

England and Wales house price trends from Acadameetrics

- **House prices in July rose by 0.1%**

The average price of all property transactions completed in England & Wales in July 2009 was 0.1% higher than in June. This is the second month in succession that we have seen positive growth in house prices, albeit at low levels.

- **Prices are now 10.9% lower than a year ago**

On an annual basis, the average price of all completed transactions in England and Wales in July is 10.9% lower than a year ago. The trough in the house price decline, on an annual basis, was reached in April 2009 at minus 13.6%.

- **Housing Transactions are on the increase**

The number of housing transactions has increased each month from a low of 27,000 in January 2009, to a figure of 47,000 in June 2009. In Q1 of this year the monthly average number of properties sold was 30,598; this is 63.4% lower than the average number of properties sold during the same three months for the period 2000–2008. In Q2 of this year the monthly average number of properties sold was 41,971; this is 58.4% lower than the average number of properties sold during the same three months for the period 2000–2008.

Dr Peter Williams Chairman of Acadameetrics said

“The average house price continues just below the £200,000 mark and at £199,903 is now back to where it was in February 2006, that is more than 3 years ago.

“The monthly % change at 0.1% contrasts markedly with the -2.2% in November 2008, and the data do suggest that the sharpest falls are behind us and that the rate of decline has now slowed significantly, even if it is too early to talk of a prolonged reversal.”

		House Price	Index	Monthly Change %	Annual Change %
July	2008	£224,232	228.3	-1.5	-0.6
January	2009	£203,837	207.5	-0.8	-11.7
February		£202,310	206.0	-0.7	-12.7
March		£200,653	204.3	-0.8	-13.2
April		£199,482	203.1	-0.6	-13.6
May		£199,455	203.1	0.0	-13.1
June		£199,611	203.2	0.1	-12.3
July		£199,903	203.5	0.1	-10.9

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FURTHER COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

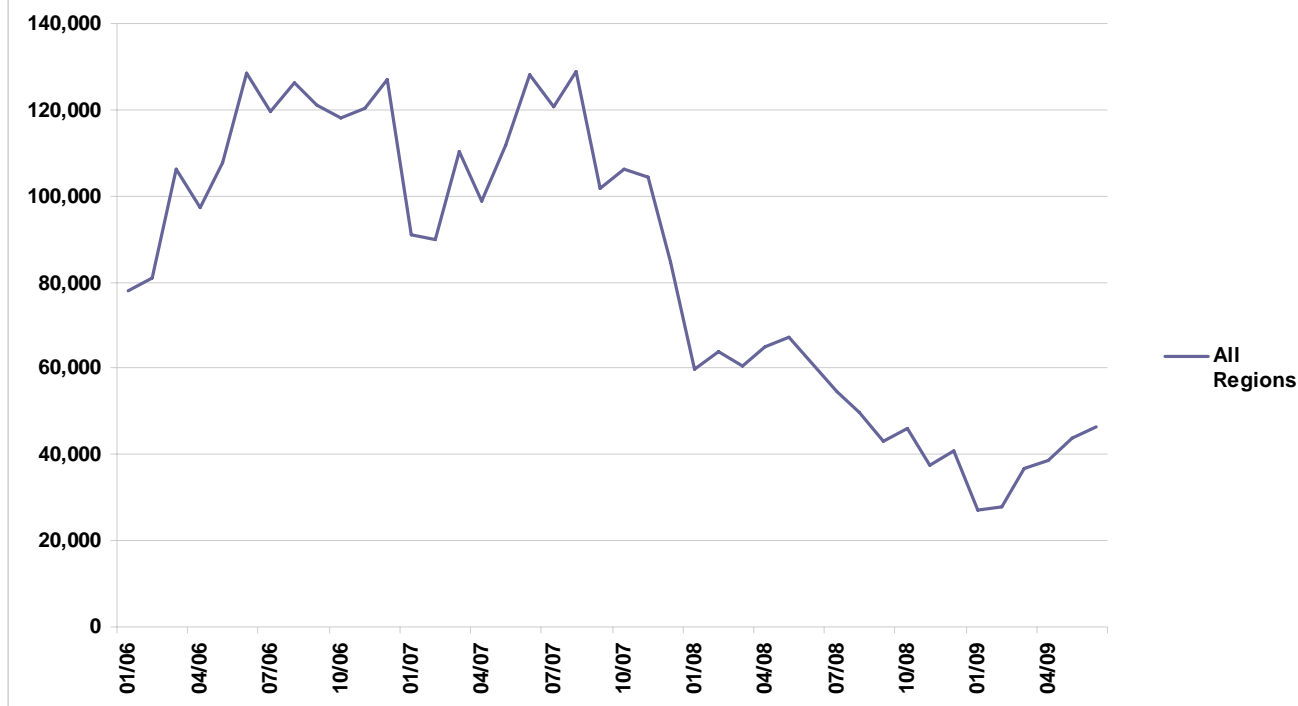
“The average price of a home in England & Wales is now £199,903, and is now down £31,921 from its peak in February 2008 at £231,824. However, for the first time over the last 3 months, we have seen a period of monthly growth.

