

England and Wales house price trends from Acadametrics

- **House prices in October rose by 0.7%**

The average price of all residential property transactions completed in England & Wales in October 2009 was 0.7% higher than in September. This is the sixth month in succession in which FTHPI has recorded positive, though modest, growth in the prices at which homes were sold.

- **Prices are now just 2.4% lower than a year ago**

On an annual basis, the average price of all residential property transactions in England & Wales in October is 2.4% lower than a year ago. The trough in the house price decline, on an annual basis, was reached in April 2009 at minus 13.3%.

- **Q3 Housing transactions are higher than the same quarter in 2008**

To date there were 166,319 housing transactions recorded by the Land Registry for third quarter (Q3) 2009, a 12.9% increase over Q3 2008. The Q3 2009 total is however 46% lower than the 10 year average for the period 2000–2009.

Dr Peter Williams, Chairman of Acadametrics said

“The average price of a home has continued to rise modestly and, at £208,401, is back to where it was in September 2006.

“The monthly price rise of 0.7% contrasts markedly with the 1.8% price drop recorded for October 2008. The data clearly support the view that the sharpest falls are now behind us and that the market has made a modest recovery, even if it is too early to talk of a sustained upturn.”

		House Price	Index	Monthly Change %	Annual Change %
October	2008	£213,629	217.5	-1.8	-7.3
April	2009	£200,021	203.6	-0.4	-13.3
May		£200,737	204.4	0.4	-12.5
June		£202,244	205.9	0.8	-11.1
July		£203,564	207.2	0.7	-9.2
August		£205,313	209.0	0.9	-7.2
September		£206,957	210.7	0.8	-4.9
October		£208,401	212.2	0.7	-2.4

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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 £208,401. At this level, it is still down £23,401 from its peak in February 2008 of £231,802 but clearly prices have stabilised and some of the more damaging outcomes of house price falls - losses on sales, negative equity and reduced mobility - are beginning to diminish. This is encouraging given the scale of the downturn over the last 18 months. Clearly affordability has improved marginally as has mortgage supply, but the market remains weak.

“As we move into the last months of the year, we must now consider what might happen in 2010. Current prices are being reported on the basis of limited transaction numbers which are substantially down from long term averages. The lack of homes on the market is creating competition amongst buyers (with the added stimulus of the stamp duty holiday). As listings increase and more supply comes to market we might expect this to affect the prices being achieved. Taken together with continuing unemployment/underemployment, a still partly faltering economy and possible interest rate rises later in 2010, we might well see prices stabilise or even fall during the coming year. This may further discourage some owners from putting their homes on the market, thus contributing to a continuing ‘thin’ market. Indeed with a General Election in the next few months leading to uncertainty around HIPS and taxation, a probable peak in arrears and possessions, albeit at a relatively low base, and mortgage supply remaining constrained there are many reasons to expect a muted market in 2010.”

HOUSING TRANSACTIONS

“In terms of transactions the table below shows that the recovery in sales transactions is not uniform across England & Wales. The three northernmost regions in England are showing negative growth in terms of Q3 2009 sales compared to Q3 2008, with the volume of transactions being less than half of the 10 year average for Q3 2000–2009. The region with the highest recovery in sales is the South West, where transactions in Q3 have increased by 31.0% over Q3 2008, although even here the level of sales in Q3 2009 is only 63% of the 10 year average.

Land Registry Transaction Count, England & Wales, Q3, 2000-2009

Q3	North	North West	Yorks & Humber	Wales	West Midlands	East Midlands	East Anglia	South West	South East	Greater London	All Regions
Average 2000- 2009	16,796	35,263	28,125	14,523	27,078	25,226	14,245	32,541	74,029	40,709	308,533
% change 2008-2009	-6.4%	-5.3%	-3.0%	8.4%	4.9%	9.8%	29.8%	31.0%	24.6%	15.4%	12.9%
2009 as % of 10 Year Average	46%	44%	49%	52%	51%	54%	64%	63%	59%	52%	54%

