



FT HOUSE PRICE INDEX

APRIL 2008

HIGHLIGHTS

- On a monthly basis, house prices in England and Wales fell by 0.2% in April, making this the second consecutive month of price falls - the first time we have seen sequential monthly falls since April 1995.
- On an annual basis, prices increased by 4.1%, down from 5.2% in March. This is the eighth successive month in which the annual growth rate has fallen; it is now at its lowest since February 2006. The annual rate has been declining by around 1% point each month since October 2007.
- London prices continue to trend down but it still has an annual growth rate of 10.7% (averaged over the last three months) which is some 4% points higher than the next highest region.
- Outside London, it is the South East (6.4%) that has recorded the largest annual increase. Eight of the ten regions in England and Wales now have an annual growth rate below 4% whereas a year ago none were in this position. Four regions, the North West, East Midlands, West Midlands and Wales have an annual rate below 2%.
- Overall, the market slowdown continues to gather momentum, spurred on by the contracting mortgage market and in spite of the strong fundamentals that underpin the market.

COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“House prices in England and Wales fell by 0.2% in April making this the second consecutive month of price falls recorded by the FT index - the first time this has happened since April 1995, some 13 years ago. Then, England and Wales were at the tail end of a housing market recession that had begun in earnest in September 1989 and which followed through with price falls in 35 of the next 37 months, continuing sporadically thereafter until February 1996.

“On an annual basis, house prices rose by 4.1%, the lowest level since February 2006 and the eighth month in succession that this rate has been falling. Although still above the inflation rate (2.7% without London) the market is clearly continuing to slow down at a rate of around one percentage point per month. The FT index is based upon all property transactions in England and Wales (i.e. cash sales and mortgage backed transactions) and gives a very accurate view of the totality of that market. Even though there are monthly fluctuations despite statistical ‘smoothing, seasonal and mix’ adjustment, we now have clear evidence of a market trending down across almost all regions in successive months.

“The FT index reports on final transaction prices, as distinct from the asking and mortgage offer prices reported in all but one of other series. Regardless of stage in the transaction process, all 5 of the indices that have reported on April to date record negative prices. This suggests we will continue to see a downward trend in the short term at the very least.

“Annual house price inflation in London has fallen from 18.6 % in August 2007 to 10.9%, i.e. it has nearly halved. The contraction is even more dramatic in other regions e.g. the South West (11% in June 2007 to 3.2%) and Wales (7.7 % in August 2007 to 0.8% now).

“Despite the Bank of England’s intervention in the wider financial market, through its special liquidity scheme, interest rate cuts and ongoing dialogue between mortgage lending firms and government, the current housing market correction is being amplified by a contracting mortgage market. The 64,000 loans for house purchase approved in March 2008 compare with 115,000 a year previously and point to current constraints and the added downward pressure being brought to bear on prices and transactions.”

