

## England and Wales house price trends from Acadameetrics

- **House prices in June fell by 0.3%**

The average price of all property transactions completed in England & Wales in June 2009 was 0.3% lower than in May – the lowest monthly fall since April 2008.

- **Prices are now 13.1% lower than a year ago**

On an annual basis, the average price of all completed transactions in England and Wales in June is 13.1% lower than a year ago – and together with the revised figure for May now show that on an annual basis, the fall in house prices was at its highest in April 2009 at minus 13.7%.

- **Housing Transactions are on the increase**

Although from a very low base, the traditional increase in housing transactions during the Spring did take place in 2009, despite the reported difficulties in obtaining mortgage finance. May housing transactions were up 43% over February 2009, against an average increase of 36% for the equivalent period over the last 9 years. However the overall level of housing transactions in May 2009, at approximately 40,000, is down 62% from the average 103,937 homes sold in May, for the years 2000–2008.

**Dr Peter Williams Chairman of Acadameetrics said**

“The average house price has fallen well below the £200,000 mark and at £197,802 is now back to where it was in January 2006, that is more than 3 years ago.

“The monthly % change at -0.3% is one seventh of the peak monthly fall recorded some six months ago, at -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.”

	House Price	Index	Monthly Change %	Annual Change %
<b>June 2008</b>	£227,559	231.7	-0.8	1.3
<b>December</b>	£205,557	209.3	-1.6	-10.8
<b>January 2009</b>	£203,857	207.5	-0.8	-11.7
<b>February</b>	£202,347	206.0	-0.7	-12.7
<b>March</b>	£200,666	204.3	-0.8	-13.2
<b>April</b>	£199,154	202.8	-0.8	-13.7
<b>May</b>	£198,380	202.0	-0.4	-13.5
<b>June</b>	£197,802	201.4	-0.3	-13.1

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## FURTHER COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

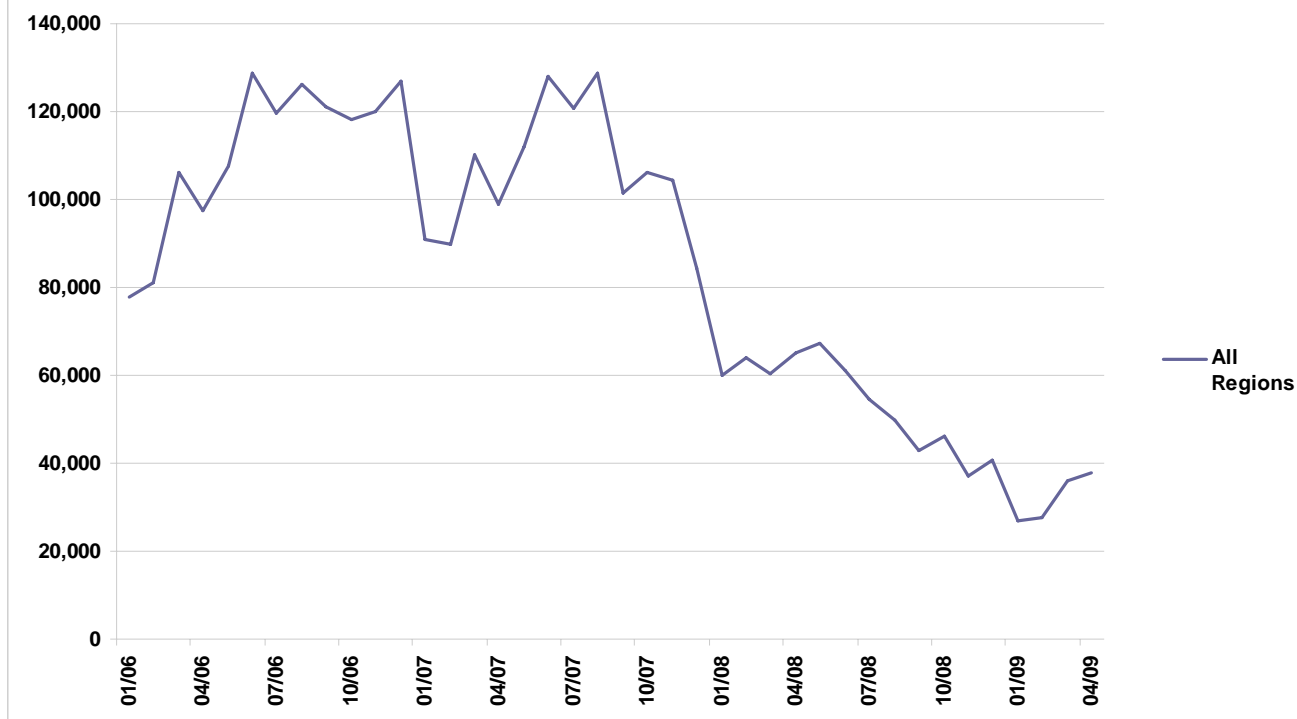
“The average price of a home in England & Wales is now £197,802, ie, down £34,000 (£34,020) since its peak in February 2008 at £231,822. In percentage terms, from the peak to the current trough this is a fall of -14.7%, and compares to the -16.4% peak to trough fall in the previous housing downturn, 1989–1992.

