

## England and Wales house price trends from Acadameetrics

- **House prices in May fell by 0.7%**

The average price of all property transactions completed in England & Wales in May 2009 was 0.7% lower than in April. This is the fifteenth consecutive month in which prices have fallen, but it is also the fifth month in succession where the rate of decline has been below 1.0%.

- **Prices are now 14.1% lower than a year ago**

On an annual basis, the average price of all completed transactions in England and Wales is now 14.1% lower than a year ago. All ten regions in England and Wales are showing prices falling on an **annual** and **monthly** basis.

- **London has fallen into line**

London's prices have been falling rapidly in recent months and the annual fall in May is only exceeded by the South West, East Anglia and the South East.

### Dr Peter Williams Chairman of Acadameetrics said

“The average house price has fallen well below the £200,000 mark and at £197,145 is now back to where it was in December 2005, that is more than 3 years ago.

“However at -0.7% the rate of decline is a third 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.”

	House Price	Index	Monthly Change %	Annual Change %
<b>May 2008</b>	£229,425	233.6	-0.6	3.0
<b>November</b>	£208,953	212.7	-2.2	-9.2
<b>December</b>	£205,533	209.3	-1.6	-10.8
<b>January 2009</b>	£203,727	207.4	-0.9	-11.8
<b>February</b>	£202,224	205.9	-0.7	-12.8
<b>March</b>	£200,484	204.1	-0.9	-13.3
<b>April</b>	£198,619	202.2	-0.9	-13.9
<b>May</b>	£197,145	200.7	-0.7	-14.1

#### PRESS CONTACTS:

Peter Williams  
David Thorpe  
John Tindale

020 8390 5872 or 07718 120858  
020 8392 9082 or 07764 236781

[peter.williams@acadametrics.co.uk](mailto:peter.williams@acadametrics.co.uk)  
[david.thorpe@acadametrics.co.uk](mailto:david.thorpe@acadametrics.co.uk)  
[john.tindale@acadametrics.co.uk](mailto:john.tindale@acadametrics.co.uk)

## FURTHER COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

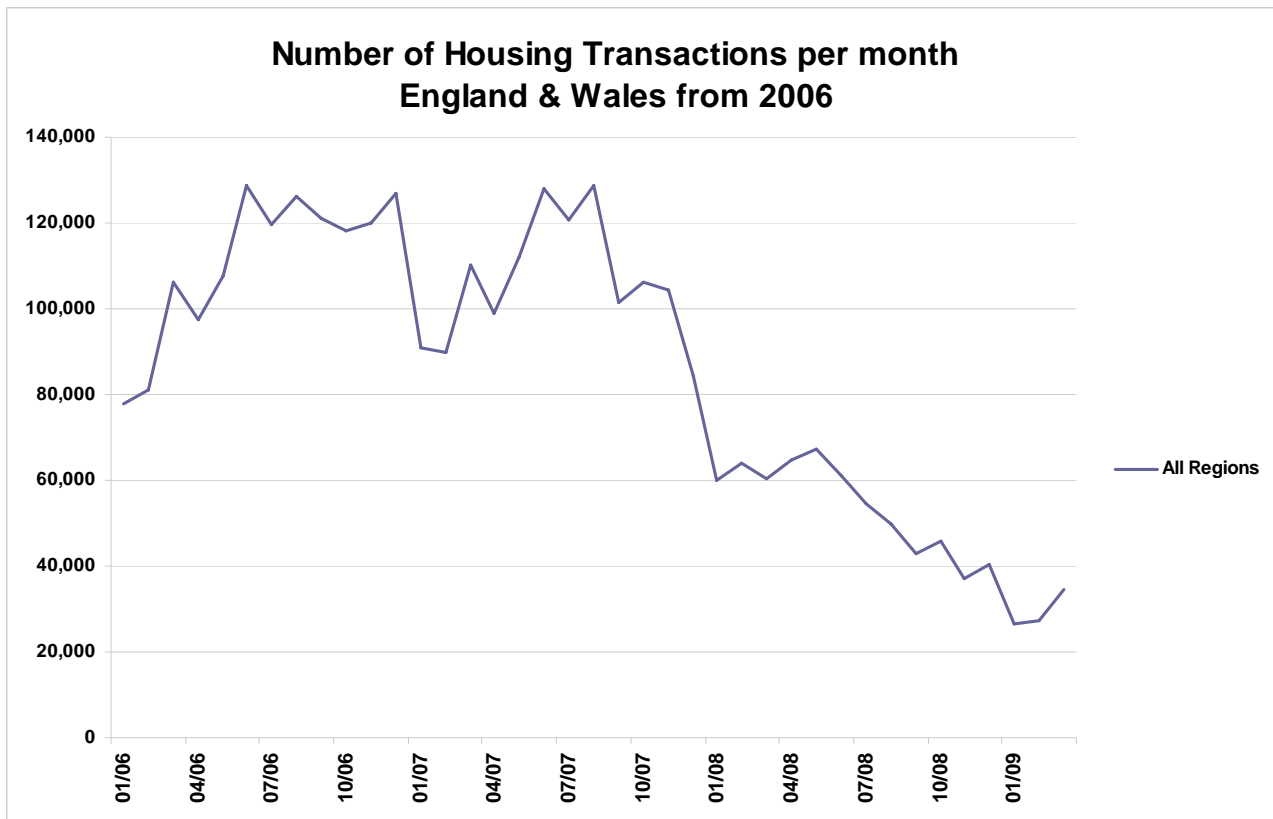
“The average price of a home in England & Wales is now £197,145, ie, down £35,000 (£34,684) since its peak in February 2008 at £231,829.

