

England and Wales house price trends from Acadametrics

- **House prices in November rose by 0.9%**

The average price of all residential property transactions completed in England & Wales in November 2009 was 0.9% higher than in October. This is the seventh month in succession in which FTHPI has shown a monthly increase in house prices.

- **Prices are now 1.4% higher than a year ago**

On an annual basis, the average price of all residential property transactions in England & Wales in November is 1.4% higher than a year ago. This is the first month since June 2008 in which the annual rate of change in house prices has moved into positive territory.

- **October housing transactions are at a high for the year**

The number of houses sold in England and Wales will total 65,000 in October. This will be the highest level of monthly sales since May 2008.

Dr Peter Williams, Chairman of Acadametrics said

“The average price of a home has continued to rise and, at £212,018, is back to where it was in November 2006, three years ago. The current monthly house price increase of 0.9% is the seventh in succession, suggesting the recovery is now well entrenched. However, as we go on to show, there are strong regional variations in this recovery and considerable uncertainty as to continuation of this trend in 2010.”

		House Price	Index	Monthly Change %	Annual Change %
November	2008	£208,992	212.8	-2.2	-9.2
May	2009	£200,759	204.4	0.4	-12.5
June		£202,447	206.1	0.8	-11.0
July		£203,918	207.6	0.7	-9.1
August		£205,987	209.7	1.0	-6.9
September		£208,136	211.9	1.0	-4.3
October		£210,122	213.9	1.0	-1.6
November		£212,018	215.9	0.9	1.4

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FURTHER COMMENTARY BY DR PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments:

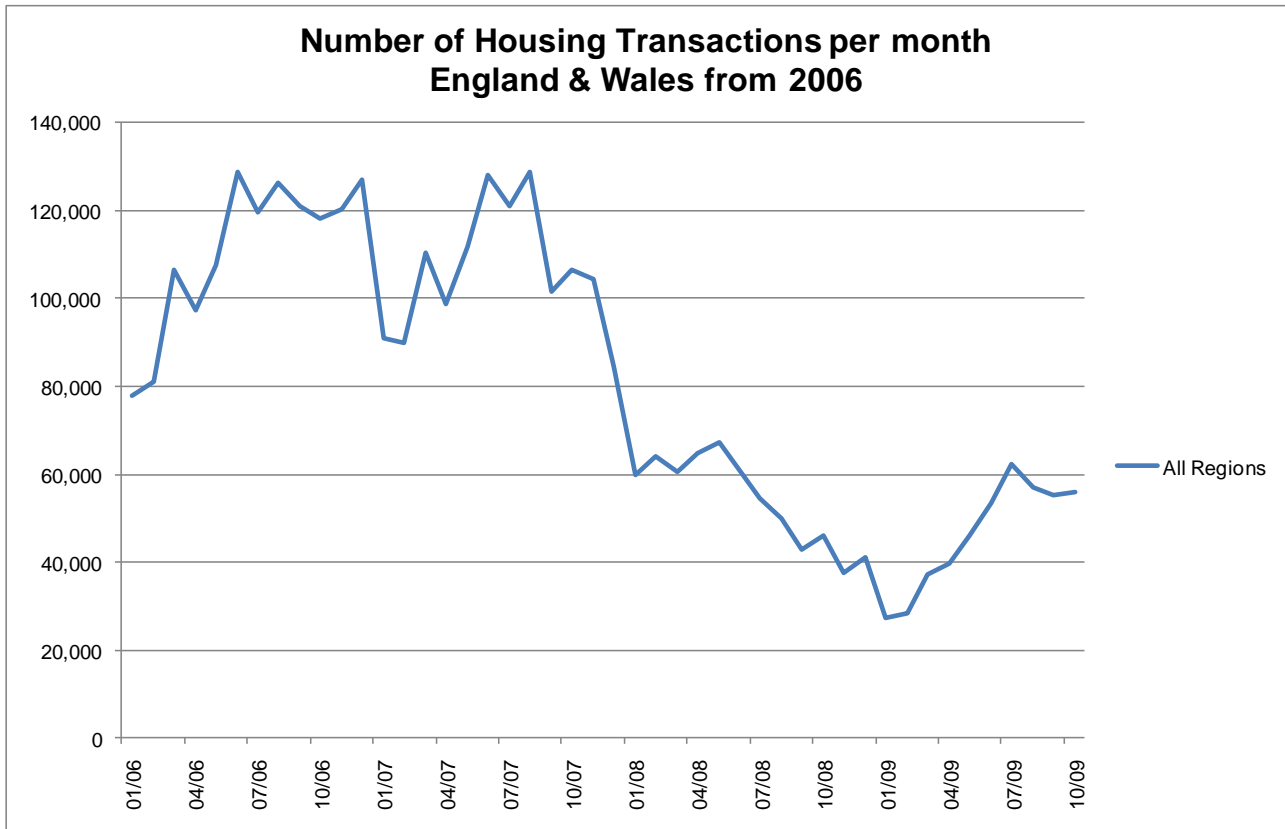
“The average price of a home in England & Wales is now £212,018. At this level, it is still down £19,792 from its peak in February 2008 of £231,810, but clearly prices have stabilised and the index is showing a modest 1.4% annual increase. This is very much in line with other indices whilst recognising that FTHPI covers all transactions, not merely mortgaged sales, but is only for England and Wales. The fact that there remain strong regional variations does mean that household experience will vary considerably although prices in all regions are currently moving in the same direction - upwards.

