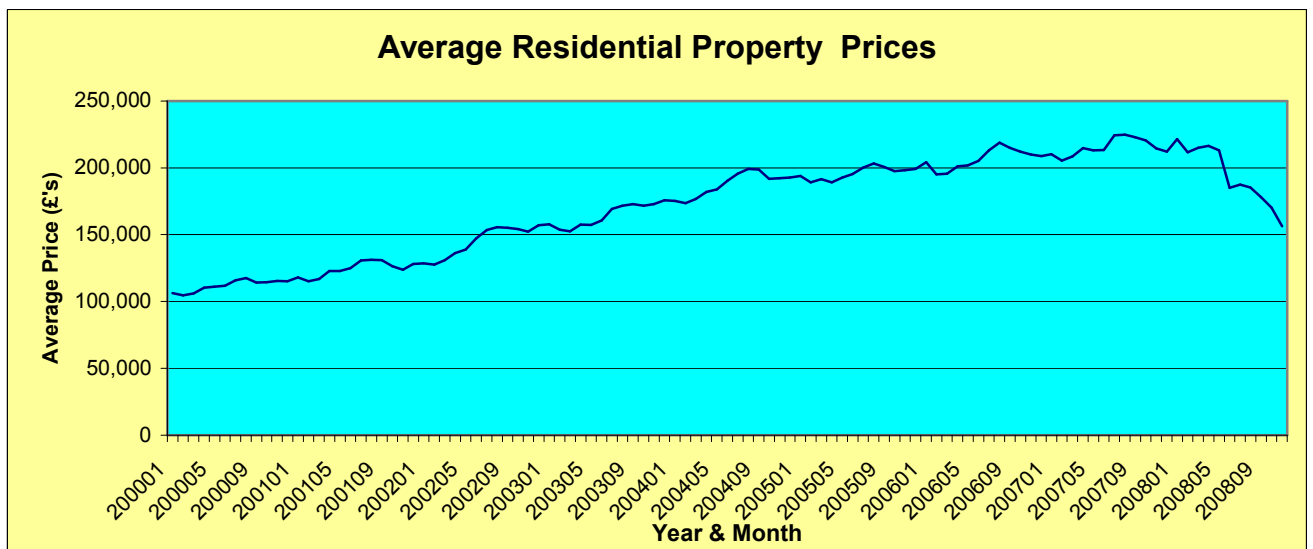


The Residential Property Price Database

1. Introduction

One of the most important factors affecting response to marketing campaigns is affluence. This is true for the promotion of a wide range of goods and services from charitable appeals for donations, to applications for credit and finance. One important measure of affluence, of course, is the value of your home and how much you have paid for it.

The current recession has had a major impact upon residential property prices as the chart below illustrates very clearly. Prices had been rising very significantly year upon year up until around August 2007 but since then prices have fallen back and the sharpest falls appear to have happened in the last quarter of 2008.