“On a three month rolling basis, where we take the average figures over a three month period, the monthly fall over the last three months has consistently been showing -0.8% on a completions basis.

“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 the point where the actual sales price is recorded by the Land Registry at the date of completion. 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.

“Overall the evidence suggests that the market is moving closer to ‘bottoming out’ but this could still take some months and the potential for relapses remains. It does begin to suggest that some of the more dire predictions for the market have been unduly gloomy. There is currently more positive news regarding the economy as a whole, and since housing tends to lead the recovery this does provide grounds for limited optimism. Transactions are up, and though mortgage supply remains an issue even here there are some indications of improvement (mortgage approvals are up and there has been some easing in terms of product availability along with increasing consumer confidence).

“Reaching beyond the immediacy of monthly changes, it has been instructive to look at price movements by region over the last 5 years (Q1 2004 to Q1 2009 – see page 7). Despite the recent falls all regions show growth with the North of England doing the best of all at 26.7% and demonstrating a modest degree of re-balancing between north and south.”

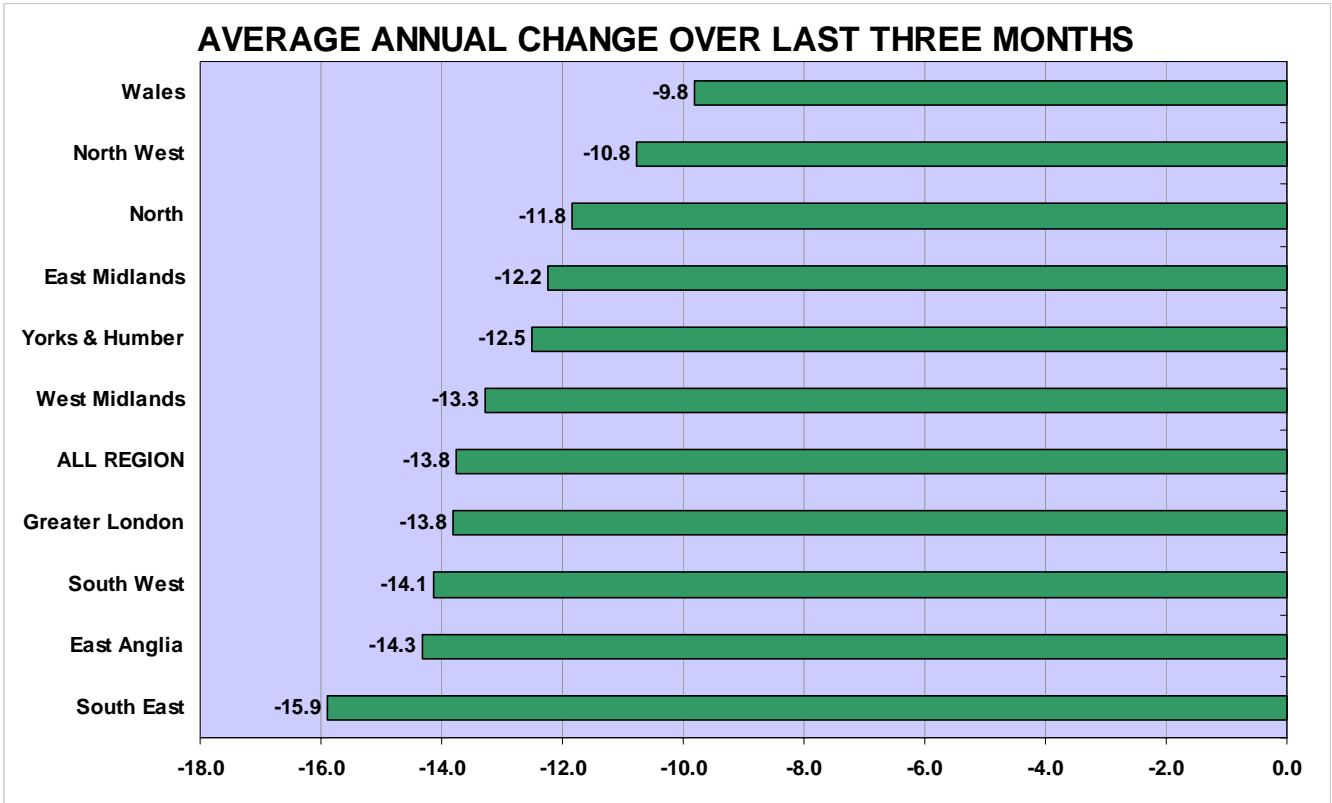


#### NOTES

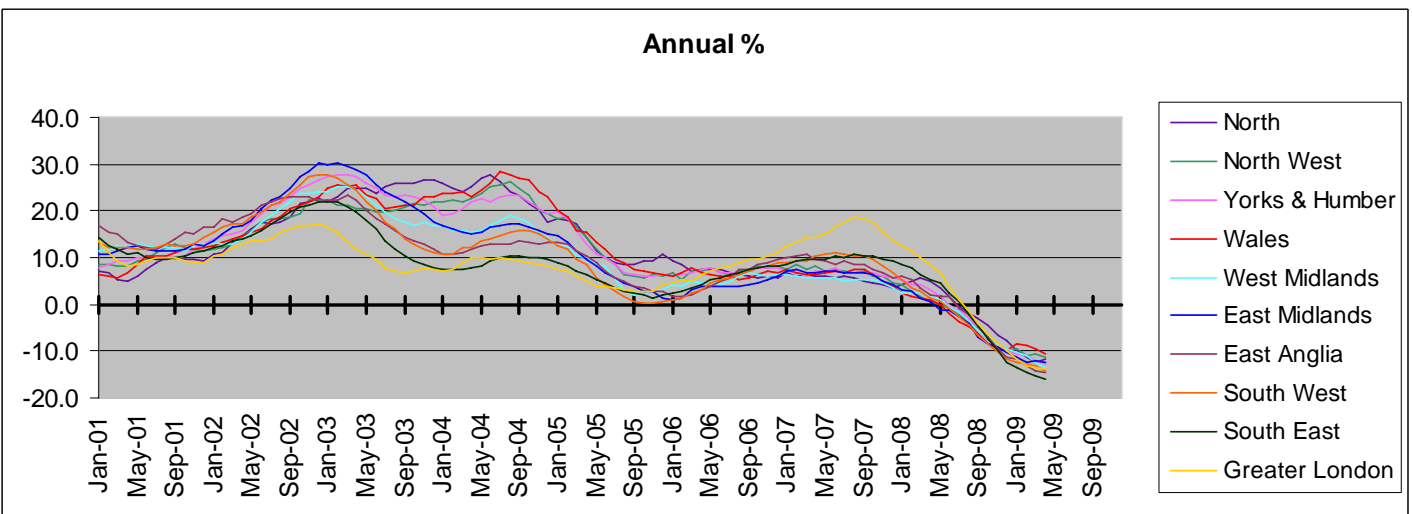
1. FTHPI is the only house price index to use:
  - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
  - the price of **every** single 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 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 in house prices at -15.9% followed by East Anglia at -14.3%. Only three of the regions on this chart, the North West, North and East Midlands 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 are showing year on year price falls.

