


FT HOUSE PRICE INDEX
JULY 2008
HIGHLIGHTS

- House prices in England and Wales fell by 0.5% in July. This is the fifth consecutive month of nominal price falls. Excluding London prices have fallen by -0.6% on a monthly basis and -0.3% on an annual basis. The graph shows the effect of London on prices over the past three years.

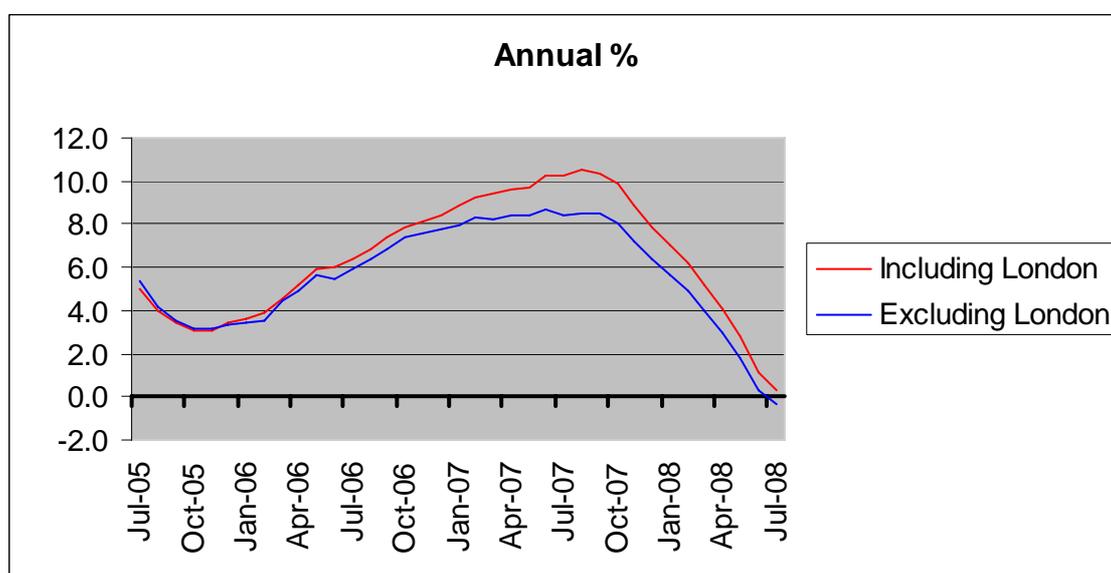


Chart 1

- Despite commentary to the contrary, the average price for England and Wales (including London) in July 2008 remains higher than it was in July 2007, albeit by a mere 0.3%. This is 0.9 percentage points down from the 1.2% recorded in June. July is the eleventh successive month in which the annual growth rate has fallen and growth is now at its lowest since February 1996. The pace of annual house price rises has been declining by around 1% point each month since October 2007.
- London prices continue to trend down but, with an annual rate of 4.6% (averaged over the past three months), growth in the capital is still some 2% points higher than the next highest region.
- Five out of the ten regions - the North West, East Midlands, West Midlands, Wales and even the South West - are now showing nominal price falls on both a monthly and an annual basis.
- The market slowdown continues to gather momentum, with the number of mortgage loans and house sales falling on a monthly basis and consumer confidence reaching new lows. It is now a buyers market with expectations of the price to be paid being strongly influenced by the more negative market commentary. In that sense the continued slide becomes a self fulfilling prophecy.
- The differential that is emerging between the transaction based indices (FTHPI, Land Registry and CLG) and the mortgage offer based indices raises serious questions about the accuracy of house price reporting and the impact this differential may be having on the market as a whole.

COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadametrics, comments,

“On a monthly basis, house prices in England and Wales fell by 0.5% in July making this the fifth consecutive month of nominal price falls recorded by the FT index - the first time this has happened since April 1995. Since the peak in February of this year, house prices have fallen by close to 2.5%.

“The price of an average house was £231,879 in February and it has since fallen by £5,587 to £226,292 in July; this takes the market average price back to where we were in August 2007.

“Whilst our index shows that house prices remain marginally higher than they were last year (by 0.3%) this is the lowest annual growth rate recorded since February 1996 and it is the eleventh month in succession in which the annual rate of increase has fallen in nominal terms. Clearly in real terms, i.e. excluding the impact of inflation, the FT index is now negative.

