

## England and Wales house price trends from Acadametrics

- **House prices in September rose by 0.6%**

The average price of all residential property transactions completed in England & Wales in September 2009 was 0.6% higher than in August. This is the fifth month in succession in which we have seen positive, though modest, growth in house prices.

- **Prices are now 5.6% lower than a year ago**

On an annual basis, the average price of all residential property transactions in England & Wales in September is 5.6% lower than a year ago. The trough in the house price decline, on an annual basis, was reached in April 2009 at minus 13.4%.

- **Housing transactions slow down**

Final figures have yet to emerge for sales in August 2009 but the early indications are that the total number of transactions will be lower than the 59,600 recorded in July 2009. Although, for seasonal reasons, August figures have been lower than July in five out of the last nine years, this is the first fall in monthly sales recorded this year and it could suggest continued vulnerability.

**Dr Peter Williams Chairman of Acadametrics said**

“The average house price has continued to rise and, at £205,338, is back to where it was in August 2006.

“The monthly price rise of 0.6% contrasts markedly with the 1.8% price drop 12 months earlier in 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 %
September	2008	£217,565	221.5	-1.6	-5.1
March	2009	£200,714	204.3	-0.8	-13.2
April		£199,953	203.6	-0.4	-13.4
May		£200,500	204.1	0.3	-12.6
June		£201,790	205.4	0.6	-11.3
July		£202,806	206.5	0.5	-9.6
August		£204,023	207.7	0.6	-7.7
September	2009	£205,338	209.1	0.6	-5.6

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Dr Peter Williams, Chairman of Acadametrics, comments,

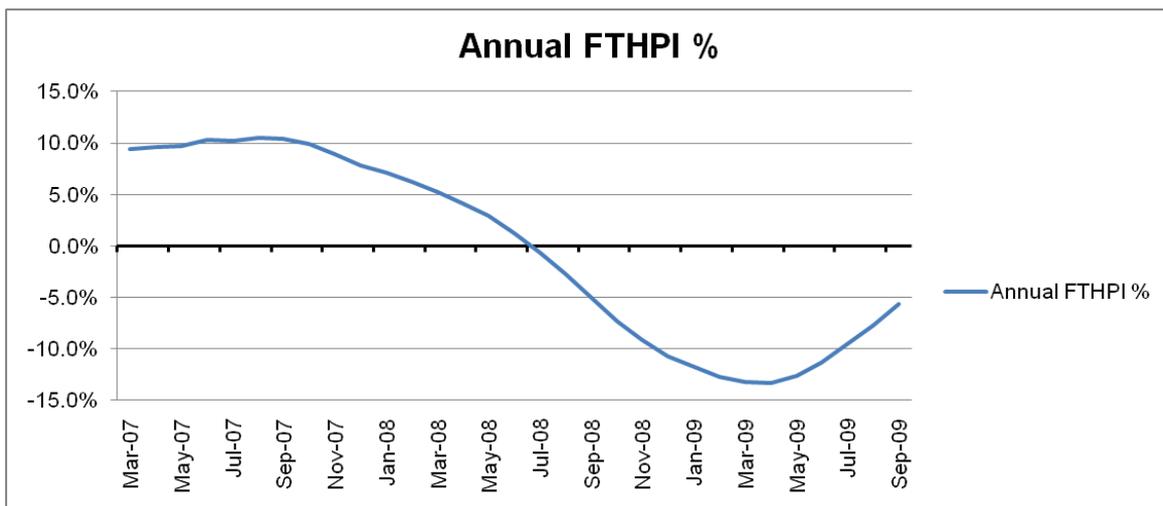
“The average price of a home in England & Wales is now £205,338. At this level, it is down £26,466 from its peak in February 2008 of £231,804.

“The chart below, of house prices on an annual basis, shows the history of the decline and subsequent slow recovery in house prices over the last two and a half years. Over this period the increase in the FTHPI measured on an annual basis reached its peak in August 2007 at 10.5%, which also coincided with a peak in housing transactions at 128,863 per month. This was the highest level of housing transactions since July 2004. From August 2007 there was a gradual decline in the annual change in house prices and, by January 2008, the number of housing transactions had fallen to 60,000 per month. The month on month fall in the annual FTHPI reached a maximum in September 2008, at -2.3%.