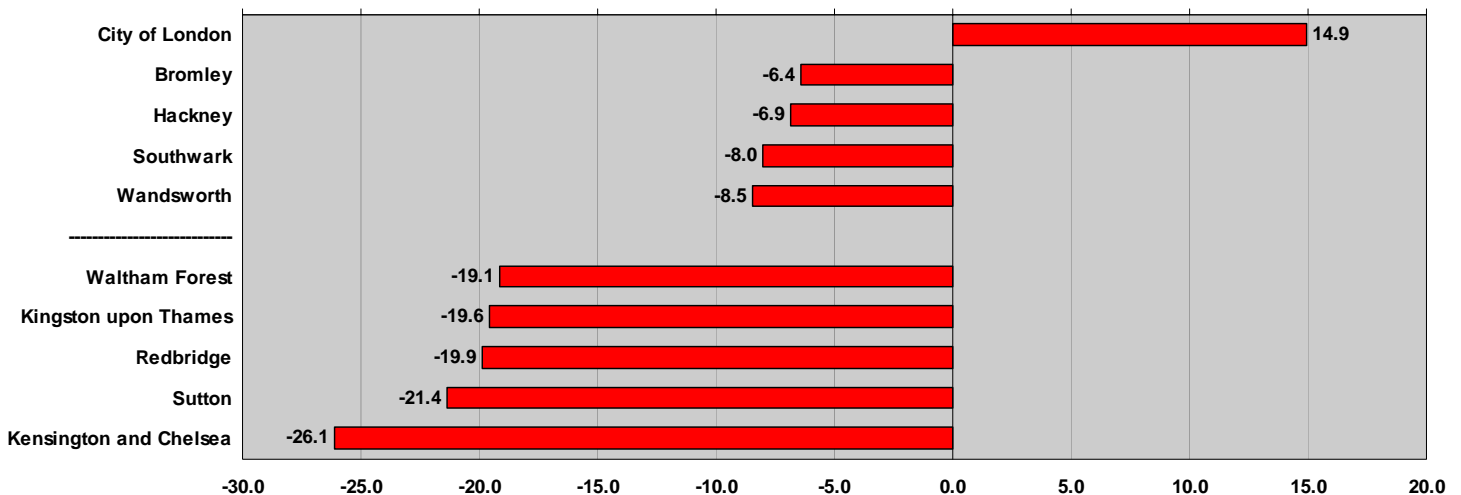
The City of London continues to defy gravity, showing an annual increase of 14.9% in the price of flats on a three months basis, though we would caution that trends in this borough are notably volatile given the limited number of properties there.

Bromley has moved from third to second place in the league table, showing a fall of -6.4%, assisted by a 1.1% increase in the average price of detached houses, achieved over the year.

The largest annual fall in prices on a three monthly average basis is that of Kensington and Chelsea, where average house prices have fallen by -26.1%, which continues the trend identified last month of an annual decline of -25.0%. Despite this fall, the Royal Borough remains the most expensive area in the country in which to purchase a property, with a weighted average price of £864,162.

Overall the number of housing transactions in the London Boroughs are down -60% from Q1 2008 to Q1 2009. The boroughs having the smallest decline in property sales are Kensington and Chelsea (-39%), City of Westminster (-47%), Camden (-49%), Sutton (-49%) and Islington (-50%). The boroughs having the highest decline in property sales are Lambeth (-72.0%), Brent (-73%), Newham (-78%) and Barking and Dagenham (-78%).

**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.

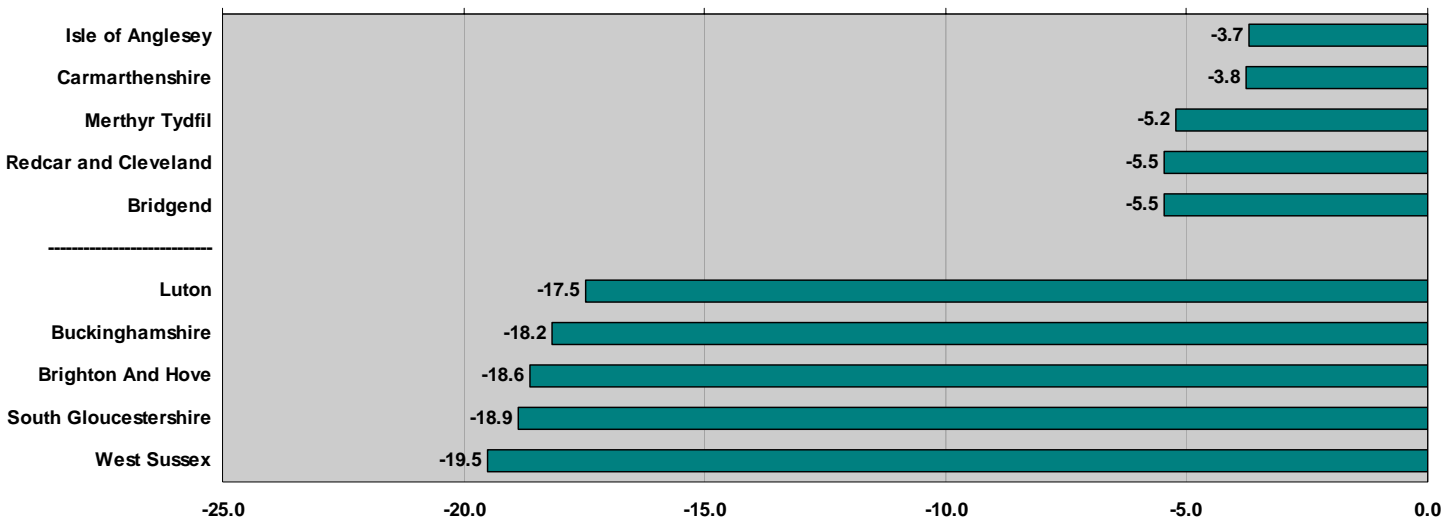
Four out of the five districts showing the least decline in prices are located in Wales. Wales was one of the first regions to experience negative annual growth in house prices some twelve months ago. There is therefore the possibility that Wales will be one of the first regions to reach the bottom of the trough. The performance of the Isle of Anglesey has been enhanced by a 6.2% increase in the average price of detached houses over the past year to £223,312, but we should caution that this figure is based on a very small number of transactions.