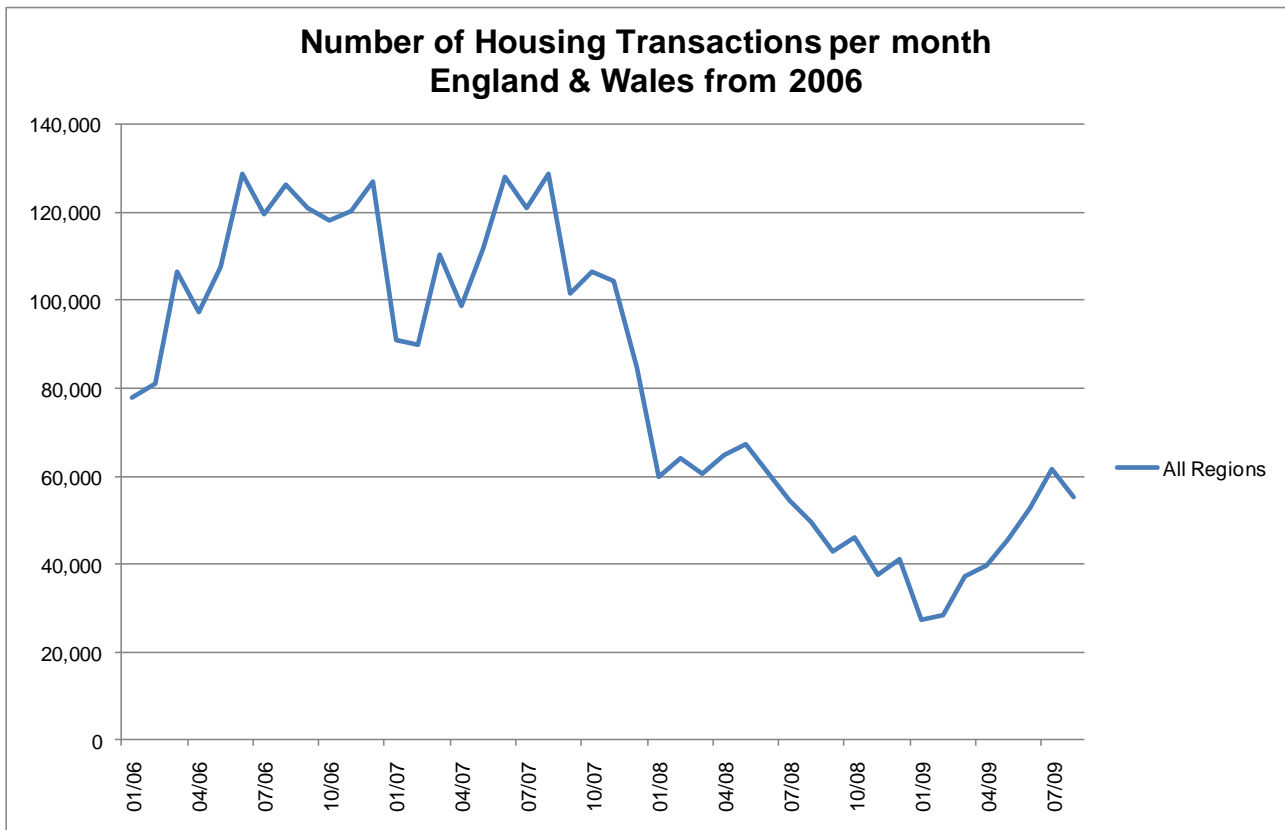
Source: Land Registry

“The other main feature of the current slow recovery in sales transactions is that there is a clear split in the rate of recovery between property types. In Q3 2009 the sale of detached and semi-detached houses has increased by 33.2% and 21.0% respectively over Q3 2008 levels. This contrasts markedly with the Q3 2009 sale of flats which are 11.4% down on the same quarter in 2008.