“This might suggest we are nearing the bottom of the trough though there are some commentators who would suggest otherwise. On the basis of the evidence, however, we can note that monthly falls over the last two months are only half that of the previous four months, and that the rate of decline in the prices achieved in completed transactions has been slowing.

“Moreover the evidence from the FTHPI is in line with other indices taking into account the different bases used and the point in the process where price is measured. The FT house price index is based on all completed sales in England and Wales. It is not based on 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 are more a reflection of the seller’s aspirations than the price achieved, with many a seller subsequently lowering the price to find a buyer. 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. They also suffer from the much reduced levels of activity.

“Overall the evidence suggests that the market is ‘bottoming out’ but the potential for further reductions remains, not least because of the acute under-supply of mortgages. Going forward this could be a serious downward pressure on the market. There is a degree of optimism in the air regarding the economy and the housing market at present. However, we know unemployment will continue to rise, that 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



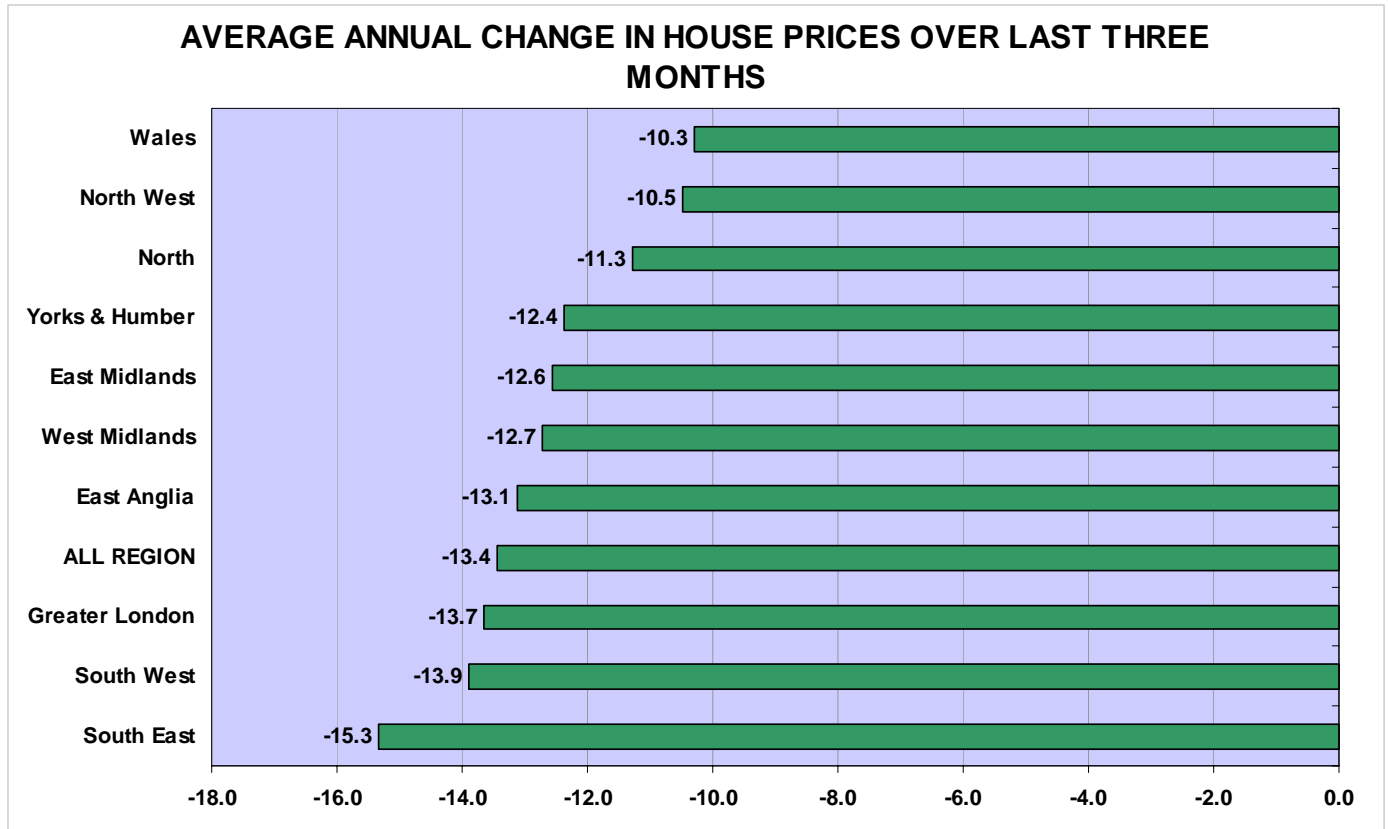
### NOTES

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](http://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

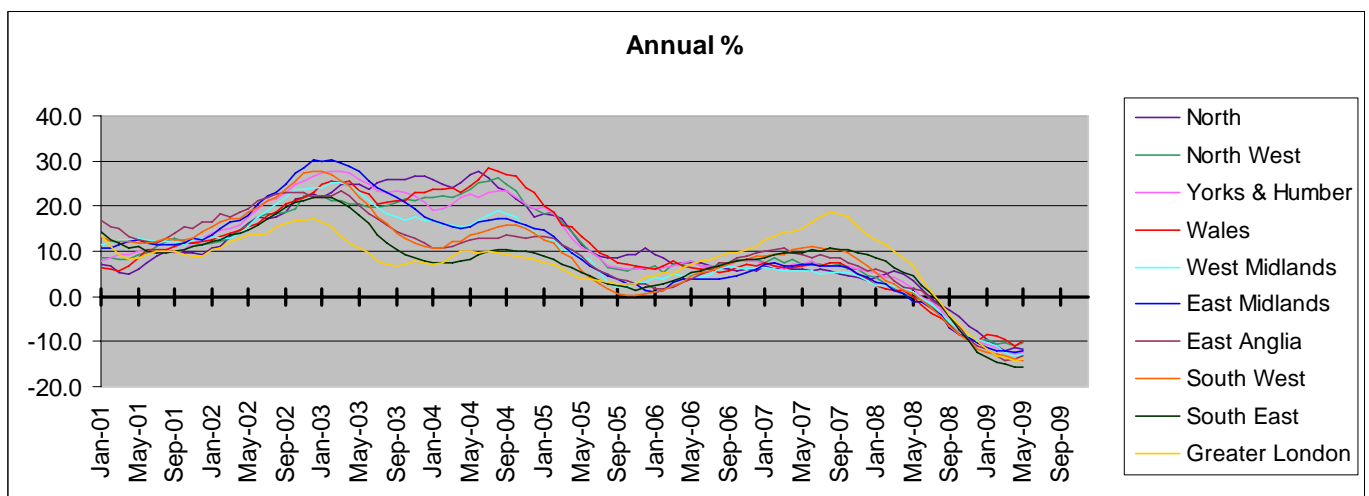
## REGIONAL ANALYSIS

All regions continue to record negative annual growth in nominal terms as measured by the FTHPI 3 month average. The South East has witnessed the sharpest annual fall in house prices at -15.3% followed by the South West at -13.9%. 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 lower increases.

It is worth noting that all but two of the regions on this chart, East Midlands and Wales, have shown an improvement over the 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 28.9% 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.

