

### KEY STATISTICS

Index	Average House Price	Monthly Change	Annual Change
206.3	£202,670	-1.4%	-12.2%

### HIGHLIGHTS

- The average price of all property transactions completed in England and Wales in January fell by 1.4%, compared with the average price for December. The FTHPI covers all mortgaged and un-mortgaged transactions, and this is the eleventh consecutive monthly price fall and the seventh month in a row in which the fall has exceeded 1%.
- On an annual basis, the average price of all completed transactions in England and Wales is now 12.2% lower than a year ago. All ten regions in England and Wales are showing 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 10.0%, indistinguishable from other regions.
- Aside from one index (Halifax) all reported UK house price indices are showing monthly falls of between 1% and 2%.
- Although recessionary effects are still building there is a possibility that the housing market may begin to bottom out in 2009.

### 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 1.4% in January, making this the eleventh consecutive month of nominal price falls recorded by the FTHPI and the seventh month in which falls have exceeded 1% of value. However the rate of decline has slowed over the last three months – from -2.1% in November 2008 to -1.4% in January 2009.

“The **annual** rate of change of the FTHPI, at -12.2%, represents the largest fall ever that we have reported, and this is the seventeenth 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 2008 at £231,863. Since then, it has fallen by £29,193 to £202,670. This takes the average price back to where it was in April 2006, close to 3 years ago. Last month house prices fell on average by £2841.

“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 have now disappeared with London's falls matching those in other regions, and the average price differential between London and elsewhere has been slowly contracting - now standing at around £19,000.

“Prices in all regions in England and Wales continue to decline on both a monthly and an annual basis, although there is some evidence that the rate is slowing. Perhaps unsurprisingly, given the scale of previous increases, the most severe annual falls have been in the South East (down by 11.8%), East Anglia (-11.1%) and the South West (-10.9%) although the spread in annual decline between regions is quite narrow.

“Looking at price trends in local authorities in England and Wales, on a three month averaged basis, significant variations remain; in England a 0.5% fall in Poole, compared to a 14.9% fall in York, and in Wales a 0.3% fall in Ynys Mon (Isle of Anglesey) to a 14% fall in Powys. However, **all but one** London borough (uniquely, the City of Westminster increased by 15.6% and probably for exceptional reasons) and **all** districts are now showing price falls over the past three months.

“The UK is now in recession with rising job losses and insolvencies. A recent Building Societies Association survey showed lack of job security is now the big issue for respondents in relation to barriers to house purchase (December 2008, 58%). Setting that aside, with the bank rate at its lowest level ever and after a 4.25 percentage point reduction in under 12 months as well as house price falls, mortgages are now very affordable subject to having both a substantial deposit and access to the mortgage market. A modest increase in the supply of funds and in housing market activity could begin to further slow the current decline and help boost confidence despite the recessionary pressures. With the RICS recently reporting increased buyer enquiries for a third month in succession, there is a possibility that we could see the current decline in the housing market bottoming out in 2009.”

