

Annual prices continue to soften in August

- ✓ London prices fall by modest amount on an annual basis
- ✓ Flat prices fall by 7.9% over the last month
- ✓ The North West continues with highest annual growth rate at 13.8%

Note: The e.surv Acadata House Price Index was formerly the LSL Acadata House Price Index. Content and methodology are unchanged. Please refer to the Notes at the end for more information.

House Price	Index	Monthly Change %	Annual Change %	Annual % (excluding London and the SE)
£328,434	316.1	-1.4	5.0	7.7

Richard Sexton, director at e.surv, comments:

“House prices remain resilient in the round – all the more surprising when you consider the market was expecting some of the heat in the market might have been dampened by the stamp duty relief taper in England at the end of June.

“We may conclude therefore that the continuing stamp duty holiday may be influencing prices at specific points. Any reduction in prices has been at the top end but we continue to have good demand from those buyers seeking to secure properties priced between £125,000 and £250,000 as their stamp duty relief remains in place until the end of September.

“Consequently, as highlighted in our Regional Heat Map for this month, annual house price growth on average is exceeding 10% (13.8% in the North West) with the exception of Greater London, the south east and the east of England - a pattern which has existed for the last eight months.

“It’s worth noting that, in terms of property types, the percentage price growth of detached, semi-detached and terraced homes has enjoyed a broadly similar upward trajectory over the last couple of years. The average prices of detached and semi-detached homes have been growing at a rate more than 10.0% for all bar the latest two months of 2021.

“Some believe that the end of the stamp duty holiday at the end of September might soften increases further but the real unknown is the impact of the withdrawal of government support such as furlough; however, on the evidence to date, the employment market has remained remarkably resilient.”

Table 1. Average House Prices in England and Wales for the period August 2020 – August 2021

[Link to source Excel](#)

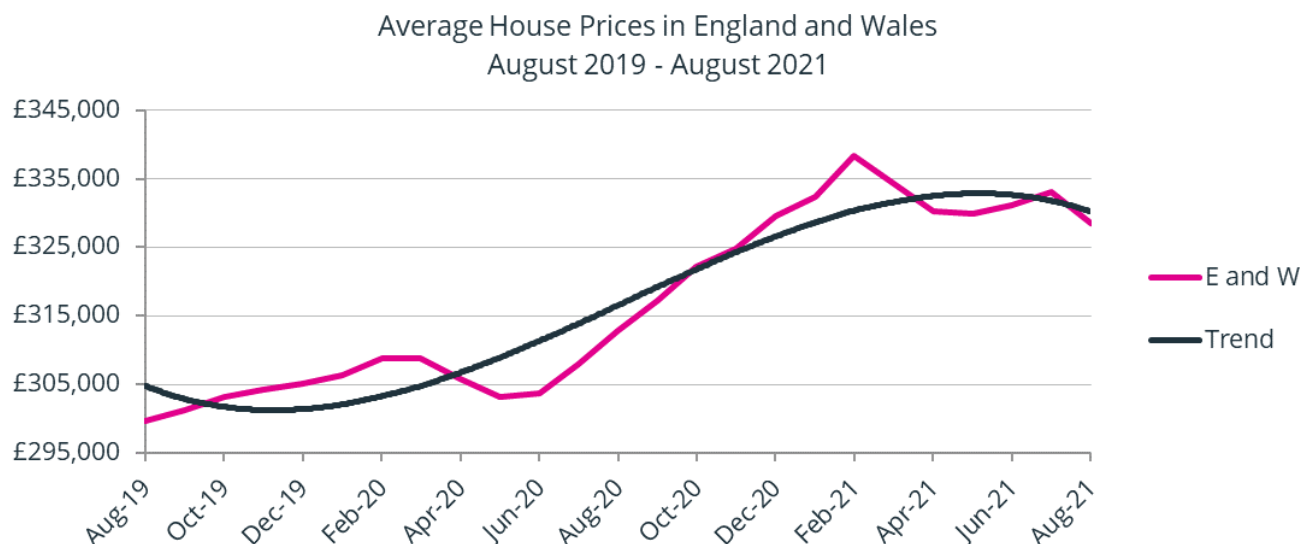
Month	Year	House Price	Index	Monthly Change %	Annual Change %
August	2020	£312,803	300.1	1.6	4.4
September	2020	£317,250	304.4	1.4	5.3
October	2020	£322,188	309.9	1.6	6.3
November	2020	£324,775	313.5	0.8	6.8
December	2020	£329,526	317.1	1.5	8.0
January	2021	£332,402	319.9	0.9	8.5
February	2021	£338,343	325.6	1.8	9.6
March	2021	£334,284	321.7	-1.2	8.3
April	2021	£330,205	317.8	-1.2	8.0
May	2021	£329,954	317.5	-0.1	8.8
June	2021	£331,211	318.8	0.4	9.0
July	2021	£333,022	320.5	0.5	8.1
August	2021	£328,434	316.1	-1.4	5.0