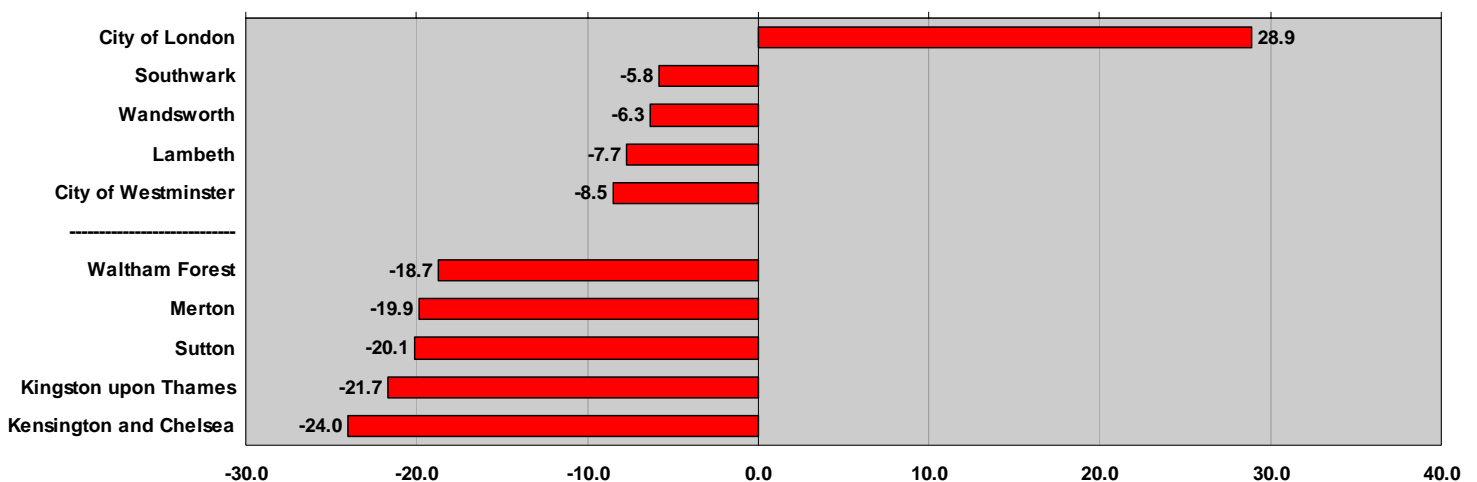
Looking back at the “Spring Bounce” in London, overall transactions increased by 12% for the period March–May 2009, compared with the previous three months Dec 2008–Feb 2009. 25 of the 33 London Boroughs showed increases in the number of homes sold over this period.

The greatest increase in transactions over the 3 month Spring period, March – May 2009, compared with the previous three months, occurred in Wandsworth (+55.7%), where annual price movements, at -6.2%, are amongst the most resilient to change. However there does not appear to be a direct correlation between increases in transaction numbers and higher house prices, as Kingston upon Thames (+39.6%) and Kensington and Chelsea (+34.5%) are ranked second and third respectively in terms of increases in property sales, but are ranked next to last and last in terms of annual price falls.

Over the Spring period, March to May, compared with the previous three months, house prices in Wandsworth increased by +6.2%, whereas in Kingston upon Thames they have fallen by -7.2%. We have therefore witnessed two ends of the spectrum; in Wandsworth we had a localised increase in demand where competition for property is resulting in house price increases, while in Kingston upon Thames we had an increase in the supply of homes being sold, but this was only achieved at a further discount in price.

The trend during the 3 month Spring period was for an increase in sales of semi-detached properties (+25%), followed by terraced properties (+22%) and detached properties (+15%). There was little change in the number of flats sold over this period (+1%), although flats sales still represented 47% of all property sales in London.

**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.

The three districts with the lowest fall in annual prices are all located in Wales, having falls of -5.1% or less. Three of the five districts with the highest fall in annual prices, of -18.2% or more, are based on the south coast of England.

