

England and Wales house price trends from Acadametrics

- **House prices in August rose by 0.4%**

The average price of all residential property transactions completed in England & Wales in August 2009 was 0.4% higher than in July. This is the fourth month in succession in which we have seen positive growth in house prices, albeit at low levels.

- **Prices are now 8.6% lower than a year ago**

On an annual basis, the average price of all residential property transactions in England and Wales in August is 8.6% lower than a year ago. The trough in the house price decline, on an annual basis, was reached in April 2009 at minus 13.4%.

- **Housing Transactions have now doubled since January 2009**

The number of housing transactions has increased each month from a low of 27,200 in January 2009, to more than double this number in July 2009. However, this figure still represents a decline of 48% from the long run average of 105,270 property sales per month, over the seven year period 2001 to 2007.

Dr Peter Williams Chairman of Acadametrics said

“The average house price has continued to rise but at £202,181 it is back, so far, only to where it was in April 2006.

“The monthly price rise of 0.4% contrasts markedly with the 2.2% price drop in November 2008; the data do suggest that the sharpest falls are now behind us and that the rate of decline has now reversed, even if it is too early to talk of a prolonged reversal.”

		House Price	Index	Monthly Change %	Annual Change %
August	2008	£221,170	225.2	-1.4	-2.8
February	2009	£202,329	206.0	-0.8	-12.7
March		£200,694	204.3	-0.8	-13.2
April		£199,760	203.4	-0.5	-13.4
May		£200,075	203.7	0.2	-12.8
June		£201,019	204.7	0.5	-11.7
July		£201,381	205.0	0.2	-10.2
August		£202,181	205.8	0.4	-8.6

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FURTHER COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

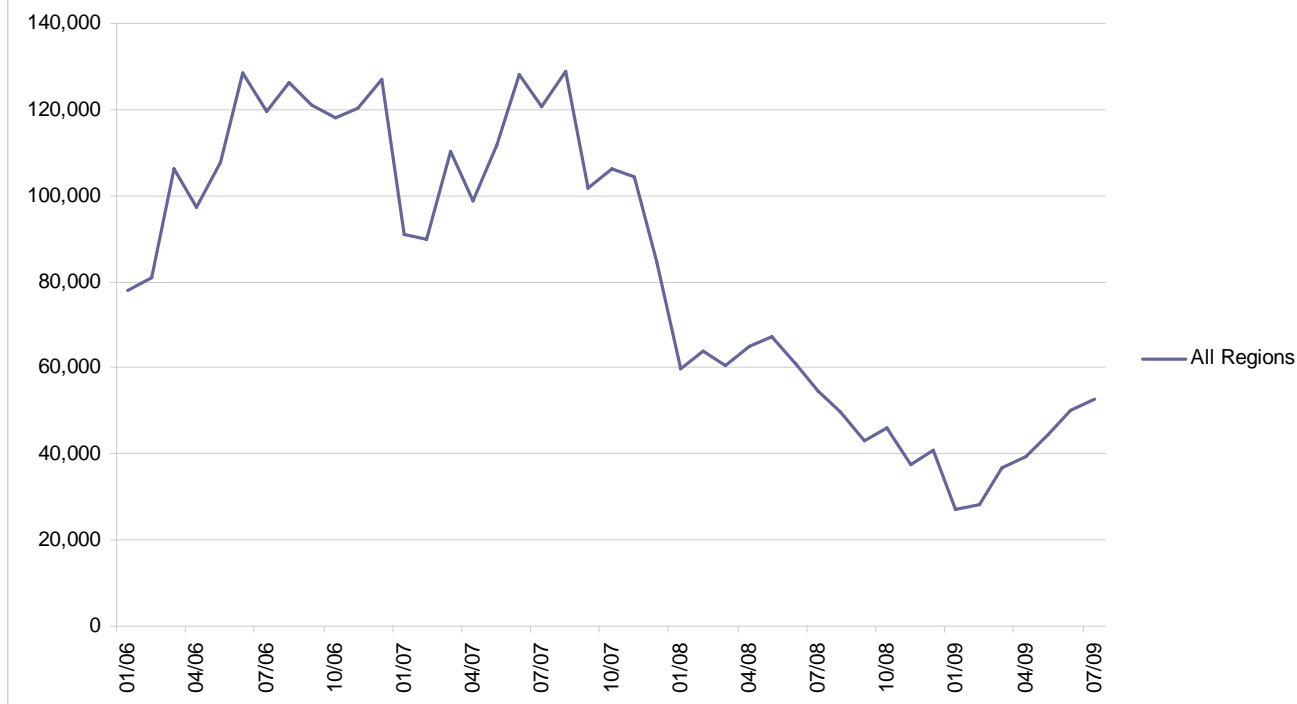
“The average price of a home in England & Wales is now £202,181. At this level, it is down £29,633 from its peak in February 2008 of £231,814. The nadir of the recent downturn in house prices occurred in April 2009, when the average price had fallen to £199,760, a peak to trough fall of 13.8%.

