

HIGHLIGHTS

- The average price of all property transactions completed in England and Wales in December fell by 1.8%, compared with the average price for November. The FTHPI covers all mortgaged and un-mortgaged transactions, and this is the tenth consecutive monthly price fall and the sixth month in a row in which the fall has exceeded 1%.
- On an annual basis, the average price of completed transactions in England and Wales (including London) is now 10.4% lower than a year ago. All ten regions in England and Wales now show prices falling on both a monthly and an annual basis.
- In London, prices continue trending downwards with the annual rate of fall in the capital's house prices (averaged over the past three months) now at 6.8%.
- The housing market is in continuing decline. All UK house price indices are currently negative albeit with considerable differences.
- Although many negatives remain and we have yet to feel the full effects of a general recession, the action by both government and the Bank has eased some pressures. Affordability is improving and subject to confidence and mortgage finance, there is considerable pent up demand.

COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“On a **monthly** basis, the average price of a home in England and Wales fell by 1.8% in December, making this the tenth consecutive month of nominal price falls recorded by the FTHPI and the sixth month in which falls have exceeded 1% of value.

“The **annual** rate of change of the FTHPI, at -10.4%, represents the largest fall ever that we have reported, and this is the sixteenth month in succession in which the annual rate has again fallen in nominal terms.

“Expressing these changes in monetary terms, the average price of a home in England and Wales peaked in February of 2008 at £231,856. Since then, it has fallen by £25,523 to £206,333. This takes the average price back to where it was in August 2006, more than 2 years ago.

“Over the last two years, we have regularly highlighted the London regional market as being out of line with all the other regions of England and Wales. As anticipated, the differentials in rates of change have now all but disappeared as the London market has contracted at a pace. If London is excluded, the England and Wales monthly change is only marginally worse at -1.9% while the annual rate stands at -11.1%, a further 0.7% down.

“Prices in all regions in England and Wales continue to decline, month on month, and all regions are now showing negatives on both a monthly and an annual basis with little evidence of any slowing. The most severe annual falls have been in the North West (down by 9.9%), the East Midlands (-9.6%) and Yorkshire and Humberside (-9.5%). But it is also the rate of change which is notable, of which London provides the most dramatic example, moving from an annual rate of **increase** of over 15% in November 2007 to a **reduction** of 6.7% a year later.

“Looking at price trends in local authorities on a three month averaged basis, significant variations across England and Wales remain. But there is now an almost universal pattern of decline with thirty London boroughs and one hundred and seven districts where prices have fallen over the past year. There is now only one London borough, the City of Westminster - and probably for exceptional reasons - and no county or district where annual price inflation is still in double figures.

“The outturn figures for 2008 across the different indices show significant variations as would be expected; asking prices measures (Rightmove and Hometrack) show falls for the year and stand at -6.3% and -8.7% respectively; the mortgage approval measures (Nationwide and Halifax) show -15.9% and -16.2%; of the completed transaction measures (FTHPI, Land Registry and CLG, this last based on mortgaged completions only), only FTHPI has been published to date and stands at -10.4%. As far as prospects for 2009 are concerned, neither Nationwide nor Halifax has published a forecast, citing the uncertain conditions as the reason for this, though both lenders are also acutely aware that the housing market is strongly influenced by confidence, and negative forecasts damage that further. Rightmove and Hometrack have both predicted a further 10% fall.

“There is a strong consensus that the market will continue to weaken in 2009, with the Council of Mortgage Lenders suggesting the numbers of borrowers over 3 months in arrears will more than double to over 500,000, and repossessions will rise to 75,000. The key will be the supply of mortgages, and at present this is likely to contract further in 2009. Discussions between the government and the industry continue as to what might be done to ease this.

“All in all, 2008 has seen a sharp reversal in the fortunes of the housing market and the process of re-adjustment to long term trends will continue in 2009. The FT House Price Index, which we now entitle FTHPI, will continue to offer timely reporting using its whole of market database. Individual home owners need to be aware that the prices reported are averages, and that there are significant variations around these in terms of local markets and property types. There are a number of house price calculator sites which provide property prices at postcode and property type level - see, for example, one provided on the ITV website - <http://www.itv.com/News/newsspecial/Propertycalculator/default.html>. Most owners will find great reassurance from the fact that the indicative price for their home remains well in excess of what they paid and, indeed, of their mortgage. This makes the key underlying point that, despite the downturn, most owners are still well placed and affordability has improved sharply given rate cuts and price falls. The big issues now are restoring confidence and a flow of mortgage funds.”