“There is a slight hint that, at 0.9% compared to 1% in the previous month, price increases might be moderating but it is too early to say so with any confidence. Indeed, as we show below, price trends are beginning to flow through into transaction numbers. This suggests that, on a selective basis, confidence is beginning to return to the market and to those wishing to sell. However, total gross mortgage lending for 2009 will be around £140 billion, compared to £360 billion at the peak in 2007, giving a clear sense of how constrained mortgage supply now is. With modest increases in lending by existing active UK lenders and by new entrants to the market it is possible that lending in 2010 might reach £160 billion - still a long way short of any ‘normally’ funded mortgage market. This shortfall, plus continued uncertainty regarding unemployment and general economic recovery, forces us to take a cautious view of price trends in 2010.”

HOUSING TRANSACTIONS

“Overall, the number of housing transactions in England and Wales has increased by 4% over the last three months (August–October 2009) compared with the previous three months. However this single statistic hides two distinct underlying trends. The first trend is of a North/South/London divide in the increase in the number of houses sold. In the Northern regions and Wales there has been an average decline of 2% whereas, in the Midlands and Southern regions excluding London, there has been an increase of 5% in the number of properties sold. However, in London itself, there has been an increase of 14% in the number of properties sold, compared with the previous three months.

“The second trend is one of a continuing decline for the sale of flats which showed a fall of 3% in transaction numbers over the last three months, compared with the previous three months. By contrast, over the same time period, the number of semi-detached and terraced houses sold increased by 3% whilst the number of detached properties sold increased by 10%. Flats would, therefore, appear 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.”