“Whilst some commentators believe that prices have further to fall, the increase in prices over the last four months tentatively suggests that the market has bottomed out and that we are slowly climbing out of the trough. Indeed, the evidence from the FTHPI is that the monthly falls seen over the period March 2008 to April 2009 have not been maintained and the rate at which annual prices have been declining has slowed on a month by month basis, such that the change in the annual rate was positive 1.6% in August 2009, compared with a negative 2.2% in August 2008.

“Our peak to trough fall of 13.8% is less than that shown by the lender indices but is closely similar to the CLG index which, whilst based upon fewer transactions than FTHPI which employs every sale recorded the Land Registry, uses the largest available sample of mortgage prices. Clearly, such a figure masks larger falls in sectors such as new build and smaller falls, or even gains, in very specific locations.

“Whilst indications are that the market is ‘bottoming out’, the price gains achieved in completed transactions, as reflected in FTHPI, are very small and the potential for further reductions remains, not least because of the continuing under-supply of mortgages. Going forward, this could comprise a serious continuing downward pressure on the market. Furthermore, whilst there is a degree of optimism in the air regarding the economy and the housing market at present, we know that unemployment will continue to rise and that the public expenditure which has helped underpin the market will be more limited going forward. Low interest rates have been key to the recovery in terms of helping existing owners and supporting new buyers. Governments around the world recognise the importance of this along with their own support to the market through a variety of ‘stimulus’ packages. The Bank of England’s additional £50 billion of funding for the asset purchase scheme was important here in terms of supporting continued recovery of the capital markets. There is now a clear understanding that the removal of government support packages has to be handled very carefully along with the repayments banks must make. Given that interest rates will almost certainly rise in late 2010, it is clear that we are some distance from what might be seen as a stable and sustainable recovery. In that regard, the progress we report in the England and Wales housing markets has to be viewed with continuing caution.”