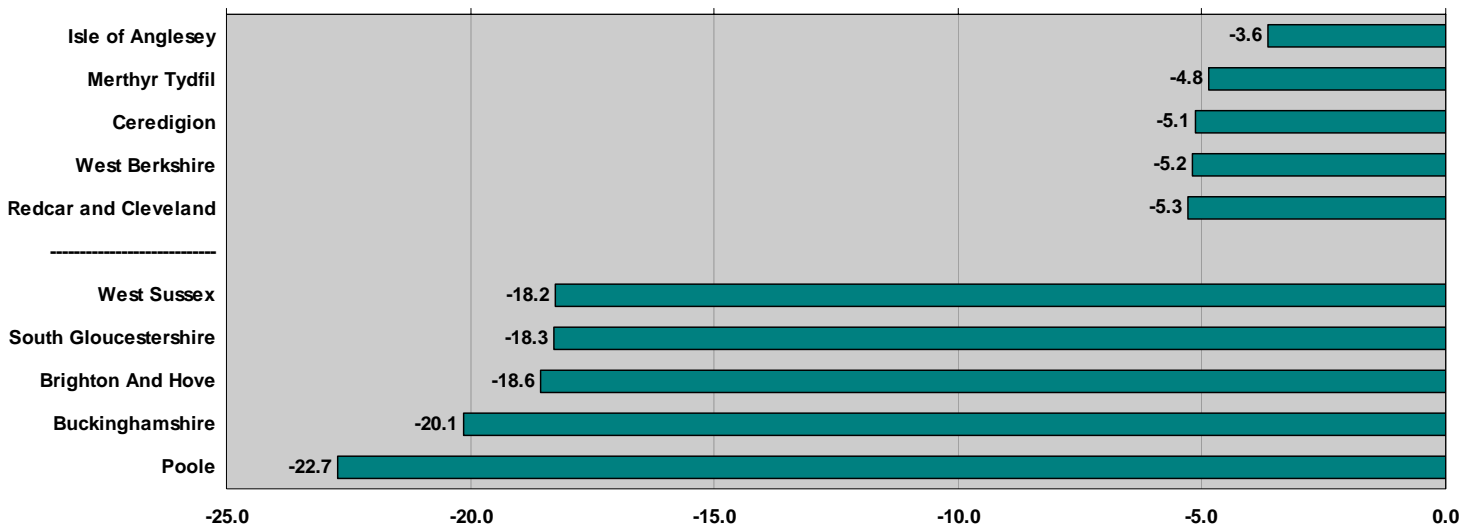
Looking back at the “Spring Bounce” in England and Wales, overall transactions have increased by 19% for the period March–May 2009, compared with the previous three months Dec 2008–Feb 2009. Only 3 districts showed negative growth in housing transactions over this period, the City of Kingston upon Hull (-20%), Slough (-8%) and Milton Keynes (-3%).

Four of the five districts having the highest increase in transactions over this period, March–May 2009, compared with the previous three months, are located in South Wales, being Bridgend (+63%), Cardiff (+59%), Blaenau Gwent (+58%) and Torfaen (+48%).

The trend during the 3 month Spring period has been an increase in sales of semi-detached properties (+27%), followed by detached properties (+25%) and terraced properties (+18%). There has been little change in the number of flats sold over this period (+2%), with flats sales representing 18% of all property sales in England and Wales.

The lack of any “Spring” increase in the sale of flats is symptomatic of the current demise in the “Buy to let” market where mortgage supply is very limited, and the difficulties faced by first time buyers in finding the required deposit currently asked by the lenders.

### 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
Jun-08	£155,626	-1.3	1.9	£163,975	-0.5	-0.8	£172,527	0.2	-1.3	£182,161	-1.1	-0.6
Jul-08	£151,688	-2.5	-0.5	£162,357	-1.0	-2.1	£170,430	-1.2	-2.6	£179,690	-1.4	-1.6
Aug-08	£149,238	-1.6	-1.9	£160,451	-1.2	-3.7	£167,779	-1.6	-4.2	£177,571	-1.2	-3.6
Sep-08	£147,685	-1.0	-3.0	£158,057	-1.5	-6.1	£164,426	-2.0	-7.1	£174,942	-1.5	-5.7
Oct-08	£146,823	-0.6	-4.3	£154,669	-2.1	-8.3	£162,368	-1.3	-8.5	£172,442	-1.4	-7.4
Nov-08	£144,758	-1.4	-6.5	£152,966	-1.1	-9.2	£160,424	-1.2	-9.3	£169,466	-1.7	-8.8
Dec-08	£142,757	-1.4	-7.6	£151,409	-1.0	-9.9	£157,929	-1.6	-10.2	£167,364	-1.2	-9.4
Jan-09	£141,968	-0.6	-9.7	£152,142	0.5	-9.5	£156,133	-1.1	-11.2	£165,871	-0.9	-10.3
Feb-09	£141,768	-0.1	-10.8	£150,527	-1.1	-10.7	£155,151	-0.6	-12.2	£164,980	-0.5	-11.0
Mar-09	£141,586	-0.1	-11.9	£149,826	-0.5	-10.3	£154,286	-0.6	-11.9	£162,668	-1.4	-12.5
Apr-09	£141,116	-0.3	-11.3	£148,208	-1.1	-11.0	£152,943	-0.9	-12.3	£161,312	-0.8	-13.2
May-09	£139,403	-1.2	-11.6	£148,082	-0.1	-10.1	£151,230	-1.1	-12.1	£160,286	-0.6	-12.9