“This divergence in recovery rates between the sale of detached properties and flats and terraces applies to the whole of England and Wales, irrespective of region. The current “weak” sector in the market would thus appear to be the sale of flats. These are traditionally associated with ‘First Time Buyers’ and the ‘Buy to Let’ market, with both having been impacted by the limited supply of mortgages and tighter loan terms.”

Land Registry Transaction Count, England & Wales, Q3, 2000-2009

Q3	Detached	Semi Detached	Terraced	Flats	All Types
Average 2000-2009	69,920	85,761	96,824	56,028	308,533
% Change 2008-2009	33.2%	21.0%	8.1%	-11.4%	12.9%
2009 as % of 10 Year Average	60.6%	57.0%	48.7%	49.7%	53.9%

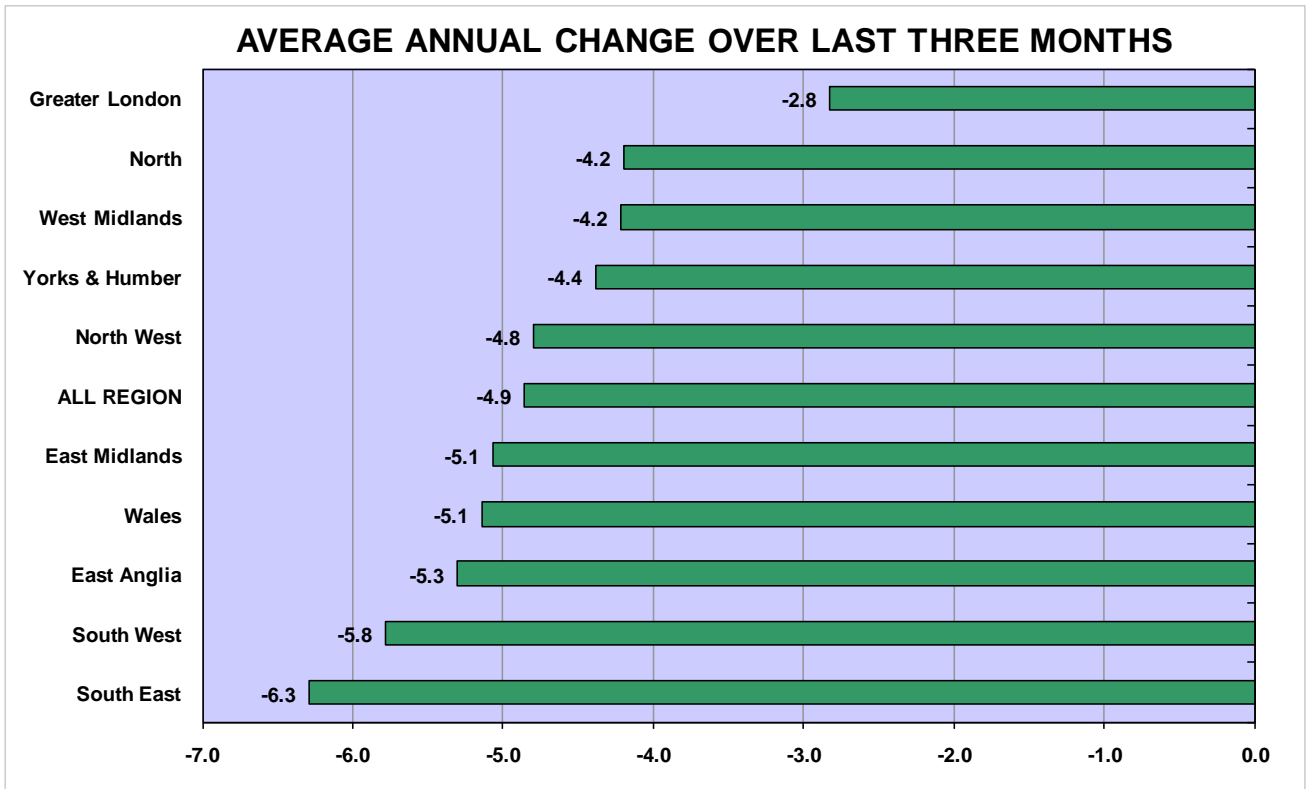