Number of Housing Transactions per month England & Wales from 2006

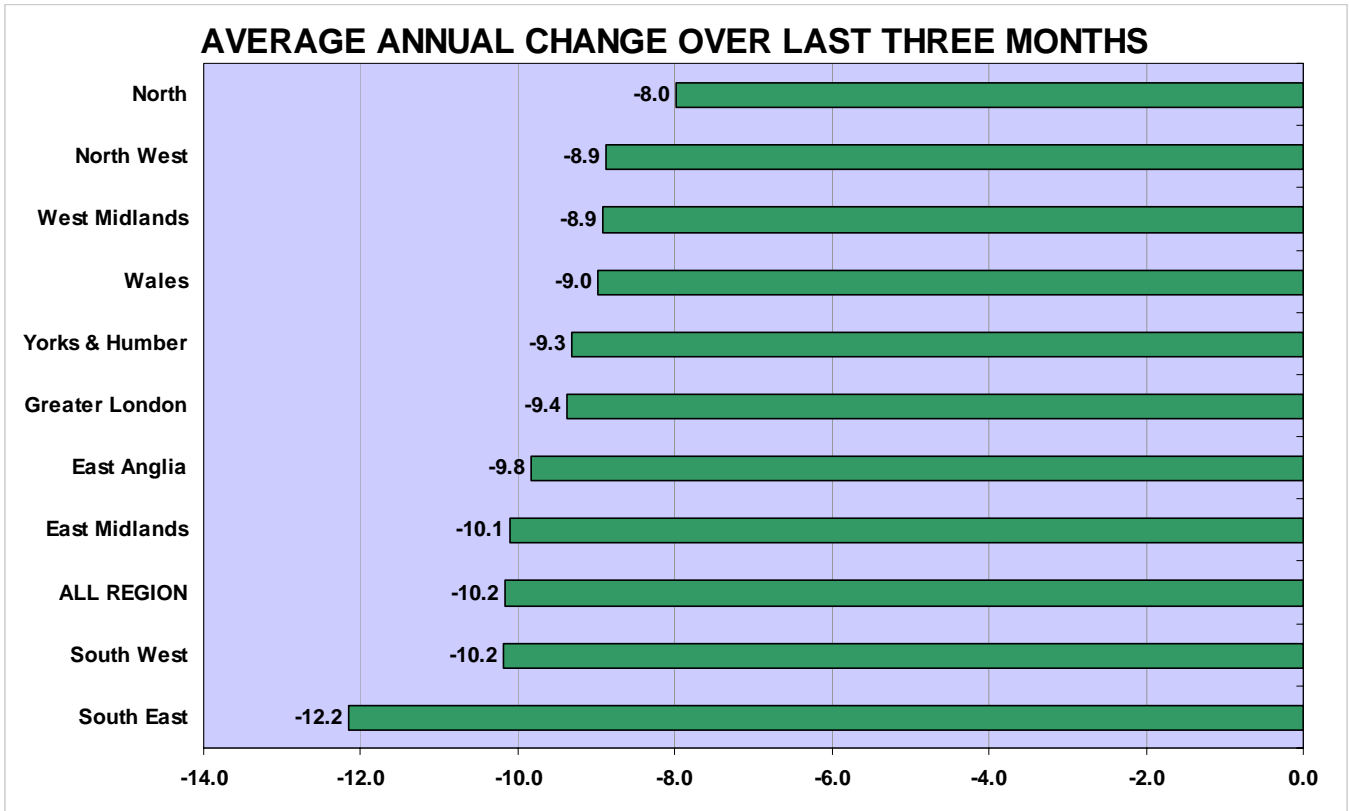


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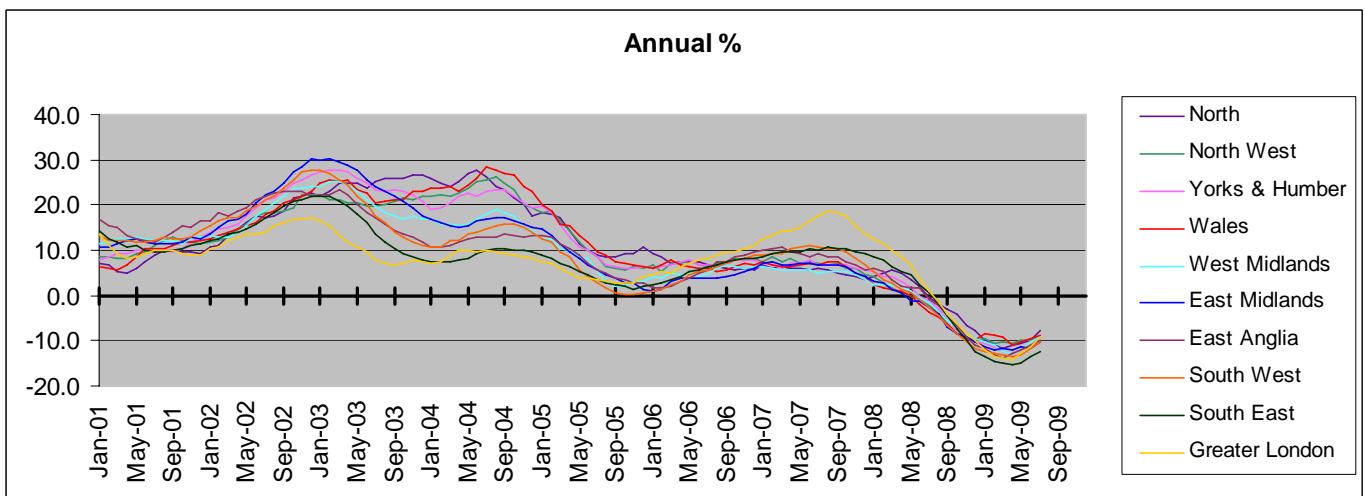
1. FTHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samples
 FTHPI is a price series as opposed to a value series.
2. the current month FTHPI 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. FTHPI forecasts are progressively replaced with real data, until every transaction reported to the Land Registry has been recorded and we have provided our FTHPI “ultimate” data.
4. the accuracy of our forecasts is shown monthly on our website www.acadmetrics.co.uk in our “[Development of Forecasts](#)” and in our “[Comparison of Indices](#)”, which shows how each index, including the FTHPI “forecast” , compares with the FTHPI, once sufficient factual Land Registry data have replaced forecast data, to enable FTHPI to approach the “ultimate” results.