“Over the last two years we have regularly commented on the London market being out of line with all the other parts of England and Wales. This was true on the way up and it continues to be true on the way down. Excluding London, our monthly figure was -0.6% and the annual rate would have been negative at -0.3%.

“Prices in all regions are now in decline on a monthly basis and five regions are now negative on both a monthly and an annual basis with the East Midlands and Wales down by 2.5% or more annually. Looking at the annual growth rate in local authorities on a three month averaged basis, there are now only four London boroughs and only one county/district recording price inflation into double figures. On the other hand there is now one London borough and fifty-one districts where prices are falling.

FT HOUSE PRICE INDEX CHART JULY 2008

ANNUAL GROWTH IN HOUSE PRICES - COMPARISON OF INDICES

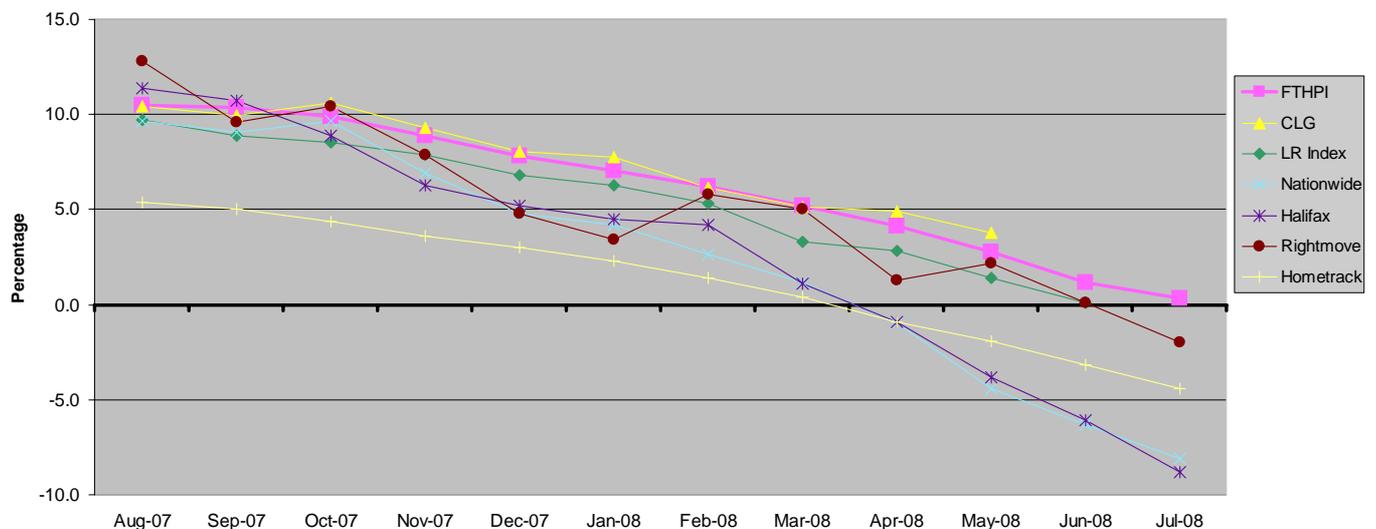


Chart 2

“The FT index, like the Land Registry and CLG indices, is based upon sales transaction prices and it is the only index that is based upon **all** property transactions in England and Wales (i.e. all cash sales and mortgage backed transactions). As such, it is bound to diverge from the mortgage offer indices, published by Nationwide BS and HBOS, which have been reporting more dramatic declines based on their own lending data. As Chart 2 shows, since February 2008 these two mortgage offer based indices have tended to diverge from the sales transaction based indices. It is not entirely clear why this should be the case, though their collective fall in monthly market share must be a factor as this means they have much reduced numbers upon which to base their measures.