The largest percentage annual fall in house prices on a three monthly basis was recorded in West Sussex, where the average house price has fallen from £280,072 to £225,422, down by -19.5%. The most significant decline in prices in West Sussex has been in the average price of detached houses, down from £448,652 to £345,372 over the period.

In England and Wales the number of housing transactions has declined by -52% from Q1 2008 to Q1 2009. The districts having the smallest decline in property sales are Herefordshire (-23%), Dorset (-33%), South Gloucestershire (-34%), Cambridgeshire (-36%) and Monmouthshire (-37%). The districts having the highest decline in property sales are Torfaen (-61%), Slough (-64%), Halton (-64%), Luton (-65%) and Thurrock (-72%).

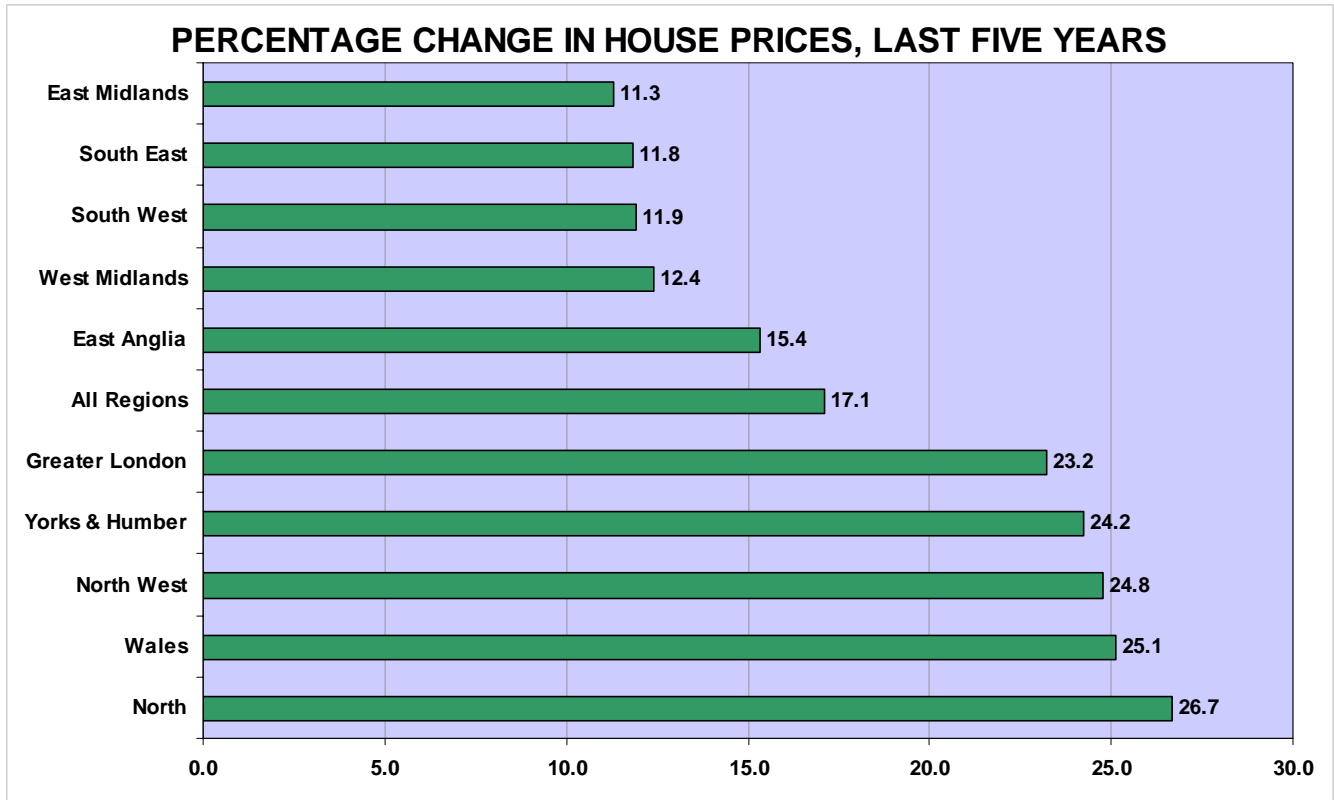
The fall in the number of property transactions in England and Wales from Q1 2008 to Q1 2009 differs by property type. The lowest fall in transaction numbers is that of detached houses (-43%), followed by semi-detached houses (-48%), terraces (-54%) and finally flats/maisonettes (-60%).