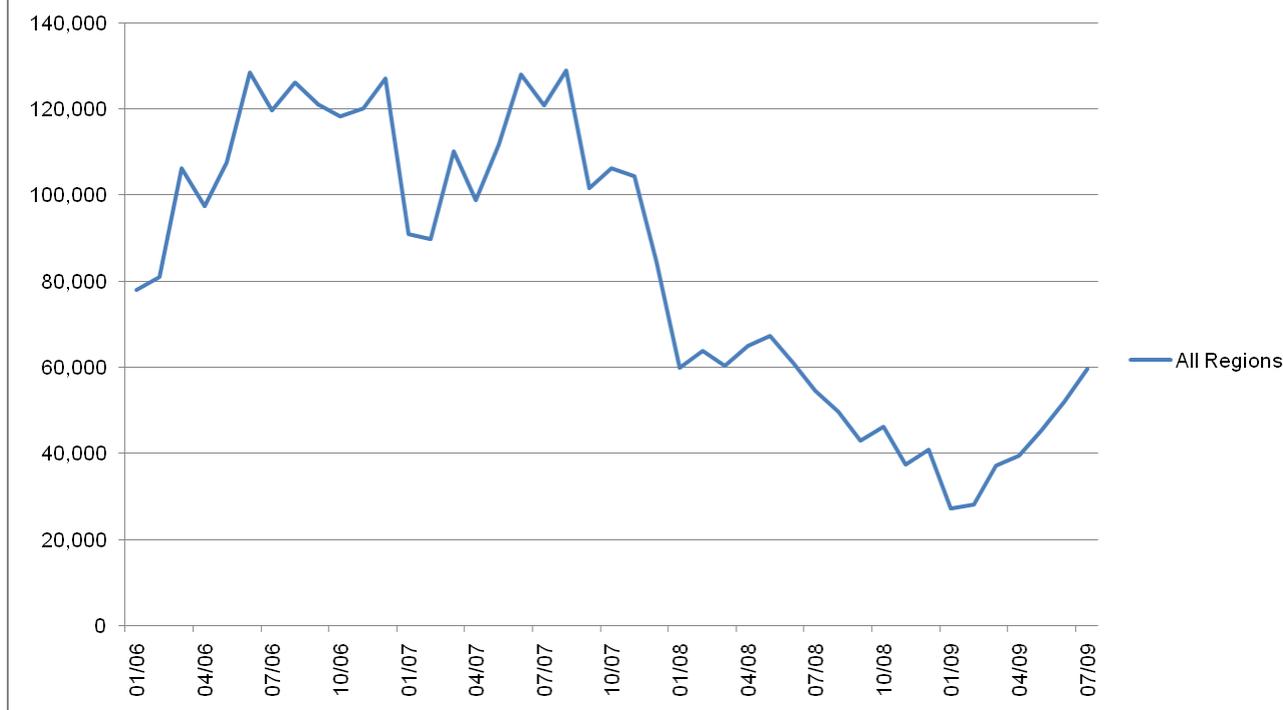
“In January 2009, there were just 27,114 housing transactions, the lowest number of monthly sales recorded by the Land Registry since computerising its records in January 1995. The FTHPI, measured on an annual basis, reached its lowest point in April 2009 at -13.4% and has subsequently shown monthly rises to the current level of -5.6%. Housing transactions have returned to approximately 60,000 per month although, as noted above, this level might not be attained in August 2009. Moreover, even at this level, it still represents a reduction of 43% on the average number of transactions of 105,000 per month over the seven year period 2001–2007, and impacts on the confidence which we have on trends going forward. Current prices are being reported on the basis of limited transactions and where there might be competition to buy. As listings increase and more supply comes to market this might affect the prices being achieved.

“It is suggested that the market needs to return to the long run average of 105,000 transactions per month before equilibrium in prices is reached. However, there have been more than 2.75 million properties sold since August 2006, when prices last matched current levels. Most of these properties were purchased when the market was rising, so there will be many owners experiencing negative equity, who will be reluctant to sell their properties until current prices have risen further.

“In conclusion, there is a degree of optimism in the air regarding the economy and the housing market at present, but we know that unemployment is likely to rise in 2010, along with interest rates, while the public expenditure which has helped underpin the market will be more limited going forward. In that regard, the progress we report has to be viewed with continuing caution. Consumer confidence is recovering and there are indications that mortgage supply has stabilised and might increase along with the number of properties coming to market and the transactions that follow. However, all this is delicately balanced. The government and the Bank must continue to make the right calls to avoid disrupting this fragile recovery and it is simply too soon to say the course going forward is set.”