Source	Prices**	Annual Month	2007					2008						
			Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
FTHPI	F	A	10.5	10.4	9.9	8.9	7.8	7.0	6.2	5.2	4.1	2.8	1.2	0.3
		M	0.8	0.7	0.5	-0.2	0.1	0.2	0.5	-0.3	-0.2	-0.7	-0.7	-0.5
CLG	F	A	10.4	10.0	10.6	9.3	8.1	7.8	6.2	5.1	4.9	3.8		
		M	0.5	0.4	0.0	-0.5	-0.3	1.7	-1.9	0.1	0.6	-0.3		
LR INDEX	F	A	9.7	8.9	8.5	7.9	6.8	6.3	5.3	3.3	2.8	1.4	0.1	
		M	0.5	0.5	0.5	0.3	-0.4	0.6	-0.1	-0.7	-0.3	-0.6	-1.0	
NATIONWIDE	M	A	9.6	9.0	9.7	6.9	4.8	4.2	2.7	1.1	-1.0	-4.4	-6.3	-8.1
		M	0.5	0.4	0.8	-1.1	-0.7	-0.5	-0.7	-1.0	-1.0	-2.4	-0.8	-1.7
HALIFAX	M	A	11.4	10.7	8.9	6.3	5.2	4.5	4.2	1.1	-0.9	-3.8	-6.1	-8.8
		M	0.3	-0.6	-0.7	-1.3	1.4	0.0	-0.4	-2.5	-1.5	-2.5	-1.9	-1.7
RIGHTMOVE	A	A	12.8	9.6	10.4	7.9	4.8	3.4	5.8	5.0	1.3	2.2	0.1	-2.0
		M	0.6	-2.6	2.7	-0.7	-3.2	-0.8	3.2	0.8	-0.1	1.2	-1.2	-1.8
HOMETRACK	A	A	5.4	5.0	4.4	3.6	3.0	2.3	1.4	0.4	-0.9	-1.9	-3.2	-4.4
		M	0.0	0.0	-0.1	-0.2	-0.3	-0.3	-0.2	-0.2	-0.6	-0.5	-1.0	-1.2

Chart 3

“All indices reflect a reality and all are pointing in the same direction - albeit with varying degrees of severity. But looking back (Chart 3) and (given the lag in the production of the Land Registry data) using the April 2008 figures, we can see substantial discrepancies between the real price movements in April and that reported at the time by other commentators. In April prices increased by 4.1% but the two lender indices reported that month as 1% negative. This differential raises serious questions about the accuracy of much price reporting and their impact upon the market as a whole.”

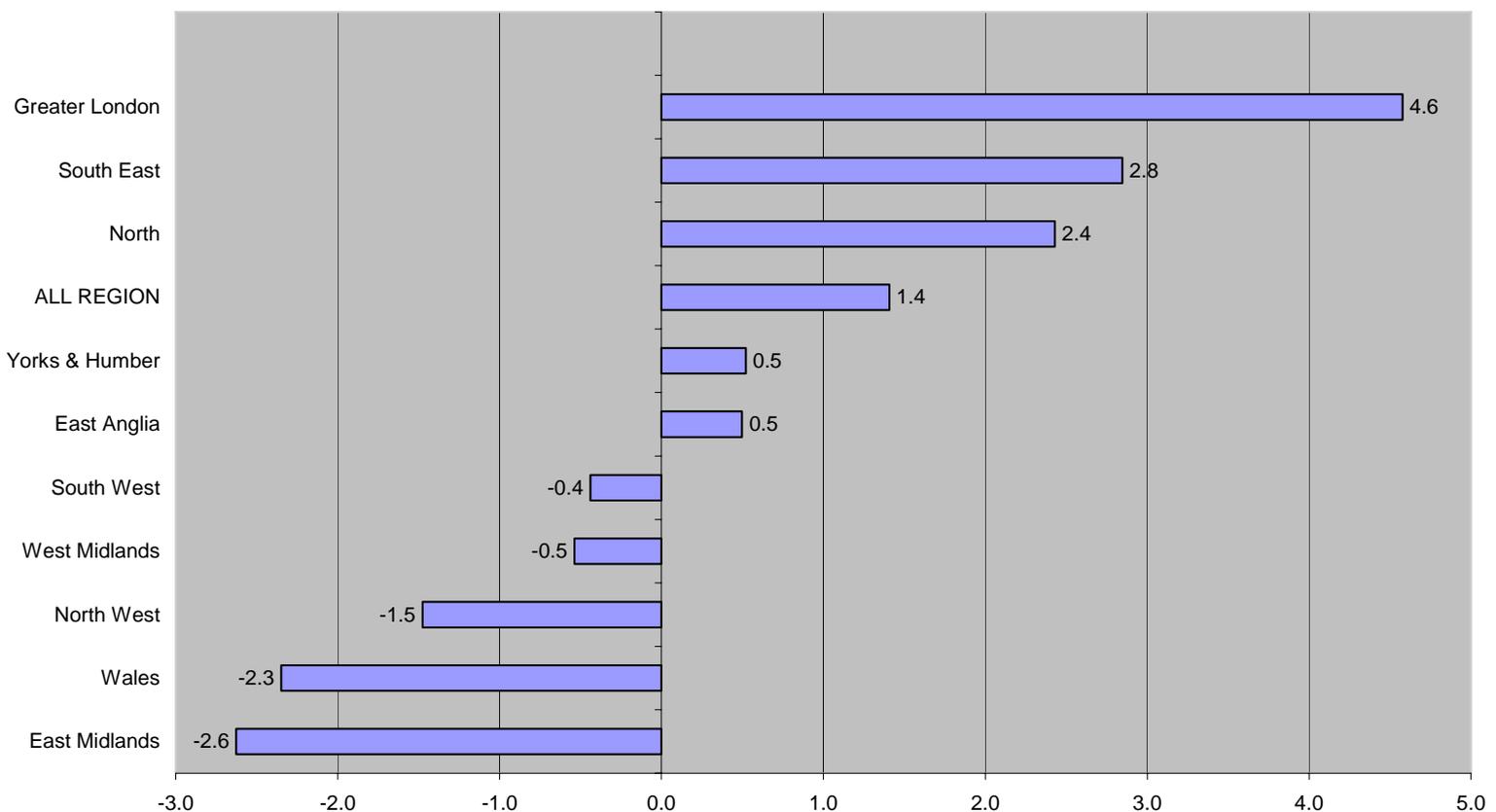
NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
January	2008	£230,751	234.9	0.2	7.0
February	2008	£231,879	236.1	0.5	6.2
March	2008	£231,140	235.3	-0.3	5.2
April	2008	£230,644	234.8	-0.2	4.1
May	2008	£228,968	233.1	-0.7	2.8
June	2008	£227,349	231.5	-0.7	1.2
July	2008	£226,292	230.4	-0.5	0.3