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jun-08	£161,841	-1.0	-1.9	£165,598	-1.5	0.0	£233,007	-1.1	-0.9	£207,826	-0.6	1.5
Jul-08	£159,998	-1.1	-3.6	£162,520	-1.9	-1.3	£229,422	-1.5	-2.5	£204,822	-1.4	-0.7
Aug-08	£159,950	0.0	-4.7	£160,821	-1.0	-3.1	£225,726	-1.6	-4.3	£203,717	-0.5	-2.2
Sep-08	£157,991	-1.2	-6.4	£158,901	-1.2	-5.4	£221,905	-1.7	-6.5	£200,094	-1.8	-4.6
Oct-08	£155,992	-1.3	-8.4	£157,325	-1.0	-7.6	£218,433	-1.6	-8.6	£196,458	-1.8	-6.7
Nov-08	£153,413	-1.7	-9.4	£154,984	-1.5	-9.1	£214,303	-1.9	-10.1	£189,175	-3.7	-9.4
Dec-08	£152,187	-0.8	-9.9	£153,587	-0.9	-10.0	£210,619	-1.7	-11.8	£186,072	-1.6	-11.1
Jan-09	£153,022	0.5	-8.3	£152,212	-0.9	-10.6	£207,000	-1.7	-12.4	£185,251	-0.4	-11.9
Feb-09	£152,127	-0.6	-8.7	£150,908	-0.9	-11.2	£205,166	-0.9	-12.6	£183,707	-0.8	-13.3
Mar-09	£150,813	-0.9	-9.4	£149,161	-1.2	-12.3	£203,393	-0.9	-13.0	£181,775	-1.1	-14.1
Apr-09	£147,838	-2.0	-10.9	£147,778	-0.9	-12.9	£202,757	-0.3	-13.8	£180,859	-0.5	-13.8
May-09	£147,009	-0.6	-10.0	£147,342	-0.3	-12.4	£201,803	-0.5	-14.3	£181,679	0.5	-13.1

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jun-08	£272,833	-0.9	2.5	£369,814	-0.7	3.9		£227,559	-0.8	1.3
Jul-08	£268,607	-1.5	0.7	£364,884	-1.3	0.9		£224,241	-1.5	-0.6
Aug-08	£263,755	-1.8	-2.1	£360,600	-1.2	-1.7		£221,182	-1.4	-2.8
Sep-08	£259,371	-1.7	-4.4	£354,120	-1.8	-4.1		£217,590	-1.6	-5.1
Oct-08	£253,176	-2.4	-7.3	£347,400	-1.9	-6.2		£213,654	-1.8	-7.3
Nov-08	£246,514	-2.6	-9.9	£337,824	-2.8	-8.4		£208,998	-2.2	-9.2
Dec-08	£240,510	-2.4	-12.4	£332,983	-1.4	-9.9		£205,557	-1.6	-10.8
Jan-09	£238,701	-0.8	-13.5	£328,939	-1.2	-11.8		£203,857	-0.8	-11.7
Feb-09	£237,192	-0.6	-14.6	£326,120	-0.9	-13.2		£202,347	-0.7	-12.7
Mar-09	£235,172	-0.9	-15.0	£323,531	-0.8	-13.6		£200,666	-0.8	-13.2
Apr-09	£233,474	-0.7	-15.5	£321,351	-0.7	-14.1		£199,154	-0.8	-13.7
May-09	£232,233	-0.5	-15.6	£321,371	0.0	-13.7		£198,380	-0.4	-13.5
Jun-09								£197,802	-0.3	-13.1

also see [www.ft.com/houseprices](http://www.ft.com/houseprices)

[www.acadmetrics.co.uk](http://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.  
[information@acadametrics.co.uk](mailto:information@acadametrics.co.uk)