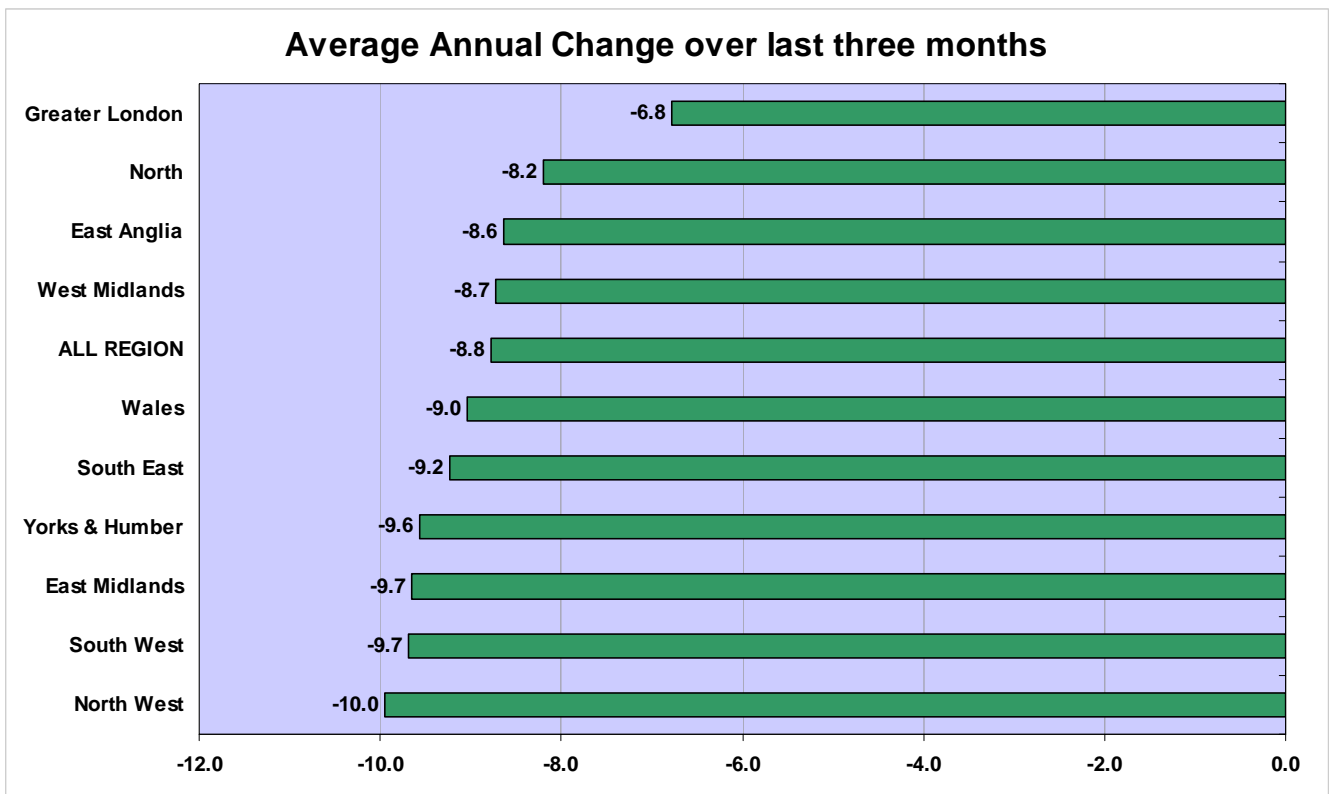
NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
June	2008	£227,479	231.6	-0.8	1.2
July	2008	£224,126	228.2	-1.5	-0.7
August	2008	£220,973	225.0	-1.4	-2.9
September	2008	£217,570	221.5	-1.5	-5.1
October	2008	£214,046	217.9	-1.6	-7.1
November	2008	£210,044	213.8	-1.9	-8.7
December	2008	£206,333	210.1	-1.8	-10.4

REGIONAL ANALYSIS

“All regions are now recording negative growth in nominal terms as measured by an FTHPI 3 month average.