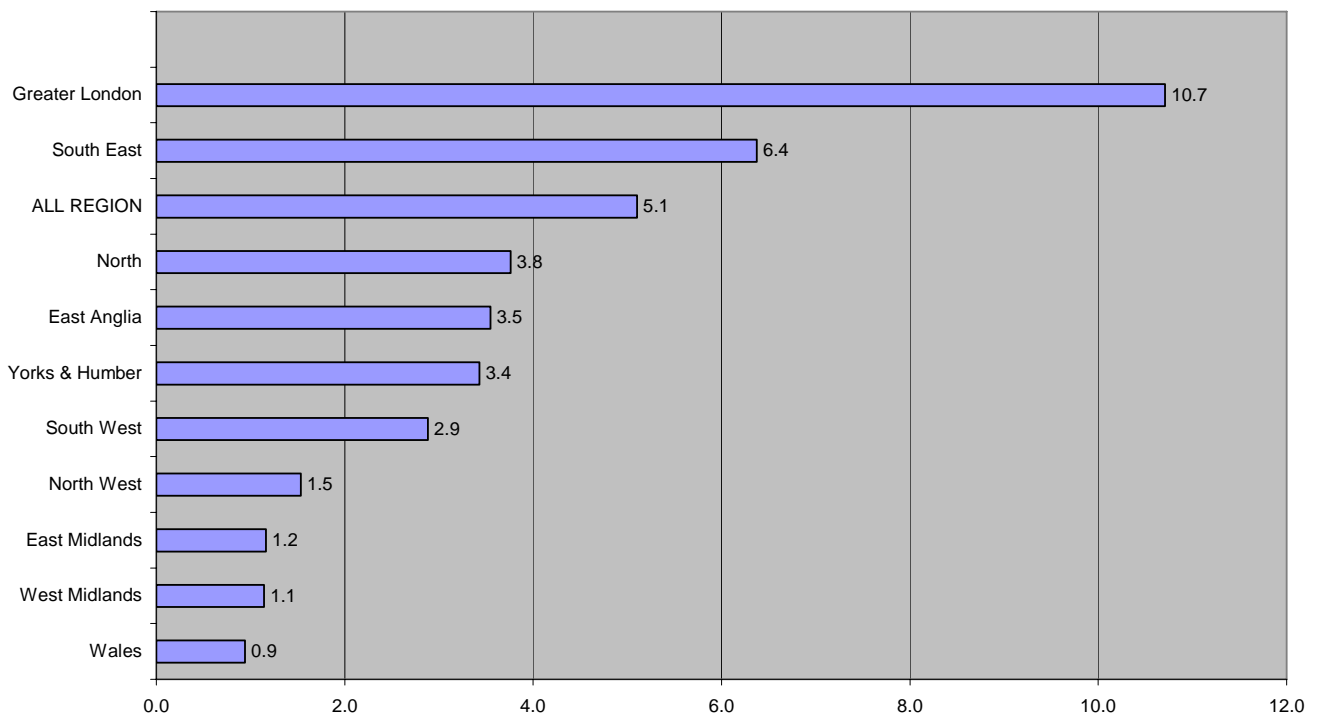
NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
October	2007	£230,469	234.6	0.5	9.9
November	2007	£230,064	234.2	-0.2	8.9
December	2007	£230,289	234.5	0.1	7.8
January	2008	£230,770	234.9	0.2	7.0
February	2008	£231,595	235.8	0.4	6.1
March	2008	£231,028	235.2	-0.2	5.2
April	2008	£230,623	234.8	-0.2	4.1

REGIONAL ANALYSIS

Although London remains top of the house price inflation league table in England and Wales, the fact is that the rate is coming down and seems destined to move to single digits in the next few months. The South West has witnessed rapid deflation and has now moved to 6th place in the table, having stood alongside London and the South East in recent times.

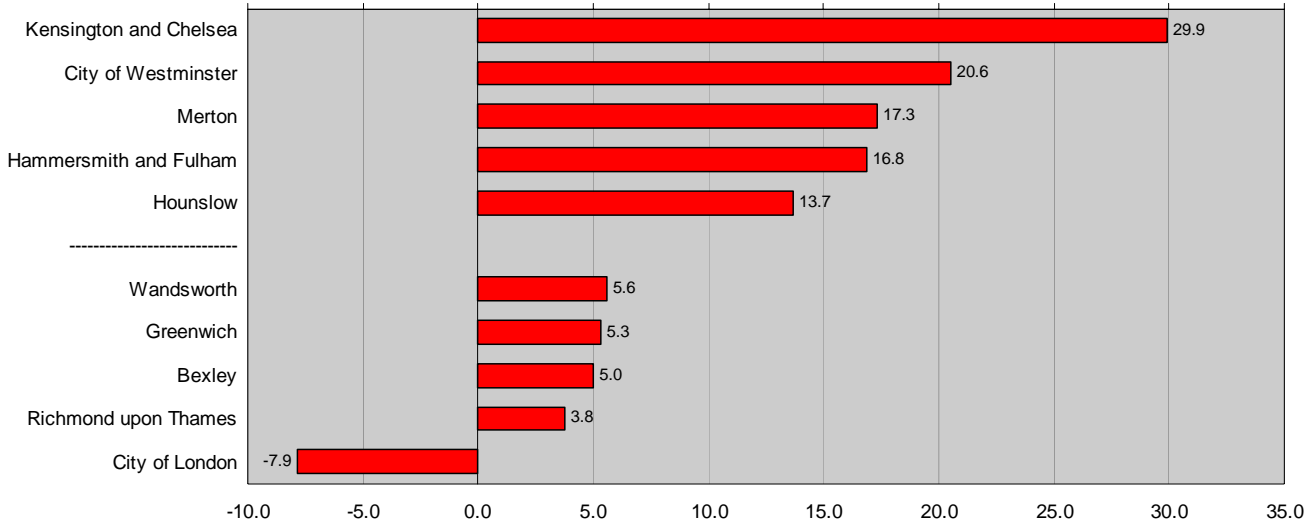
Average Annual Growth over last three months