## Number of Housing Transactions per month England & Wales from 2006

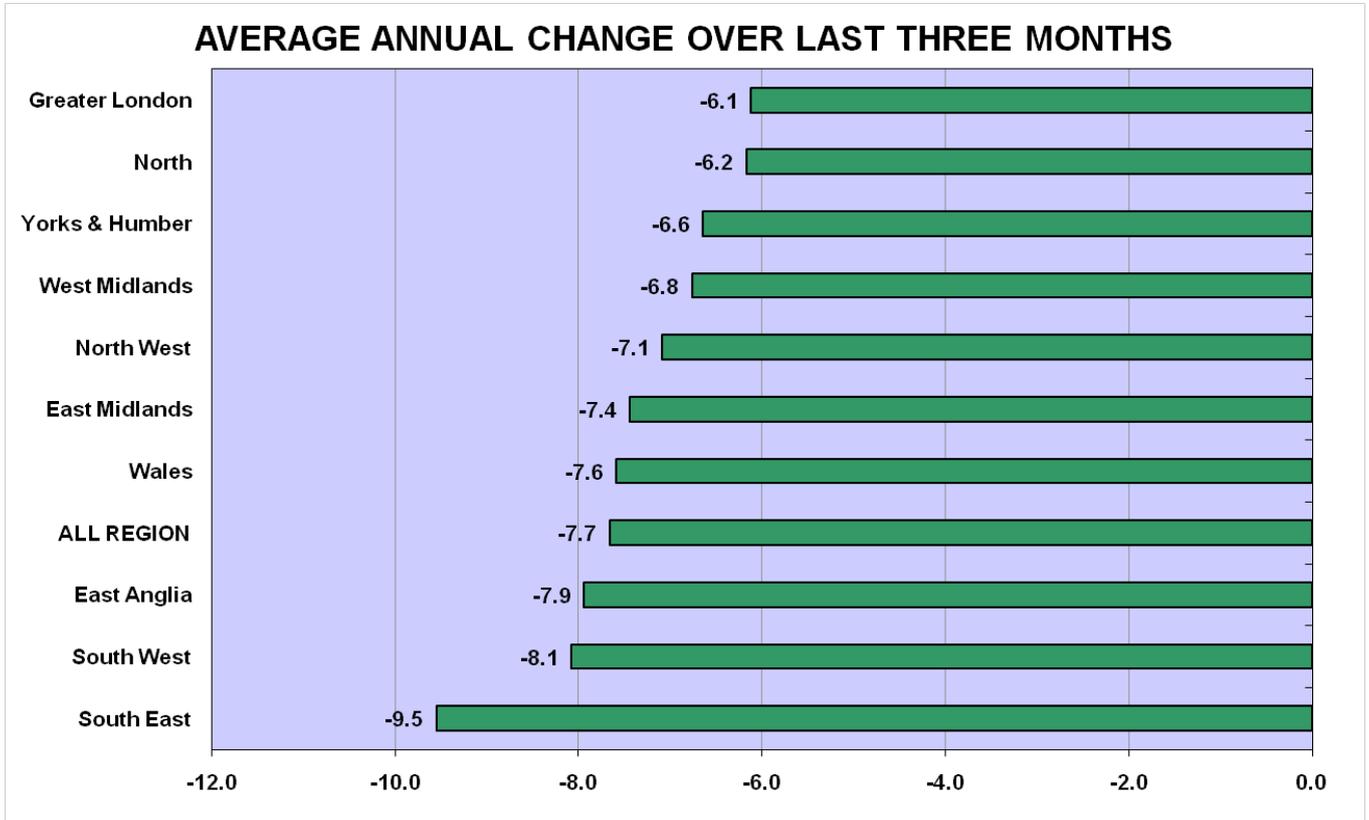


### NOTES

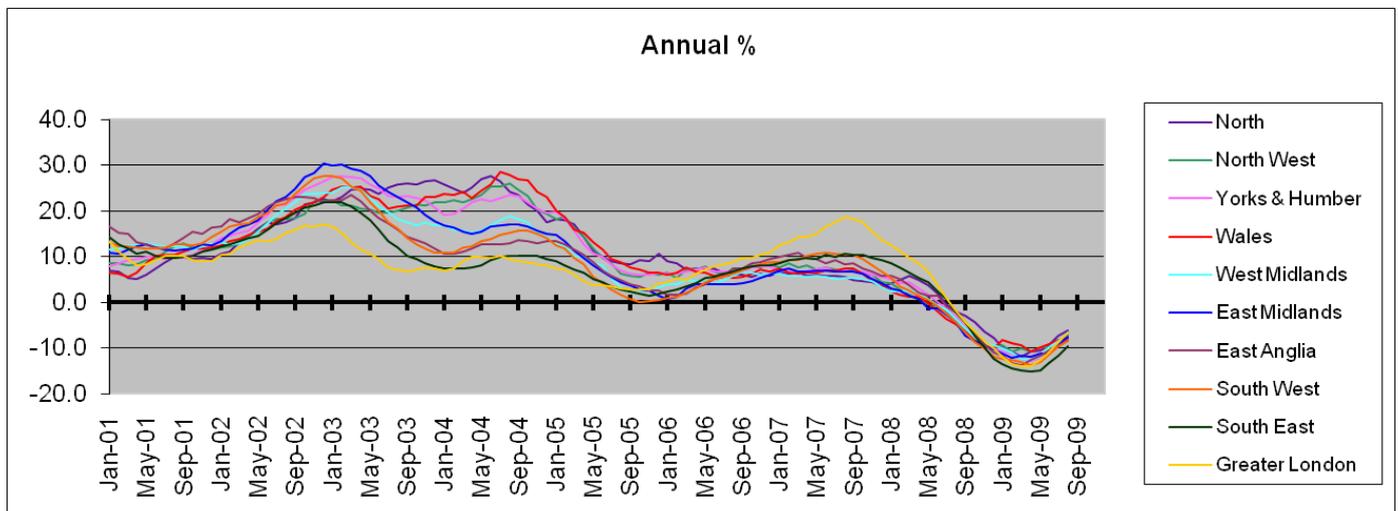
1. FTHPI is the only house price index to use:
  - the **actual** prices at which every property in England and Wales was transacted, including prices for properties bought with cash, using the factual Land Registry data as opposed to valuation estimates or asking prices
  - the price of **every** single relevant transaction, as opposed to prices based upon samples
2. FTHPI is a price series as opposed to a value series.
3. 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.
4. 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.
5. 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.
6. our website enables comparisons of selected indices over selected timescales to be undertaken [here](#) with ease and provides historic results and other information