5. our 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, The Reader in Financial Econometrics at the University of 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 FTHPI 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

REGIONAL ANALYSIS

All regions continue to record annual house price falls in nominal terms as measured by the FTHPI 3 month average, albeit that these reductions are slowing. The South East has witnessed the sharpest annual fall in house prices at -12.2% followed by the South West at -10.2%. As in previous cycles, Wales and the Northern regions of England are recording lower annual falls in house prices than the Southern regions of England, in part reflecting the fact that these markets recorded smaller increases in the past, although Greater London shows more signs of recovery than the rest of the South.



ANNUAL CHANGE BY REGION



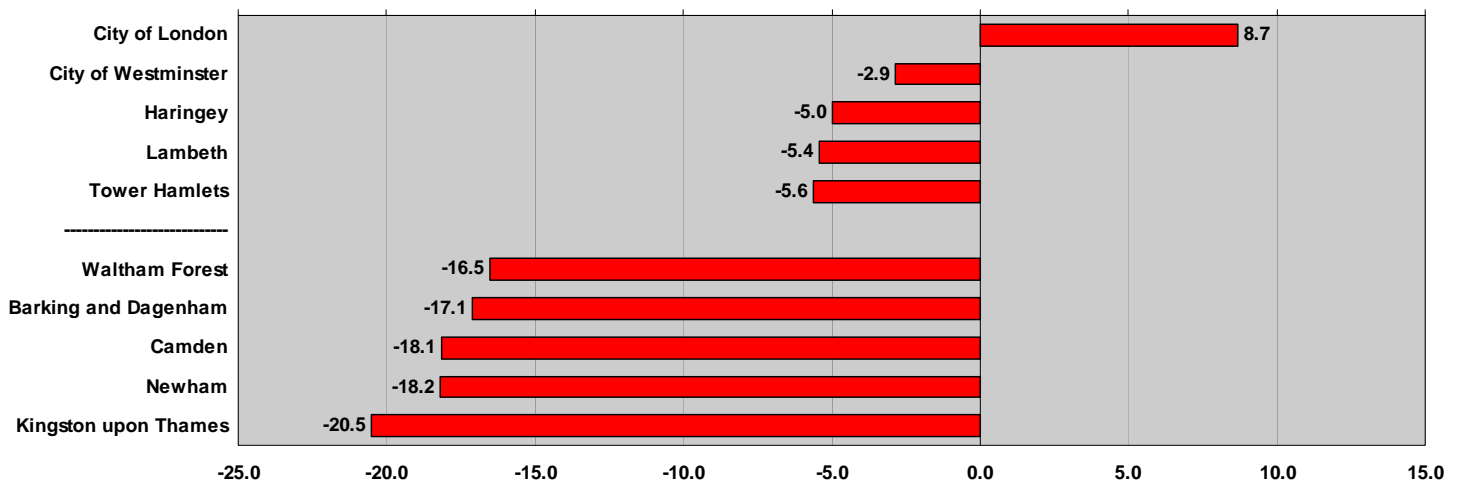
Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 3 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.