LONDON BOROUGH ANALYSIS

The very strong performance of London, as a whole, masks a widely varying performance on a borough by borough basis. Of the thirty three London boroughs, only two have an averaged annual growth rate of 20% or more whilst seventeen have recorded rates of less than 10%. The range now runs from 29.9% in Kensington and Chelsea through to -7.9% in the City of London and + 3.8% in Richmond upon Thames.

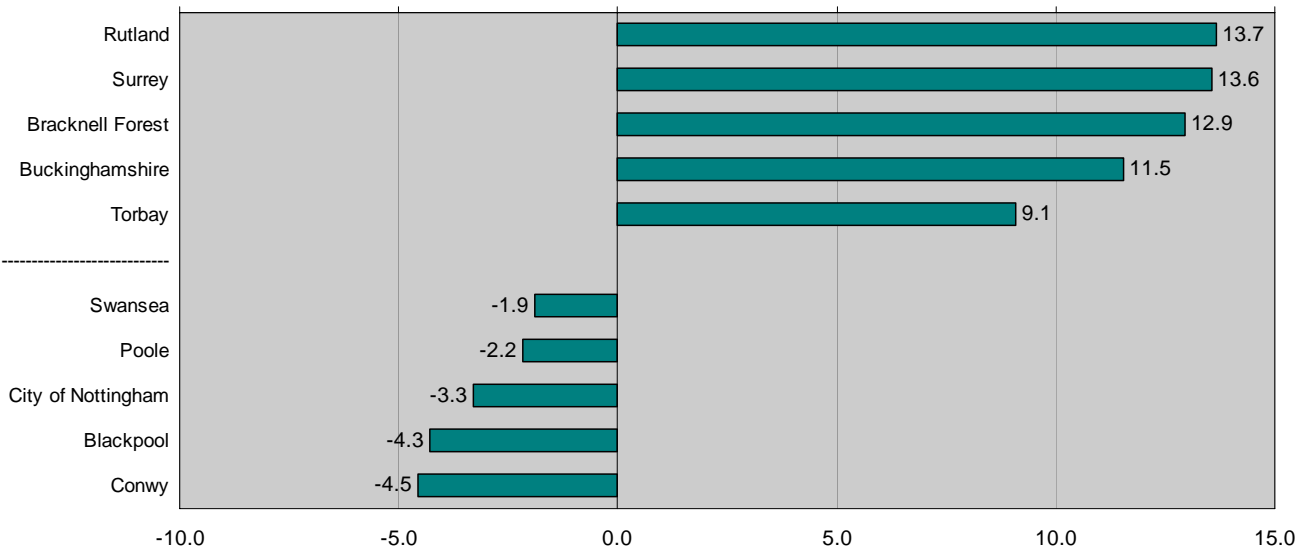
Average Annual Growth over last three months - London boroughs



UNITARY DISTRICT AND COUNTIES ANALYSIS

In a similar fashion to London, performance at a district and county level is very varied. Of the one hundred and eight districts and counties in England and Wales, only four recorded growth rates in excess of 10%; seventy-two had growth rates of less than 5% and of these fifteen saw price reductions, five of them in Wales. We can see a pattern of change beginning to build up, each month, with more authorities recording low or negative house price inflation.

