



FT HOUSE PRICE INDEX

APRIL 2007

The latest FT House Price Index, updated with the most recent monthly data from the Land Registry, shows that house prices rose by 0.7% in April and by 8.4% over the past 12 months.

We calculate the FT House Price Index, on a seasonally and mix adjusted basis, as follows:

	House Price	Index	Monthly Change %	Annual Change %
October 2006	£209,548	213.3	1.0	7.8
November 2006	£211,168	215.0	0.8	8.1
December 2006	£213,121	217.0	0.9	8.1
January 2007	£214,640	218.5	0.7	8.4
February 2007	£216,427	220.3	0.8	8.4
March 2007	£217,624	221.6	0.6	8.4
April 2007	£219,145	223.1	0.7	8.4

COMMENTARY BY PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“Monthly house price growth at 0.7% and annual growth at 8.4% are both in line with our results over the last four months. They continue to indicate that, nationally, house price increases have slowed and flattened out. This has been our view for a number of months and most of the other indices are now indicating similar trends.

“London continues to have a large impact on the national figures but it is a market driven by a much wider range of factors than elsewhere in England and Wales. Excluding London, our annual increase would be 7.1%, rather than 8.4%, which is still high but is significantly below the double digit price increases often referred to in the media.

“At a regional level, using a three month average to smooth volatility, the annual rate of price increases in the South West at 8.6% is just above average whilst, in London, the rate has further accelerated to 13.3%. In fact, in all the other regions, price increases were below the average. On a monthly basis, six out of the nine regions actually showed modest reductions in price growth although we must treat such data with caution.

“With expectations of a further rate rise on top of already increased borrowing costs, we expect to see the market remaining moderately subdued. Underlying mortgage growth is easing and consumer confidence, whilst slightly up again this month, is still low. Affordability pressures remain intense.

“With the introduction of compulsory home information packs less than a month away, and despite the efforts of many estate agents, we have still not seen a great rush to put homes on the market even though it is traditionally a busy time of year for the market. It may yet turn out to be a non-event, perhaps housing’s equivalent to the millennium bug.

“We are now seeing a broad consensus across the market as to the trends and consumers, professionals, the media and, indeed, government need to take this on board.”