Note: The e.surv Acadata House Price Index provides the “average of all prices paid for domestic properties”, including those purchases made with cash.

Commentary: John Tindale and Peter Williams, Acadata Senior Analysts

Figure 1. The average house price in England and Wales, August 2019 – August 2021

[Link to source Excel](#)



As figure 1 shows, house prices initially fell at the start of the Covid pandemic in March 2020, but recovered three months later. This was in part due to the stamp duty holiday, introduced from 8 July 2020, and in part due to the lifestyle changes associated with working from home. The result was a shift in housing preferences to larger properties - with space for home working - rather than commuting to places of work.

Prices peaked in February/March 2021, coinciding with the scheduled date for the ending of the stamp duty holiday, although this date was subsequently extended to June in Wales, and to September in England, albeit at a reduced rate. The end June date also caused a flurry of housing transactions as shown by a small second peak in the graph.

Annual and Monthly Price Trends

The average price of all completed sales funded by both mortgages and cash grew at an annual rate of 5.0% in August. This is 4.0% lower than the rate of 9.0% recorded in June, the reduction almost certainly relating to the ending of the first stage of the Stamp Duty holiday in England, along with the complete withdrawal of the Land Transaction tax holiday in Wales.

The fall in prices in August has largely been at the top end of the market in terms of house values, so for example in the third quartile of the 109 unitary authorities, average prices have fallen from £336k in June to £333k in August, the second quartile has similarly fallen from £257k to £256k, while the first quartile has increased from £205k to £207k. This is consistent with the view that most purchasers of higher-value properties will have tried to make their purchase in June - or even earlier - to gain the advantage of the tax holiday, while those buying properties below £125,000 in England or £180,000 in Wales will have found the tax holiday irrelevant.

According to HMRC estimates, approximately 200,000 transactions took place in England and Wales in June 2021, nearly tripling the estimated 70,000 sales for July 2021, giving a clear indication of the large number of purchasers who were looking to take advantage of the tax savings.

On a month-on-month basis, prices fell in August by some £4,600, or -1.4%. This is the largest fall seen in a month since December 2008. While it is possible to speculate on this dramatic fall in prices, we will currently hold judgement given that only 4,900 properties for August have been recorded to date at the Land Registry, against an expectation of approximately 75,000 sales.

With the ending of the SDLT/LTT holidays in England and Wales, and with the furlough scheme also terminating in September, government-related support for the housing market will have diminished significantly in the third quarter of this year. Previous experience does show that this has an impact – although in this case it may be more than offset by stronger economic growth than previously anticipated. Certainly, the overall economic recovery has been stronger than most had foreseen. Historically low interest rates making homes more affordable, along with savings accumulated in lockdown and lifestyle changes have all played their part.

The picture is inevitably complex, with many urban and suburban areas recording strong price growth despite some households moving to more rural locations. The backdrop is still one of a limited supply of homes for sale despite the evidently strong demand from a range of households.

