

FTHPI NEWS RELEASE

9:30 FRIDAY 8TH JANUARY 2010

England and Wales house price trends from Acadameetrics

- **House prices in December rose by 0.8%**

The average price of all residential property transactions completed in England & Wales in December 2009 was 0.8% higher than in November. This is the eighth month in succession in which FTHPI has increased, although the rate is slowing.

- **Prices end the year 4.2% higher**

On an annual basis, in December, the average price of all residential property transactions in England & Wales was 4.2% higher than a year ago - a significant market recovery. It was the second consecutive month in which the annual rate of change in house prices was positive.

- **November housing transactions lower than previous month**

In November 2009, the number of houses sold in England and Wales will total approximately 58,000. This is a reduction of almost 40% on the 10 year average for the month of c.95,000.

Dr Peter Williams, Chairman of Acadameetrics, said

“The average price of a home has continued to rise and, at £214,283, is back to where it was in December 2006, three years ago. The current monthly house price increase of 0.8% is the eighth in succession, suggesting a recovery that is now well entrenched. However, as we go on to show, the rate of increase has been slowing since September and there are strong regional variations in the recovery story. This does underline the considerable uncertainty which exists as to the likely trend of house prices in 2010.”

	House Price	Index	Monthly Change %	Annual Change %
December 2008	£205,568	209.3	-1.6	-10.8
June 2009	£202,421	206.1	0.8	-11.1
July	£204,020	207.7	0.8	-9.0
August	£206,256	210.0	1.1	-6.7
September	£208,709	212.5	1.2	-4.1
October	£210,847	214.7	1.0	-1.3
November	£212,670	216.5	0.9	1.8
December	£214,283	218.2	0.8	4.2

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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 £214,283. At this level, it is still down £17,540 from its peak in February 2008 of £231,823, but clearly, on average, prices have stabilised and the index is showing a 4.2% increase over the last twelve months. All major indices are trending in the same direction, whilst recognising that FTHPI covers all transactions, both mortgaged and cash sales, but only for England and Wales. The fact that there remain strong regional variations in this reported trend does mean that household experience will vary considerably, although prices in all regions are also currently moving in the same direction - upwards.

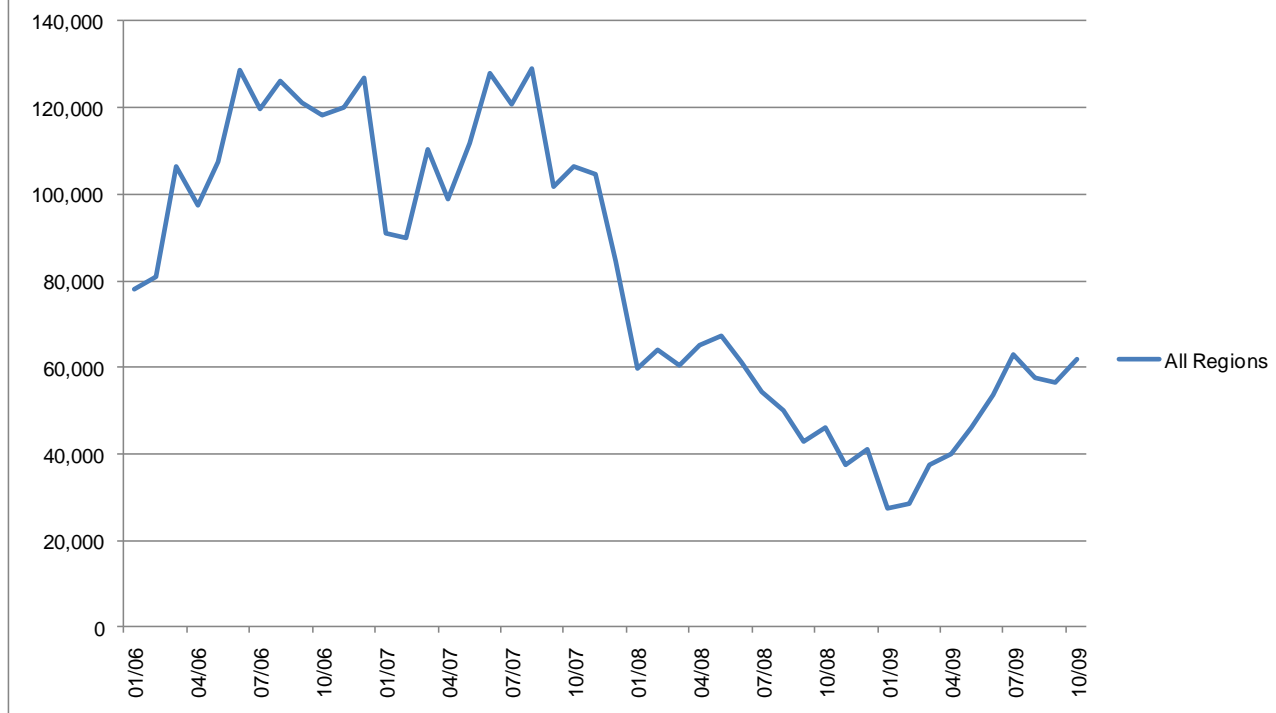
“It is clear that, at 0.8% compared to 0.9% in the previous month (and to 1% in October and 1.2% in September), price increases have been moderating over the last three months, but it is too early to say with any confidence as to whether this trend will continue. The latest Bank of England statistics indicate that mortgage lending to households increased by £1.5 billion in November, and its most recent Credit Conditions Survey reported ‘a further slight increase in the availability of secured credit was expected’ over the first three months of 2010. This continues to suggest a slow recovery in the mortgage market which will, in turn, constrain transactions and prices.”

