

FTHPI NEWS RELEASE

09:30 FRIDAY 13TH MARCH 2009

England and Wales house price trends from Acadameetrics

- **House prices in February fell by 1%**

The average price of all property transactions completed in England & Wales in February was 1.0% lower than the average price for January. This is the twelfth consecutive monthly price fall and the eighth month in a row when the price fell by 1% or more.

- **Prices are now 13.3% lower than a year ago**

On an annual basis, the average price of all completed transactions in England and Wales is now 13.3% lower than a year ago. All ten regions in England and Wales are showing prices falling on both a monthly and an annual basis.

- **London has fallen into line**

London's prices have been falling rapidly in recent months and the monthly fall in January of -1.5% was the highest of any region.

Dr Peter Williams Chairman of Acadameetrics said

“The average house price is now £200,947, back to the March 2006 level, 3 years ago.

“More positively, the FTHPI index suggests that price falls are slowing. In this downturn November 2008 recorded the highest monthly drop at -2.2%. Since then, the rate of decline has eased each month, with February 2009 at 1% down.”

	House Price	Index	Monthly Change %	Annual Change %
February 2008	£231,857	236.1	0.4	6.2
August	£221,101	225.1	-1.4	-2.8
September	£217,461	221.4	-1.6	-5.1
October	£213,609	217.5	-1.8	-7.3
November	£208,992	212.8	-2.2	-9.2
December	£205,354	209.1	-1.7	-10.9
January 2009	£202,966	206.6	-1.2	-12.1
February	£200,947	204.6	-1.0	-13.3

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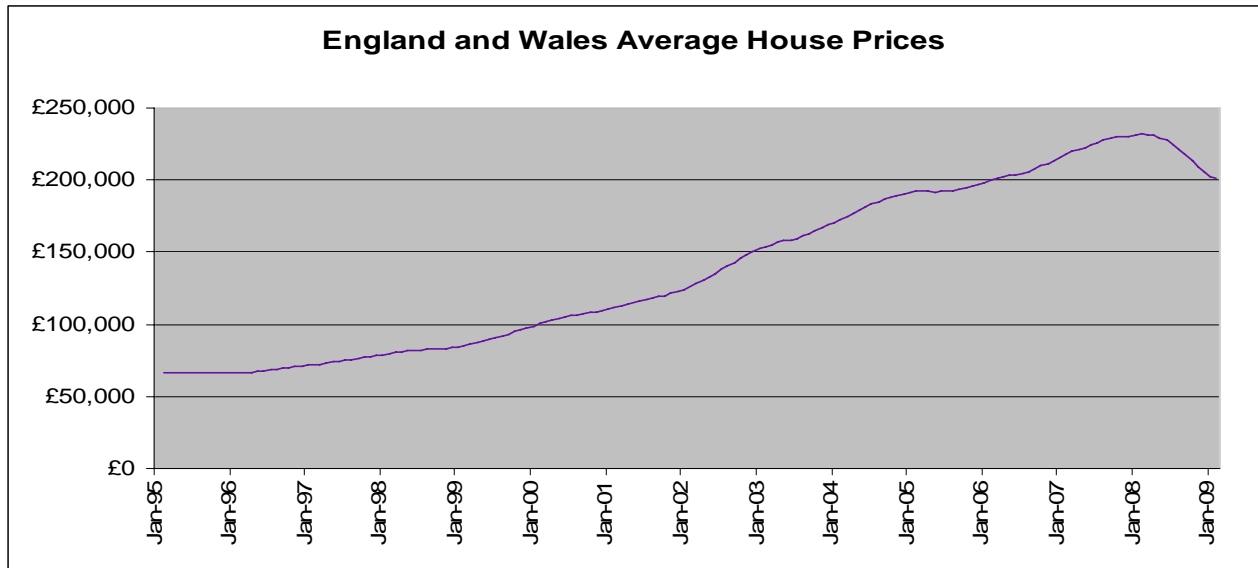
FURTHER COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

“The average price of a home in England & Wales fell by £2,019 in February and is down nearly £31,000 (£30,910) since its peak in February 2008 at £231,857.

“Prices in all regions in England and Wales continue to decline on both a monthly and an annual basis, with the South East now leading the way with an annual fall of -13.8%.

“A proportion of the 2.6 million households who bought homes in the last three years (including nearly 1 million first time buyers) will be feeling quite exposed. Given the scale of house price inflation in this decade, this fall is not a serious problem for most households. For most, the solution will simply be to sit it out.



