at -1.3 per cent and has not risen above zero since December 2010. This brings the average house price in England and Wales to £160,384.
Nationwide	January	-0.2%	House prices declined by 0.2% in January, but are 0.6% higher than one year ago. The price of a typical home is now £162,228

## what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Financial Times (Acadameetrics)	November	0.0%	Static house prices don't mean property values are standing still. For buyers looking to get onto the market, 0% price growth means that in real terms property is becoming more affordable. With inflation running at 5%, the real cost of property is getting smaller and smaller, which is good news for buyers and mortgage borrowers alike.
Home.co.uk (Calnea Analytics)	January	-0.3%	Asking prices for homes on the market in England and Wales have fallen 0.3% since December, in line with seasonal expectations. Average time on market has risen further to 241 days: the longest since records began in 2004.
Hometrack	January	0.0%	January's survey shows a slow start to the year with an extension of the seasonal slowdown and weak consumer confidence. Both buyer registrations and sales have fallen and the underlying trend is one of tightening supply and weakening demand.
Rightmove.co.uk	December	-0.8%	First week of 2012 sees asking prices rise by 1.4%, yet prices are still down 0.8% on the month - an early indicator that a new seller shortage is likely to underpin prices this year, especially in 'micro-markets' where supply is limited. Record level of search activity as value-seeking buyers face the smallest ever choice of new listings:

## 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.