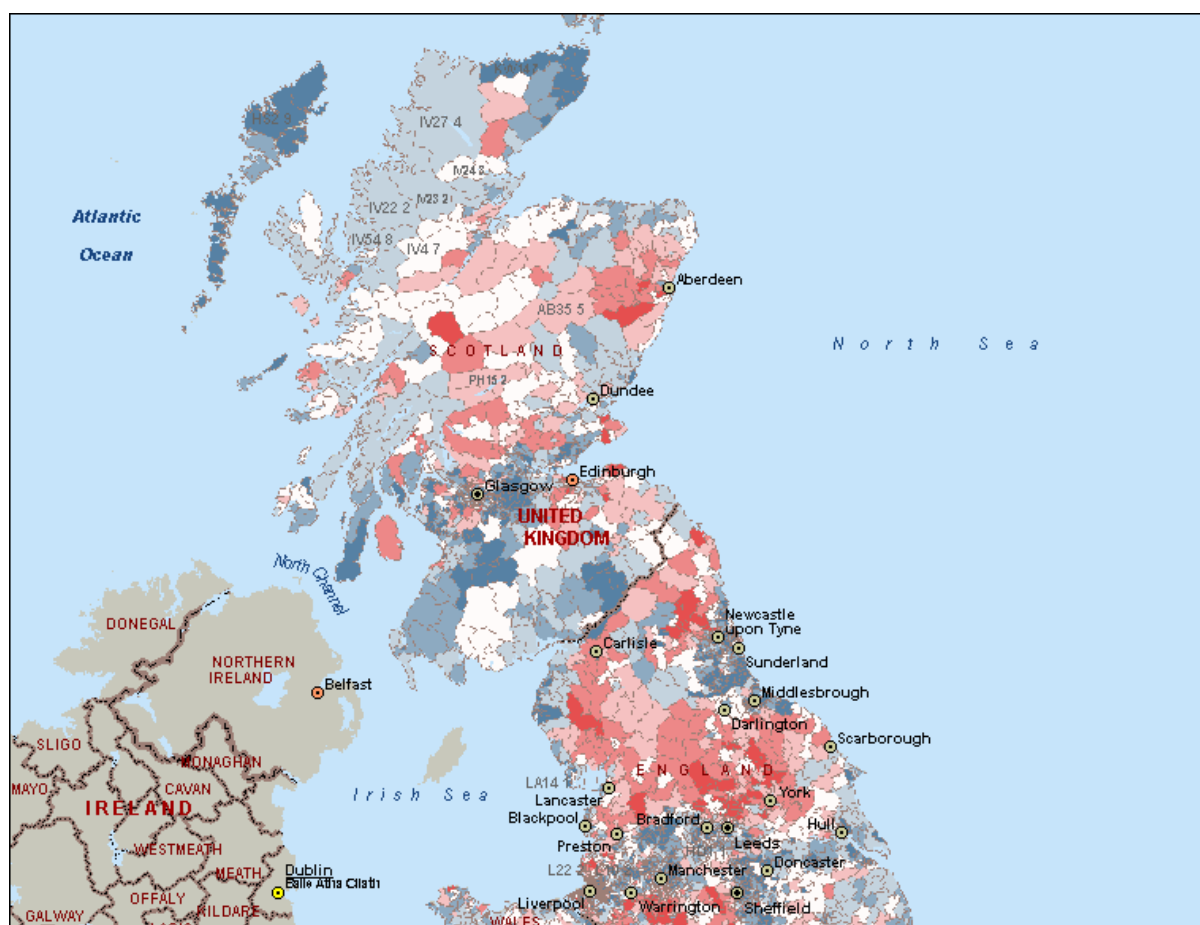


In 2007 the overall average property price was £211,248 whilst in 2008 it had fallen to £193,742, a fall of just over 8%. The fall is perhaps not quite as big as one may expect, principally because the last quarter 2008 when price falls were at their sharpest the number of sales was extremely low.

