



## FT HOUSE PRICE INDEX

JANUARY 2008

### HIGHLIGHTS

- On a monthly basis, house prices in England and Wales rose by 0.1% in January continuing a three month run of growth rates around zero, the lowest monthly rates since the summer of 2005. We have revised our previous results for November and December downwards following receipt of more data from Land Registry.
- On an annual basis, prices increased by 6.5%, down from 7.4% in December and the lowest annual growth rate since July 2006.
- London continues to be out of step with the rest of England and Wales, with an annual growth rate of 14.6% (averaged over the last three months) which is some 6% points higher than the next highest region. Even so, house prices in the capital are now trending downwards.
- Outside London it is the southern regions, South West (7.5%) and South East (8.2%) that have recorded the largest annual increases (again averaged over the last three months). Half the regions in England and Wales now have an annual growth rate below 5%.
- Overall, the evidence of a market slowdown is strengthening, but any correction must be viewed in the context of the strong performance of the market over recent years and the strong fundamentals underpinning the market, i.e. continued demand and limited supply.

### COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

“House prices in England and Wales increased by just 0.1% in January, which makes three consecutive months of monthly growth either just above or just below zero - the lowest for over three years. On an annual basis, house prices rose by 6.5%, the lowest level since July 2006. As our national index summary indicates, the market has been slowing on a monthly and annual basis since August, reinforcing the view that this has very definitely been a year of two halves with the second half seeing house prices steadily slipping away.

“Although the annual increase at 6.5% is still substantial (5.0% without London), it is beginning to move closer to long run averages. At this point in the cycle our (smoothed) monthly rate now becomes very significant in terms of capturing overall market direction. The FT index shows a market trending downwards and this is very much in line with other market reporting. Significantly the FT index is based on **all** property transactions in England and Wales.

“With continued weakening in consumer confidence and the extensive negative commentary on market prospects in 2008, we continue to expect this downward trend to continue even though the fundamentals of demand and supply, employment and interest rates remain favourable. Given the significance of London in terms of impact on the market as a whole and especially in the South, the weakening in the capital’s housing market is notable albeit from a very high base.

“Although there continues to be some easing in the funding markets the increased price and reduced availability of some mortgage products is impacting upon the housing market. 2008 is likely to be a challenging year for both buyers and sellers, albeit any reduction in prices must be placed in the context of the strong performance of the market in recent years. It would take a far more significant shift in prices than we have seen so far to raise the spectre of negative equity.”