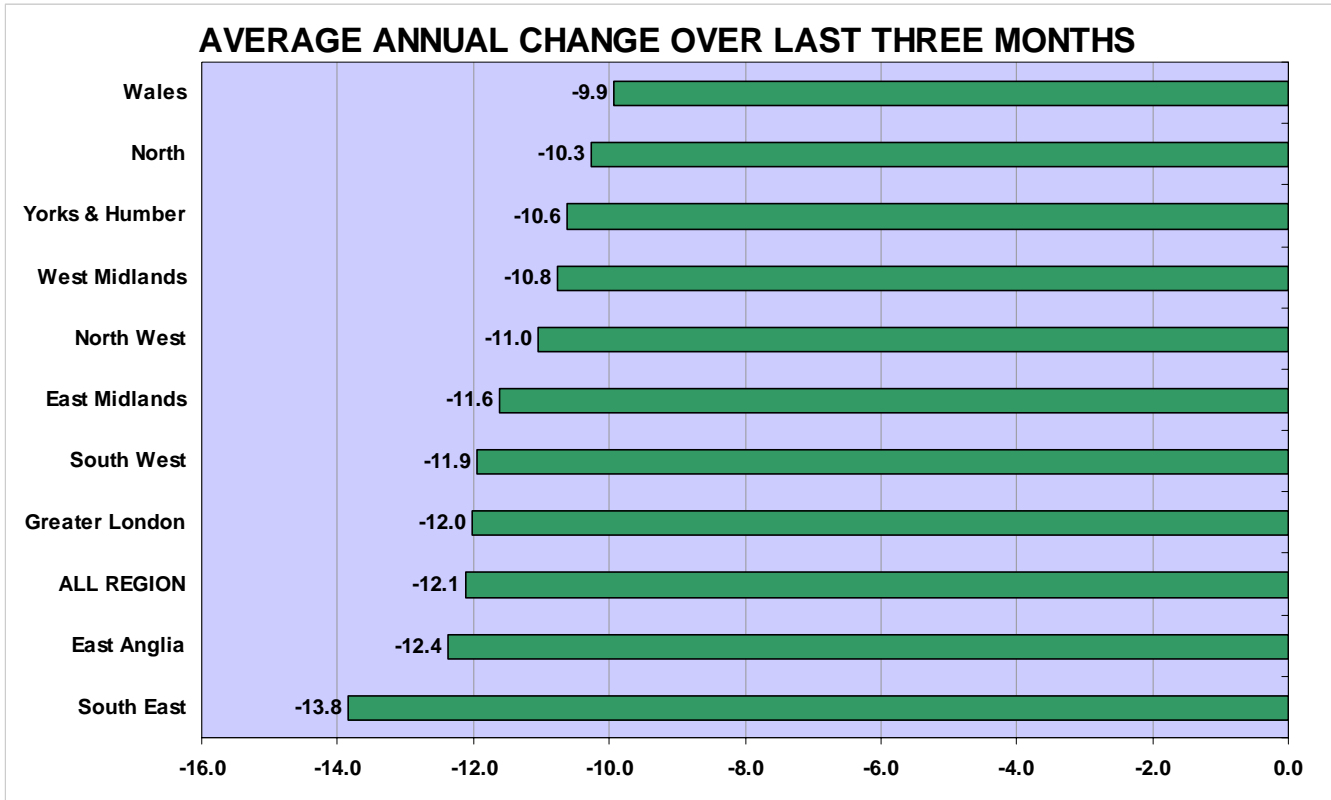
“It is hard to predict how this market downturn will unfold. At housing market level, the slackening in the rate of the FTHPI monthly price falls, a slight strengthening in mortgage approvals and an increased number of enquiries indicate a limited possibility that the market might stabilise in late 2009. But, at national level, the recession continues to gather pace, fuelling arrears and possessions as well as the number of unsold homes. Whilst the government is now working to increase the supply of mortgage finance, it is quite evident many would-be purchasers remain unable to access a mortgage.”