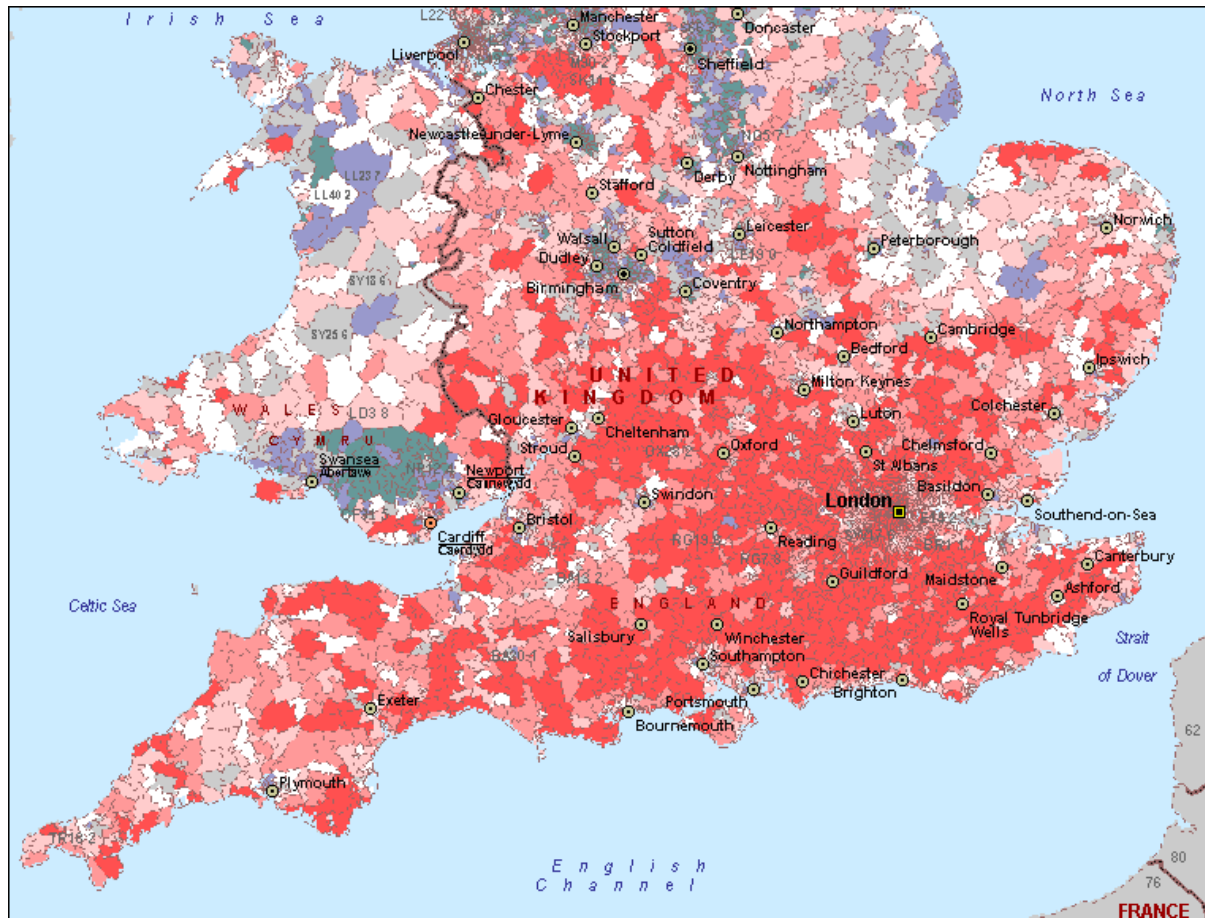
The second major feature of the residential property market is of course the collapse in the number of properties sold. Land Registry data for 2007 in England and Wales records a total of 1,248,567 sales. The corresponding figure for 2008 is 630,678. The number of sales has almost halved. The Scottish figures whilst not quite so dramatic also show very significant falls with a 155,178 sales in 2007 compared to 102,855 in 2008.

Residential property prices are subject to large geographic variation as the two maps below show:

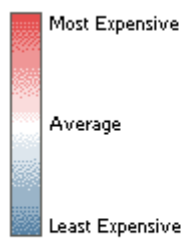
2008 Average Residential Property Prices in Northern England and Scotland



2008 Average Residential Property Prices in Southern England and Wales



2008 House Prices



TRAC Consultancy has for a number of years, compiled a directory containing residential property price information for postcode sectors. Using 2008 Land Registry data as a base and a combination of data sources, a modelled prediction of average house price has been derived for each full postcode in Great Britain. This enables you to identify areas where properties are expensive from areas where properties are not and also to identify areas where there has been a significant change in the average price. The data this time round is far more detailed than anything that has been published before. In addition, to predicting the average property price a modelled prediction of housing turnover for each postcode has also been derived and it is possible to identify areas where turnover is highest. The very act of moving is a demand trigger for all sorts of goods and services and the ability to identify areas where turnover in the housing market is high has never been fully exploited.