7. 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.
8. 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 -9.5%, followed by the South West at -8.1%. 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. Paradoxically Greater London shows the greatest signs of recovery but this reflects the continuing demand and supply pressures evident in the capital.



## ANNUAL CHANGE BY REGION

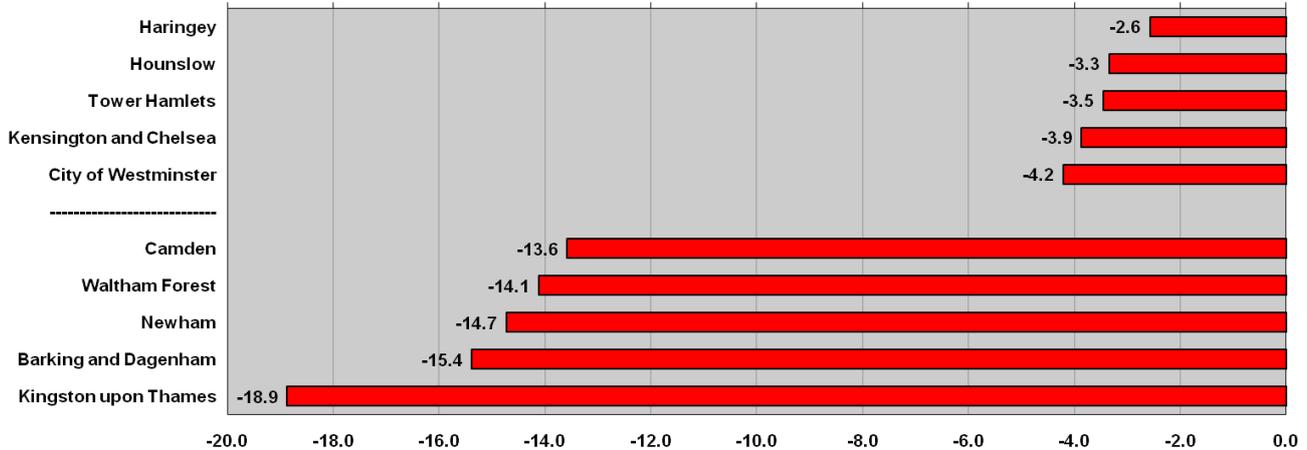


Note that individual regions can be compared using our “National and Regional series from 1995 with Interactive Charts”, linked from page 3 NOTE 5 above and from our covering email, and timescales can be varied for clarity. Numerous other comparisons are facilitated in this and other interactive charts available through the same links.