HOUSING TRANSACTIONS

“Overall, the number of housing transactions in England and Wales has increased by 32% over the last three months (September–November 2009) compared with the same three months in 2008. However, this single statistic hides two distinct underlying trends. The first trend is of a North/Midlands/South divide in the increase in the number of homes sold. In the Northern regions and Wales, the average increase in housing transactions has been 19% or less; in the Midlands the increase has been between 23% and 27% whilst, in the Southern regions including London, there has been an annual increase of 38% to 49% in the number of properties sold.

“The second trend is that of different activity levels by property type. Over the three months September–November 2009, compared with the same three months in 2008, increases in the numbers of properties sold have been as follows: detached 53%, semi-detached 40%, terraces 26% and flats 10%. Flats continue to represent the current “weak” sector in the market. These are traditionally associated with the ‘First Time Buyer’ and ‘Buy to Let’ markets - both impacted by the continuing limited supply of mortgages and tighter loan terms. Although there is some suggestion that the flow of mortgage finance is beginning to ease, it is likely that any recovery will be slow.”

Number of Housing Transactions per month England & Wales 2006 - 2009

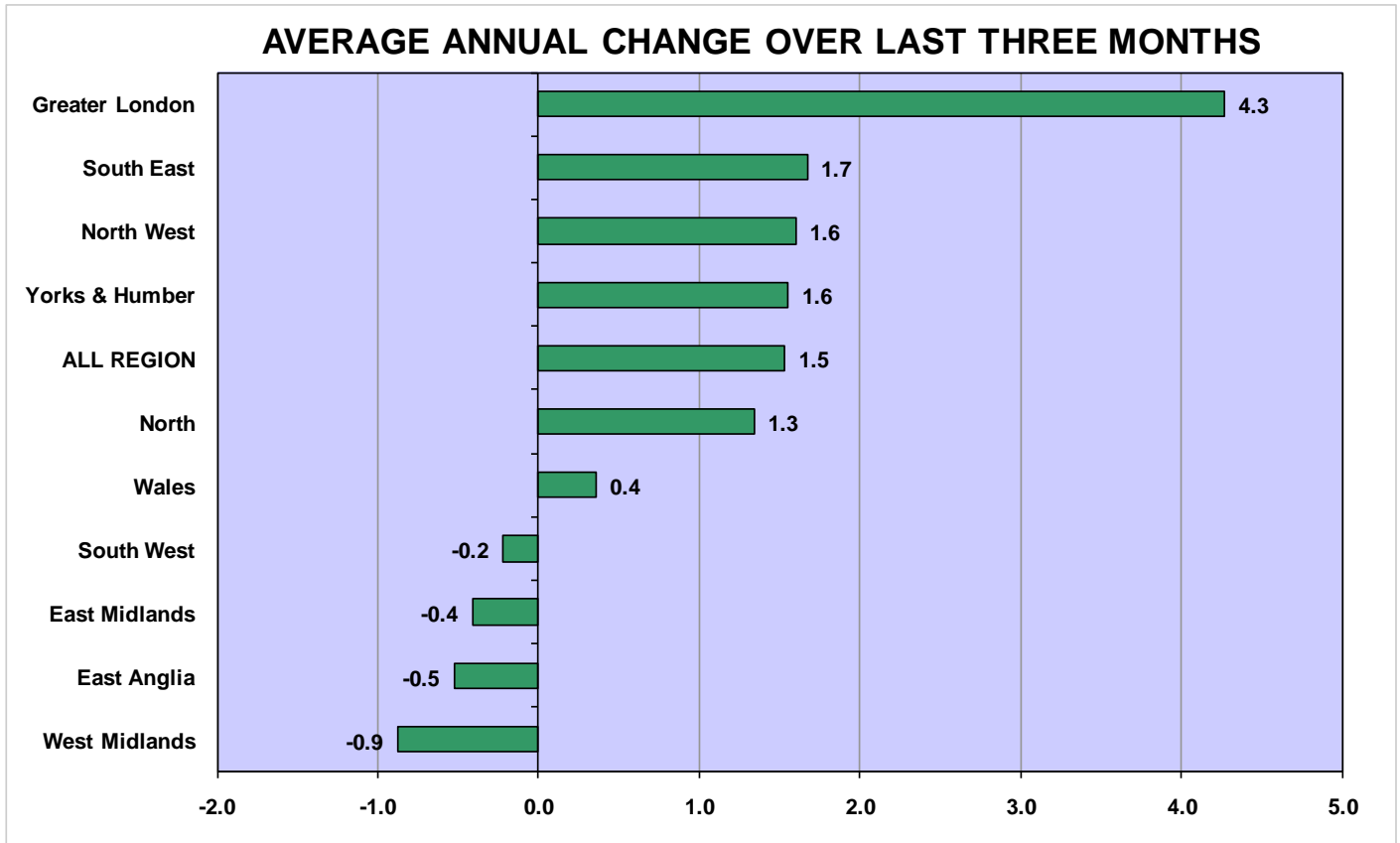


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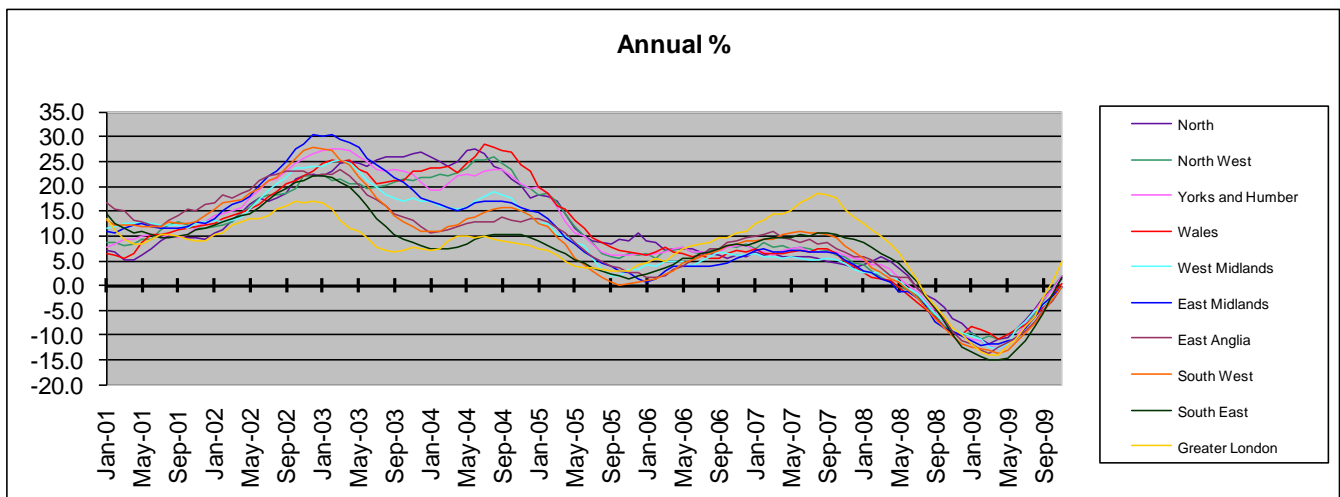
1. FTHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samples
2. FTHPI is a price series as opposed to a value series.
3. 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.
4. 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.
5. the accuracy of our forecasts is shown monthly on our website www.acadametrics.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.
6. our website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information
7. 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.
8. 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