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 quickly and is now below 5%. The South West has witnessed rapid deflation and has now dropped to 6th place in the table, having stood alongside London and the South East in recent times. 5 regions are now recording negative growth in nominal terms as measured by a 3 month average and we can expect that number to grow.

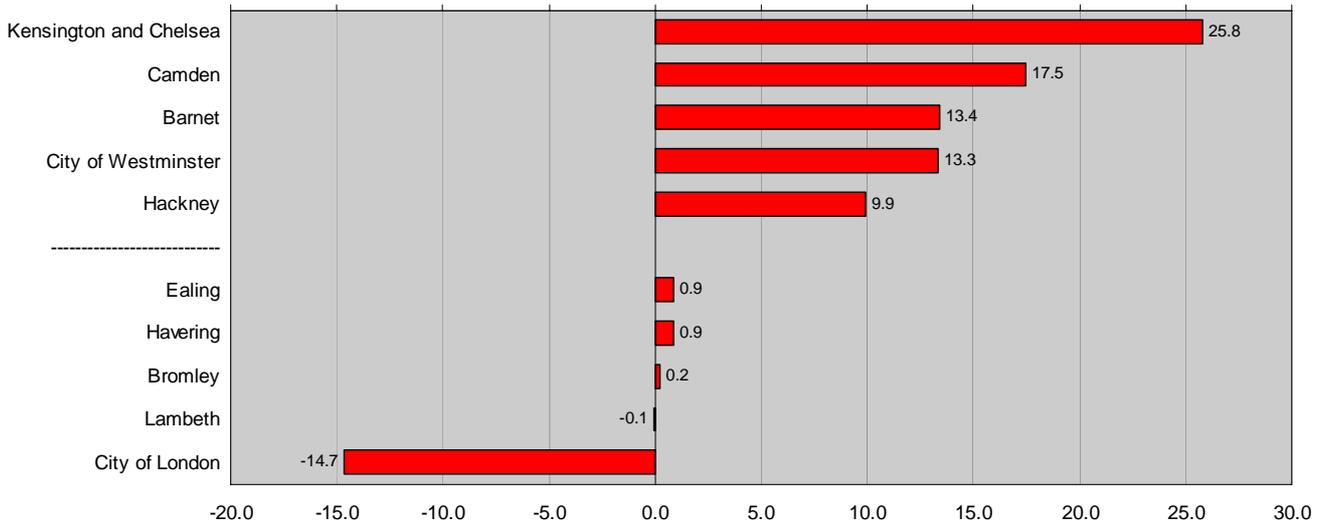
Average Annual Growth over last three months