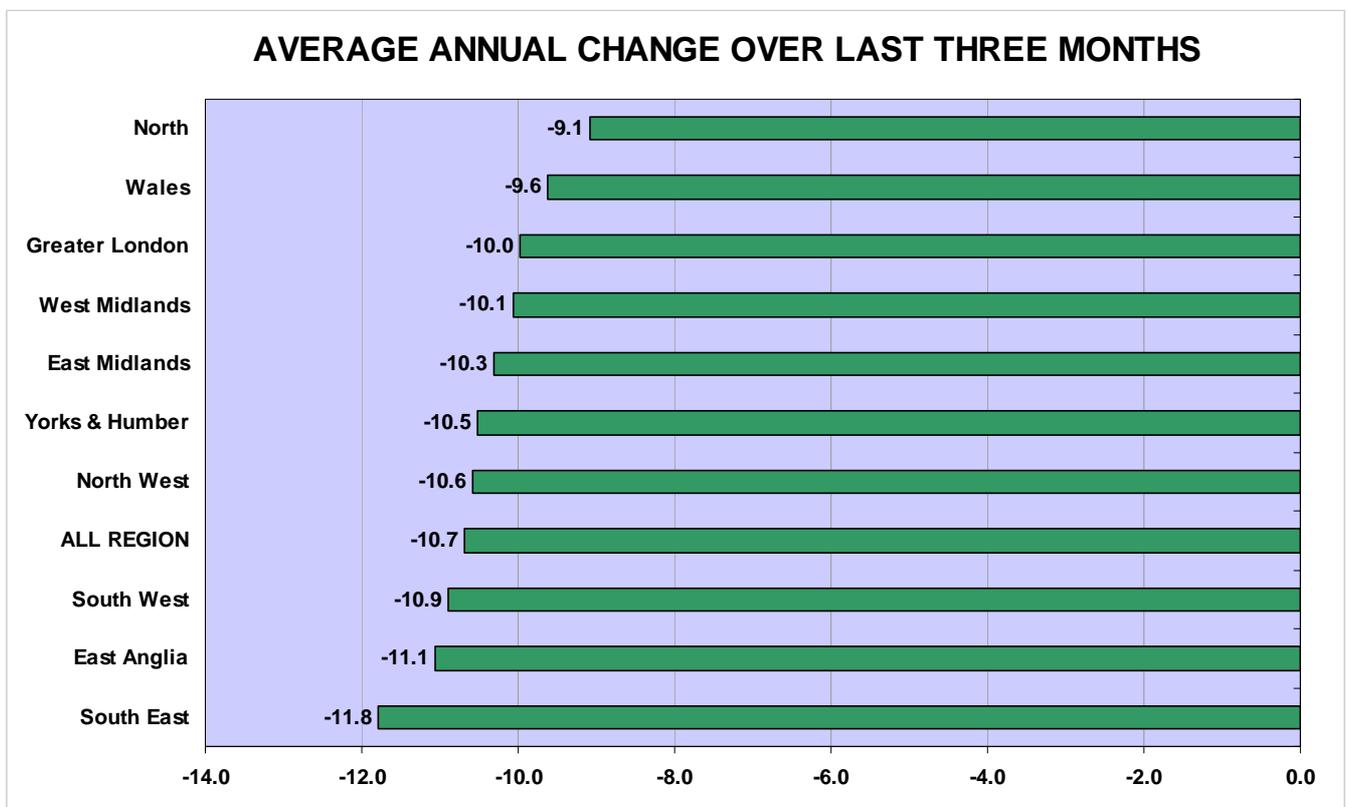
## NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
July	2008	£224,178	228.2	-1.5	-0.6
August	2008	£221,063	225.1	-1.4	-2.8
September	2008	£217,439	221.4	-1.6	-5.1
October	2008	£213,728	217.6	-1.7	-7.3
November	2008	£209,323	213.1	-2.1	-9.0
December	2008	£205,511	209.2	-1.8	-10.8
January	2009	£202,670	206.3	-1.4	-12.2

## REGIONAL ANALYSIS

“All regions continue to record negative growth in nominal terms as measured by the FTHPI 3 month average.

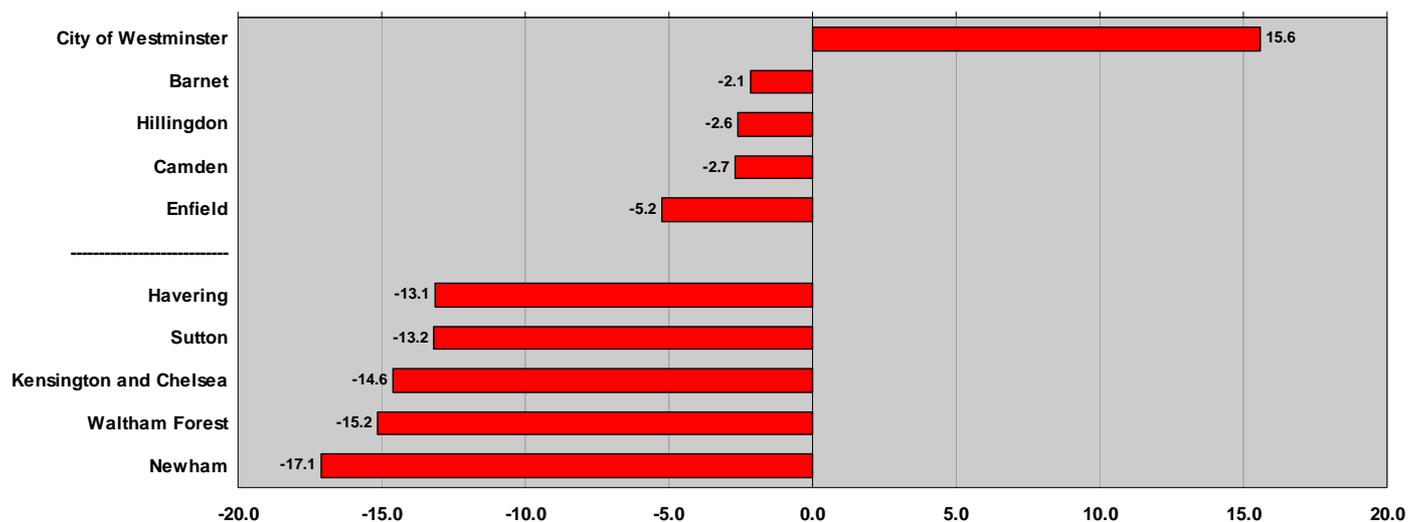
“The South East has witnessed the most rapid deflation and has now dropped to bottom place in the table, with the South West little better – both having stood alongside London in recent times. Of these three regions, only London now records a below average fall in price of 10.0% but no longer heads the league table. The gap between the regions has narrowed significantly”



## 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 15.6% increase in City of Westminster (probably for exceptional reasons and related to a number of specific transactions) to a fall of 17.1% in Newham and of 15.2% in Waltham Forest. Thirty two out of the thirty three boroughs are now recording falls, with 18 of them showing annual falls in excess of 10%. In comparison only 39 out of the 108 counties and districts experienced such severe declines, suggesting that London appears to be undergoing a sharper re-adjustment at this stage.”