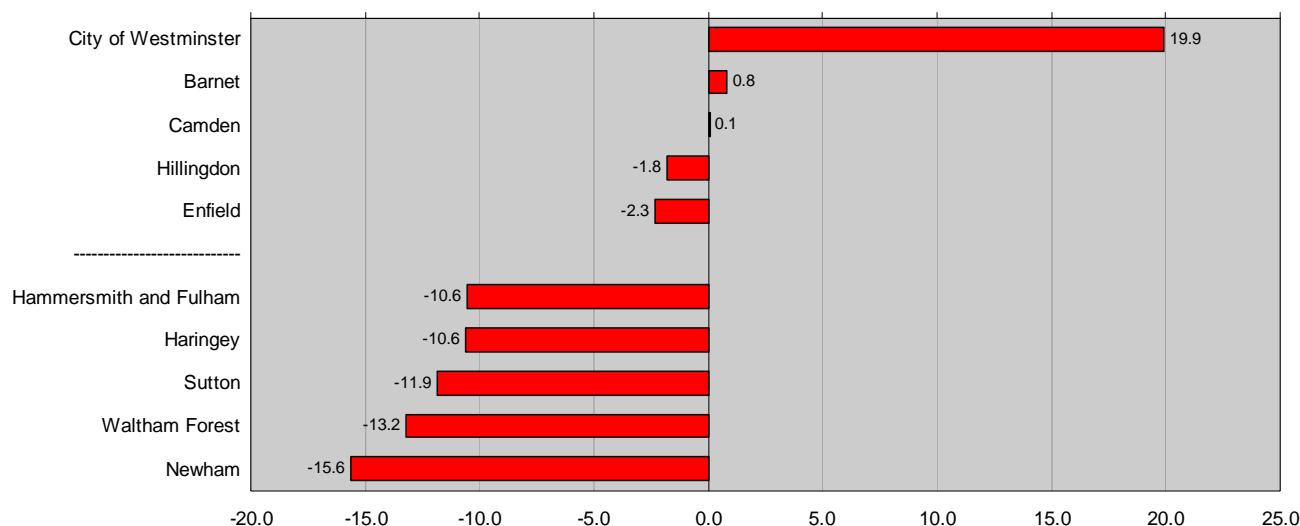
“The South West has witnessed the most rapid deflation and has now dropped to ninth place in the table, having stood alongside London and the South East in recent times. Of these three regions, only London now records a below average fall in price of 6.8%.”



LONDON BOROUGH ANALYSIS

“The results for the London region mask varying performance on a borough by borough basis. Of the thirty three London boroughs, rates range from a 19.9% increase in City of Westminster (probably for exceptional reasons and related to a number of specific transactions) to a fall of 15.6% in Newham and of 13.2% in Waltham Forest. However, thirty out of the thirty three boroughs are now recording falls.”