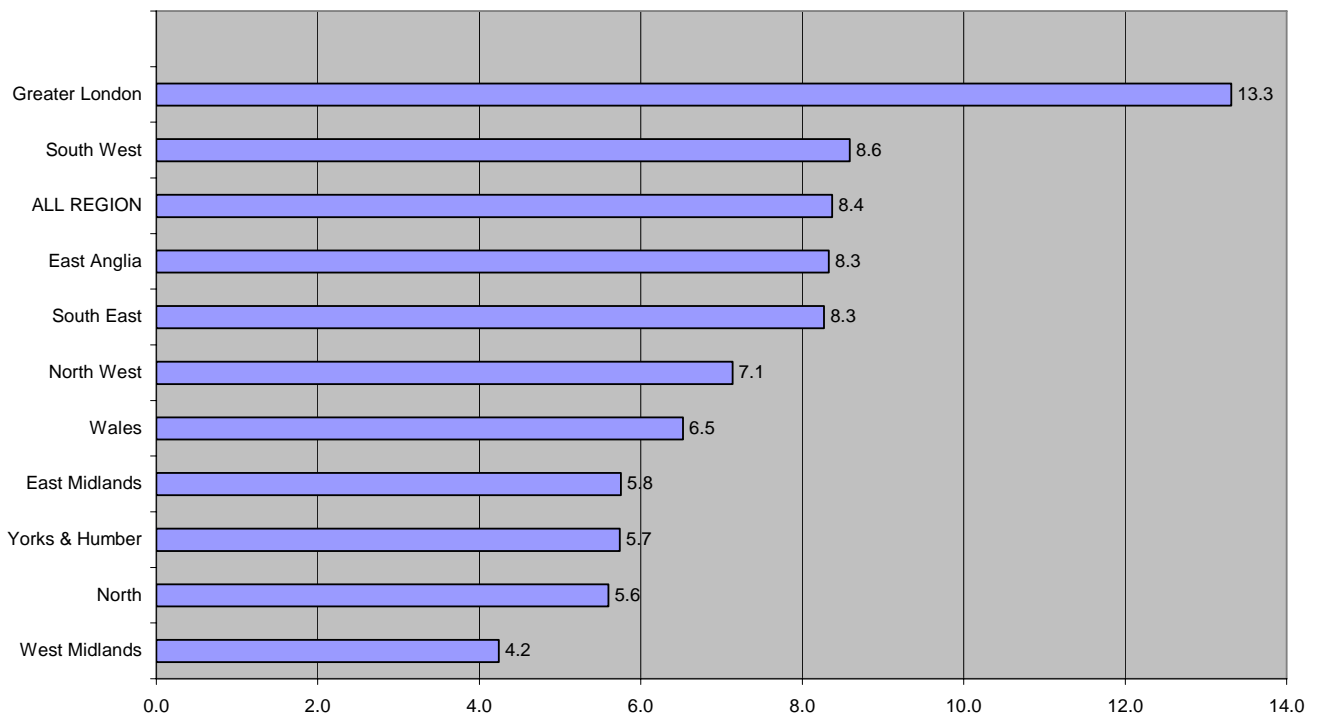
REGIONAL TRENDS

The national index has risen by 0.7% in April and by 8.4% in the year. The annual rate of growth at a regional level, *averaged over the last three months*, is shown in the chart below.

The averaged annual growth in London (13.3%) still far exceeds other regions as the chart shows. In rank order, the southern regions - South West (8.6%), East Anglia (8.3%) and South East (8.3%) - show the greatest increases outside of London and are over 1% higher than the remaining regions. The lowest growth was recorded by the North (5.6%) and the West Midlands (4.2%).

Taking monthly fluctuations into account there are significant regional variations in trends but the gap between them and London remains the most notable feature of the market with all the consequences that might have for labour mobility, recruitment and retention.

Annual Growth over last three months



REGIONAL DATA TABLE

Region	North			North West			East Midlands			West Midlands		
Month	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Apr-06	£143,222	0.4	7.5	£152,991	0.2	7.1	£161,984	0.2	3.9	£172,141	0.5	4.7
May-06	£143,555	0.2	7.4	£153,948	0.6	7.8	£162,674	0.4	4.0	£172,457	0.2	4.8
Jun-06	£144,437	0.6	7.5	£153,541	-0.3	6.6	£163,257	0.4	4.0	£173,542	0.6	4.0
Jul-06	£143,901	-0.4	6.6	£154,467	0.6	6.2	£164,020	0.5	4.0	£173,596	0.0	4.8
Aug-06	£143,940	0.0	6.3	£155,804	0.9	7.1	£164,083	0.0	4.0	£174,891	0.7	5.9
Sep-06	£144,974	0.7	6.0	£156,910	0.7	7.4	£165,838	1.1	4.3	£175,728	0.5	6.8
Oct-06	£146,527	1.1	5.5	£158,660	1.1	8.1	£166,754	0.6	4.7	£176,693	0.5	6.4
Nov-06	£148,163	1.1	6.1	£158,606	0.0	7.5	£168,320	0.9	5.4	£176,994	0.2	5.9
Dec-06	£148,808	0.4	5.5	£160,192	1.0	7.8	£168,074	-0.1	5.7	£177,585	0.3	5.6
Jan-07	£149,979	0.8	6.0	£160,347	0.1	7.0	£169,153	0.6	6.2	£178,555	0.5	5.4
Feb-07	£150,391	0.3	5.4	£162,225	1.2	7.6	£169,899	0.4	6.1	£178,826	0.2	4.8
Mar-07	£150,897	0.3	5.8	£162,727	0.3	6.5	£170,563	0.4	5.6	£178,904	0.0	4.4
Wales												
Apr-06	£154,028	-0.3	6.8	£153,711	0.2	7.2	£210,381	0.8	3.1	£187,367	1.8	3.3
May-06	£153,604	-0.3	6.5	£153,934	0.1	7.6	£211,400	0.5	4.5	£188,094	0.4	4.0
Jun-06	£154,092	0.3	5.9	£153,890	0.0	6.9	£211,849	0.2	5.1	£188,412	0.2	5.1
Jul-06	£155,208	0.7	6.0	£154,422	0.3	6.9	£212,564	0.3	5.7	£188,855	0.2	5.7
Aug-06	£155,944	0.5	5.4	£155,397	0.6	6.9	£213,396	0.4	6.3	£192,122	1.7	7.4
Sep-06	£157,101	0.7	5.6	£157,008	1.0	6.7	£214,969	0.7	7.0	£193,329	0.6	7.6
Oct-06	£160,140	1.9	6.4	£159,064	1.3	7.4	£218,096	1.5	8.0	£195,660	1.2	8.4
Nov-06	£161,716	1.0	7.2	£160,217	0.7	7.7	£220,869	1.3	8.5	£195,138	-0.3	8.7
Dec-06	£162,172	0.3	6.7	£161,097	0.5	7.6	£224,131	1.5	9.1	£196,950	0.9	9.0
Jan-07	£162,401	0.1	7.1	£161,269	0.1	6.6	£224,565	0.2	9.1	£197,427	0.2	9.5
Feb-07	£163,141	0.5	6.2	£161,921	0.4	6.1	£225,634	0.5	8.9	£198,956	0.8	9.1
Mar-07	£164,417	0.8	6.5	£162,039	0.1	5.6	£226,067	0.2	8.3	£199,982	0.5	8.6
Yorks & Humber												
Apr-06	£239,030	0.8	4.3	£301,237	1.0	6.2	£202,168	0.7	5.1			
May-06	£240,259	0.5	5.4	£303,535	0.8	7.3	£203,110	0.5	5.9			
Jun-06	£241,143	0.4	5.5	£305,597	0.7	8.0	£203,815	0.3	6.0			
Jul-06	£242,414	0.5	6.4	£307,264	0.5	8.4	£204,677	0.4	6.4			
Aug-06	£243,573	0.5	6.6	£308,990	0.6	8.8	£205,813	0.6	6.8			
Sep-06	£245,475	0.8	7.5	£312,429	1.1	9.7	£207,541	0.8	7.4			
Oct-06	£247,337	0.8	7.8	£315,078	0.8	9.8	£209,548	1.0	7.8			
Nov-06	£248,854	0.6	8.1	£319,431	1.4	10.6	£211,168	0.8	8.1			
Dec-06	£250,660	0.7	7.8	£325,169	1.8	10.9	£213,121	0.9	8.1			
Jan-07	£252,577	0.8	8.0	£330,657	1.7	12.1	£214,640	0.7	8.4			
Feb-07	£254,962	0.9	8.1	£335,429	1.4	12.6	£216,427	0.8	8.4			
Mar-07	£257,100	0.8	8.4	£338,363	0.9	13.5	£217,624	0.6	8.4			
Apr-07							£219,145	0.7	8.4			
South East												
Greater London												
ALL REGION												