LONDON BOROUGH ANALYSIS

32 out of the 33 London Borough districts continue to show year on year price falls. The City of London continues to defy gravity, showing an annual increase of 8.7% on a three months basis, with the price of a flat currently averaging £520,000, which compares with the peak average value of £580,000 achieved back in August 2007.

The following chart shows the % **annual** price change for 10 boroughs, averaged over the past three months, ranked by the highest and lowest 5 boroughs. The City of London has appeared as the highest ranking London Borough in terms of price increases for the past seven months, whilst Kingston upon Thames makes its second appearance as the borough with the steepest decline in prices, down over 20% compared with prices a year ago.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS



Looking at prices over the last **quarter** (May 09 – July 09) compared with prices for the previous quarter (February 09 – April 09) there has been an increase in London's house prices of 1.6% overall, with 18 boroughs showing price increases and 15 boroughs showing price falls. Of the boroughs showing rising prices, the three recording the highest increases are Kensington & Chelsea (+16.3%), City of Westminster (+7.9%) and Haringey (+7.2%). The three London boroughs having the largest falls in prices are Hammersmith & Fulham (-9.7%), Newham (-7.2%) and Barking & Dagenham (-5.7%).

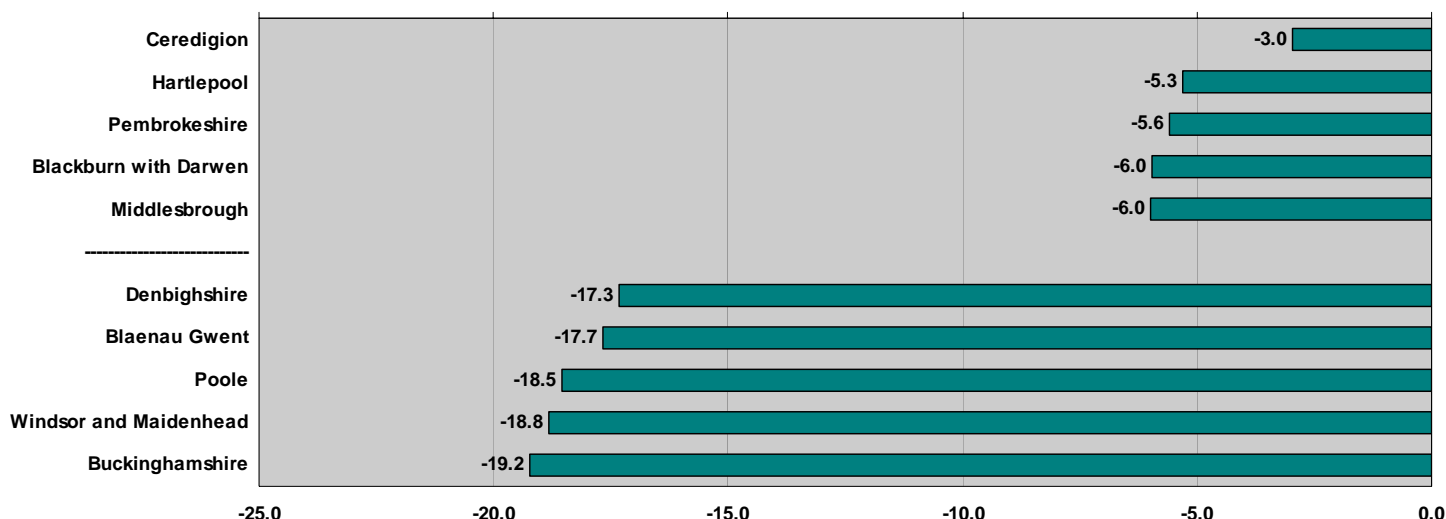
Comparing transaction numbers over the last quarter (May 09 – July 09) with the same quarter of the previous year (May 08 – July 08) there has been an overall decline in London property sales of -27%, with Flats showing the steepest decline of -37%, whilst sales of Detached and Semi-Detached properties have declined by -8%. Two London Boroughs are now showing transaction numbers increasing over this twelve month period, being Hammersmith & Fulham (+7%) and Kensington & Chelsea (+7%), whilst all the other London Boroughs show falling sales volumes over the year.