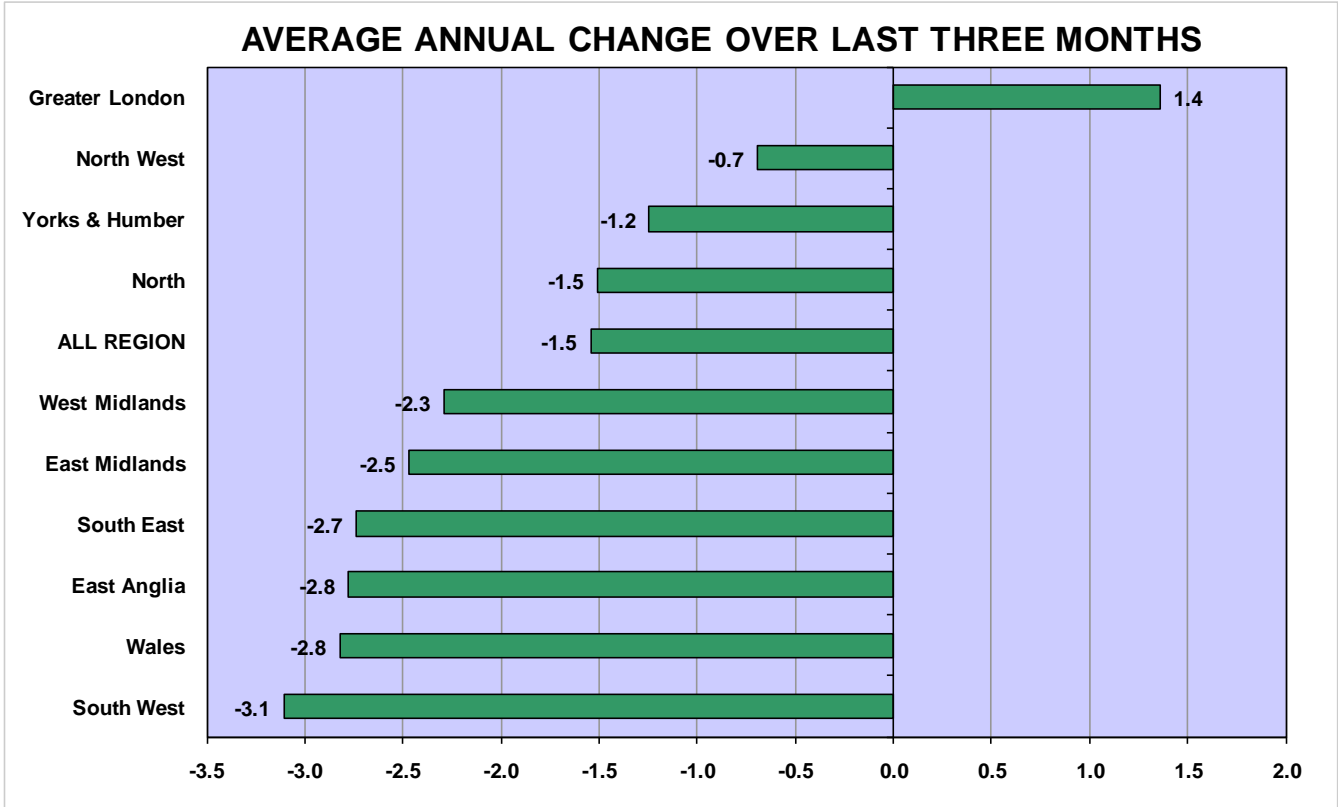


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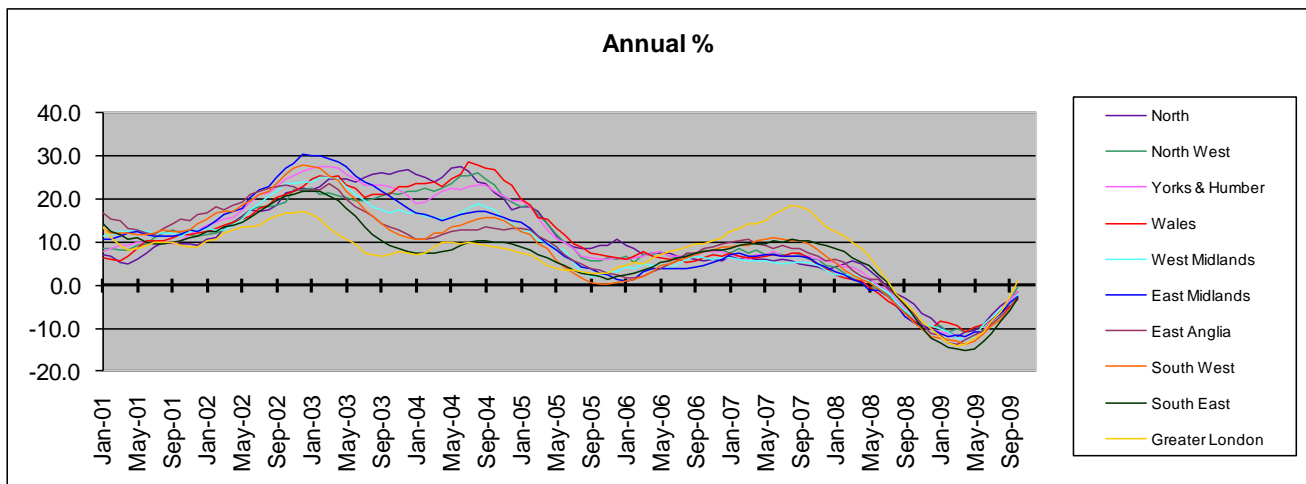
1. FTHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single relevant transaction, as opposed to prices based upon samples
 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

Greater London is the first region to emerge from the house price recession with the remaining regions continuing to show annual house price falls in nominal terms, as measured by the FTHPI three month average, although the scale of the falls is diminishing. The South West has witnessed the sharpest annual fall in house prices at -3.1%, followed by Wales at -2.8%. As in previous cycles, 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. Paradoxically, as noted above, Greater London shows the greatest sign of recovery, but this reflects the continuing demand and supply pressures in the capital along with the fact that London is part of an international housing market as is evident by the number of overseas buyers.