Greater London continues to lead the way as the first region to emerge from the house price recession and the 'London effect' is beginning to re-emerge. However, London has now been joined by five other regions, meaning that the majority of regions are now showing annual house price rises in nominal terms, as measured by the FTHPI three month average. With London well out in front, the remaining regions are now grouping quite tightly into those showing a small positive increase and those still showing a very small price fall; even the previously identified North/South divide in terms of prices as opposed to transactions is beginning to weaken. Clearly the situation is in flux so we can expect this pattern to continue to evolve.



ANNUAL CHANGE BY REGION

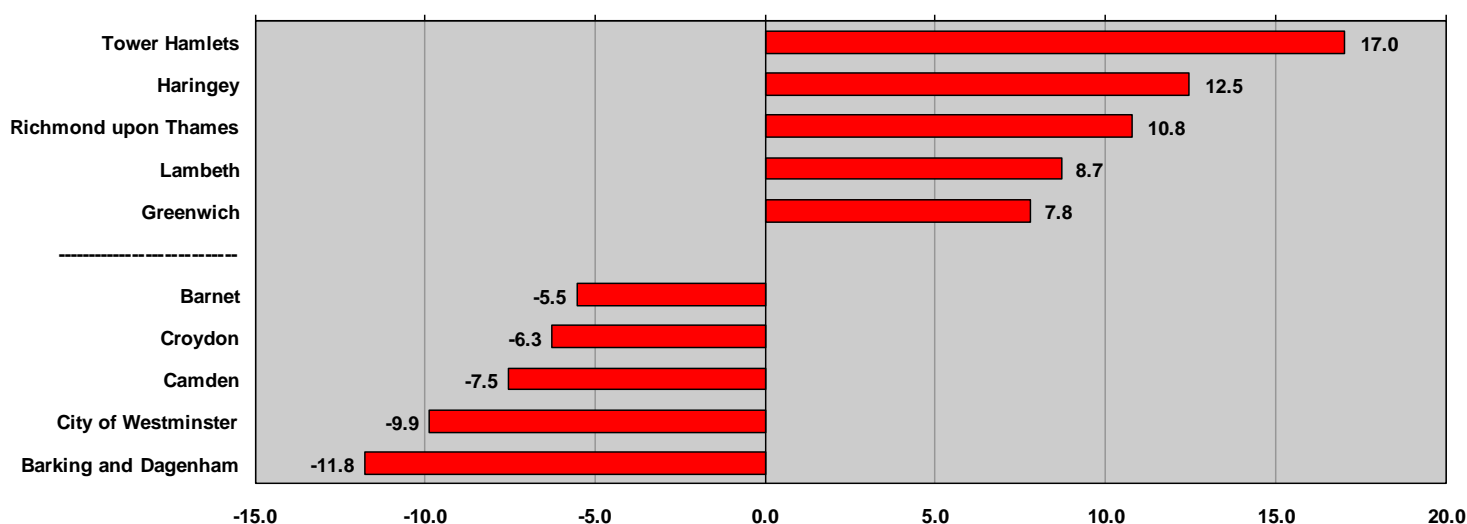


Note that individual regions can be compared using our "National and Regional series from 1995 with Interactive Charts", linked from page 3 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts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