**AVERAGE ANNUAL CHANGE IN HOUSE PRICES OVER LAST THREE MONTHS - COUNTIES**



## FIVE YEAR HOUSE PRICE ANALYSIS

The various commentaries on House Price Indices tend to concentrate on annual and monthly price changes. We therefore believe it is instructive to look at how house prices have moved over the last five years. The following graph shows the change in average house prices, by region, from Q1 2004 to Q1 2009.

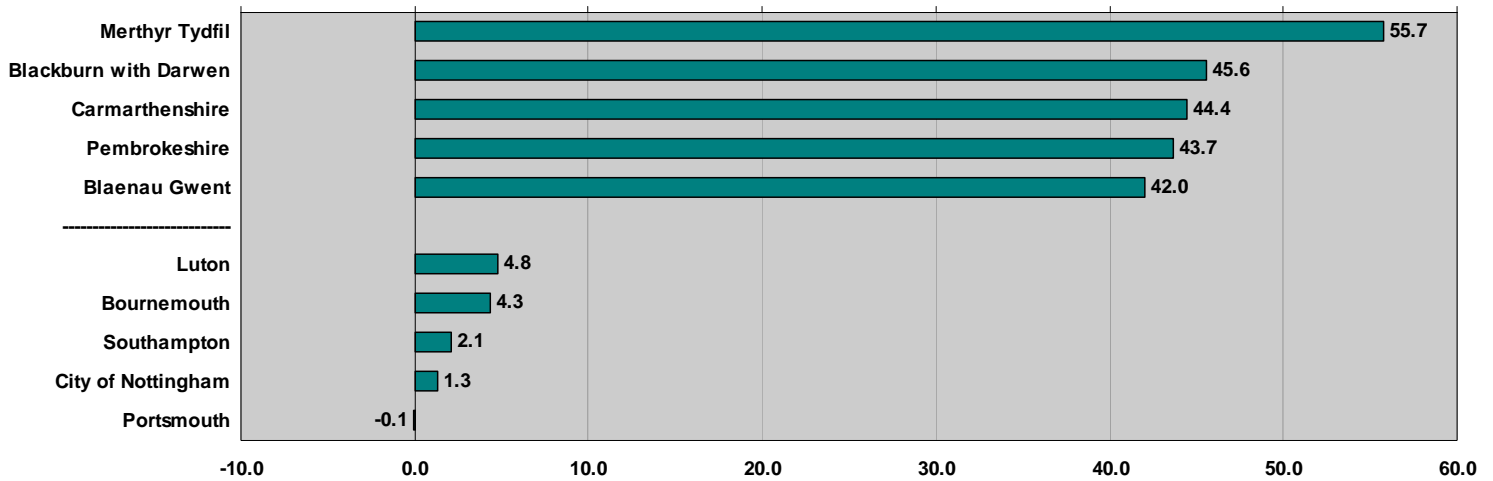


All regions show growth over the five year period, with the highest growth in prices experienced in the northern regions of England and in Wales. The house prices are expressed in monetary terms and are not adjusted for inflation. Over the same time period RPI has increased by 14.7%, and the FTSE 100 (end period dates) has fallen by -10.5%, although the latter Index has now recovered to +0.7% at the end of May 2009.