NOTES

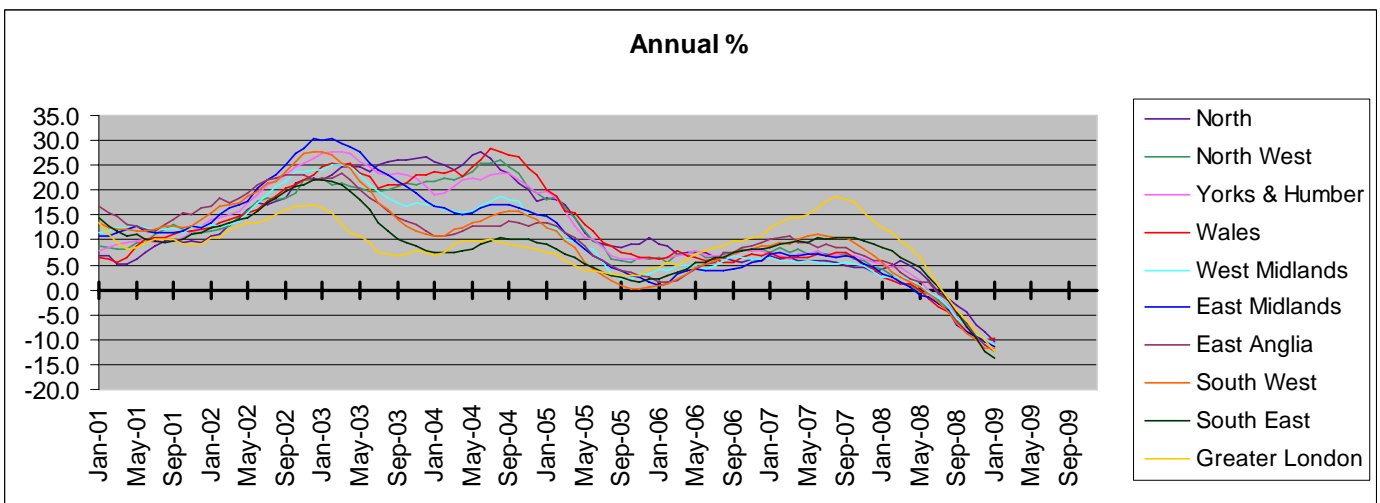
1. FTHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samplesFTHPI 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.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.
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 Transacted House Prices ([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 negative growth in nominal terms as measured by the FTHPI 3 month average. The South East has witnessed the sharpest annual fall at -13.8% followed by East Anglia (-12.4%) and London (-12.0%).



ANNUAL CHANGE BY REGION

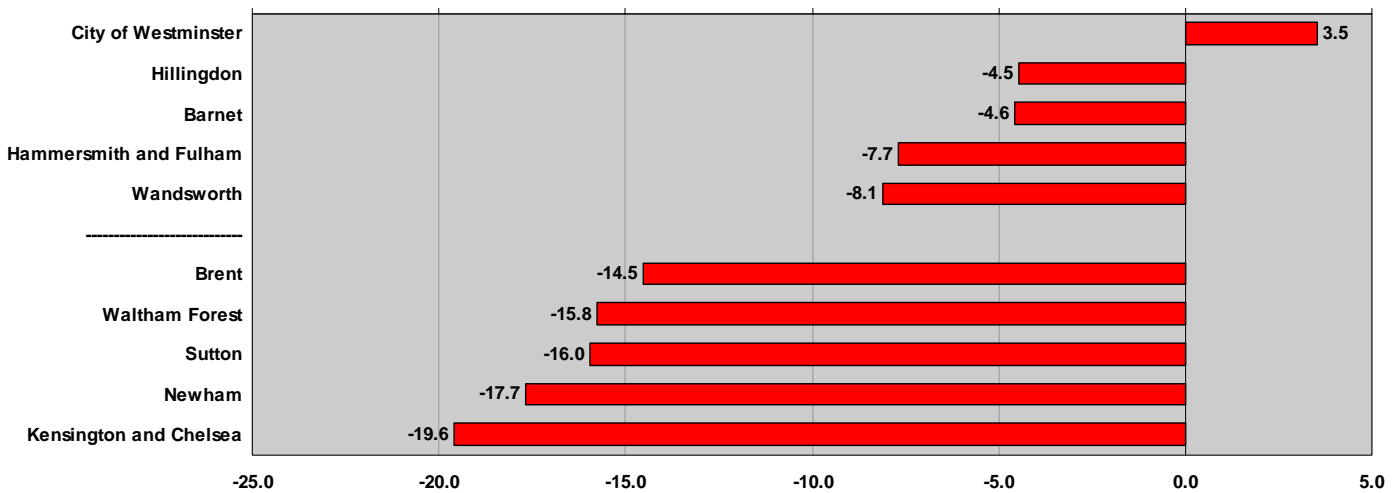


Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 2 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.