Turning to transactions and comparing the same quarter (May 09 – July 09) with the previous quarter of this year (February 09 – April 09), all 33 London Boroughs are witnessing increases in sales volumes, with the average increase being 44%. Sales of Detached properties have increased by 59% over this period, whilst Flat sales have increased by 40%. The Boroughs with the highest increase in sales are Hammersmith & Fulham (+89.2%), City of London (+77.3%) and Tower Hamlets (+68%), whilst the two Boroughs with the lowest recovery in sales are Enfield (+18.6%) and Hackney (+3.2%).

UNITARY DISTRICT AND COUNTIES ANALYSIS

All 108 counties and unitary districts in England & Wales are recording price falls on an annual basis. The following chart shows the % **annual** price change for 10 unitary districts and counties, ranked by the highest and lowest 5 districts. Two of the areas with the least decline in prices are in Wales, but correspondingly two areas with the largest fall in prices are also in Wales. It is perhaps surprising to see Buckinghamshire and Windsor and Maidenhead listed as the two areas having the steepest annual decline in prices, although this reflects a national trend of prices on larger properties falling faster than those of Flats and Terraces.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES



Looking at prices over the last **quarter** (May 09 – July 09) compared with prices for the previous quarter (February 09 – April 09) there has been a marginal decline of 0.1% in house prices overall, with 35 districts and counties showing price increases and 73 districts and counties showing price falls. Of the counties and districts showing rising prices, the three recording the highest increases are Bournemouth (+13.4%), Hartlepool (+10.1%) and Portsmouth (+7.5%). The three districts and counties having the largest falls in prices are Carmarthenshire (-13.1%), Merthyr Tydfil (-12.0%) and Denbighshire (-10.3%).

Looking at transactions numbers over the last quarter (May 09 – July 09) compared with the same quarter of the previous year (May 08 – July 08) there has been an overall decline in the districts and counties property sales of -19%, with Flats showing the steepest decline of -38%, whilst sales of Detached and Semi-Detached properties have declined by -3% and -12% respectively. Nine of the districts and counties are now showing transaction numbers increasing over this twelve month period, with the district of Poole (+20%) and the county of Dorset (+13%) having the highest increases over the year.

Comparing the same quarter (May 09 – July 09) with the previous quarter of this year (February 09 – April 09), all 108 districts and counties are witnessing increases in sales volumes, with the average increase being 41%. Sales of Detached properties have increased by 53% over this period, whilst Flat sales have increased by 26%. The three districts and counties with the highest increase in sales are The Vale of Glamorgan (+72%), Surrey (+68%) and Somerset (+67%), whilst the two districts with the lowest recovery in sales are Darlington (+14%) and the City of Kingston upon Hull (+9%).

It would appear that the basic laws of supply and demand continue to apply to the property market in that, looking over the past 12 months, the weighted average price of detached houses has fallen by 12% with a 3% drop in volume, whilst the weighted average price of flats has fallen by 5% with a 38% drop in volume. This would suggest that owners of larger properties have been more able and willing (or have been forced) to drop prices to achieve a sale, with owners of flats being less able and more reluctant to lower prices, resulting in a decline in the number of flats being sold.