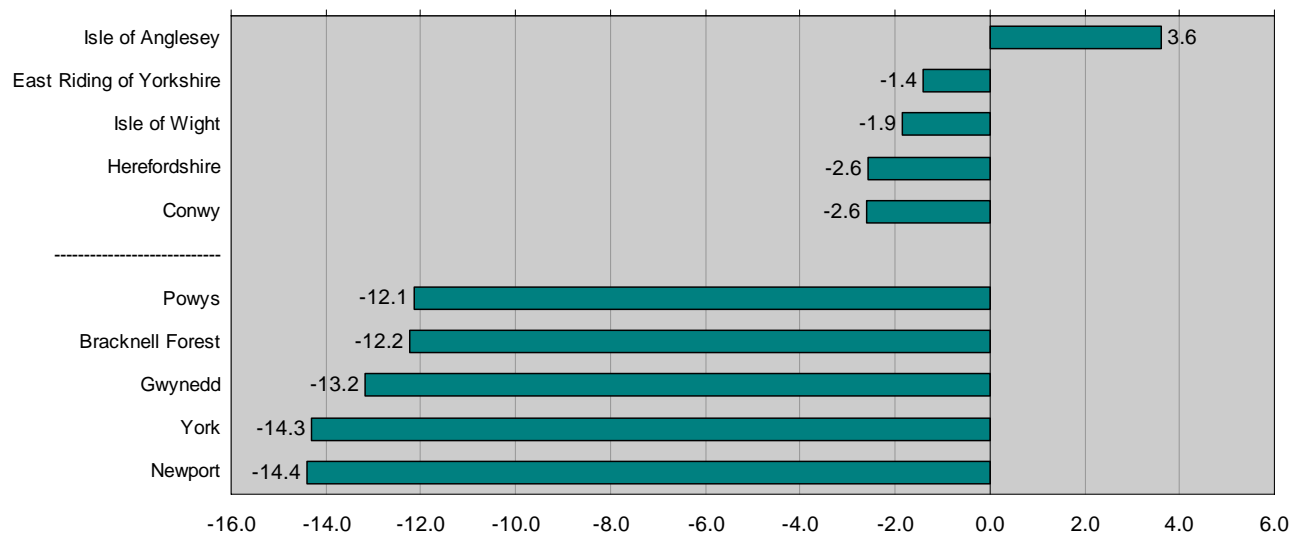
Average Annual Change over last three months - London boroughs



UNITARY DISTRICT AND COUNTIES ANALYSIS

“Of the one hundred and eight districts and counties in England and Wales, one hundred and seven saw price reductions. The pattern of decline is now almost universal with the one exception of Yns Mon (Isle of Anglesey) in Wales.”

Average Annual Change over last 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
Dec-07	£154,464	-0.2	3.5	£168,097	-0.2	4.5	£175,944	-0.5	4.4	£184,679	-0.6	3.3
Jan-08	£157,045	1.7	4.0	£168,058	0.0	4.2	£175,828	-0.1	3.2	£184,796	0.1	2.4
Feb-08	£158,806	1.1	4.7	£168,489	0.3	2.9	£176,724	0.5	2.7	£185,328	0.3	2.5
Mar-08	£160,479	1.1	5.6	£166,958	-0.9	1.6	£175,093	-0.9	1.4	£185,946	0.3	2.5
Apr-08	£158,877	-1.0	4.7	£166,495	-0.3	0.7	£174,153	-0.5	0.6	£185,768	-0.1	2.2
May-08	£157,389	-0.9	3.5	£164,682	-1.1	-0.3	£171,962	-1.3	-1.3	£184,059	-0.9	0.9
Jun-08	£155,327	-1.3	1.7	£163,786	-0.5	-1.0	£172,391	0.2	-1.3	£182,104	-1.1	-0.6
Jul-08	£151,547	-2.4	-0.6	£162,143	-1.0	-2.2	£170,366	-1.2	-2.7	£179,599	-1.4	-1.6
Aug-08	£148,571	-2.0	-2.4	£160,068	-1.3	-3.9	£167,591	-1.6	-4.3	£177,286	-1.3	-3.7
Sep-08	£146,441	-1.4	-3.8	£157,590	-1.5	-6.4	£164,164	-2.0	-7.3	£174,533	-1.6	-5.9
Oct-08	£144,783	-1.1	-5.6	£154,377	-2.0	-8.5	£161,928	-1.4	-8.7	£171,862	-1.5	-7.7
Nov-08	£141,410	-2.3	-8.7	£151,731	-1.7	-9.9	£159,894	-1.3	-9.6	£169,375	-1.4	-8.9