LONDON BOROUGH ANALYSIS

The average annual change recorded over the last three months in the London borough data shows continued decline. Of the thirty three London boroughs, only the City of Westminster recorded an increase, although at +3.5% this is much reduced on previous months. All the other boroughs showed declines ranging from -19.6% in Kensington and Chelsea to -4.5% in Hillingdon.

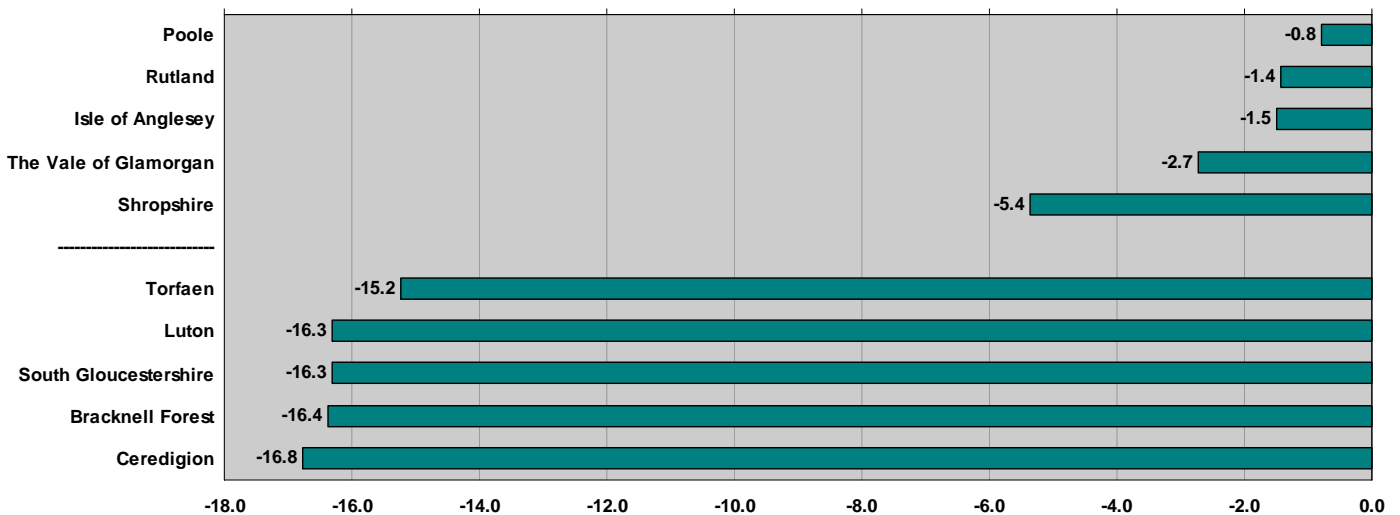
AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS



UNITARY DISTRICT AND COUNTIES ANALYSIS

Every single one of the 108 districts and counties in England and Wales saw price reductions. The pattern of decline is now universal and deepening. Price falls ranged from -16.8% in Ceredigion in Wales to -0.8% in Poole in Dorset.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES



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
Feb-08	£158,891	1.1	4.8	£168,523	0.3	2.9	£176,738	0.5	2.7	£185,359	0.3	2.5
Mar-08	£160,575	1.1	5.7	£166,946	-0.9	1.5	£175,142	-0.9	1.4	£185,951	0.3	2.5
Apr-08	£158,995	-1.0	4.8	£166,519	-0.3	0.7	£174,262	-0.5	0.6	£185,782	-0.1	2.2
May-08	£157,497	-0.9	3.5	£164,679	-1.1	-0.3	£172,056	-1.3	-1.2	£184,025	-0.9	0.8
Jun-08	£155,471	-1.3	1.8	£163,959	-0.4	-0.9	£172,455	0.2	-1.3	£182,105	-1.0	-0.6
Jul-08	£151,630	-2.5	-0.5	£162,338	-1.0	-2.1	£170,362	-1.2	-2.7	£179,649	-1.3	-1.6
Aug-08	£149,329	-1.5	-1.9	£160,302	-1.3	-3.7	£167,674	-1.6	-4.2	£177,619	-1.1	-3.6
Sep-08	£147,727	-1.1	-3.0	£157,819	-1.5	-6.2	£164,379	-2.0	-7.1	£174,908	-1.5	-5.7
Oct-08	£146,647	-0.7	-4.4	£154,403	-2.2	-8.5	£162,209	-1.3	-8.5	£172,416	-1.4	-7.4
Nov-08	£143,962	-1.8	-7.0	£152,614	-1.2	-9.4	£160,382	-1.1	-9.3	£169,252	-1.8	-8.9
Dec-08	£141,731	-1.6	-8.2	£150,607	-1.3	-10.4	£157,509	-1.8	-10.5	£166,831	-1.4	-9.7
Jan-09	£140,893	-0.6	-10.3	£149,917	-0.5	-10.8	£155,717	-1.1	-11.4	£164,706	-1.3	-10.9