LONDON BOROUGH ANALYSIS

The chart shows the % **annual** price change for London boroughs, averaged over the past three months, ranked by the highest and lowest five. Overall eighteen of the thirty-three London Boroughs are now recording annual price increases; this compares with a figure of eleven London Boroughs showing annual price increases last month, indicating increased momentum in the London market.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS



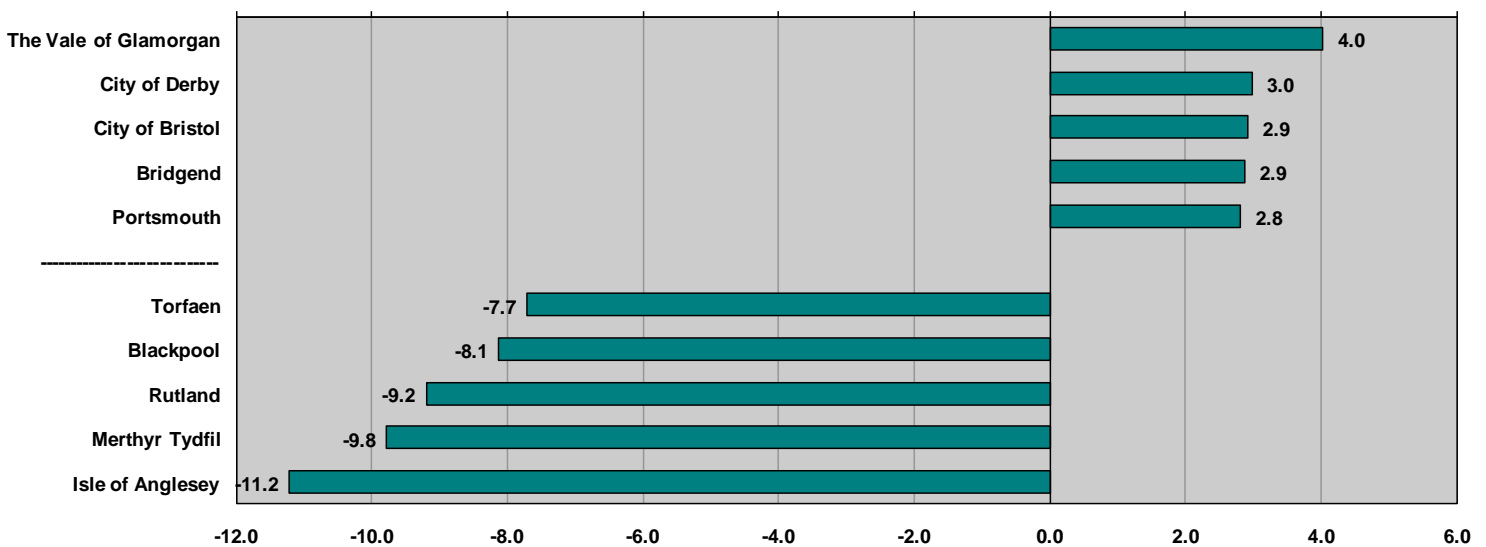
Last month, we reported that in October, uniquely, prices in Tower Hamlets had reached a new all time high, on a seasonal and mix adjusted basis. With a further increase in prices in November, Tower Hamlets has again set a new high, but is no longer unique, with Richmond upon Thames also seeing record prices being achieved in the month. These two boroughs are closely followed by Lambeth, Wandsworth and Southwark, where prices are 3% or less off their peak. All five of these boroughs are popular locations for young professionals working in Central London, and the data might suggest both that this group are feeling sufficiently confident to commit to a house purchase in the current economic climate and that prices have now begun to move upwards.