ANNUAL CHANGE BY REGION

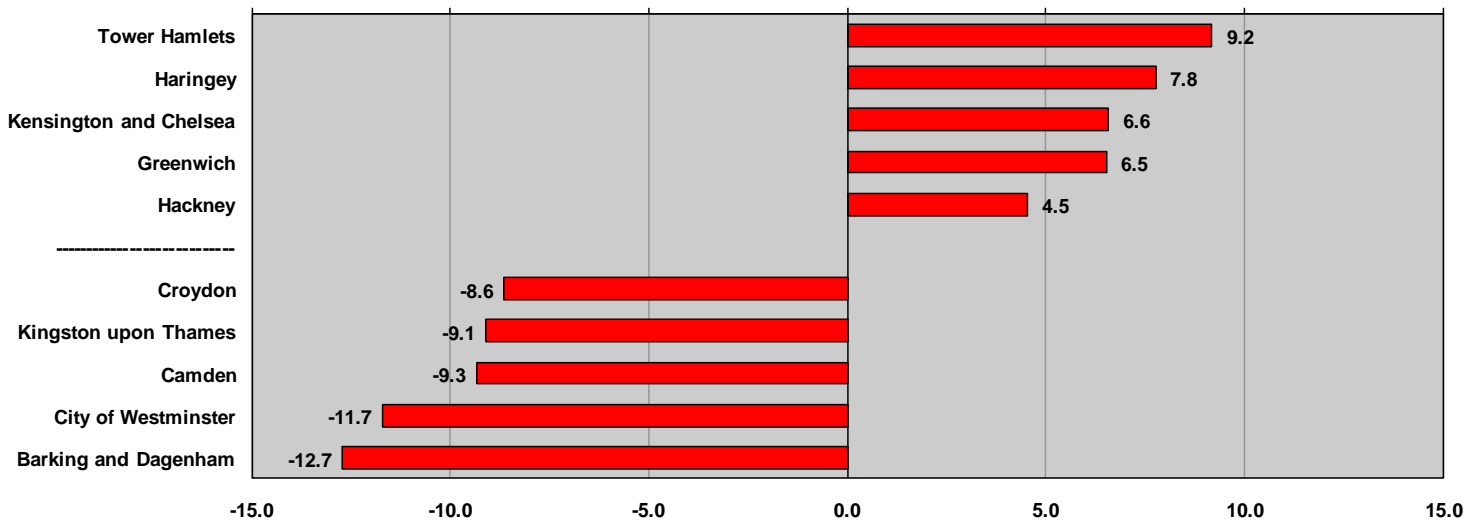


Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 3 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts 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 eleven of the thirty-three London Boroughs are now recording annual price increases, this compares with a figure of six London Boroughs showing annual price increases last month.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS



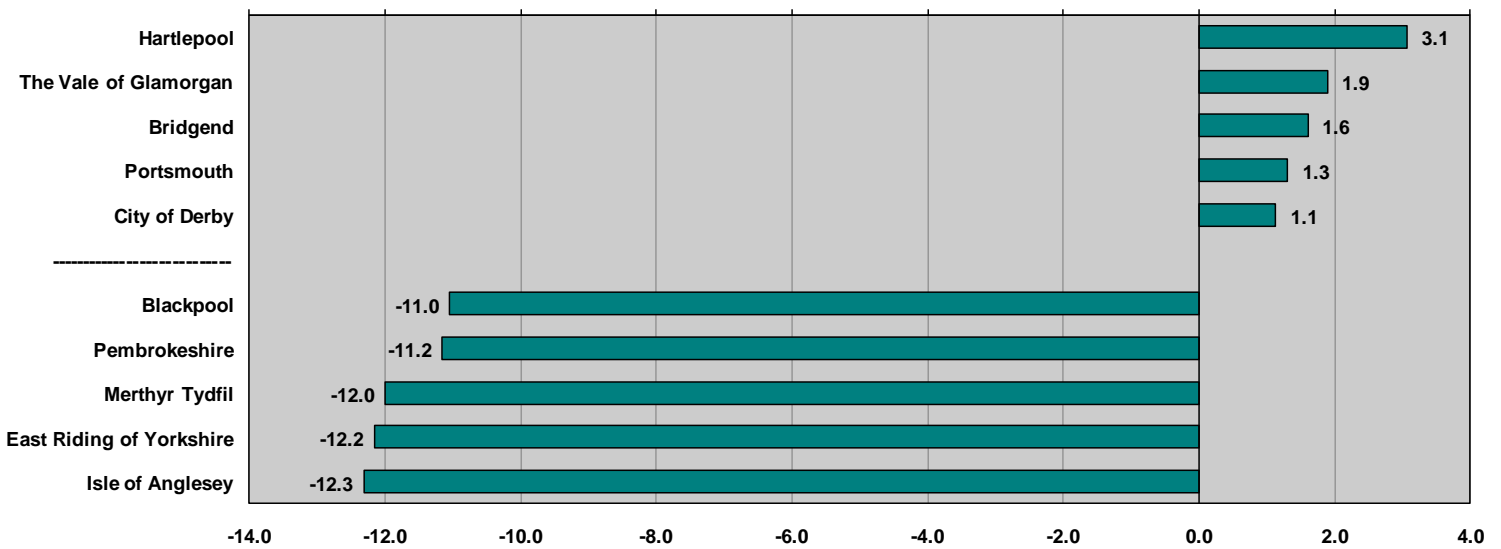
Turning to London transactions and comparing the **last three months** (August 09–October 09) with the **three previous months**, 29 of the 33 London boroughs are witnessing increases in sales volumes, with the average increase being 14% (last month's figure was 38%). The number of detached properties sold has increased by 25% over this period, whilst flats sales have increased by 10%. The four London Boroughs showing declining sales are Tower Hamlets (-13%), Hillingdon (-2%), Havering (-1%) and Newham (-1%).