“Whilst some commentators believe otherwise, this does suggest that we might be nearing the bottom of the trough. Indeed, the evidence from the FTHPI is that the past monthly falls have not been maintained and the rate at which prices have been declining has slowed, such that we are seeing gains.

“FTHPI is in line with other indices, taking into account the different bases used and the point in the process at which the price is measured. The FT index is based on all completed sales in England and Wales. It is not based upon a sample and is based on the price actually achieved. Estate agent indices are based on the asking price of the seller, at the time the property is first put on the market, and thus reflect sellers’ aspirations, rather than the price achieved, with many a seller subsequently lowering the price in order to find a buyer. The opposite may well now be occurring in areas in which supply is not meeting demand. The lenders’ indices are based on property valuations at the time a loan is granted to the borrower and, again, may not reflect the final figure agreed between buyer and seller. Their results may be affected by the much reduced levels of activity.

“Overall, the evidence suggests that the market is ‘bottoming out’. However, 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 acute 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 unemployment will continue to rise, that the public expenditure which has helped underpin the market will be more limited going forward and that interest rates will almost certainly rise in late 2010. These factors along with continued shortages in mortgage finance may restrain or even reverse the recovery.”

Number of Housing Transactions per month England & Wales from 2006



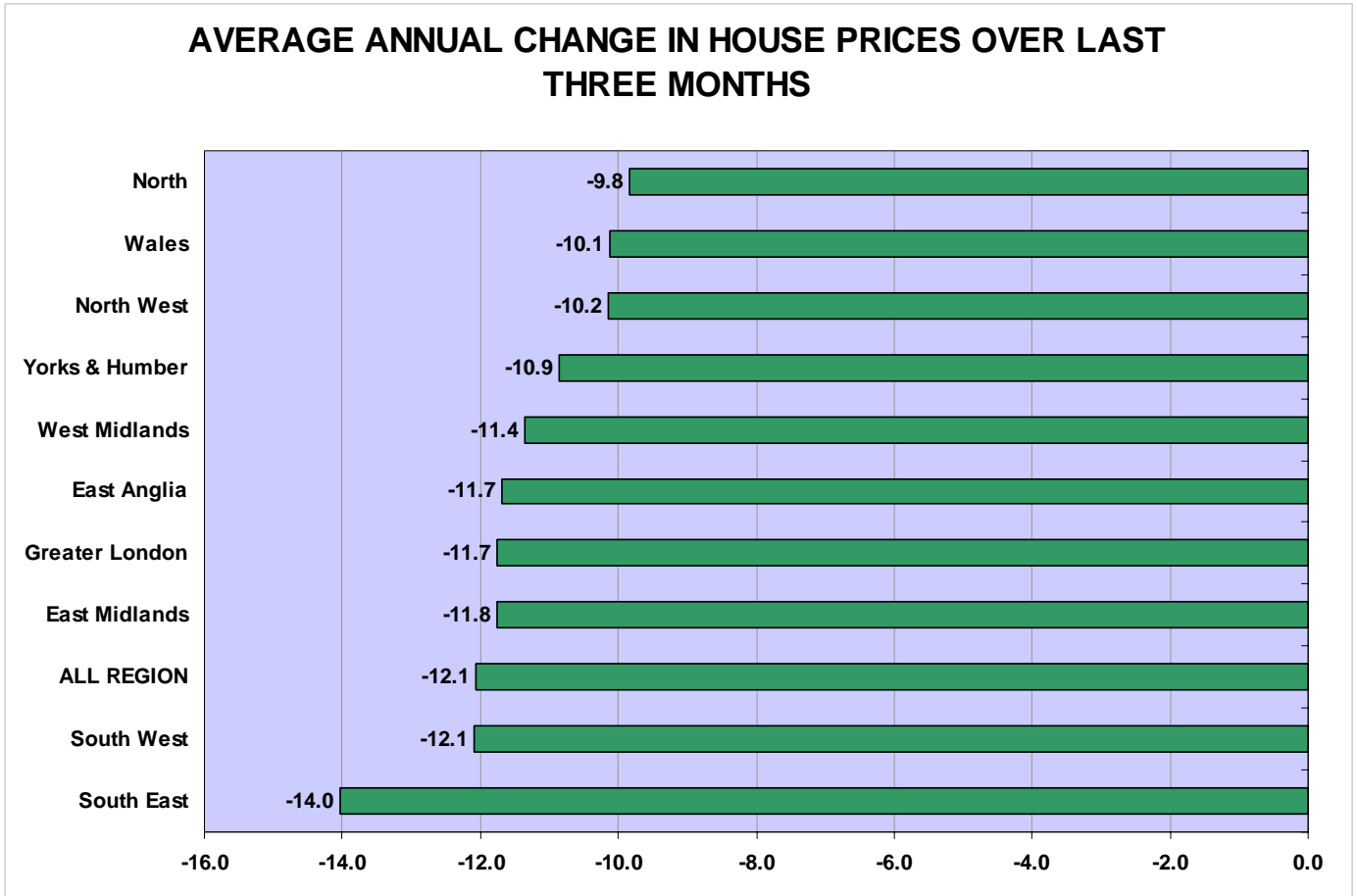
NOTES

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 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.acadameetrics.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. Acadameetrics 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. Acadameetrics 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

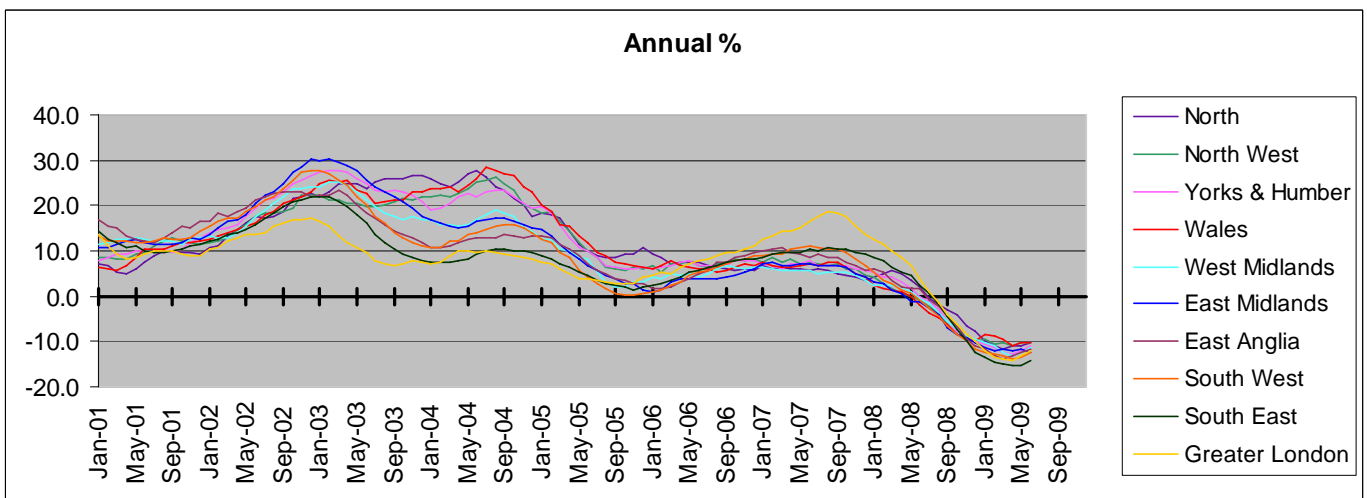
REGIONAL ANALYSIS

All regions continue to record house price falls in nominal terms as measured by the FTHPI 3 month average. The South East has witnessed the sharpest annual fall in house prices at -14.0% followed by the South West at -12.1%. 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.

It is worth noting that all of the regions on this chart are showing lesser falls than they were last month.