So, on a 5 year time span, and with the benefit of hindsight, investing in bricks and mortar, particularly in the north of England would have outperformed the purchase of a tracker fund in the UK equity markets. We should perhaps add the standard caveat that past history is no guarantee of future performance.

Over the same time period the winners and losers in England and Wales were:

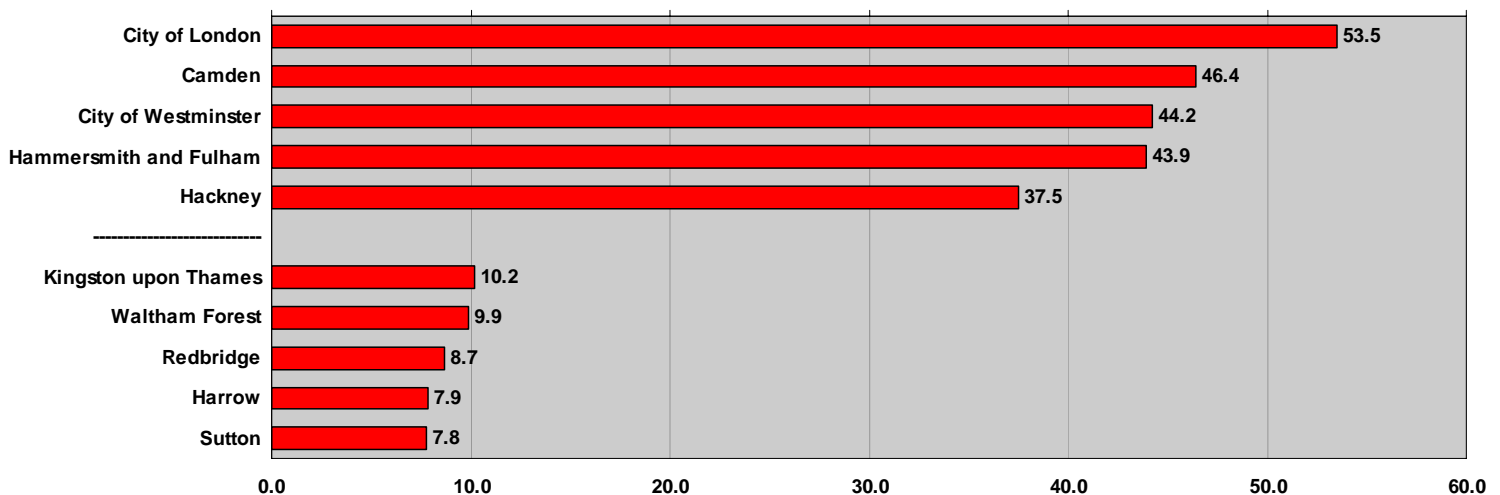
### CHANGE IN AVERAGE HOUSE PRICES OVER LAST FIVE YEARS - COUNTIES



Four of the five districts recording the largest increase in house prices over the five year period are in Wales. Three of the five districts recording the smallest increase in house prices over the five year period are urban conurbations on the South Coast of England.

Of the London Districts the winners and losers in the five year period were:

### CHANGE IN AVERAGE HOUSE PRICES OVER LAST FIVE YEARS - LONDON BOROUGHS



Of the London Boroughs the highest increase in prices over the last five years has been experienced in the City of London, although we should advise that the number of actual transactions taking place in this area is low. The second highest increase in prices has taken place in Camden. All five of the top five districts are located in the Inner London area. The lowest price increases in London have been experienced in Harrow and Sutton, with all five of the bottom five districts being Outer London boroughs.



## 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
May-08	£157,562	-0.9	3.6	£164,756	-1.1	-0.3	£172,104	-1.2	-1.2	£184,119	-0.9	0.9
Jun-08	£155,513	-1.3	1.8	£163,970	-0.5	-0.8	£172,534	0.3	-1.3	£182,166	-1.1	-0.6
Jul-08	£151,624	-2.5	-0.5	£162,351	-1.0	-2.1	£170,421	-1.2	-2.6	£179,717	-1.3	-1.6
Aug-08	£149,266	-1.6	-1.9	£160,432	-1.2	-3.7	£167,777	-1.6	-4.2	£177,616	-1.2	-3.6
Sep-08	£147,700	-1.0	-3.0	£158,058	-1.5	-6.1	£164,387	-2.0	-7.1	£174,987	-1.5	-5.6
Oct-08	£146,818	-0.6	-4.3	£154,647	-2.2	-8.3	£162,350	-1.2	-8.5	£172,444	-1.5	-7.4
Nov-08	£144,634	-1.5	-6.6	£152,951	-1.1	-9.2	£160,430	-1.2	-9.3	£169,444	-1.7	-8.8
Dec-08	£142,720	-1.3	-7.6	£151,309	-1.1	-10.0	£157,889	-1.6	-10.2	£167,286	-1.3	-9.4
Jan-09	£141,660	-0.7	-9.9	£151,887	0.4	-9.6	£156,122	-1.1	-11.2	£165,710	-0.9	-10.4
Feb-09	£141,259	-0.3	-11.2	£150,297	-1.0	-10.8	£154,897	-0.8	-12.3	£164,862	-0.5	-11.1
Mar-09	£140,839	-0.3	-12.4	£149,363	-0.6	-10.6	£153,844	-0.7	-12.1	£162,804	-1.2	-12.5
Apr-09	£140,705	-0.1	-11.5	£147,813	-1.0	-11.3	£152,672	-0.8	-12.4	£160,674	-1.3	-13.5