The fall in the number of properties sold in Tower Hamlets is interesting when compared with the annual price increase experienced in the Borough, as outlined in the above chart. This supports suggestions that a decline in the number of properties coming to the market has resulted in competition for the properties that are available, causing prices to rise. The property market in Tower Hamlets is now dominated by the sale of modern apartment block flats, for occupation by key city workers, which represent 90% of all properties sold in the Borough. Over the last three months (August 09–October 09) there has been an average of 204 flats sold monthly in Tower Hamlets, compared with an average of 405 such sales in 2007. The average price of a property in Tower Hamlets in October 2009 was £374,911 on a seasonally adjusted basis. This is the highest monthly average price we have recorded in the Borough, exceeding the previous peak of £357,753 achieved in September 2007.

UNITARY DISTRICT AND COUNTIES ANALYSIS

All but seven of the 108 counties and unitary districts in England & Wales are recording price falls on an annual basis. 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 smallest decline in prices are in Wales but, correspondingly, three areas with the largest fall in prices are also in Wales.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES



Looking at prices over the **last three months** (August 09–October 09), compared with prices for the **previous three months**, there has been an overall increase of 2.8% in house prices, with 83 districts and counties showing price increases and 25 districts and counties showing price falls. Of the counties and districts showing rising prices, the three recording the most significant increases are in Herefordshire (+6.2%), Cheshire (+6.0%) and East Sussex (+5.7%). The three districts and counties having the most significant fall in prices are Bournemouth (-4.0%), Torbay (-3.2%) and Cornwall (-1.4%).

Comparing transactions over the **last three months** (August 09–October 09) with the **previous three months** (May 09–July 09), 58 districts and counties are witnessing increases in sales volumes, whilst 50 districts have volume falls. The three districts and counties with the highest percentage increase in sales are Ceredigion (+29%), Windsor and Maidenhead (+28%) and Shropshire (+25%), whilst the three districts with the most significant falls in sales are Cardiff, Swansea and Durham, each experiencing a decline in transaction numbers measured as -12%.

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
Nov-08	£144,832	-1.4	-6.4	£153,044	-1.0	-9.2	£160,377	-1.2	-9.3	£169,439	-1.8	-8.8
Dec-08	£142,860	-1.4	-7.6	£151,563	-1.0	-9.8	£157,812	-1.6	-10.2	£167,371	-1.2	-9.4
Jan-09	£142,209	-0.5	-9.6	£152,279	0.5	-9.4	£156,000	-1.1	-11.1	£166,132	-0.7	-10.1
Feb-09	£142,021	-0.1	-10.7	£150,514	-1.2	-10.7	£155,218	-0.5	-12.1	£165,184	-0.6	-10.9
Mar-09	£141,826	-0.1	-11.7	£150,138	-0.2	-10.1	£154,708	-0.3	-11.7	£162,905	-1.4	-12.4
Apr-09	£142,072	0.2	-10.7	£148,700	-1.0	-10.7	£153,644	-0.7	-11.8	£162,306	-0.4	-12.6
May-09	£141,350	-0.5	-10.4	£148,604	-0.1	-9.8	£153,258	-0.3	-10.9	£162,269	0.0	-11.9
Jun-09	£141,829	0.3	-8.9	£148,606	0.0	-9.4	£154,074	0.5	-10.7	£165,753	2.1	-9.0
Jul-09	£141,217	-0.4	-6.9	£149,721	0.7	-7.8	£156,022	1.3	-8.5	£166,222	0.3	-7.5
Aug-09	£141,977	0.5	-4.9	£150,901	0.8	-5.9	£156,824	0.5	-6.5	£168,207	1.2	-5.3
Sep-09	£142,888	0.6	-3.3	£152,539	1.1	-3.5	£157,451	0.4	-4.2	£167,622	-0.3	-4.2
Oct-09	£144,526	1.1	-1.6	£153,702	0.8	-0.6	£158,077	0.4	-2.6	£168,510	0.5	-2.3