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

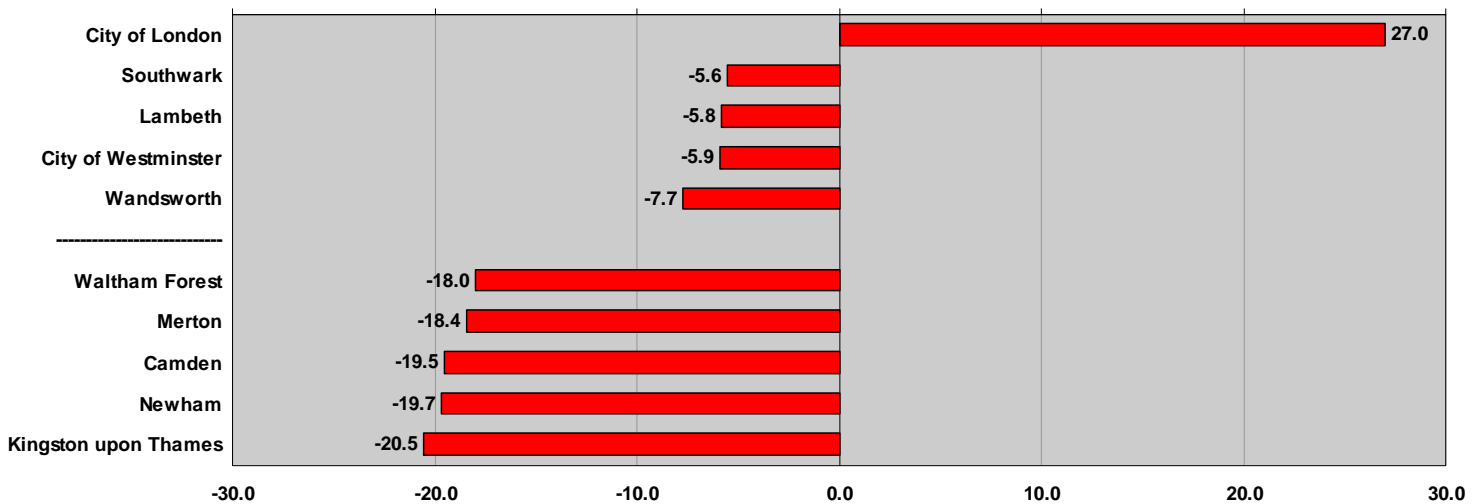
32 out of the 33 London Borough districts continue to show year on year price falls. The City of London continues to defy gravity, showing an annual increase of 27.0% in the price of flats on a three months basis, though we would caution that trends in this borough are notably volatile given the limited number of properties there.

Comparing prices between Q1 and Q2 of this year, there has been a decline in house prices, between the quarters, of -0.7% overall, with 21 boroughs showing falls. 12 boroughs showed rising prices - the highest over the two quarters being in the City of London (+19.4%), Kensington & Chelsea (+12.6%), Haringey (+5.6%), Wandsworth (+5.3%) and Brent (+4.4%). The five boroughs having the largest falls between the two quarters were Hammersmith & Fulham (-14.5%), Islington (-7.1%), Barking & Dagenham (-6.8%), Newham (-6.4%) and Merton (-6.2%).

Between Q1 and Q2 of this year there was an increase in London property transactions of almost exactly one-third, with all boroughs showing increases in sales. Over this period, the number of sales of detached and semi-detached houses increased by 45%, whilst sales of flats and maisonettes increased by 27%.

The following chart shows the % annual price change for 10 boroughs, averaged over the past three months. Five of these showed the lowest falls, with the City of London once again featuring, whilst the remaining five showed the greatest falls, with prices calculated on this basis in Kingston upon Thames still down over 20% compared with those a year ago.

**AVERAGE ANNUAL CHANGE IN HOUSE PRICES OVER LAST THREE MONTHS
LONDON BOROUGHS**



UNITARY DISTRICT AND COUNTIES ANALYSIS

All 108 counties and unitary districts in England & Wales are recording price falls on an annual basis. Three of the districts with the lowest fall in annual prices are located in Wales, with two of the districts having the highest price falls being located on the south coast of England.