FT House Price Index clb/cms

In the above table, red data above represent the FT "forecast" index, blue data represent FT "updated" index results and black data represent the FT "final" index, as explained below. Results are based upon the census i.e. every transaction, including those for cash, in England & Wales, reported to Land Registry.

About regional, county and London borough data: as explained below, despite using *all* of the Land Registry data, we have found transaction volumes at regional and, especially, at county and London borough level, too small to be stable until two months have elapsed. Thus, the monthly FTHPI Regional Data Table above shows house prices and % changes for individual regions always one month in arrears. Current month regional, county and London borough average changes are charted, as above, for indicative purposes. All FT index national, regional, county and London borough data are consistently calculated. At every geographical level, a current month price is calculated as the average of the prices for the month and for the prior and subsequent month. Each such price is centred on, and represents, the month specified, and is not weighted towards earlier months. A London borough price for any given month relates to a London region price for the same month. Likewise, county and equivalent regional prices are compatible.

At national level, some 100,000 transactions occur monthly. For any given month, only c.15% of the transactions occurring in the month are available from LR. Rather than rely upon a small sample of c.15,000 transactions (one which we have found to be unrepresentative), we base our initial results for each, most recent, month upon our academic "index of indices" forecasting model, developed at the University of Cambridge and the Sir John Cass Business School. One month later, however, LR provides c.70,000 transactions, which we use to replace our initial forecast with an FT "updated" result. A further month later, LR provides c.90,000 transactions which we use to replace the first, with a second, FT "updated" result. Three months after any given month, LR provides c.95,000 transactions. We then regard our results as sufficiently updated to describe them as the FT "final" index. The FT "final" index comprises some 95% of the ultimate LR transactions, smoothed, seasonally and mix adjusted. Every further update from LR is used monthly until the FT "ultimate" result based upon 100% of the LR data is reached. FT "ultimate" results are the census transaction data for England and Wales smoothed, seasonally and mix adjusted. Normally, these show no significant change from the FT "final" result. Our FTHPI Valuation series is calibrated to provide portfolio revaluations with standard errors.