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Nov-08	£153,343	-1.6	-9.5	£154,850	-1.6	-9.2	£214,286	-1.9	-10.1	£189,497	-3.6	-9.2
Dec-08	£151,974	-0.9	-10.0	£153,440	-0.9	-10.1	£210,659	-1.7	-11.8	£186,282	-1.7	-11.1
Jan-09	£152,926	0.6	-8.4	£152,167	-0.8	-10.7	£207,163	-1.7	-12.3	£185,565	-0.4	-11.7
Feb-09	£151,849	-0.7	-8.9	£150,912	-0.8	-11.2	£205,290	-0.9	-12.6	£184,007	-0.8	-13.2
Mar-09	£150,733	-0.7	-9.4	£149,365	-1.0	-12.2	£203,587	-0.8	-13.0	£182,413	-0.9	-13.8
Apr-09	£148,167	-1.7	-10.7	£148,035	-0.9	-12.8	£203,237	-0.2	-13.6	£183,439	0.6	-12.5
May-09	£147,226	-0.6	-9.9	£147,970	0.0	-12.0	£205,251	1.0	-12.9	£184,932	0.8	-11.5
Jun-09	£147,328	0.1	-9.0	£148,532	0.4	-10.3	£206,625	0.7	-11.3	£186,111	0.6	-10.5
Jul-09	£147,405	0.1	-7.8	£150,160	1.1	-7.6	£207,805	0.6	-9.4	£186,096	0.0	-9.1
Aug-09	£149,660	1.5	-6.4	£152,072	1.3	-5.4	£207,997	0.1	-7.9	£188,610	1.4	-7.4
Sep-09	£150,278	0.4	-4.9	£153,672	1.1	-3.3	£209,751	0.8	-5.5	£189,909	0.7	-5.1
Oct-09	£151,512	0.8	-2.8	£154,777	0.7	-1.6	£211,708	0.9	-3.1	£190,189	0.1	-3.2

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Nov-08	£246,609	-2.6	-9.8	£337,581	-2.8	-8.4		£208,992	-2.2	-9.2
Dec-08	£240,680	-2.4	-12.4	£332,923	-1.4	-9.9		£205,593	-1.6	-10.8
Jan-09	£238,905	-0.7	-13.4	£328,713	-1.3	-11.9		£203,938	-0.8	-11.7
Feb-09	£237,638	-0.5	-14.4	£325,433	-1.0	-13.4		£202,411	-0.7	-12.7
Mar-09	£235,485	-0.9	-14.9	£322,361	-0.9	-13.9		£200,756	-0.8	-13.2
Apr-09	£234,819	-0.3	-15.0	£322,078	-0.1	-13.9		£200,027	-0.4	-13.3
May-09	£234,631	-0.1	-14.8	£326,920	1.5	-12.2		£200,759	0.4	-12.5
Jun-09	£237,193	1.1	-13.1	£330,206	1.0	-10.7		£202,447	0.8	-11.0
Jul-09	£238,689	0.6	-11.1	£334,331	1.2	-8.4		£203,918	0.7	-9.1
Aug-09	£241,666	1.2	-8.4	£338,386	1.2	-6.1		£205,987	1.0	-6.9
Sep-09	£244,087	1.0	-5.9	£345,426	2.1	-2.4		£208,136	1.0	-4.3
Oct-09	£246,222	0.9	-2.8	£351,162	1.7	1.1		£210,122	1.0	-1.6
Nov-09								£212,018	0.9	1.4

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 the page 8 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.