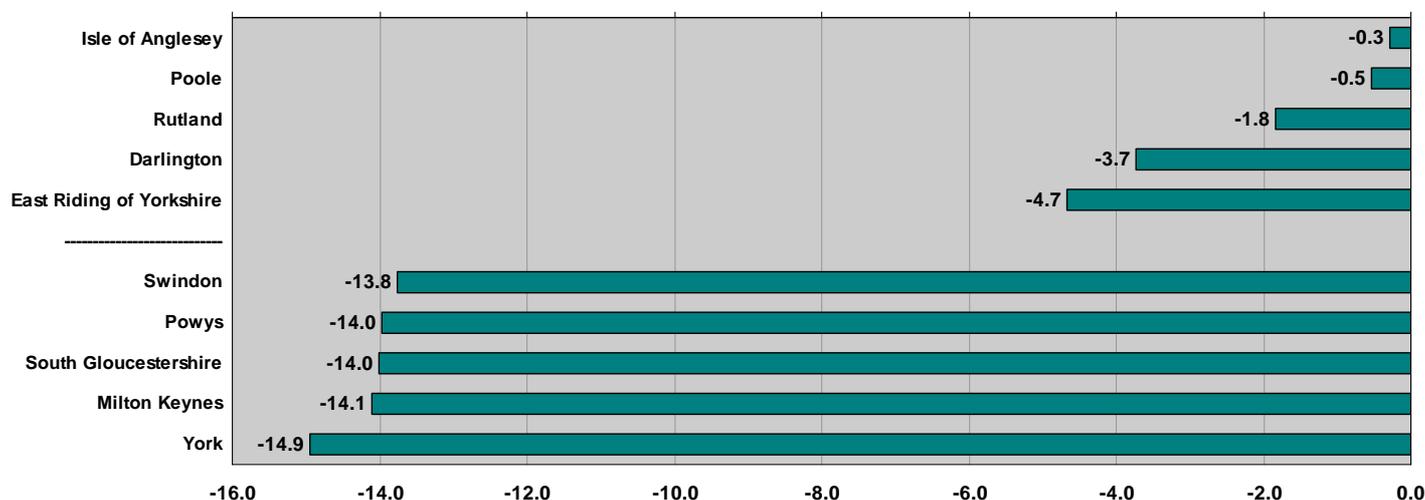
**AVERAGE ANNUAL CHANGE OVER LAST THREE MONTHS - LONDON BOROUGHS**



## UNITARY DISTRICT AND COUNTIES ANALYSIS

“Of the one hundred and eight districts and counties in England and Wales, all saw price reductions. The pattern of decline is now universal.”

**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
Jan-08	£157,085	1.7	4.0	£168,054	0.0	4.2	£175,804	-0.1	3.2	£184,804	0.1	2.5
Feb-08	£158,890	1.1	4.8	£168,474	0.2	2.9	£176,738	0.5	2.7	£185,346	0.3	2.5
Mar-08	£160,551	1.0	5.7	£166,923	-0.9	1.5	£175,126	-0.9	1.4	£185,933	0.3	2.5
Apr-08	£158,985	-1.0	4.8	£166,465	-0.3	0.7	£174,212	-0.5	0.6	£185,775	-0.1	2.2
May-08	£157,470	-1.0	3.5	£164,645	-1.1	-0.4	£171,986	-1.3	-1.3	£184,003	-1.0	0.8
Jun-08	£155,497	-1.3	1.8	£163,898	-0.5	-0.9	£172,391	0.2	-1.3	£182,059	-1.1	-0.6
Jul-08	£151,608	-2.5	-0.5	£162,244	-1.0	-2.2	£170,336	-1.2	-2.7	£179,618	-1.3	-1.6
Aug-08	£148,954	-1.8	-2.1	£160,252	-1.2	-3.8	£167,606	-1.6	-4.3	£177,529	-1.2	-3.6
Sep-08	£147,099	-1.2	-3.4	£157,658	-1.6	-6.3	£164,206	-2.0	-7.2	£174,878	-1.5	-5.7
Oct-08	£145,890	-0.8	-4.9	£154,331	-2.1	-8.5	£161,991	-1.3	-8.7	£172,293	-1.5	-7.5
Nov-08	£143,131	-1.9	-7.5	£152,243	-1.4	-9.6	£160,210	-1.1	-9.4	£169,259	-1.8	-8.9
Dec-08	£140,872	-1.6	-8.8	£150,014	-1.5	-10.7	£157,718	-1.6	-10.3	£166,425	-1.7	-9.9