## LONDON BOROUGH ANALYSIS

All London boroughs continue to show year on year price falls. 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**



Looking at prices in the **last quarter** (June 09–August 09), compared to the **previous quarter** (March 09–May 09), there has been an increase in London’s house prices of 3.1% overall, with 25 boroughs showing price increases and 8 boroughs showing price falls. Of the boroughs showing rising prices, the three recording the highest increases over the three month period are Kensington & Chelsea (+10.4%), Hounslow (+9.2%) and City of Westminster (+9.1%). The three London boroughs having the largest falls in prices are City of London (-7.8%), Newham (-4.4%) and Wandsworth (-2.7%).

Turning to transactions and comparing the **last quarter** (June 09–August 09) with the **previous quarter** (March 09–May 09), all 33 London boroughs are witnessing increases in sales volumes, with the average increase being 44%, the same as last month. Sales of detached properties have increased by 68% over this period, whilst flats sales have increased by 41%.

This month, we have looked at the ranking of the 33 London boroughs in terms of the average house price for the period June 09–August 09, and compared these rankings with the average price for the same period twelve months earlier, June 08–August 08. The following table shows the 5 highest and lowest ranking London boroughs in 2009:

Highest five ranked London boroughs			
Rank	Prior Year Rank	Borough	Average House Price £
1	1	Kensington and Chelsea	1,044,289
2	2	City of Westminster	754,757
3	3	Camden	532,258
4	4	Hammersmith and Fulham	475,121
5	5	Richmond upon Thames	449,118

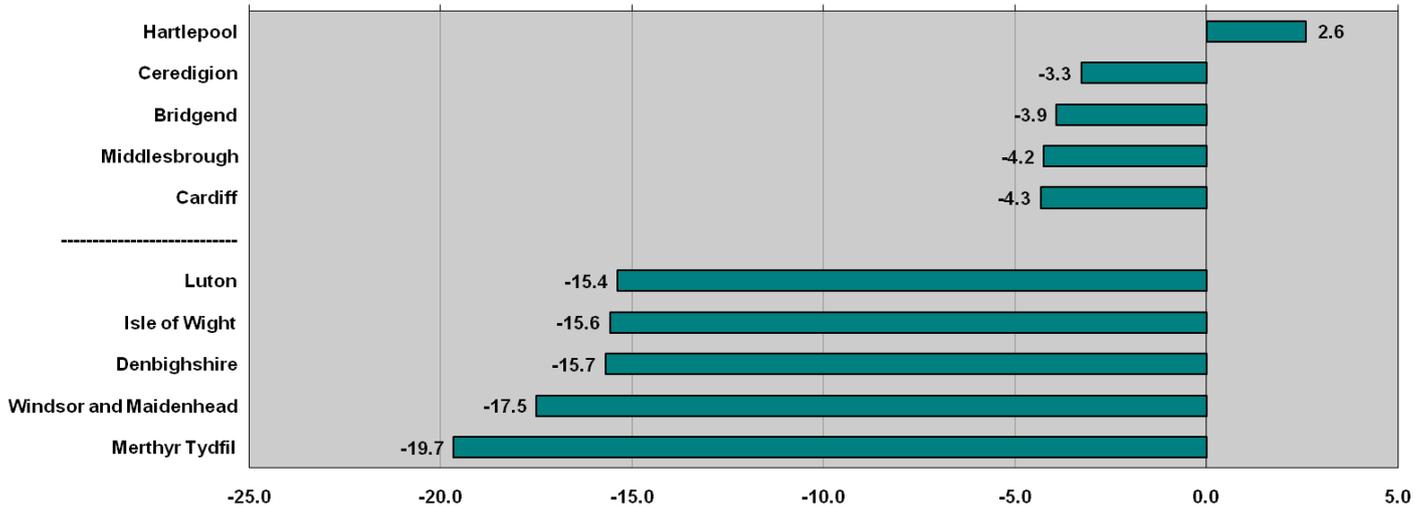
Lowest five ranked London boroughs			
Rank	Prior Year Rank	Borough	Average House Price £
29	28	Croydon	220,803
30	30	Waltham Forest	203,465
31	32	Bexley	201,261
32	31	Newham	199,643
33	33	Barking and Dagenham	162,355

The highest mover in terms of price ranking is Haringey, up from 14th to 10th position over the year. The borough which has seen the largest fall in price ranking is Kingston upon Thames, falling from 11th to 19th position.