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Feb-08	£166,636	-0.2	1.8	£169,993	-0.3	4.4	£234,947	-0.5	3.6	£211,913	0.8	5.2
Mar-08	£166,393	-0.1	1.3	£170,114	0.1	4.4	£233,992	-0.4	2.6	£211,624	-0.1	3.7
Apr-08	£165,862	-0.3	1.1	£169,762	-0.2	3.1	£235,291	0.6	1.4	£209,766	-0.9	2.1
May-08	£163,432	-1.5	-0.2	£168,189	-0.9	1.8	£235,545	0.1	0.6	£209,086	-0.3	1.6
Jun-08	£161,911	-0.9	-1.8	£165,599	-1.5	0.0	£233,027	-1.1	-0.9	£207,937	-0.5	1.6
Jul-08	£160,096	-1.1	-3.5	£162,474	-1.9	-1.3	£229,340	-1.6	-2.5	£204,904	-1.5	-0.7
Aug-08	£160,191	0.1	-4.5	£160,714	-1.1	-3.2	£225,678	-1.6	-4.3	£203,556	-0.7	-2.2
Sep-08	£158,228	-1.2	-6.3	£158,737	-1.2	-5.5	£221,671	-1.8	-6.6	£199,494	-2.0	-4.9
Oct-08	£156,137	-1.3	-8.3	£157,139	-1.0	-7.7	£218,299	-1.5	-8.6	£196,062	-1.7	-6.9
Nov-08	£153,451	-1.7	-9.4	£154,961	-1.4	-9.1	£214,338	-1.8	-10.0	£189,337	-3.4	-9.3
Dec-08	£151,639	-1.2	-10.2	£153,266	-1.1	-10.2	£211,124	-1.5	-11.6	£186,177	-1.7	-11.1
Jan-09	£150,797	-0.6	-9.6	£151,984	-0.8	-10.8	£208,196	-1.4	-11.9	£184,443	-0.9	-12.3

	South East			Greater London			ALL REGION		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Feb-08	£277,616	0.6	7.8	£375,976	0.8	11.4	£231,857	0.4	6.2
Mar-08	£276,722	-0.3	6.5	£374,548	-0.4	9.9	£231,172	-0.3	5.2
Apr-08	£276,286	-0.2	5.4	£373,736	-0.2	8.4	£230,734	-0.2	4.1
May-08	£275,103	-0.4	4.5	£372,087	-0.4	6.6	£229,337	-0.6	2.9
Jun-08	£272,795	-0.8	2.5	£369,632	-0.7	3.8	£227,515	-0.8	1.2
Jul-08	£268,486	-1.6	0.7	£364,892	-1.3	1.0	£224,194	-1.5	-0.6
Aug-08	£263,539	-1.8	-2.2	£360,575	-1.2	-1.7	£221,101	-1.4	-2.8
Sep-08	£259,143	-1.7	-4.5	£354,210	-1.8	-4.1	£217,461	-1.6	-5.1
Oct-08	£253,200	-2.3	-7.3	£347,760	-1.8	-6.1	£213,609	-1.8	-7.3
Nov-08	£246,909	-2.5	-9.7	£337,801	-2.9	-8.4	£208,992	-2.2	-9.2
Dec-08	£241,011	-2.4	-12.2	£332,283	-1.6	-10.1	£205,354	-1.7	-10.9
Jan-09	£237,962	-1.3	-13.8	£327,223	-1.5	-12.3	£202,966	-1.2	-12.1
Feb-09							£200,947	-1.0	-13.3

also see www.ft.com/houseprices

www.acadmetrics.co.uk

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 5 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 2 NOTE 7 above.