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jan-08	£166,881	-1.1	2.5	£170,438	-0.2	5.2	£236,154	-1.1	5.4	£210,241	0.4	6.0
Feb-08	£166,651	-0.1	1.8	£169,979	-0.3	4.4	£234,911	-0.5	3.6	£211,972	0.8	5.3
Mar-08	£166,432	-0.1	1.3	£170,105	0.1	4.4	£233,961	-0.4	2.6	£211,648	-0.2	3.7
Apr-08	£165,909	-0.3	1.2	£169,755	-0.2	3.1	£235,289	0.6	1.4	£209,793	-0.9	2.1
May-08	£163,460	-1.5	-0.2	£168,220	-0.9	1.8	£235,582	0.1	0.6	£209,047	-0.4	1.5
Jun-08	£162,072	-0.8	-1.7	£165,639	-1.5	0.0	£233,148	-1.0	-0.8	£207,899	-0.5	1.5
Jul-08	£160,017	-1.3	-3.6	£162,573	-1.9	-1.3	£229,610	-1.5	-2.4	£204,881	-1.5	-0.7
Aug-08	£160,085	0.0	-4.6	£160,798	-1.1	-3.1	£225,841	-1.6	-4.3	£203,632	-0.6	-2.2
Sep-08	£158,147	-1.2	-6.3	£158,680	-1.3	-5.5	£221,965	-1.7	-6.5	£199,578	-2.0	-4.9
Oct-08	£156,370	-1.1	-8.2	£156,854	-1.2	-7.8	£218,493	-1.6	-8.5	£196,461	-1.6	-6.7
Nov-08	£153,841	-1.6	-9.2	£154,731	-1.4	-9.2	£214,855	-1.7	-9.8	£189,963	-3.3	-9.0
Dec-08	£151,816	-1.3	-10.1	£152,463	-1.5	-10.7	£211,750	-1.4	-11.3	£185,973	-2.1	-11.2

	South East			Greater London			ALL REGION		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jan-08	£276,016	0.5	8.7	£373,012	0.9	12.5	£230,921	0.2	7.1
Feb-08	£277,642	0.6	7.8	£376,037	0.8	11.4	£231,863	0.4	6.2
Mar-08	£276,737	-0.3	6.5	£374,515	-0.4	9.9	£231,163	-0.3	5.2
Apr-08	£276,286	-0.2	5.4	£373,767	-0.2	8.4	£230,730	-0.2	4.1
May-08	£275,100	-0.4	4.5	£372,089	-0.4	6.6	£229,330	-0.6	2.9
Jun-08	£272,800	-0.8	2.5	£369,659	-0.7	3.8	£227,528	-0.8	1.2
Jul-08	£268,500	-1.6	0.7	£364,623	-1.4	0.9	£224,178	-1.5	-0.6
Aug-08	£263,600	-1.8	-2.2	£360,302	-1.2	-1.8	£221,063	-1.4	-2.8
Sep-08	£259,313	-1.6	-4.4	£354,070	-1.7	-4.1	£217,439	-1.6	-5.1
Oct-08	£253,664	-2.2	-7.1	£348,260	-1.6	-6.0	£213,728	-1.7	-7.3
Nov-08	£247,539	-2.4	-9.5	£339,358	-2.6	-8.0	£209,323	-2.1	-9.0
Dec-08	£241,530	-2.4	-12.1	£333,638	-1.7	-9.8	£205,511	-1.8	-10.8
Jan-09							£202,670	-1.4	-12.2

also see [www.ft.com/houseprices](http://www.ft.com/houseprices)

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

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## FOOTNOTES ON DATA AND METHODOLOGY

1) 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. FTHPI 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 represent FTHPI “forecast” results, **blue** data represent FTHPI “updated” results and black data represent the FTHPI “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. 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 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 FTHPI “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 FTHPI “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 FTHPI “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 FTHPI. The paper also provides an overview of the alternative indices aimed at assisting an understanding of the unique view which each provides of house prices. We explain our Transacted House Prices series, which underpins our FTHPI and is designed to revalue property portfolios, and we set out our procedure for calibrating the accuracy of these revaluations, loan by loan. We demonstrate the level of accuracy achieved and how, at the national level, Transacted House Prices provide results within 0.9% of the recorded value, for the test portfolio as a whole.

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