## UNITARY DISTRICT AND COUNTIES ANALYSIS

All but one of the 108 counties and unitary districts in England & Wales are recording price falls on an annual basis. The exception is Hartlepool which earns the prize for the first to show positive growth. 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 least decline in prices are in Wales but, correspondingly, two areas with the largest fall in prices are also in Wales. It is perhaps surprising to see Windsor and Maidenhead listed as one of the two areas having the steepest annual decline in prices, although this reflects a national trend of prices on larger properties falling faster than those of flats and terraces.

**AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - COUNTIES**



Looking at prices over the **last quarter** (June 09–August 09), compared with prices for the **previous quarter** (March 09–May 09), there has been an overall price increase of 1.2% in house prices, with 62 districts and counties showing price increases and 46 districts and counties showing price falls. Of the counties and districts showing rising prices, the three recording the highest increases are Hartlepool (+12.5%), Poole (+10.2%), and South Gloucestershire (+5.2%). The three districts and counties having the largest falls in prices are Merthyr Tydfil (-15.6%), Middlesbrough (-6.4%), and Denbighshire (-5.9%).

Comparing transactions in the **last quarter** (June 09–August 09) with the **previous quarter** of this year (March 09–May 09), all but two of the 108 districts and counties are witnessing increases in sales volumes, with the average increase in transactions being 32%. Sales of detached properties have increased by 44% (last month 53%) over this period, whilst flats sales have increased by 20% (last month 26%). The three districts and counties with the highest increase in sales are Ceredigion (+73%), Brighton & Hove (+57%) and York (+55%), whilst the two districts with negative recovery in sales are Newport (-3%) and Torfean (-10%).

This month we have looked at the ranking of the 108 Counties and Unitary Districts in terms of the average house price for the period June 09–August 09, and compared these rankings with the average price for the same period twelve months earlier, June 08–August 08. The following table shows the 5 highest and lowest ranking Counties and Unitary Districts in 2009:

Highest five ranked Counties and Districts			
Rank	Prior Year Rank	County / District	Average House Price £
1	1	Windsor and Maidenhead	362,293
2	2	Surrey	336,287
3	3	Buckinghamshire	313,756
4	4	Wokingham	285,842
5	6	Hertfordshire	276,146

Lowest five ranked Counties and Districts			
Rank	Prior Year Rank	County / District	Average House Price £
104	104	Rhondda Cynon Taff	101,584
105	106	Stoke-On-Trent	97,461
106	107	City of Kingston upon Hull	89,160
107	105	Merthyr Tydfil	86,496
108	108	Blaenau Gwent	84,545

The three highest movers in terms of price ranking are Hartlepool, Cardiff and Wrekin, up 10, 9 and 8 positions respectively. The two districts which have seen the largest fall in price ranking are Luton and the City of Peterborough, down 13 and 11 positions respectively.

## 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
Sep-08	£147,695	-1.1	-3.0	£158,013	-1.5	-6.1	£164,332	-2.0	-7.2	£174,948	-1.5	-5.7
Oct-08	£146,846	-0.6	-4.3	£154,623	-2.1	-8.3	£162,287	-1.2	-8.5	£172,473	-1.4	-7.4
Nov-08	£144,821	-1.4	-6.4	£153,091	-1.0	-9.1	£160,411	-1.2	-9.3	£169,452	-1.8	-8.8
Dec-08	£142,745	-1.4	-7.6	£151,596	-1.0	-9.8	£157,870	-1.6	-10.1	£167,382	-1.2	-9.4
Jan-09	£141,961	-0.5	-9.7	£152,244	0.4	-9.4	£156,114	-1.1	-11.1	£166,116	-0.8	-10.1
Feb-09	£141,809	-0.1	-10.8	£150,462	-1.2	-10.7	£155,309	-0.5	-12.0	£165,161	-0.6	-10.9
Mar-09	£141,803	0.0	-11.8	£150,116	-0.2	-10.1	£154,711	-0.4	-11.7	£162,898	-1.4	-12.4
Apr-09	£142,154	0.2	-10.6	£148,694	-0.9	-10.7	£153,475	-0.8	-11.9	£162,244	-0.4	-12.7
May-09	£141,253	-0.6	-10.4	£148,526	-0.1	-9.9	£152,957	-0.3	-11.1	£162,077	-0.1	-12.0
Jun-09	£141,105	-0.1	-9.4	£148,072	-0.3	-9.7	£153,286	0.2	-11.2	£164,501	1.5	-9.7
Jul-09	£140,553	-0.4	-7.4	£148,301	0.2	-8.7	£154,623	0.9	-9.3	£164,638	0.1	-8.4
Aug-09	£140,269	-0.2	-6.0	£149,183	0.6	-7.0	£155,156	0.3	-7.5	£165,822	0.7	-6.6