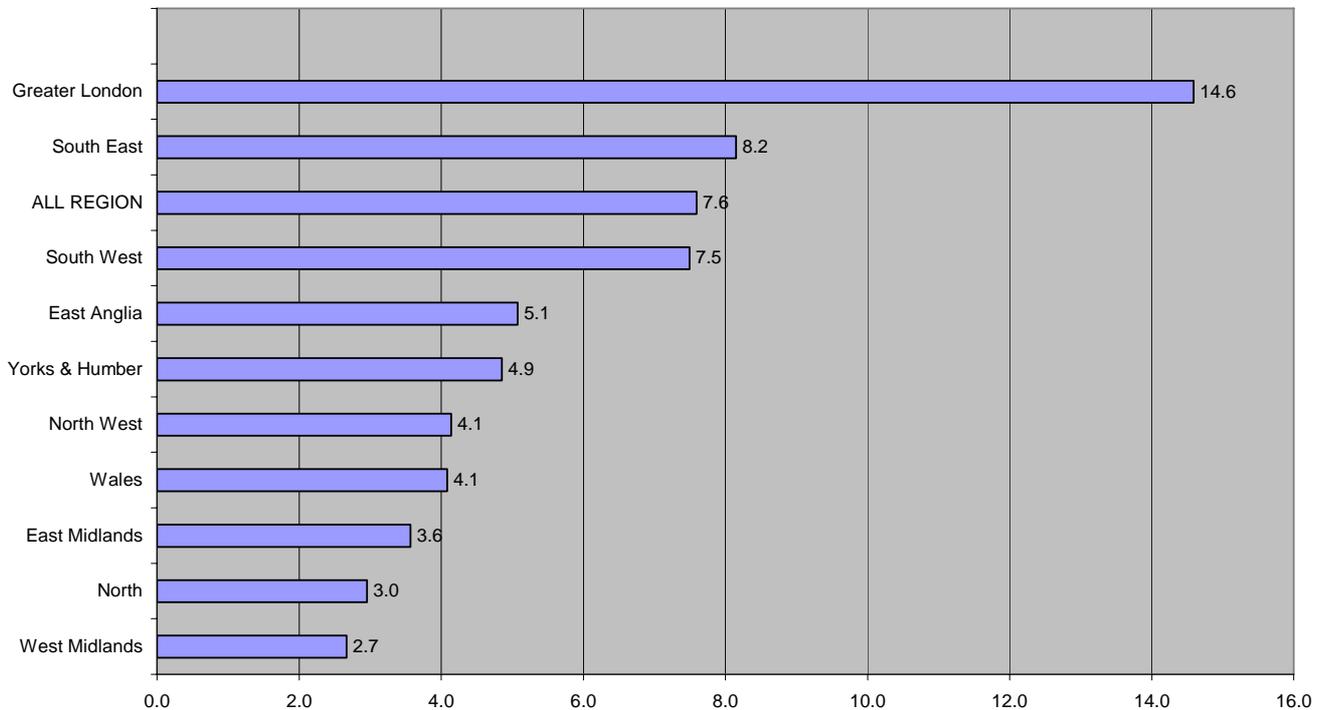
## NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
<b>July</b>	<b>2007</b>	£225,539	229.6	0.4	10.2
<b>August</b>	<b>2007</b>	£227,417	231.5	0.8	10.5
<b>September</b>	<b>2007</b>	£228,925	233.1	0.7	10.3
<b>October</b>	<b>2007</b>	£230,284	234.5	0.6	9.8
<b>November</b>	<b>2007</b>	£230,031	234.2	-0.1	8.9
<b>December</b>	<b>2007</b>	£229,496	233.7	-0.2	7.4
<b>January</b>	<b>2008</b>	£229,625	233.8	0.1	6.5

## REGIONAL ANALYSIS

London's rate of house price inflation is almost twice that of the next highest region (the South East) and is more than five times higher than the lowest region (the West Midlands). However, this month the annual rate of increase in London has continued to fall in common with all other regions. Eight of the regions, including London, also show a fall in the monthly growth rate over the previous month and seven, including London, have actually recorded negative growth – this ranges from -0.8% in East Anglia to -0.1% in London.

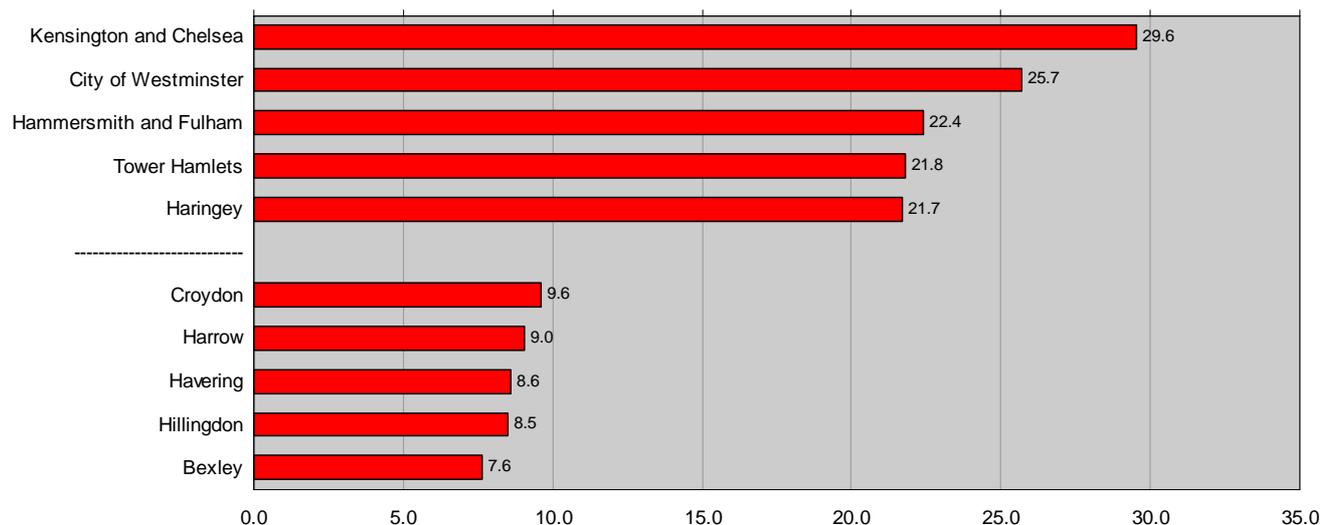
**Average Annual Growth over last three months**