Regional House Prices, July 2021

Figure 2. The annual change in the average house price for the three months centred on July 2021, analysed by GOR

[Link to source Excel](#)

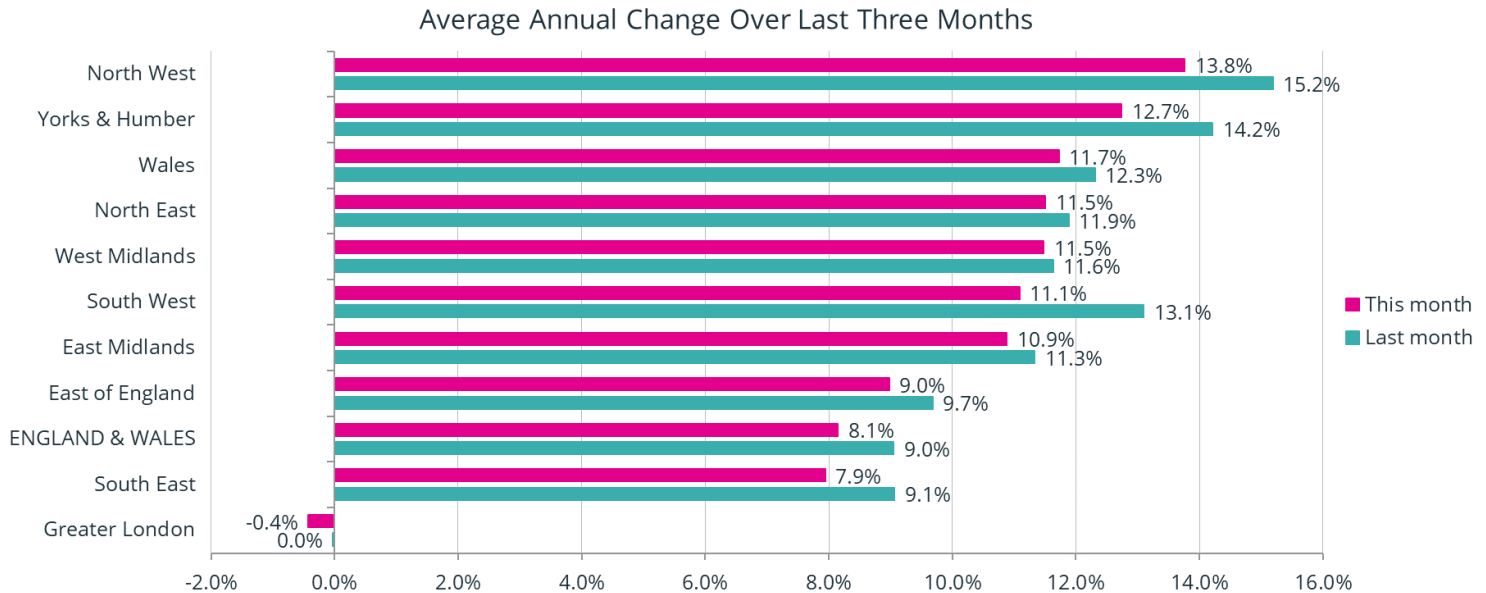


Figure 2 shows the percentage change in annual house price on a regional basis, averaged over the three-month period of June, July and August 2021, compared to the same three months in 2020. It also shows the similarly averaged figures from last month.

In general terms, all areas except Greater London have experienced strong positive movements in prices in July compared to twelve months earlier, although all have been subject to a reduction in their annual growth rates compared to June. The largest decline in rates occurred in the South West, down by -2.0%, from 13.1% to 11.1%, followed by Yorkshire and the Humber, down by -1.5%, and the North West, down by -1.4%.