Average Annual Growth overlast three months - Counties



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
Apr-07	£151,696	-0.1	5.9	£165,483	0.7	8.1	£173,112	0.2	6.8	£181,744	0.3	5.5
May-07	£152,017	0.2	5.9	£165,411	0.0	7.4	£174,131	0.6	7.0	£182,448	0.4	5.7
Jun-07	£152,688	0.4	5.7	£165,564	0.1	7.7	£174,659	0.3	7.0	£183,164	0.4	5.5
Jul-07	£152,229	-0.3	5.8	£165,840	0.2	7.3	£175,044	0.2	6.8	£182,553	-0.3	5.1
Aug-07	£152,053	-0.1	5.5	£166,612	0.5	6.9	£175,042	0.0	6.7	£184,081	0.8	5.2
Sep-07	£152,149	0.1	4.9	£168,379	1.1	7.2	£177,009	1.1	6.7	£185,222	0.6	5.3
Oct-07	£153,360	0.8	4.6	£168,666	0.2	6.2	£177,527	0.3	6.5	£186,102	0.5	5.2
Nov-07	£154,593	0.8	4.2	£168,291	-0.2	5.8	£177,081	-0.3	5.2	£185,644	-0.2	4.6
Dec-07	£154,023	-0.4	3.2	£167,742	-0.3	4.2	£176,060	-0.6	4.5	£184,535	-0.6	3.3
Jan-08	£155,181	0.8	2.8	£167,619	-0.1	3.8	£175,623	-0.2	3.1	£184,072	-0.3	2.0
Feb-08	£155,941	0.5	2.9	£167,885	0.2	2.4	£175,513	-0.1	2.0	£183,967	-0.1	1.8
Mar-08	£157,981	1.3	4.0	£166,871	-0.6	1.5	£174,593	-0.5	1.1	£183,450	-0.3	1.2

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Apr-07	£163,991	-0.2	6.4	£164,565	1.0	7.0	£232,023	1.8	10.3	£205,413	0.6	9.6
May-07	£163,847	-0.1	6.7	£165,239	0.4	7.3	£234,068	0.9	10.7	£205,862	0.2	9.4
Jun-07	£165,004	0.7	7.1	£165,663	0.3	7.8	£235,101	0.4	11.0	£204,753	-0.5	8.7
Jul-07	£166,073	0.6	7.0	£164,676	-0.6	6.8	£235,259	0.1	10.7	£206,359	0.8	9.3
Aug-07	£167,978	1.1	7.7	£165,916	0.8	6.9	£235,816	0.2	10.5	£208,160	0.9	8.4
Sep-07	£168,903	0.6	7.5	£167,894	1.2	6.8	£237,353	0.7	10.4	£210,026	0.9	8.7
Oct-07	£170,260	0.8	6.4	£170,236	1.4	6.8	£238,881	0.6	9.5	£210,729	0.3	7.5
Nov-07	£169,321	-0.6	4.7	£170,368	0.1	6.1	£238,214	-0.3	8.1	£208,750	-0.9	6.7
Dec-07	£168,652	-0.4	4.0	£170,457	0.1	5.5	£238,725	0.2	6.7	£209,023	0.1	5.6
Jan-08	£166,753	-1.1	2.4	£169,857	-0.4	4.9	£236,857	-0.8	5.7	£209,348	0.2	5.5
Feb-08	£166,301	-0.3	1.6	£169,849	0.0	4.3	£236,789	0.0	4.4	£211,191	0.9	4.9
Mar-08	£165,646	-0.4	0.8	£169,188	-0.4	3.8	£235,195	-0.7	3.2	£211,117	0.0	3.4