In each region, only some 10,000 transactions occur monthly, averaged over all the ten regions. We do not publish immediate results for the most recent month at regional or lower levels, but wait one month, pending receipt from LR of the c.70% sample. Hence, we provide results, at sub-national level, always one month in arrears of the most recent month. Our sample represents every reported transaction and the whole of the available LR data; but it is small, even at regional level, and the results are susceptible to change when the sample progressively increases to 90% and 95% in the following months. We describe our regional data as the FT "final" index, once it comprises 95% of the LR data, smoothed, seasonally and mix adjusted.

At county level, 100,000 national transactions spread over 119 counties and 32 London boroughs, provide an average of only 663 house prices monthly within each of these areas. Such low volumes result in volatility in our estimated monthly prices at these levels, until we are able to publish the FT "final" index using 95% of the LR data. A particular methodology difference between the FT index and the LR index exists at county and London borough level. At county and London borough level, LR provides prices for the most recent month, without publication lag, by averaging the most recent month's prices with those over the prior three months and identifying them as at the most recent month. As explained on page 3, the FT index makes no such change, at any level, in the way in which prices are estimated.

LONDON BOROUGHS, UNITARY DISTRICTS AND COUNTIES

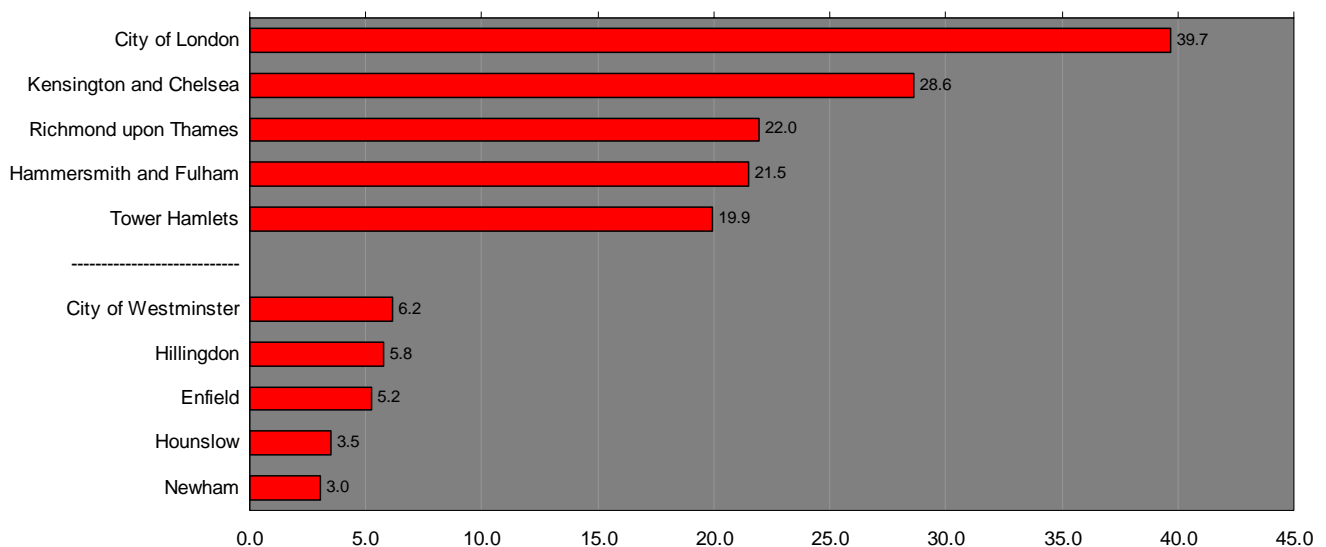
The charts below show the highest and lowest annual growth *averaged over three months*, by unitary district, county and London borough.

Acadameetrics recognises the appetite for such figures but cautions that the volatility of data at these levels is such that they must be used with considerable care. However, the results do give some indication of the diversity of markets across England and Wales.

London Boroughs

Setting aside the City of London, where the number of residential homes is limited, we show an acute contrast between four boroughs of quite different characteristics with increases of almost 20% and over, and five boroughs at the other end of the spectrum with increases of just above 6% and below. This contrast reinforces the need for commentators to treat London averages with caution, and for it to be more fully recognised that, across the capital, very different housing markets exist – a situation where frustrated would-be buyers, prepared to move out of a borough, might well find that they can meet at least some of their aspirations.