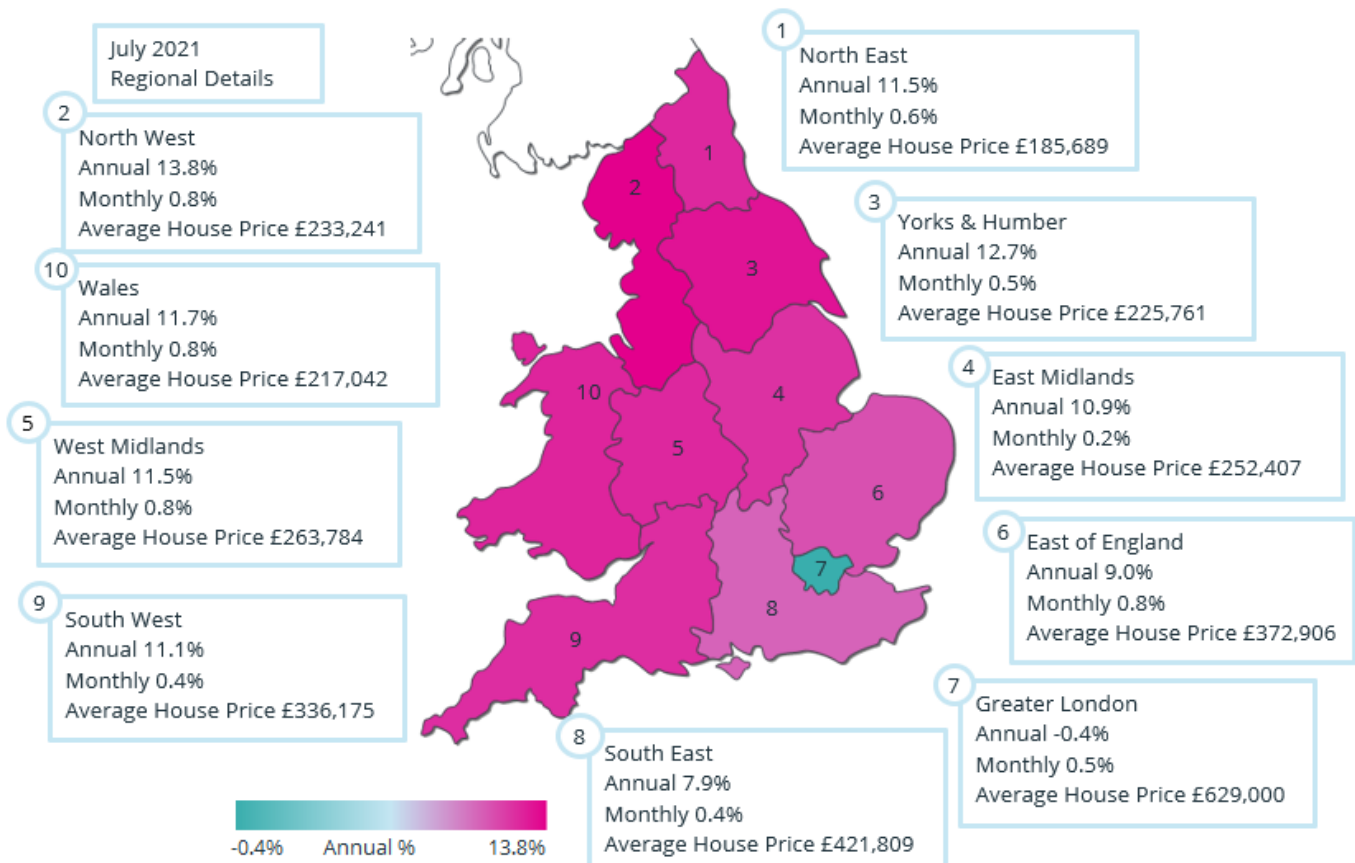
Despite this slowing, in July the North West continues to lead the way as the region with the highest rate of annual house price growth, at 13.8%. This month, nine of the ten unitary authorities that constitute the North West region have annual growth rates of 12.0% or higher, the one exception being Halton where annual growth is at 2.5%.