At the other end of the scale, the five London Boroughs which are furthest away from their peak property price provide an interesting contrast. Newham and Barking and Dagenham, both perhaps associated with the more deprived or industrial areas of London, are still some 20% off their peak, alongside the City of London, Kensington and Chelsea and Camden where prices are similarly between 16% and 24% off their previous record. These latter three boroughs are often associated with purchases by the super-rich and foreign buyers looking for an investment in London, and speculatively if these are the dominant buyers then confidence amongst them would appear to be less strong at present.

UNITARY DISTRICT AND COUNTIES ANALYSIS

Twenty-seven of the 108 counties and unitary districts in England & Wales are now recording price rises on an annual basis. The comparable figure last month was seven counties and unitary districts recording price rises, which gives an indication of the gradual recovery being seen in the England and Wales housing market. The following chart shows the % **annual** price change for unitary districts and counties, ranked by the highest and lowest 5 districts. Two of the areas with the greatest rise in prices are in Wales but, correspondingly, three of the areas with the largest falls in prices are also in Wales.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES



Looking at prices over the **last three months** (September–November 2009), compared with prices for the **previous three months**, there has been an overall increase of 3.2% in house prices, with 89 districts and counties showing price increases and 19 districts and counties showing price falls. Of the counties and districts showing rising prices, the four recording the most significant increases are the Vale of Glamorgan (+9.4%), Carmarthenshire (+8.9%), Brighton and Hove (+7.0%) and Cheshire (+7.0%). The three districts and counties having the most significant fall in prices are Wrekin (-4.3%), Cornwall (-2.9%) and Reading (-1.8%).

Overall in England and Wales prices are currently 7.6% below the peak which occurred in February 2008. Looking at the individual counties and unitary districts, outside London, the five areas closest to their peak are Vale of Glamorgan (-5%), South Yorkshire (-6%), Cumbria (-6%), Greater Manchester (-7%) and Darlington (-7%). The five areas furthest off their previous peak price are Blackpool (-19%), Merthyr Tydfil (-19%), Blaenau Gwent (-20%), Windsor and Maidenhead (-22%) and Torfaen (-22%). As this indicates, the geography and demography of the trends in price change remain complex.

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
Dec-08	£142,748	-1.4	-7.7	£151,631	-1.0	-9.8	£157,794	-1.6	-10.2	£167,364	-1.2	-9.4
Jan-09	£142,100	-0.5	-9.7	£152,386	0.5	-9.4	£156,001	-1.1	-11.1	£166,151	-0.7	-10.1
Feb-09	£142,024	-0.1	-10.7	£150,587	-1.2	-10.7	£155,224	-0.5	-12.1	£165,179	-0.6	-10.9
Mar-09	£141,807	-0.2	-11.8	£150,191	-0.3	-10.1	£154,716	-0.3	-11.6	£162,892	-1.4	-12.4
Apr-09	£142,012	0.1	-10.7	£148,711	-1.0	-10.7	£153,662	-0.7	-11.8	£162,265	-0.4	-12.7
May-09	£141,302	-0.5	-10.4	£148,718	0.0	-9.7	£153,197	-0.3	-11.0	£162,230	0.0	-11.9
Jun-09	£141,817	0.4	-8.9	£148,642	-0.1	-9.3	£153,996	0.5	-10.7	£165,748	2.2	-9.0
Jul-09	£141,180	-0.4	-7.0	£150,151	1.0	-7.5	£156,087	1.4	-8.4	£166,376	0.4	-7.4
Aug-09	£142,328	0.8	-4.7	£151,440	0.9	-5.6	£157,089	0.6	-6.3	£168,528	1.3	-5.1
Sep-09	£143,858	1.1	-2.6	£153,096	1.1	-3.1	£158,167	0.7	-3.7	£168,087	-0.3	-3.9
Oct-09	£146,014	1.5	-0.6	£153,935	0.5	-0.5	£158,656	0.3	-2.2	£168,490	0.2	-2.3
Nov-09	£146,796	0.5	1.4	£155,938	1.3	1.8	£159,759	0.7	-0.4	£168,353	-0.1	-0.6
Dec-09												