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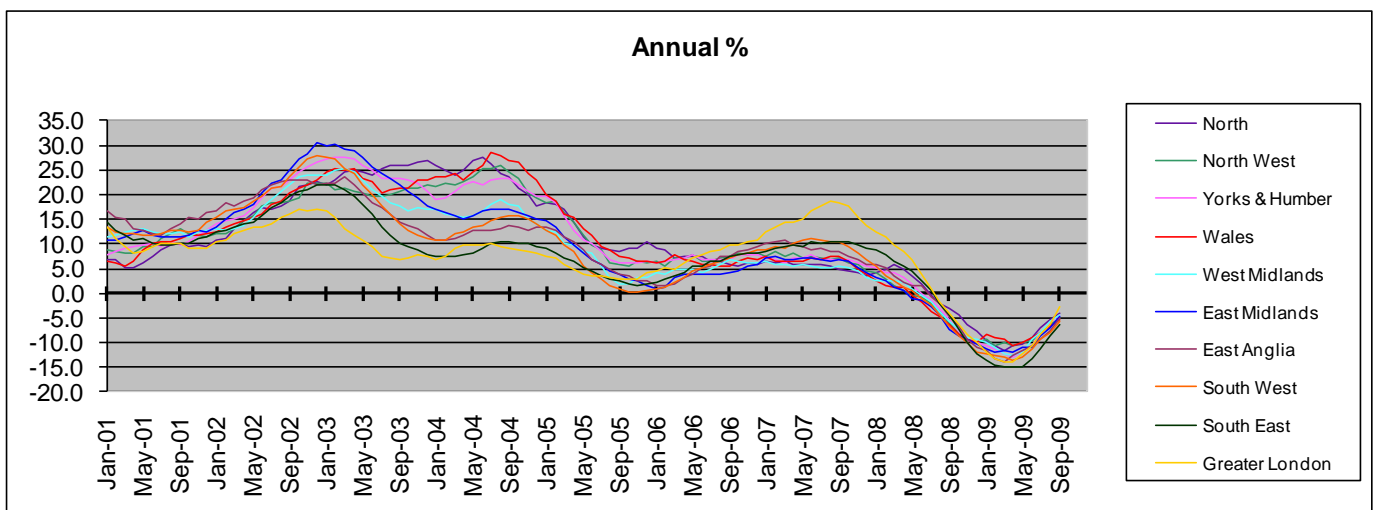
1. FTHPI is the only house price index to use:
 - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
 - the price of **every** single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

All regions continue to show annual house price falls in nominal terms, as measured by the FTHPI three month average, although these falls are diminishing. The South East has witnessed the sharpest annual fall in house prices at -6.3%, followed by the South West at -5.8%. 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 Greater London shows the greatest signs of recovery, but this reflects the continuing demand and supply pressures in the capital along with the fact it is part of an international housing market.