As expected, the three GOR areas of the East of England, the South East and Greater London continue to have the lowest rates of house price growth of the 10 regions, a pattern which has existed for the last eight months, despite sales volumes being at least 36% higher during Q1 2021 than in Q1 2020.

Greater London is the only area to have falling prices on an annual basis at a marginal -0.4%. As we noted last month, in Greater London it is the price of flats that has seen the largest fall, compared to twelve months earlier. There are currently twelve London boroughs where average house prices have fallen over the year, with five of these being in the top ten boroughs by value, i.e. half of the prime central areas of the capital. By way of contrast, there is only one borough in the bottom ten London boroughs by house price value which has a negative annual rate of growth – that borough being Newham.

England and Wales Regional Heat Map for July 2021

All of these different trends are highlighted in the Regional Heat Map for July, with the teal denoting areas where prices are falling on an annual basis. Greater London is currently the only area shaded teal, but is surrounded by two areas with the lighter reds, indicating growth rates of 9.0% or less. The remainder of England and Wales above a line running roughly from the Isle of Wight to the Wash is almost uniformly red, with rates ranging from the East Midlands (10.9%) to the North West (13.8%).



Transactions

Our published HPI results for the latest three months from June to August 2021 are susceptible to change, since the number of transactions processed by the Land Registry for these months is lower than normal. The monthly transaction count from which we have derived the average prices for June, July and August are 26,026, 8,324 and 4,941 sales respectively. These figures contrast with the HMRC estimates of housing transactions in England and Wales for June and July 2021 of 200,000 and 70,000 sales respectively (the August HMRC totals are not yet available at the time of going to press). This suggests that the Land Registry continues to have a mammoth task ahead in processing the number of outstanding registrations.

It is understood that registrations are taking longer than usual, due to the requirement of the Land Registry working from home, and the high volume of sales that have taken place since October 2020.

Annual Price Trends by Property Type

Figure 3. The annual change in the average house price for the two years August 2019 – 2021, analysed by Property Type

[Link to source Excel](#)