## LONDON BOROUGH ANALYSIS

The very strong performance of London as a whole masks the widely varying performance on a borough by borough basis. Of the thirty three London boroughs seven have averaged annual growth rates of 20% or more but six have recorded rates of 10% or less.

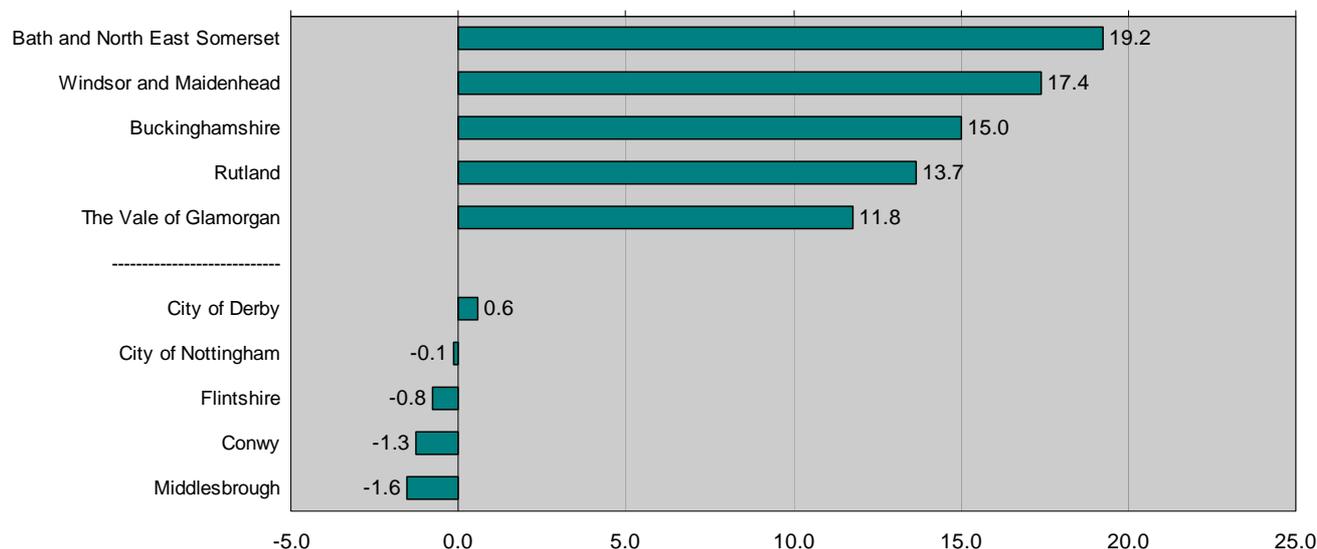
**Average Annual Growth over last three months - London boroughs**



## UNITARY DISTRICT AND COUNTIES ANALYSIS

In a similar fashion to London, the performance at a district and county level is very varied. Of the one hundred and eight districts and counties in England and Wales only fourteen recorded growth rates in excess of 10%; ninety three had growth rates of less than 10%.