ANNUAL CHANGE BY REGION

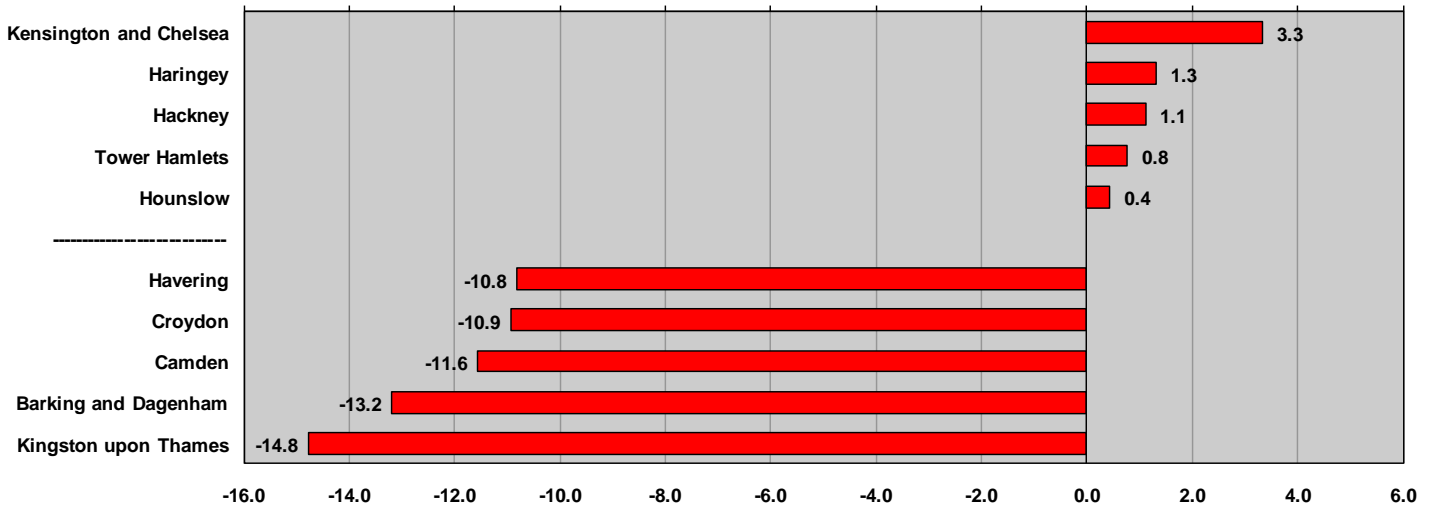


Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 4 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.

LONDON BOROUGH ANALYSIS

Whilst by far and away the majority of London boroughs continue to show year on year price falls, six of the boroughs, for the first time recently, show an increase. The chart shows the % **annual** price change for London boroughs, averaged over the past three months, ranked by the highest and lowest five.

AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS

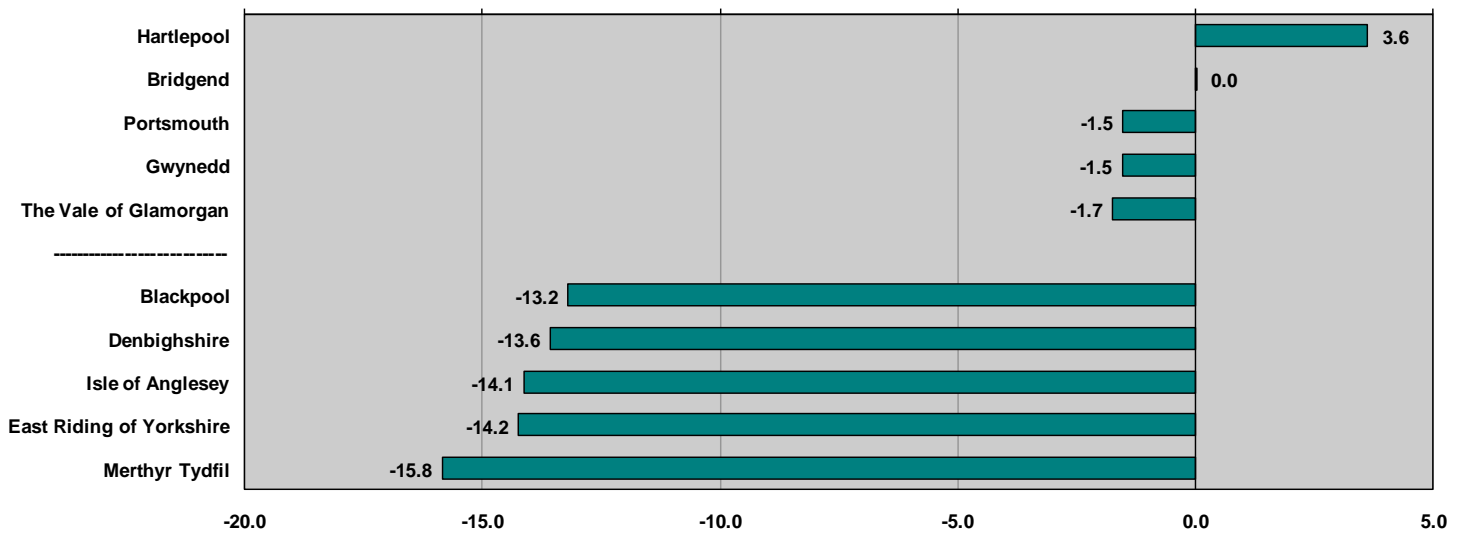


Turning to transactions and comparing Q3 2009 (July 09–September 09) with Q2 2009 all 33 London boroughs are witnessing increases in sales volumes, with the average increase being 38%. Sales of detached properties have increased by 56% over this period, whilst flats sales have increased by 33%.

UNITARY DISTRICT AND COUNTIES ANALYSIS

All but two of the 108 counties and unitary districts in England & Wales are recording price falls on an annual basis. The exceptions are Hartlepool and Bridgend. The following chart shows the % **annual** price change for unitary districts and counties, ranked by the highest and lowest 5 districts. Three 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 quarter** (July 09–September 09), compared with prices for the **previous quarter** (April 09–June 09), there has been an overall increase of 2.1% in house prices, with 75 districts and counties showing price increases and 33 districts and counties showing price falls. Of the counties and districts showing rising prices, the three recording the highest increases are Carmarthenshire (+7.6%), Bridgend (+6.2%) and Herefordshire (+5.6%). The three districts and counties having the largest falls in prices are Merthyr Tydfil (-6.9%), Middlesbrough (-5.6%) and Darlington (-4.3%).

Comparing transactions in the **last quarter** (July 09–September 09) with the **previous quarter** of this year (April 09–June 09), 97 districts and counties are witnessing increases in sales volumes, whilst 11 districts have volume falls. The three districts and counties with the highest percentage increase in sales are Ceredigion (+56%), Wokingham (+44%) and Cornwall (+41%), whilst the three districts with the steepest fall in sales are Merthyr Tydfil (-18%), Torfaen (-11%) and Slough (-8%).

The laws of supply and demand continue to operate in the property market in that prices of detached homes have fallen by 9% over the last year, with an increase of 33% in the number of detached properties sold, whilst the price of flats has only decreased by 2%, with a fall of 11% in the number of flats sold. Although it is not easy to establish cause and effect from these statistics, it would appear that the larger price falls in detached properties are attracting more buyers into the market.