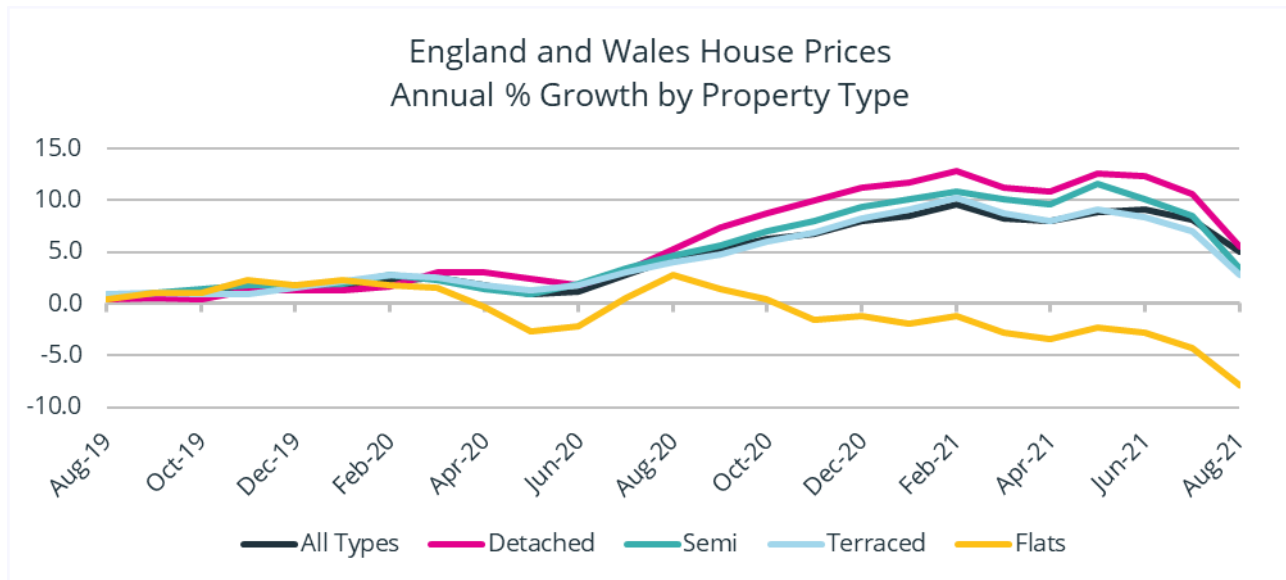


Figure 3 above shows the annual % growth in house prices analysed by property type. As one can observe, the % price growth of detached, semi-detached and terraced homes have had broadly similar trajectories over the last two years, but by contrast the % change in the price of flats has been at odds with the rest of the market. Indeed, while the average prices of detached and semi-detached homes have been growing at a rate in excess of 10.0% for all bar the latest two months of 2021, flats have seen average prices fall by -7.9% in August.

There are three main factors for the decline in the price of flats. The first relates to lifestyle changes described earlier - flats may offer little or no spare space in which to work.

The second factor was that travel restrictions were preventing foreign nationals from coming to work in the UK's major cities – prior to the pandemic, both foreign workers and students would frequently rent or buy smaller properties to provide themselves with accommodation while living away from home.

Lastly, most mortgage lenders are still requiring EWS1 certificates to verify that flatted buildings conform to safety standards and such certificates can prove difficult to obtain.

Together, these factors appear to have reduced the demand for flats, resulting in prices falling over the last twelve months. However, estate agents are now reporting that, with the recent easing of travel restrictions and the start of a new university year, demand for flat rentals has increased.

Notes

About the e.surv Acadata House Price Index

1. The e.surv Acadata House Price Index was formerly the LSL Acadata House Price Index (e.surv is part of the LSL Property Services group) and is produced by Acadata. Content and methodology are unchanged.
2. The e.surv Acadata House Price Index (England and Wales):
 - ✓ uses the **actual** price at which every property in England and Wales was transacted, including prices for properties bought with cash, based upon the factual Land Registry data as opposed to mortgage-based prices, asking prices or prices based upon samples
 - ✓ is updated monthly so that prices of **all reported** relevant transactions are employed in our latest Acadata England and Wales House Price Index release
 - ✓ provides the arithmetic average of prices paid for houses, different from the geometric average prices used in the ONS UK House Price Index
3. The initial e.surv Acadata House Price Index for each month, employs an academic “index of indices” model, custom-built at Cambridge, pending release of further transacted prices from the Land Registry which are reflected in our monthly index updates.
4. All e.surv Acadata House Price Index numbers, published prior to receipt of all transaction data, are subject to change; we publish the precise numbers that result from our calculations but these numbers reflect our mix adjustment and seasonal adjustment methodologies and, initially, our index of indices model. Our indices also reflect our best endeavours and are issued in good faith without any claim as to precision, accuracy or fitness for any purpose. For more detail see www.acadata.co.uk.
5. The Acadata website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information.

For further footnotes and a description of the methodology used in the e.surv Acadata Index please click [here](#).

About Acadata

1. Acadata is an independent privately owned consultancy specialising in house price data. Our associated company MIAC Acadametrics Limited is an independent asset valuation service provider, specialising in behavioural modelling, stress testing and collateral valuation for the financial services industry.
2. The e.surv Acadata House Price Index may not be used for commercial purposes without written permission from Acadata. Specifically, it may not be used to measure the performance of investments or to determine the price at which investments may be bought or sold or for collateral valuation concerning which enquiries should be directed to MIAC Acadametrics.

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The business is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property, and also provides a number of private survey products direct to the home-buying public.

e.surv is part of [LSL Property Services](#) plc which includes household names Your Move, Reeds Rains and Primis.

For further information, please visit our website: www.esurv.co.uk

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