REGIONAL DATA TABLE

	North			North West			East Midlands			West Midlands		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Aug-08	£149,282	-1.6	-1.9	£160,433	-1.2	-3.7	£167,702	-1.6	-4.2	£177,585	-1.2	-3.6
Sep-08	£147,704	-1.1	-3.0	£158,013	-1.5	-6.1	£164,334	-2.0	-7.2	£174,962	-1.5	-5.6
Oct-08	£146,839	-0.6	-4.3	£154,617	-2.1	-8.3	£162,288	-1.2	-8.5	£172,466	-1.4	-7.4
Nov-08	£144,779	-1.4	-6.5	£153,081	-1.0	-9.1	£160,426	-1.1	-9.3	£169,442	-1.8	-8.8
Dec-08	£142,717	-1.4	-7.6	£151,596	-1.0	-9.8	£157,887	-1.6	-10.2	£167,314	-1.3	-9.4
Jan-09	£141,926	-0.6	-9.7	£152,278	0.4	-9.4	£156,077	-1.1	-11.2	£166,094	-0.7	-10.1
Feb-09	£141,782	-0.1	-10.8	£150,487	-1.2	-10.7	£155,251	-0.5	-12.1	£165,081	-0.6	-10.9
Mar-09	£141,719	0.0	-11.8	£150,139	-0.2	-10.1	£154,705	-0.4	-11.7	£162,840	-1.4	-12.4
Apr-09	£141,896	0.1	-10.8	£148,698	-1.0	-10.7	£153,375	-0.9	-12.0	£162,048	-0.5	-12.8
May-09	£140,724	-0.8	-10.8	£148,508	-0.1	-9.9	£152,591	-0.5	-11.3	£161,786	-0.2	-12.1
Jun-09	£140,472	-0.2	-9.8	£147,831	-0.5	-9.8	£152,364	-0.1	-11.7	£163,424	1.0	-10.3
Jul-09	£139,969	-0.4	-7.7	£147,546	-0.2	-9.1	£153,202	0.5	-10.1	£163,349	0.0	-9.1

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Aug-08	£159,916	0.0	-4.7	£160,788	-1.1	-3.1	£225,755	-1.6	-4.3	£203,694	-0.6	-2.2
Sep-08	£157,979	-1.2	-6.4	£158,884	-1.2	-5.4	£221,937	-1.7	-6.5	£200,045	-1.8	-4.6
Oct-08	£156,125	-1.2	-8.3	£157,345	-1.0	-7.5	£218,433	-1.6	-8.6	£196,457	-1.8	-6.7
Nov-08	£153,586	-1.6	-9.3	£154,926	-1.5	-9.1	£214,278	-1.9	-10.1	£189,344	-3.6	-9.3
Dec-08	£152,255	-0.9	-9.8	£153,470	-0.9	-10.1	£210,618	-1.7	-11.8	£186,239	-1.6	-11.1
Jan-09	£153,012	0.5	-8.3	£152,044	-0.9	-10.7	£207,111	-1.7	-12.3	£185,637	-0.3	-11.7
Feb-09	£152,052	-0.6	-8.8	£150,678	-0.9	-11.3	£205,290	-0.9	-12.6	£184,084	-0.8	-13.1
Mar-09	£150,877	-0.8	-9.3	£149,205	-1.0	-12.3	£203,582	-0.8	-13.0	£182,459	-0.9	-13.8
Apr-09	£147,862	-2.0	-10.9	£147,942	-0.8	-12.8	£203,298	-0.1	-13.6	£182,754	0.2	-12.9
May-09	£146,737	-0.8	-10.2	£147,996	0.0	-12.0	£204,381	0.5	-13.2	£184,041	0.7	-12.0
Jun-09	£146,227	-0.3	-9.6	£147,658	-0.2	-10.8	£205,482	0.5	-11.8	£185,286	0.7	-10.9
Jul-09	£145,857	-0.3	-8.8	£147,657	0.0	-9.1	£206,275	0.4	-10.1	£184,609	-0.4	-9.9