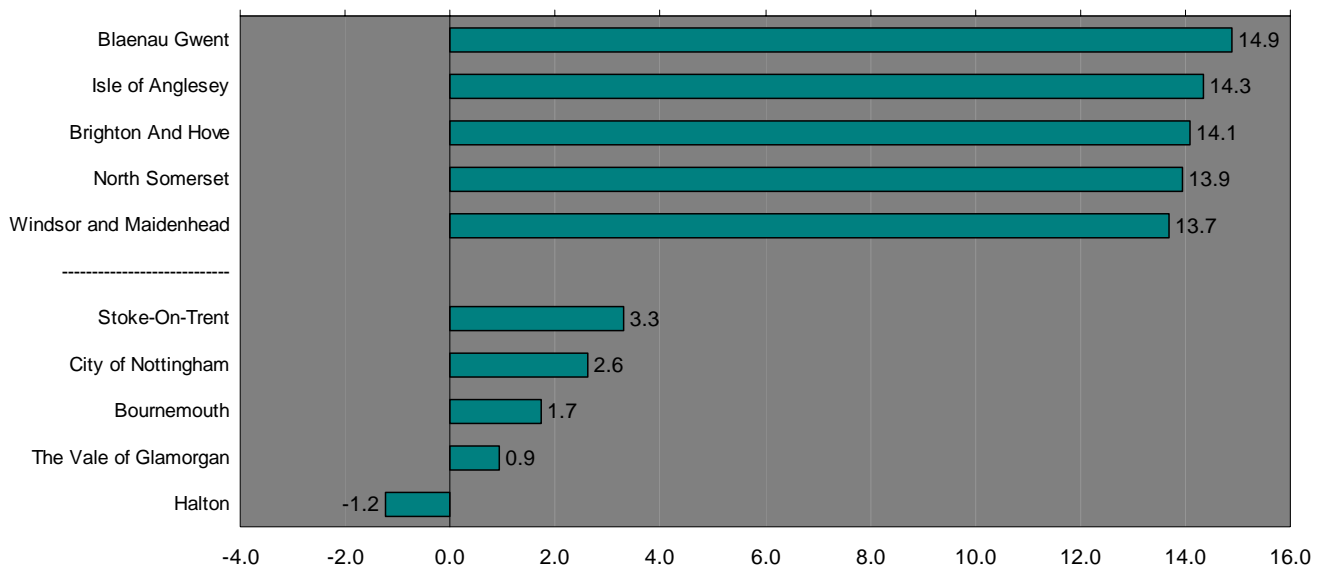
Annual Growth over three months - London boroughs



Unitary Districts and Counties

Outside of London, the unitary district and county growth figures bring together a very mixed bag of authorities, in part reflecting growth on a relatively low base, for example in Blaenau Gwent and Isle of Anglesey. It will be interesting to see how this list changes on a month by month basis, and which authorities make more than a single fleeting appearance.

Annual Growth over three months - Counties



FOOTNOTE

The FT House Price Index comprises the published Land Registry house price data, smoothed and seasonally and mix adjusted by Acadametrics, combined with an “index of indices” model in order to account for transactions not yet reported to the Land Registry. The FT index includes cash purchases and is the only index to use **all** of the Land Registry, **the census**, data. As such, it provides the factual record of domestic property prices in England and Wales and a true guide to house price inflation.

Our [FTHPI Calibration paper](#) is available for download. It describes why FT index data are the Land Registry census data for England and Wales. It also describes our use of the FTHPI Valuation version of the FT index to value a property portfolio with a known value, calibrating the result as within 0.9%. FTHPI Calibration is, we believe, important reading for all those concerned with house prices indices.

The FT House Price Index is prepared from Land Registry data that we believe to be correct using a methodology designed to provide the best possible guide to house price movements in England and Wales, and applied with care. We do not guarantee the accuracy of the results and neither the Financial Times nor Acadametrics shall be liable for any loss or damage, whatsoever, consequential upon any error, misdescription or other inadequacy in the data. Persons using the data do so entirely at their own risk. No part of the house price index may be reproduced in any form or for any purpose without the prior permission of Acadametrics. Please email information@acadametrics.co.uk: regional, county and London borough historic data are available.

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