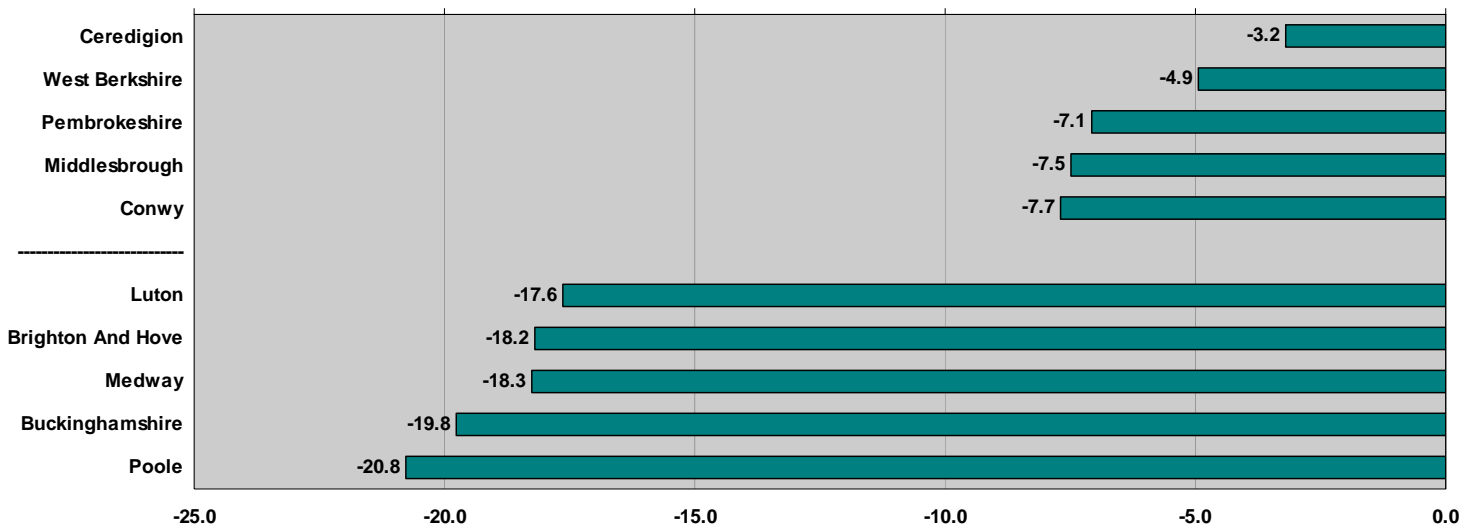
Comparing prices between Q1 and Q2 of this year, there has been a decline in house prices overall, in England and Wales, between the quarters of -1.4%, with 80 out of the 108 counties and unitary districts showing price falls. The five districts showing the highest price rises over the two quarters are Bournemouth (+8.7%), Portsmouth (+6.5%), Hartlepool (+6.2%), Ceredigion (+4.9%) and Warrington (+4.8%). The five districts having the largest falls between the two quarters are Carmarthen (-15.0%), Rutland (-12.3%), Denbigh (-7.9%), Bridgend (-7.8%) and Wrexham (-7.7%).

The fact that over these two quarters the largest increases in prices are based on the south coast of England and that four of the largest falls in prices are in Wales, which is almost the exact opposite of the trends shown in the annual data, supports the hypothesis that house prices between the regions are self-correcting over time.

In England and Wales between Q1 and Q2 of this year there has been a 40% increase in property transactions, with all unitary districts and counties showing increases in sales, except for the City of Kingston upon Hull, where sales declined by 1%. Over this period the number of sales of detached and semi-detached houses increased by 50%, whilst sales of flats and maisonettes increased by 23%.

Dorset is the one county in England and Wales showing an increase in the number of homes sold on a year on year basis from 1,413 homes sold in Q2 2008 to 1,469 homes sold in Q2 2009, although, even here, the number of flats sold in the area decreased over this period.

AVERAGE ANNUAL CHANGE IN HOUSE PRICES 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
Jul-08	£151,724	-2.5	-0.5	£162,358	-1.0	-2.1	£170,426	-1.2	-2.6	£179,666	-1.4	-1.6
Aug-08	£149,304	-1.6	-1.9	£160,452	-1.2	-3.6	£167,762	-1.6	-4.2	£177,540	-1.2	-3.6
Sep-08	£147,715	-1.1	-3.0	£158,059	-1.5	-6.1	£164,406	-2.0	-7.1	£174,911	-1.5	-5.7
Oct-08	£146,862	-0.6	-4.3	£154,671	-2.1	-8.3	£162,377	-1.2	-8.4	£172,393	-1.4	-7.4
Nov-08	£144,767	-1.4	-6.5	£153,137	-1.0	-9.1	£160,432	-1.2	-9.3	£169,435	-1.7	-8.8
Dec-08	£142,715	-1.4	-7.6	£151,619	-1.0	-9.8	£157,912	-1.6	-10.2	£167,343	-1.2	-9.4
Jan-09	£141,905	-0.6	-9.7	£152,271	0.4	-9.4	£156,088	-1.2	-11.2	£166,102	-0.7	-10.1
Feb-09	£141,826	-0.1	-10.8	£150,581	-1.1	-10.6	£155,367	-0.5	-12.1	£165,021	-0.7	-11.0
Mar-09	£141,747	-0.1	-11.8	£149,985	-0.4	-10.2	£154,680	-0.4	-11.7	£162,707	-1.4	-12.5
Apr-09	£141,640	-0.1	-11.0	£148,491	-1.0	-10.9	£153,290	-0.9	-12.0	£161,693	-0.6	-13.0
May-09	£140,162	-1.0	-11.1	£148,158	-0.2	-10.1	£152,037	-0.8	-11.7	£161,262	-0.3	-12.4
Jun-09	£139,631	-0.4	-10.3	£146,937	-0.8	-10.4	£151,034	-0.7	-12.5	£161,678	0.3	-11.2