LONDON BOROUGH ANALYSIS

The 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 one (Kensington and Chelsea - probably for exceptional reasons) has an averaged annual growth rate of 20% or more, whilst twenty-nine have recorded rates of less than 10%. The rates range from 25.8% in Kensington and Chelsea to -14.7% (again probably for exceptional reasons) in the City of London and -0.1% in Lambeth and 0.2% in Bromley.

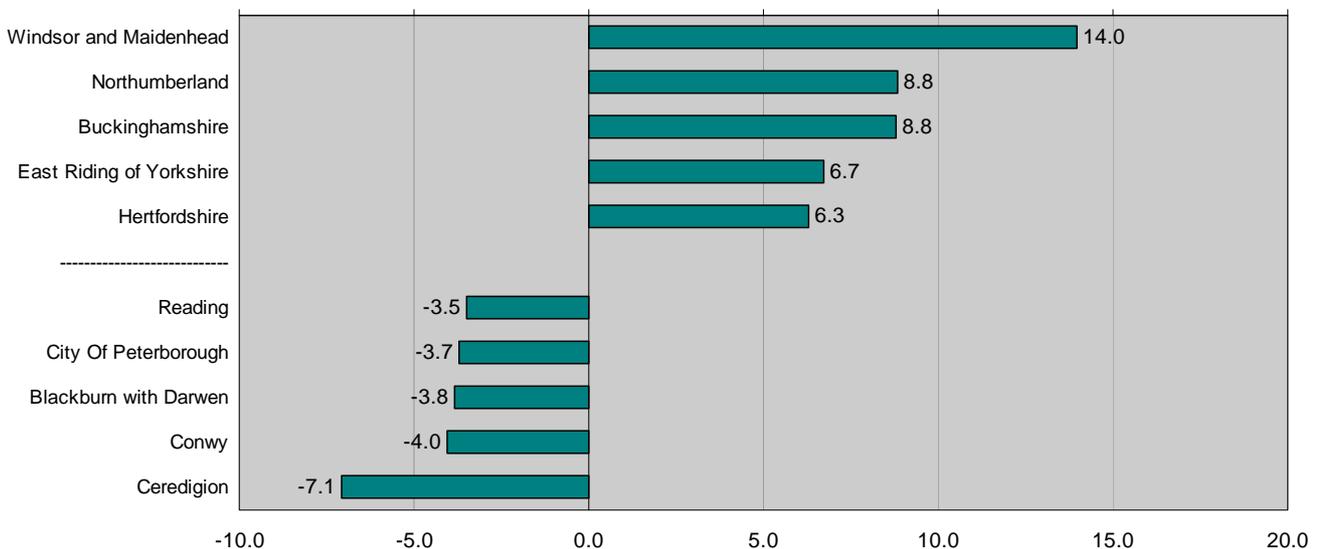
Average Annual Growth over last three months - London boroughs



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 one recorded growth rates in excess of 10%; one hundred and one had growth rates of less than 5% and of these fifty-one saw price reductions, twelve 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
Jul-07	£152,329	-0.3	5.8	£165,805	0.3	7.2	£175,026	0.2	6.8	£182,533	-0.3	5.1
Aug-07	£152,062	-0.2	5.5	£166,509	0.4	6.8	£175,064	0.0	6.7	£184,092	0.9	5.3
Sep-07	£152,124	0.0	4.9	£168,372	1.1	7.2	£177,043	1.1	6.7	£185,328	0.7	5.4
Oct-07	£153,331	0.8	4.6	£168,709	0.2	6.2	£177,377	0.2	6.4	£186,169	0.5	5.2
Nov-07	£154,710	0.9	4.3	£168,505	-0.1	6.0	£176,863	-0.3	5.1	£185,741	-0.2	4.6
Dec-07	£154,338	-0.2	3.4	£168,142	-0.2	4.5	£175,837	-0.6	4.3	£184,616	-0.6	3.3
Jan-08	£156,820	1.6	3.9	£167,960	-0.1	4.2	£175,650	-0.1	3.1	£184,588	0.0	2.3
Feb-08	£158,670	1.2	4.7	£168,285	0.2	2.8	£176,491	0.5	2.5	£185,297	0.4	2.5
Mar-08	£160,262	1.0	5.6	£166,702	-0.9	1.5	£174,985	-0.9	1.3	£185,711	0.2	2.4
Apr-08	£158,505	-1.1	4.5	£166,369	-0.2	0.7	£173,941	-0.6	0.5	£185,305	-0.2	1.9
May-08	£156,546	-1.2	3.0	£164,502	-1.1	-0.3	£171,229	-1.6	-1.7	£183,436	-1.0	0.5
Jun-08	£155,964	-0.4	2.1	£162,923	-1.0	-1.4	£169,963	-0.7	-2.7	£181,516	-1.0	-0.9
Jul-08												