The data can be used in a wide variety of marketing applications ranging from improved targeting for campaign activity, profiling to better understand your customer base, to modelling and geographic information systems applications such as site location and catchment area analysis. The data is updated annually to reflect the constantly changing pattern in house prices and housing mobility

2. Information Held on the Residential Property Database?

Property price information is held in a database for all postcodes in Great Britain. Information for each postcode is held as a separate record. This makes it easy to overlay the information onto any other database through a simple postcode match. The information held is as follows:

a) Postcode

The postcode is held in two formats to simplify the matching process to external databases. The first format is that the inward and outward part of the postcode at left and right justified within an 8 byte field. For example

AB10 1AB or
SE1 1AB or
E1 1AB

The second format is where the field is left justified with one space between the outward postcode and the inward. The information is then held in the following way:-

AB10 1AB or
SE1 1AB or
E1 1AB

The directory contains information for over 2.3 million postcodes and the file is sorted by this field.

b) Measures of Size for the Postcode

For each postcode the residential delivery point count is held.

c) Region

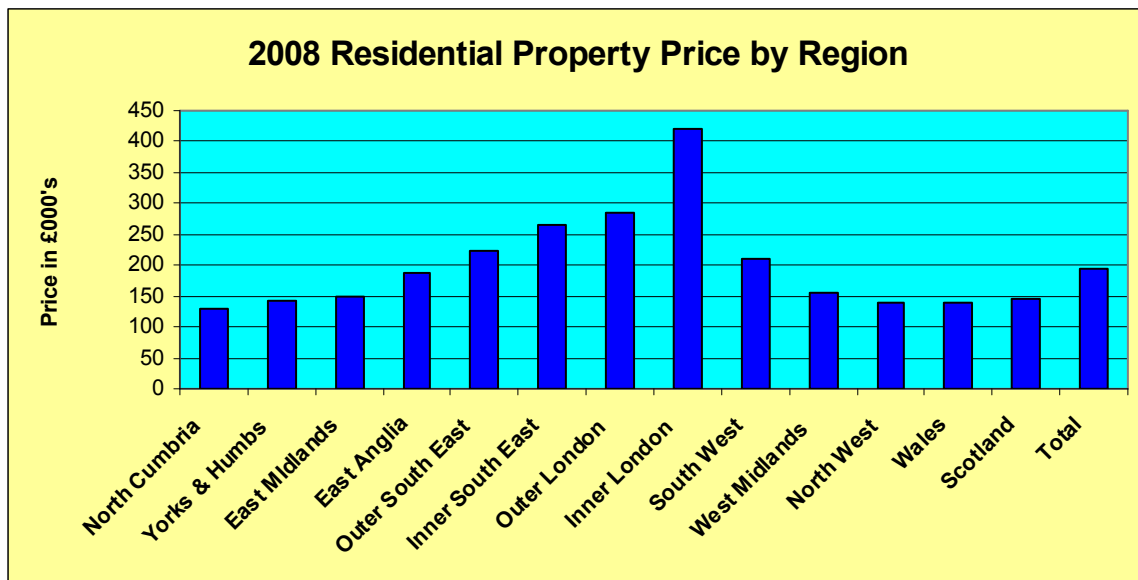
For each postcode a region code is held. The regional codes are as follows:-

1. North Cumbria
2. Yorkshire & Humberside
3. East Midlands
4. East Anglia
5. Outer South East Region (part of the region farthest from London – more than 40 miles from central London)
6. Inner South East (part of the region closest to London – within 40 miles of central London))
7. Outer London
8. Inner London
9. South West
10. West Midlands
11. North West
12. Wales
13. Scotland

d) Average Residential Property Price in 2008

Based on the published 2008 Land Registry postcode sector residential property prices a modelled prediction of house price was derived and applied to each full postcode in Great Britain. Separate statistical models were derived for each region (and the large South-East region was divided into two separate areas according to proximity to London) so as to better control for regional variation in house price. Regression type techniques were used to derive a postcode house price prediction. The modelled predictions were found to be very accurate.