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jul-08	£159,995	-1.1	-3.6	£162,527	-1.9	-1.3	£229,411	-1.5	-2.5	£204,835	-1.5	-0.7
Aug-08	£159,911	-0.1	-4.7	£160,807	-1.1	-3.1	£225,725	-1.6	-4.3	£203,722	-0.5	-2.1
Sep-08	£157,967	-1.2	-6.4	£158,903	-1.2	-5.4	£221,910	-1.7	-6.5	£200,066	-1.8	-4.6
Oct-08	£155,918	-1.3	-8.4	£157,357	-1.0	-7.5	£218,416	-1.6	-8.6	£196,455	-1.8	-6.7
Nov-08	£153,354	-1.6	-9.5	£154,969	-1.5	-9.1	£214,325	-1.9	-10.0	£189,178	-3.7	-9.4
Dec-08	£151,983	-0.9	-10.0	£153,591	-0.9	-10.0	£210,675	-1.7	-11.8	£186,162	-1.6	-11.1
Jan-09	£152,886	0.6	-8.4	£152,130	-1.0	-10.7	£207,096	-1.7	-12.3	£185,361	-0.4	-11.8
Feb-09	£151,929	-0.6	-8.8	£150,761	-0.9	-11.3	£205,255	-0.9	-12.6	£183,880	-0.8	-13.2
Mar-09	£150,680	-0.8	-9.4	£149,075	-1.1	-12.3	£203,437	-0.9	-13.0	£182,041	-1.0	-14.0
Apr-09	£147,670	-2.0	-11.0	£147,785	-0.9	-12.9	£203,004	-0.2	-13.7	£181,950	0.0	-13.2
May-09	£146,564	-0.7	-10.3	£148,017	0.2	-12.0	£203,467	0.2	-13.6	£183,042	0.6	-12.4
Jun-09	£145,305	-0.9	-10.2	£147,279	-0.5	-11.1	£204,364	0.4	-12.3	£183,379	0.2	-11.8

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jul-08	£268,585	-1.5	0.7	£364,864	-1.3	0.9		£224,232	-1.5	-0.6
Aug-08	£263,730	-1.8	-2.1	£360,563	-1.2	-1.7		£221,168	-1.4	-2.8
Sep-08	£259,383	-1.6	-4.4	£354,014	-1.8	-4.1		£217,575	-1.6	-5.1
Oct-08	£253,164	-2.4	-7.3	£347,254	-1.9	-6.2		£213,628	-1.8	-7.3
Nov-08	£246,559	-2.6	-9.8	£337,701	-2.8	-8.4		£209,009	-2.2	-9.2
Dec-08	£240,513	-2.5	-12.4	£332,726	-1.5	-10.0		£205,543	-1.7	-10.8
Jan-09	£238,674	-0.8	-13.5	£328,610	-1.2	-11.9		£203,837	-0.8	-11.7
Feb-09	£237,436	-0.5	-14.5	£325,204	-1.0	-13.5		£202,310	-0.7	-12.7
Mar-09	£235,373	-0.9	-15.0	£322,567	-0.8	-13.9		£200,653	-0.8	-13.2
Apr-09	£234,224	-0.5	-15.2	£321,048	-0.5	-14.2		£199,482	-0.6	-13.6
May-09	£233,499	-0.3	-15.1	£323,643	0.8	-13.1		£199,455	0.0	-13.1
Jun-09	£234,253	0.3	-14.1	£325,309	0.5	-12.0		£199,611	0.1	-12.3
Jul-09								£199,903	0.1	-10.9

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 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.
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