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Sep-08	£157,954	-1.2	-6.4	£158,884	-1.2	-5.4	£221,924	-1.7	-6.5	£200,093	-1.8	-4.6
Oct-08	£155,912	-1.3	-8.4	£157,337	-1.0	-7.6	£218,427	-1.6	-8.6	£196,506	-1.8	-6.6
Nov-08	£153,385	-1.6	-9.5	£154,896	-1.6	-9.2	£214,270	-1.9	-10.1	£189,510	-3.6	-9.2
Dec-08	£152,052	-0.9	-9.9	£153,454	-0.9	-10.1	£210,631	-1.7	-11.8	£186,343	-1.7	-11.0
Jan-09	£153,001	0.6	-8.3	£152,147	-0.9	-10.7	£207,116	-1.7	-12.3	£185,688	-0.4	-11.6
Feb-09	£151,892	-0.7	-8.8	£150,829	-0.9	-11.2	£205,233	-0.9	-12.6	£184,085	-0.9	-13.1
Mar-09	£150,798	-0.7	-9.4	£149,295	-1.0	-12.2	£203,529	-0.8	-13.0	£182,424	-0.9	-13.8
Apr-09	£148,143	-1.8	-10.7	£148,024	-0.9	-12.8	£203,208	-0.2	-13.6	£183,313	0.5	-12.6
May-09	£147,231	-0.6	-9.9	£147,981	0.0	-12.0	£204,932	0.8	-13.0	£184,687	0.7	-11.7
Jun-09	£147,032	-0.1	-9.2	£148,030	0.0	-10.6	£206,172	0.6	-11.5	£185,905	0.7	-10.6
Jul-09	£146,726	-0.2	-8.3	£148,875	0.6	-8.4	£207,335	0.6	-9.6	£185,333	-0.3	-9.5
Aug-09	£147,551	0.6	-7.7	£150,226	0.9	-6.6	£206,985	-0.2	-8.3	£186,800	0.8	-8.3

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Sep-08	£259,424	-1.6	-4.4	£353,938	-1.8	-4.2		£217,565	-1.6	-5.1
Oct-08	£253,229	-2.4	-7.3	£347,194	-1.9	-6.3		£213,630	-1.8	-7.3
Nov-08	£246,632	-2.6	-9.8	£337,646	-2.8	-8.4		£209,020	-2.2	-9.2
Dec-08	£240,604	-2.4	-12.4	£332,805	-1.4	-10.0		£205,568	-1.7	-10.8
Jan-09	£238,830	-0.7	-13.5	£328,655	-1.2	-11.9		£203,907	-0.8	-11.7
Feb-09	£237,522	-0.5	-14.4	£325,343	-1.0	-13.4		£202,352	-0.8	-12.7
Mar-09	£235,392	-0.9	-14.9	£322,305	-0.9	-13.9		£200,714	-0.8	-13.2
Apr-09	£234,745	-0.3	-15.1	£321,851	-0.1	-13.9		£199,953	-0.4	-13.4
May-09	£234,415	-0.1	-14.8	£326,088	1.3	-12.4		£200,500	0.3	-12.6
Jun-09	£236,435	0.9	-13.3	£329,568	1.1	-10.9		£201,790	0.6	-11.3
Jul-09	£237,250	0.3	-11.7	£333,713	1.3	-8.5		£202,806	0.5	-9.6
Aug-09	£238,760	0.6	-9.5	£337,023	1.0	-6.5		£204,023	0.6	-7.7
Sep-09								£205,338	0.6	-5.6

## 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.