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Aug-08	£263,783	-1.8	-2.1	£360,517	-1.2	-1.7		£221,170	-1.4	-2.8
Sep-08	£259,414	-1.7	-4.4	£353,934	-1.8	-4.2		£217,565	-1.6	-5.1
Oct-08	£253,221	-2.4	-7.3	£347,247	-1.9	-6.2		£213,643	-1.8	-7.3
Nov-08	£246,575	-2.6	-9.8	£337,653	-2.8	-8.4		£209,011	-2.2	-9.2
Dec-08	£240,503	-2.5	-12.4	£332,843	-1.4	-10.0		£205,549	-1.7	-10.8
Jan-09	£238,695	-0.8	-13.5	£328,689	-1.2	-11.9		£203,865	-0.8	-11.7
Feb-09	£237,447	-0.5	-14.5	£325,381	-1.0	-13.4		£202,329	-0.8	-12.7
Mar-09	£235,400	-0.9	-14.9	£322,171	-1.0	-14.0		£200,694	-0.8	-13.2
Apr-09	£234,526	-0.4	-15.1	£321,355	-0.3	-14.1		£199,760	-0.5	-13.4
May-09	£234,039	-0.2	-15.0	£325,025	1.1	-12.7		£200,075	0.2	-12.8
Jun-09	£235,597	0.7	-13.6	£328,311	1.0	-11.2		£201,019	0.5	-11.7
Jul-09	£235,541	0.0	-12.3	£330,877	0.8	-9.3		£201,381	0.2	-10.2
Aug-09								£202,181	0.4	-8.6

FOOTNOTES ON DATA AND METHODOLOGY

1. FTHPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. The prices are smoothed to show underlying trends. FTHPI includes cash purchase prices and is the only index based upon the **complete, factual**, house price data for England and 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 (FTHPI, CLG and LR) can be prepared only when the prices at which properties have been transacted have been recorded at LR (FTHPI 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. FTHPI overcomes the above delay with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell The Reader in Financial Econometrics at the University of Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School; of the price series, FTHPI, LR and CLG are published in that order.
3. FTHPI 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 40,000 monthly transactions now occur compared with at least 100,000 in past markets. For any given month, c.15% (6,000) 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 FTHPI result. Rather than rely upon a small sample, likely to be unrepresentative, FTHPI 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.70% of the transactions for the prior month, used to replace the initial FTHPI “forecast” with a first FTHPI “update” result. A further month later, LR provides c.90% of transactions, used to replace the first, with a second, FTHPI “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 FTHPI “final” index, closely approximating the FTHPI “ultimate” results; FTHPI “ultimate” includes the price of virtually every single LR transaction for the month, smoothed, seasonally and mix adjusted; the first FTHPI “update” now uses c.28,000 real transactions for the month (as well as, by smoothing, c.36,000 transactions for the prior month); only CLG with say 16,000 mortgage completion prices (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 4,000 transactions now occur monthly; hence, we wait one month, pending receipt from LR of the c.70% sample and provide monthly results one month in arrears of the most recent month. In the page 6 Regional data table, **red** data represent FTHPI “forecast” results, **blue** data represent FTHPI “update” results and black data represent the FTHPI “final” index.
6. at **county and London borough** levels, c.40,000 national monthly transactions, spread over 10 regions and 108 counties and 33 London boroughs, provide an average of only c.283 house prices monthly within each sub-district. Even delayed one and smoothed over three months, FTHPI is indicative until we are able to publish the FTHPI “final” index using the LR 95% sample. FTHPI 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. FTHPI 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. FTHPI 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 FTHPI results and neither the Financial Times nor Acadametrics shall 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; FTHPI 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 FTHPI, together with historic data are available from Acadametrics as in page 3 NOTE 7 above.