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jul-07	£166,014	0.6	6.9	£164,653	-0.6	6.8	£235,301	0.1	10.7	£206,353	0.8	9.3
Aug-07	£167,913	1.1	7.6	£165,917	0.8	6.9	£235,870	0.2	10.5	£208,184	0.9	8.4
Sep-07	£168,877	0.6	7.5	£167,890	1.2	6.8	£237,365	0.6	10.4	£209,779	0.8	8.6
Oct-07	£170,227	0.8	6.3	£170,157	1.4	6.7	£238,838	0.6	9.5	£210,495	0.3	7.4
Nov-07	£169,324	-0.5	4.7	£170,321	0.1	6.0	£238,201	-0.3	8.1	£208,594	-0.9	6.7
Dec-07	£168,760	-0.3	4.0	£170,570	0.1	5.5	£238,767	0.2	6.7	£209,662	0.5	5.9
Jan-08	£166,758	-1.2	2.4	£170,131	-0.3	5.0	£236,034	-1.1	5.3	£210,478	0.4	6.1
Feb-08	£166,516	-0.1	1.7	£169,840	-0.2	4.3	£234,999	-0.4	3.6	£212,356	0.9	5.5
Mar-08	£166,134	-0.2	1.1	£169,849	0.0	4.2	£234,241	-0.3	2.7	£211,533	-0.4	3.6
Apr-08	£165,446	-0.4	0.8	£169,492	-0.2	3.0	£235,485	0.5	1.5	£209,708	-0.9	2.1
May-08	£163,197	-1.4	-0.4	£168,378	-0.7	1.9	£235,568	0.0	0.6	£208,305	-0.7	1.2
Jun-08	£160,811	-1.5	-2.5	£165,873	-1.5	0.1	£233,361	-0.9	-0.8	£206,518	-0.9	0.8
Jul-08												

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jul-07	£266,730	0.2	10.0	£361,385	1.5	17.6		£225,605	0.4	10.2
Aug-07	£269,369	1.0	10.6	£366,538	1.4	18.6		£227,458	0.8	10.5
Sep-07	£271,156	0.7	10.4	£368,996	0.7	18.1		£229,153	0.7	10.4
Oct-07	£273,050	0.7	10.3	£370,094	0.3	17.6		£230,411	0.5	9.9
Nov-07	£273,229	0.1	9.7	£368,625	-0.4	15.5		£230,046	-0.2	8.9
Dec-07	£274,448	0.4	9.2	£369,838	0.3	13.7		£230,344	0.1	7.8
Jan-08	£275,842	0.5	8.6	£372,738	0.8	12.4		£230,751	0.2	7.0
Feb-08	£277,848	0.7	7.9	£376,188	0.9	11.4		£231,879	0.5	6.2
Mar-08	£276,960	-0.3	6.6	£374,604	-0.4	9.9		£231,140	-0.3	5.2
Apr-08	£276,297	-0.2	5.4	£374,098	-0.1	8.5		£230,644	-0.2	4.1
May-08	£274,360	-0.7	4.2	£372,280	-0.5	6.7		£228,968	-0.7	2.8
Jun-08	£272,729	-0.6	2.5	£371,649	-0.2	4.4		£227,349	-0.7	1.2
Jul-08								£226,292	-0.5	0.3

also see www.ft.com/houseprices

www.acadmetrics.co.uk

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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.