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
Oct-08	£146,856	-0.6	-4.3	£154,617	-2.1	-8.3	£162,262	-1.3	-8.5	£172,461	-1.4	-7.4
Nov-08	£144,819	-1.4	-6.4	£153,065	-1.0	-9.1	£160,388	-1.2	-9.3	£169,432	-1.8	-8.8
Dec-08	£142,767	-1.4	-7.6	£151,565	-1.0	-9.8	£157,825	-1.6	-10.2	£167,364	-1.2	-9.4
Jan-09	£142,134	-0.4	-9.6	£152,265	0.5	-9.4	£156,008	-1.2	-11.1	£166,128	-0.7	-10.1
Feb-09	£141,967	-0.1	-10.7	£150,544	-1.1	-10.7	£155,213	-0.5	-12.1	£165,179	-0.6	-10.9
Mar-09	£141,886	-0.1	-11.7	£150,213	-0.2	-10.1	£154,674	-0.3	-11.7	£162,911	-1.4	-12.4
Apr-09	£142,116	0.2	-10.7	£148,723	-1.0	-10.7	£153,550	-0.7	-11.9	£162,331	-0.4	-12.6
May-09	£141,403	-0.5	-10.3	£148,595	-0.1	-9.8	£153,214	-0.2	-11.0	£162,188	-0.1	-11.9
Jun-09	£141,612	0.1	-9.0	£148,388	-0.1	-9.5	£153,790	0.4	-10.9	£165,236	1.9	-9.3
Jul-09	£141,030	-0.4	-7.1	£149,282	0.6	-8.0	£155,549	1.1	-8.7	£165,544	0.2	-7.9
Aug-09	£141,280	0.2	-5.4	£150,238	0.6	-6.4	£156,199	0.4	-6.9	£167,344	1.1	-5.8
Sep-09	£141,623	0.2	-4.1	£150,262	0.0	-4.9	£156,413	0.1	-4.8	£167,236	-0.1	-4.4
	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Oct-08	£155,906	-1.3	-8.4	£157,331	-1.0	-7.6	£218,421	-1.6	-8.6	£196,509	-1.8	-6.6
Nov-08	£153,390	-1.6	-9.5	£154,866	-1.6	-9.2	£214,280	-1.9	-10.1	£189,464	-3.6	-9.2
Dec-08	£152,011	-0.9	-9.9	£153,524	-0.9	-10.0	£210,649	-1.7	-11.8	£186,306	-1.7	-11.0
Jan-09	£152,921	0.6	-8.3	£152,236	-0.8	-10.6	£207,163	-1.7	-12.3	£185,620	-0.4	-11.7
Feb-09	£151,833	-0.7	-8.9	£150,960	-0.8	-11.2	£205,292	-0.9	-12.6	£184,065	-0.8	-13.1
Mar-09	£150,733	-0.7	-9.4	£149,323	-1.1	-12.2	£203,554	-0.8	-13.0	£182,416	-0.9	-13.8
Apr-09	£148,168	-1.7	-10.7	£148,042	-0.9	-12.8	£203,182	-0.2	-13.6	£183,365	0.5	-12.6
May-09	£147,229	-0.6	-9.9	£147,942	-0.1	-12.0	£205,208	1.0	-12.9	£184,775	0.8	-11.6
Jun-09	£147,291	0.0	-9.0	£148,274	0.2	-10.5	£206,552	0.7	-11.4	£185,888	0.6	-10.6
Jul-09	£147,242	0.0	-8.0	£149,608	0.9	-8.0	£207,753	0.6	-9.4	£185,747	-0.1	-9.3
Aug-09	£149,116	1.3	-6.7	£151,329	1.1	-5.9	£207,677	0.0	-8.0	£187,929	1.2	-7.7
Sep-09	£149,608	0.3	-5.3	£152,199	0.6	-4.2	£209,177	0.7	-5.7	£189,855	1.0	-5.1
	South East			Greater London			ALL REGION					
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual			
Oct-08	£253,235	-2.4	-7.3	£347,212	-1.9	-6.3				£213,629	-1.8	-7.3
Nov-08	£246,616	-2.6	-9.8	£337,659	-2.8	-8.4				£209,008	-2.2	-9.2
Dec-08	£240,678	-2.4	-12.4	£333,027	-1.4	-9.9				£205,611	-1.6	-10.7
Jan-09	£238,894	-0.7	-13.4	£328,847	-1.3	-11.8				£203,957	-0.8	-11.7
Feb-09	£237,621	-0.5	-14.4	£325,486	-1.0	-13.4				£202,420	-0.8	-12.7
Mar-09	£235,463	-0.9	-14.9	£322,384	-1.0	-13.9				£200,756	-0.8	-13.2
Apr-09	£234,823	-0.3	-15.0	£322,093	-0.1	-13.9				£200,021	-0.4	-13.3
May-09	£234,657	-0.1	-14.8	£326,883	1.5	-12.2				£200,737	0.4	-12.5
Jun-09	£236,958	1.0	-13.2	£330,223	1.0	-10.7				£202,244	0.8	-11.1
Jul-09	£238,184	0.5	-11.3	£334,371	1.3	-8.4				£203,564	0.7	-9.2
Aug-09	£240,612	1.0	-8.8	£338,201	1.1	-6.2				£205,313	0.9	-7.2
Sep-09	£242,652	0.8	-6.5	£344,213	1.8	-2.8				£206,957	0.8	-4.9
Oct-09										£208,401	0.7	-2.4

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 4 NOTE 7 above.

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