	South East			Greater London			ALL REGION					
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual			
Apr-07	£262,212	0.9	9.7	£344,731	1.1	14.4				£221,569	0.8	9.6
May-07	£263,209	0.4	9.5	£348,892	1.2	15.0				£222,796	0.6	9.7
Jun-07	£266,166	1.1	10.3	£355,932	2.0	16.5				£224,726	0.9	10.3
Jul-07	£266,675	0.2	10.0	£361,320	1.5	17.6				£225,586	0.4	10.2
Aug-07	£269,363	1.0	10.6	£366,597	1.5	18.6				£227,469	0.8	10.5
Sep-07	£271,217	0.7	10.5	£369,301	0.7	18.2				£229,209	0.8	10.4
Oct-07	£273,026	0.7	10.3	£370,371	0.3	17.7				£230,469	0.5	9.9
Nov-07	£273,056	0.0	9.6	£369,131	-0.3	15.6				£230,064	-0.2	8.9
Dec-07	£274,550	0.5	9.2	£370,002	0.2	13.7				£230,289	0.1	7.8
Jan-08	£275,684	0.4	8.5	£374,425	1.2	12.9				£230,770	0.2	7.0
Feb-08	£277,043	0.5	7.6	£377,489	0.8	11.8				£231,595	0.4	6.1
Mar-08	£276,033	-0.4	6.2	£377,996	0.1	10.9				£231,028	-0.2	5.2
Apr-08										£230,623	-0.2	4.1

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FOOTNOTES ON DATA AND METHODOLOGY

1) The FT House Price Index comprises the published Land Registry house price data, smoothed and seasonally and mix adjusted, combined with an “index of indices” forecasting model 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 data. As such, it aims to provide a factual record of domestic property prices in England and Wales and a true guide to house price inflation.

2) In the Regional data table, **red** data represents the FT “forecast” index, **blue** data represent FT “updated” index results and black data represent the FT “final” index.

3) **Data Limitations.** Despite using *all* of the Land Registry data, transaction volumes at regional and, especially, at county and London borough level, are too small to be stable until two months after the end of the month in question. Therefore, the monthly FTHPI Regional Data Table shows *average* house prices and % change for individual regions one month in arrears. The current month regional, county and London borough three month average changes are charted as above, including the projection of the current month, for indicative purposes. The FT index 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 smoothing).

4) **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 at the end of that particular month. So, rather than rely upon such a small and unrepresentative sample, we base our current month results upon a combination of our academic “index of indices” forecasting model, developed by Dr Steve Satchell (University of Cambridge) and Dr George Christodoulakis (Sir John Cass Business School), and a series of auto regression and averaging models. One month later, however, LR provides c.70% of the transactions, which we use to replace our initial forecast with a first “updated” result. A further month later, LR provides c.90% of transactions which we use to replace the first, with a second, “updated” result. Three months after any given month, LR provides c.95 % of transactions. We then regard our results as sufficiently updated to describe them as the “final” index. The FT “final” index comprises some 95% of the ultimate total of the LR transactions for any particular month, smoothed, seasonally and mix adjusted. Every further update from LR is used monthly until we achieve the “ultimate” result based upon 100% of transactions. The FT “ultimate” index results are based upon every single residential property transaction in England and Wales (smoothed, seasonally and mix adjusted). Normally, these “ultimate” figures will show no significant change from the FT “final” result.

5) **In each region**, only some 10,000 transactions occur monthly, over all the ten regions. We do not publish results for the most recent month at regional, county or London Borough level, but wait one month, pending receipt from LR of the c.70% sample. Hence, we always provide results at sub-national level that are one month in arrears of the most recent month. We describe our regional data as “final”, once it comprises 95% of the LR data, smoothed, seasonally and mix adjusted.

6) **At county level and London borough level**, the c.100,000 national monthly transactions are spread over 118 regions/counties and 33 London boroughs and provide an average of only 663 house prices monthly within each of these areas. Such low volumes result in volatility in monthly prices at these levels, until we are able to publish the “final” index using 95% of the LR data.

7) The FT House Price Index is prepared from Land Registry data using a methodology designed to provide the best possible guide to house price movements. 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, incorrect description of or 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. Monthly regional, county and London borough results and historic data by property type are available. Please email information@acadametrics.co.uk.