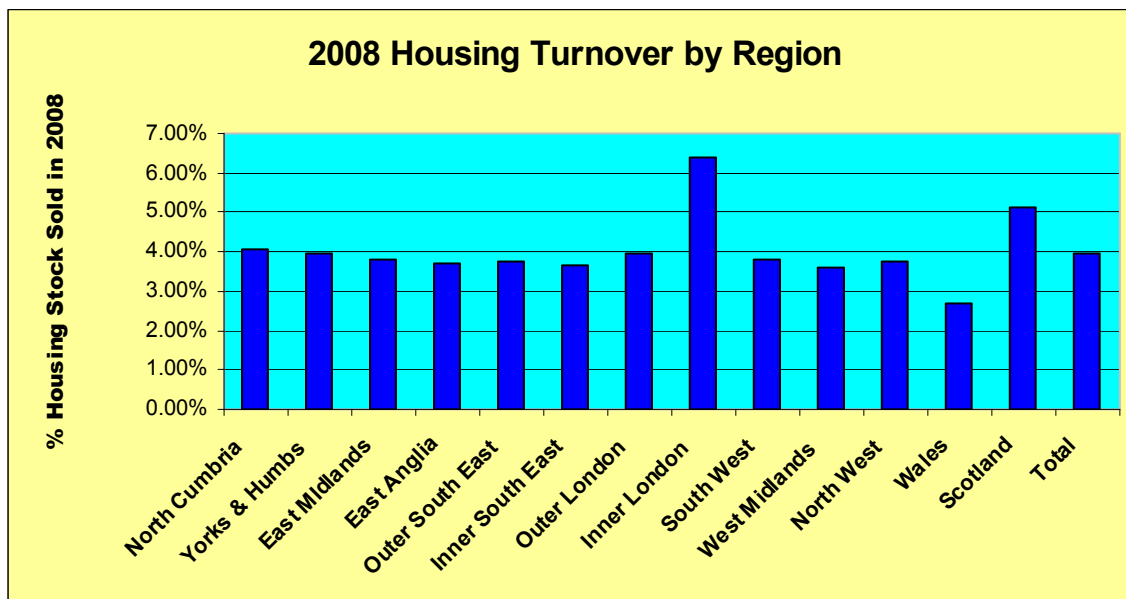
Separate regional models were built because it has often been noted that house prices are subject to strong geographic variation as the following chart shows where house prices are markedly higher in the South-East and London as compared to other parts of the country.



In addition to holding the information as a raw value – e.g. the average house price in the postcode is say £275,000. Postcodes were grouped into twenty bands with each containing 5% of all delivery points – semi-deciles. The bands are coded 1 through to 20 where band 1 contains those postcodes with the least expensive properties, whilst band 20 contains those postcodes with the most expensive properties. The grouped version of house price is supplied so that any file of customers or prospects can be profiled quickly and easily. The database or client proportion found in the semi-decile is simply compared to the expectation (5%).

e) Housing Turnover in 2008

The second important measure contained in the directory is housing turnover. This is derived by comparing the number of sales recorded on the Land Registry Database to the estimated number of properties in the open housing market. The ratio represents housing turnover. Using exactly the same methodology as for house prices, modelled regional predictors were derived and scored to all postcodes. The predicted turnover was also banded into semi-deciles for profiling purposes. Following the collapse in the total number of sales the regional variation in housing turnover is shown in the chart below which shows a higher turnover of properties in Inner London and Scotland. It is striking that when compared to earlier years the variation by region has flattened out with much less variation in 2008.



e) Changes in House Prices Between 2007-2008

An indicator as to where prices have changed. At such a small area as the postcode it is possible to find that the 2007 to 2008 year on year comparison shows quite marked differences possibly because of the nature of the properties sold (it is possible for say a number of more expensive detached properties to be sold one year but for a different mix of less expensive properties like flats and terraced housing to be sold in another). For this reason the difference between 2007 and 2008 predicted residential property price was calculated and then banded into broad groups (deciles) to provide an indicator of where change has been greatest without providing an exact figure.

3. Applications

The data is unique because it is:-

- a) Up-to-date.
- b) Accurate (all sales are lodged with Land Registry).
- c) Provides information which is not available from other sources.
- d) Can be used to build up small area measures of change given that the data is published continuously.

The possible uses of this data are many and varied. One application would be to use this data to improve the targeting capabilities of campaign activity. A second obvious application would be to use the data along with other data sources in the generation of small area segmentation systems such as Geo-Demographic cluster solutions. A third is the use of the data in profiling, modelling and statistical analysis. A fourth, might be in the area of mapping for site location or catchment area analysis. Obviously, the data can be used in combination with other information to maximise effectiveness.

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4th March 2009