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Dec-07	£168,809	-0.4	4.0	£170,754	0.2	5.7	£238,763	0.2	6.7	£209,451	0.4	5.8
Jan-08	£166,875	-1.1	2.5	£170,455	-0.2	5.2	£236,139	-1.1	5.4	£210,239	0.4	5.9
Feb-08	£166,649	-0.1	1.8	£169,996	-0.3	4.4	£234,910	-0.5	3.6	£212,000	0.8	5.3
Mar-08	£166,405	-0.1	1.3	£170,121	0.1	4.4	£234,017	-0.4	2.6	£211,614	-0.2	3.7
Apr-08	£165,886	-0.3	1.1	£169,757	-0.2	3.1	£235,349	0.6	1.4	£209,796	-0.9	2.1
May-08	£163,347	-1.5	-0.3	£168,218	-0.9	1.8	£235,608	0.1	0.7	£209,093	-0.3	1.6
Jun-08	£161,956	-0.9	-1.8	£165,539	-1.6	-0.1	£233,060	-1.1	-0.9	£207,971	-0.5	1.6
Jul-08	£159,815	-1.3	-3.7	£162,471	-1.9	-1.3	£229,584	-1.5	-2.4	£204,714	-1.6	-0.8
Aug-08	£159,839	0.0	-4.7	£160,716	-1.1	-3.2	£226,111	-1.5	-4.1	£203,241	-0.7	-2.4
Sep-08	£157,968	-1.2	-6.4	£158,725	-1.2	-5.5	£222,472	-1.6	-6.3	£199,376	-1.9	-5.0
Oct-08	£156,365	-1.0	-8.2	£156,543	-1.4	-8.0	£218,934	-1.6	-8.4	£196,671	-1.4	-6.6
Nov-08	£154,056	-1.5	-9.1	£154,257	-1.5	-9.5	£215,323	-1.6	-9.6	£190,789	-3.0	-8.6

	South East			Greater London			ALL REGION		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Dec-07	£274,646	0.4	9.2	£369,768	0.3	13.7	£230,407	0.1	7.9
Jan-08	£276,028	0.5	8.7	£373,029	0.9	12.5	£230,926	0.2	7.1
Feb-08	£277,614	0.6	7.8	£376,064	0.8	11.4	£231,856	0.4	6.2
Mar-08	£276,699	-0.3	6.5	£374,509	-0.4	9.9	£231,157	-0.3	5.2
Apr-08	£276,228	-0.2	5.3	£373,959	-0.1	8.5	£230,739	-0.2	4.1
May-08	£275,011	-0.4	4.5	£372,350	-0.4	6.7	£229,345	-0.6	2.9
Jun-08	£272,560	-0.9	2.4	£370,011	-0.6	3.9	£227,479	-0.8	1.2
Jul-08	£268,297	-1.6	0.6	£364,926	-1.4	1.0	£224,126	-1.5	-0.7
Aug-08	£263,501	-1.8	-2.2	£360,354	-1.3	-1.7	£220,973	-1.4	-2.9
Sep-08	£259,390	-1.6	-4.4	£355,223	-1.4	-3.8	£217,570	-1.5	-5.1
Oct-08	£254,322	-2.0	-6.9	£350,057	-1.5	-5.5	£214,046	-1.6	-7.1
Nov-08	£248,520	-2.3	-9.1	£343,988	-1.7	-6.7	£210,044	-1.9	-8.7
Dec-08							£206,333	-1.8	-10.4

also see www.ft.com/houseprices

www.acadmetrics.co.uk

PRESS CONTACTS:

Peter Williams
David Thorpe
John Tindale

020 8390 5872 or 07718 120858
020 8392 9082 or 07764 236781
020 8891 3451

peter.williams@acadmetrics.co.uk
david.thorpe@acadmetrics.co.uk
john.tindale@acadmetrics.co.uk

FOOTNOTES ON DATA AND METHODOLOGY

1) The FTHPI 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 in the normal market. 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 a small sample (one which we have found to be unrepresentative), we base our current month results upon a combination of our academic “index of indices” forecasting model, developed by Dr Stephen Satchell (University of Cambridge) and Dr George Christodoulakis (then at 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) Our [“House Price Indices – Fact or Fiction?” paper](#) is useful reading for all those concerned with house prices and the use of indices, and is available for download from our website. It discusses the question “A True Measure of House Price Inflation?” and explains the rationale for the use of all the Land Registry data for England and Wales for the FT index. The paper also provides an overview of the alternative indices aimed assisting an understanding of the unique view which each provides of house prices. We explain the valuation series derived from the FT index to revalue individual properties within a property portfolio and our procedure for calibrating the accuracy of these revaluations. We demonstrate the level of accuracy achieved and how, at the national level, the valuation series provides results within 0.9% of the recorded value, for the test portfolio as a whole.

8) The FTHPI 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.