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
May-08	£163,442	-1.5	-0.2	£168,129	-0.9	1.7	£235,522	0.1	0.6	£209,098	-0.3	1.6
Jun-08	£161,865	-1.0	-1.9	£165,586	-1.5	0.0	£232,988	-1.1	-0.9	£207,894	-0.6	1.5
Jul-08	£160,023	-1.1	-3.6	£162,523	-1.9	-1.3	£229,411	-1.5	-2.5	£204,852	-1.5	-0.7
Aug-08	£159,987	0.0	-4.7	£160,819	-1.0	-3.1	£225,773	-1.6	-4.3	£203,683	-0.6	-2.2
Sep-08	£158,023	-1.2	-6.4	£158,873	-1.2	-5.4	£221,894	-1.7	-6.5	£199,781	-1.9	-4.8
Oct-08	£156,005	-1.3	-8.4	£157,301	-1.0	-7.6	£218,402	-1.6	-8.6	£196,142	-1.8	-6.8
Nov-08	£153,391	-1.7	-9.5	£155,012	-1.5	-9.1	£214,227	-1.9	-10.1	£188,735	-3.8	-9.6
Dec-08	£152,081	-0.9	-9.9	£153,558	-0.9	-10.1	£210,568	-1.7	-11.8	£185,902	-1.5	-11.2
Jan-09	£152,787	0.5	-8.4	£152,124	-0.9	-10.7	£207,079	-1.7	-12.3	£185,253	-0.3	-11.9
Feb-09	£152,030	-0.5	-8.8	£151,038	-0.7	-11.1	£205,198	-0.9	-12.6	£183,838	-0.8	-13.2
Mar-09	£150,782	-0.8	-9.4	£149,353	-1.1	-12.2	£203,391	-0.9	-13.0	£181,719	-1.2	-14.1
Apr-09	£148,400	-1.6	-10.5	£147,915	-1.0	-12.8	£201,865	-0.8	-14.2	£179,404	-1.3	-14.5

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
May-08	£275,207	-0.4	4.5	£372,439	-0.4	6.7		£229,425	-0.6	3.0
Jun-08	£272,840	-0.9	2.5	£369,837	-0.7	3.9		£227,559	-0.8	1.3
Jul-08	£268,624	-1.5	0.7	£364,813	-1.4	0.9		£224,235	-1.5	-0.6
Aug-08	£263,661	-1.8	-2.1	£360,566	-1.2	-1.7		£221,164	-1.4	-2.8
Sep-08	£259,268	-1.7	-4.4	£354,184	-1.8	-4.1		£217,560	-1.6	-5.1
Oct-08	£252,994	-2.4	-7.4	£347,556	-1.9	-6.2		£213,609	-1.8	-7.3
Nov-08	£246,388	-2.6	-9.9	£337,986	-2.8	-8.3		£208,953	-2.2	-9.2
Dec-08	£240,427	-2.4	-12.5	£333,285	-1.4	-9.8		£205,533	-1.6	-10.8
Jan-09	£238,504	-0.8	-13.6	£328,851	-1.3	-11.8		£203,727	-0.9	-11.8
Feb-09	£236,815	-0.7	-14.7	£326,379	-0.8	-13.2		£202,224	-0.7	-12.8
Mar-09	£234,765	-0.9	-15.2	£323,665	-0.8	-13.6		£200,484	-0.9	-13.3
Apr-09	£232,129	-1.1	-16.0	£321,698	-0.6	-14.0		£198,619	-0.9	-13.9
May-09								£197,145	-0.7	-14.1

## 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.