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Dec-08	£151,960	-0.9	-10.0	£153,433	-0.9	-10.1	£210,681	-1.7	-11.8	£186,280	-1.7	-11.1
Jan-09	£152,862	0.6	-8.4	£152,164	-0.8	-10.7	£207,248	-1.6	-12.3	£185,573	-0.4	-11.7
Feb-09	£151,802	-0.7	-8.9	£150,920	-0.8	-11.2	£205,315	-0.9	-12.6	£184,009	-0.8	-13.2
Mar-09	£150,714	-0.7	-9.4	£149,363	-1.0	-12.2	£203,574	-0.8	-13.0	£182,417	-0.9	-13.8
Apr-09	£148,178	-1.7	-10.7	£148,019	-0.9	-12.8	£203,170	-0.2	-13.6	£183,406	0.5	-12.6
May-09	£147,238	-0.6	-9.9	£147,930	-0.1	-12.0	£205,216	1.0	-12.9	£184,928	0.8	-11.5
Jun-09	£147,280	0.0	-9.0	£148,431	0.3	-10.4	£206,590	0.7	-11.3	£186,150	0.7	-10.5
Jul-09	£147,378	0.1	-7.9	£150,318	1.3	-7.5	£207,865	0.6	-9.4	£186,259	0.1	-9.1
Aug-09	£149,782	1.6	-6.3	£152,402	1.4	-5.2	£208,253	0.2	-7.8	£189,026	1.5	-7.2
Sep-09	£150,761	0.7	-4.5	£154,571	1.4	-2.7	£210,173	0.9	-5.3	£190,073	0.6	-5.0
Oct-09	£152,849	1.4	-2.0	£155,892	0.9	-0.9	£212,491	1.1	-2.7	£190,108	0.0	-3.3
Nov-09	£154,056	0.8	0.5	£157,861	1.3	2.0	£213,896	0.7	-0.2	£189,285	-0.4	-0.1
Dec-09												

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Dec-08	£240,633	-2.4	-12.4	£332,816	-1.4	-10.0		£205,568	-1.6	-10.8
Jan-09	£238,850	-0.7	-13.5	£328,675	-1.2	-11.9		£203,935	-0.8	-11.7
Feb-09	£237,644	-0.5	-14.4	£325,417	-1.0	-13.4		£202,420	-0.7	-12.7
Mar-09	£235,500	-0.9	-14.9	£322,492	-0.9	-13.9		£200,779	-0.8	-13.1
Apr-09	£234,881	-0.3	-15.0	£322,191	-0.1	-13.8		£200,043	-0.4	-13.3
May-09	£234,655	-0.1	-14.7	£327,084	1.5	-12.2		£200,781	0.4	-12.5
Jun-09	£237,117	1.0	-13.1	£330,274	1.0	-10.7		£202,421	0.8	-11.1
Jul-09	£238,746	0.7	-11.1	£334,294	1.2	-8.3		£204,020	0.8	-9.0
Aug-09	£242,070	1.4	-8.2	£338,084	1.1	-6.2		£206,256	1.1	-6.7
Sep-09	£244,933	1.2	-5.6	£345,408	2.2	-2.4		£208,709	1.2	-4.1
Oct-09	£248,174	1.3	-2.0	£350,140	1.4	0.9		£210,847	1.0	-1.3
Nov-09	£250,783	1.1	1.7	£354,005	1.1	4.9		£212,670	0.9	1.8
Dec-09								£214,283	0.8	4.2

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 60,000 monthly transactions now occur compared with at least 100,000 in past markets. For any given month, c.33% (20,000) 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.85% 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.37,000 real transactions for the month (as well as, by smoothing, c.40,000 transactions for the prior month); only CLG with, this year, 28,000 mortgage completions (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.85% sample and provide monthly results one month in arrears of the most recent month. In our 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.60,000 national monthly transactions, spread over 10 regions and 108 counties and 33 London boroughs, provide an average of only c.425 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.