**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
Jan-07	£150,936	1.1	6.6	£161,403	0.2	7.7	£170,331	1.1	7.0	£180,402	0.9	6.4
Feb-07	£151,602	0.4	6.2	£163,892	1.5	8.7	£172,055	1.0	7.5	£180,812	0.2	5.9
Mar-07	£151,834	0.2	6.5	£164,314	0.3	7.5	£172,713	0.4	6.8	£181,269	0.3	5.8
Apr-07	£151,737	-0.1	6.0	£165,439	0.7	8.1	£173,082	0.2	6.8	£181,675	0.2	5.5
May-07	£151,803	0.0	5.8	£165,378	0.0	7.4	£174,092	0.6	7.0	£182,372	0.4	5.7
Jun-07	£152,489	0.5	5.5	£165,547	0.1	7.7	£174,630	0.3	7.0	£183,094	0.4	5.5
Jul-07	£151,952	-0.4	5.6	£165,820	0.2	7.2	£174,922	0.2	6.7	£182,576	-0.3	5.1
Aug-07	£151,966	0.0	5.5	£166,366	0.3	6.7	£174,876	0.0	6.6	£184,137	0.9	5.3
Sep-07	£151,933	0.0	4.8	£167,545	0.7	6.7	£176,570	1.0	6.4	£184,975	0.5	5.2
Oct-07	£153,122	0.8	4.4	£167,799	0.2	5.6	£176,810	0.1	6.0	£185,318	0.2	4.7
Nov-07	£153,736	0.4	3.6	£167,603	-0.1	5.4	£176,072	-0.4	4.6	£184,515	-0.4	4.0
Dec-07	£153,901	0.1	3.1	£166,782	-0.5	3.6	£174,585	-0.8	3.6	£183,308	-0.7	2.6

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jan-07	£162,854	0.4	7.4	£161,920	0.2	7.0	£224,110	0.2	8.9	£198,401	0.2	10.0
Feb-07	£163,735	0.5	6.6	£162,807	0.5	6.7	£226,736	1.2	9.4	£201,273	1.4	10.3
Mar-07	£164,359	0.4	6.4	£162,868	0.0	6.1	£227,935	0.5	9.2	£204,057	1.4	10.8
Apr-07	£163,967	-0.2	6.4	£164,482	1.0	6.9	£232,007	1.8	10.3	£205,324	0.6	9.6
May-07	£163,728	-0.1	6.6	£165,169	0.4	7.2	£234,076	0.9	10.7	£205,855	0.3	9.4
Jun-07	£164,887	0.7	7.0	£165,645	0.3	7.8	£235,357	0.5	11.1	£204,664	-0.6	8.6
Jul-07	£165,976	0.7	6.9	£164,631	-0.6	6.7	£235,473	0.0	10.8	£206,078	0.7	9.1
Aug-07	£168,104	1.3	7.7	£165,819	0.7	6.8	£236,308	0.4	10.7	£207,769	0.8	8.2
Sep-07	£169,052	0.6	7.6	£167,402	1.0	6.5	£237,578	0.5	10.5	£209,157	0.7	8.3
Oct-07	£170,188	0.7	6.3	£169,160	1.0	6.1	£239,244	0.7	9.7	£209,510	0.2	6.9
Nov-07	£169,335	-0.5	4.7	£169,144	0.0	5.3	£239,174	0.0	8.5	£207,965	-0.7	6.3
Dec-07	£169,087	-0.1	4.2	£169,173	0.0	4.7	£239,593	0.2	7.1	£207,472	-0.2	4.8

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jan-07	£253,951	1.0	8.6	£331,565	1.9	12.4		£215,594	0.9	8.8
Feb-07	£257,548	1.4	9.2	£337,647	1.8	13.3		£218,270	1.2	9.3
Mar-07	£259,823	0.9	9.6	£341,015	1.0	14.3		£219,689	0.7	9.4
Apr-07	£262,138	0.9	9.7	£344,661	1.1	14.4		£221,517	0.8	9.6
May-07	£263,102	0.4	9.5	£348,889	1.2	15.0		£222,734	0.5	9.6
Jun-07	£266,017	1.1	10.3	£355,874	2.0	16.5		£224,677	0.9	10.2
Jul-07	£266,570	0.2	9.9	£361,330	1.5	17.6		£225,539	0.4	10.2
Aug-07	£269,151	1.0	10.5	£366,657	1.5	18.7		£227,417	0.8	10.5
Sep-07	£270,833	0.6	10.3	£369,500	0.8	18.3		£228,925	0.7	10.3
Oct-07	£272,501	0.6	10.1	£372,670	0.9	18.4		£230,284	0.6	9.8
Nov-07	£272,411	0.0	9.3	£372,769	0.0	16.8		£230,031	-0.1	8.9
Dec-07	£271,587	-0.3	8.0	£372,487	-0.1	14.5		£229,496	-0.2	7.4
Jan-08								£229,625	0.1	6.5

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[www.acadametrics.co.uk](http://www.acadametrics.co.uk)

## 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](mailto:information@acadametrics.co.uk).