



FT HOUSE PRICE INDEX

JUNE 2007

The latest FT House Price Index, updated with the most recent monthly data from the Land Registry, shows that house prices rose by 0.7% in June and by 9.0% over the past 12 months.

We calculate the FT House Price Index, on a seasonally and mix adjusted basis, as follows:

	House Price	Index	Monthly Change %	Annual Change %
December 2006	£213,473	217.3	1.1	8.3
January 2007	£215,355	219.3	0.9	8.7
February 2007	£217,603	221.5	1.0	8.9
March 2007	£218,582	222.5	0.4	8.8
April 2007	£219,713	223.7	0.5	8.7
May 2007	£220,737	224.7	0.5	8.7
June 2007	£222,222	226.2	0.7	9.0

COMMENTARY BY PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“House prices increased by 0.7% in June, a slight increase in the monthly rate of house price change (0.5% in May). Annual price inflation also rose to 9.0%, up from 8.7% in May. This modest upwards movement runs slightly against the pattern of stability which we have been reporting for some months. It remains to be seen if this represents a change in the longer term trend. Since December 2006 the average house price has increased by £8,749, around 4% in the six months. As we go on to show, regional differences are considerable, and stripping London out of the analysis would bring the annual rate of house price inflation down to 7.6%.

“With the Nationwide index showing an increase of 1.1% in June and Halifax 0.4% there is a degree of confusion as to what is really happening in the market - although both organisations are showing an increase on the level of growth reported in May. These indices report on agreed prices in relation to properties mortgaged by the two firms rather than the ultimate sale price of all properties, as recorded by the Land Registry and provided by the FTHPI index. All commentators agree that the market is likely to slow as the year goes on, not least because of negative income growth and of the likelihood of continued increases in interest rates.”

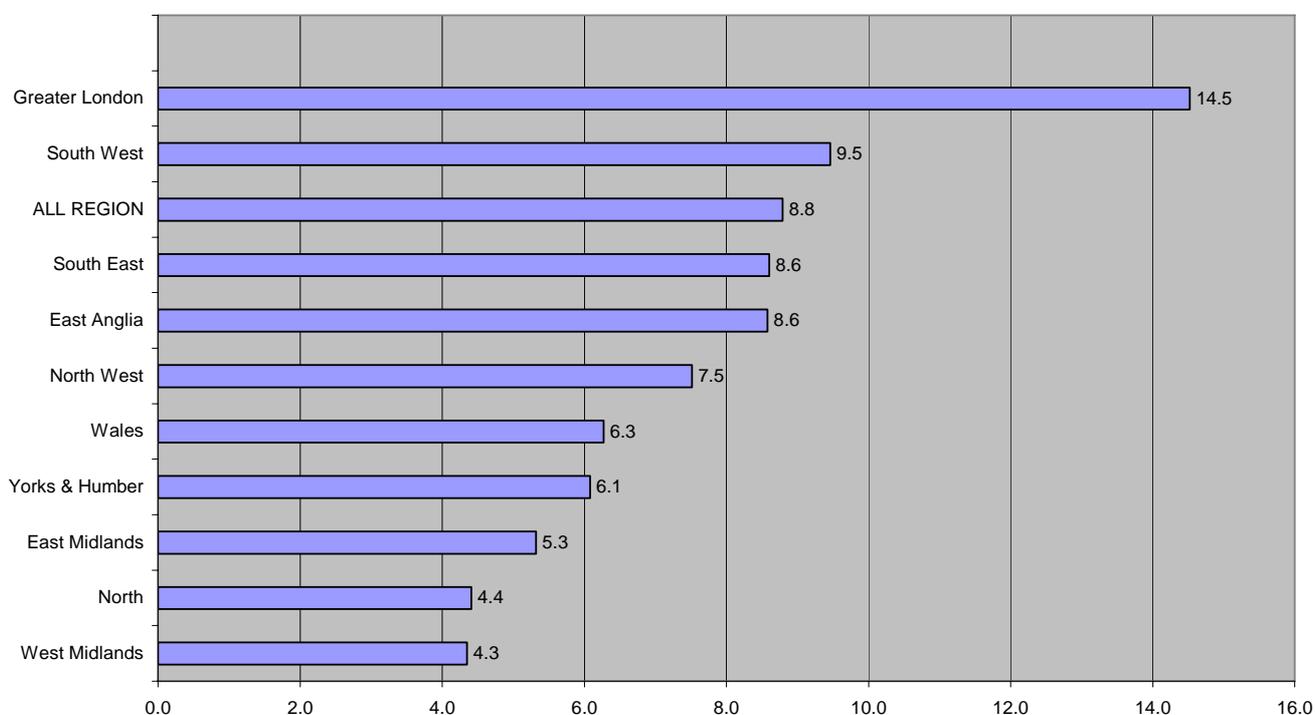
REGIONAL TRENDS

The national index has risen by 0.7% in June and by 9.0% in the year. The annual rate of growth at a regional level, *averaged over the last three months to reduce volatility*, is shown in the chart below.

This analysis highlights the degree to which London (14.5%) is out of step with the rest of England and Wales. Outside London it is the southern regions - East Anglia (8.6%), South East (8.6%) and South West (9.5%) - that are showing the greatest increases, reflecting the spill-over from London. The lowest regional growth was recorded by the North (4.4%) and the West Midlands (4.3%).

Allowing for monthly fluctuations, there are significant regional variations in trends, but it is the material gap between London and, to a lesser degree, the southern regions compared to other parts of England and Wales that remains the most notable feature of the current market. A recent speech by Sir John Gieve, Deputy Governor of the Bank of England, on *London, Money and the UK economy* and an LSE report on *the impact of recent immigration on the London economy* give substance to the different drivers in the capital city.

Annual Growth over last three months



The Regional Data Table below highlights a sharp reduction in monthly house price inflation in the North; a gain of 1.1% in January has been followed by consecutive falls in the average price during March, April and May and we have seen falls for two consecutive months in the East Midlands and Wales. The West Midlands, by contrast, after two successive months of decline recorded a modest increase in May (0.6%). At the other end of the scale, Greater London prices have risen by at least 1% in seven of the last twelve months. Annual house price inflation in London rose to 14.4% in May 2007, up from 8.0% in June 2006.

REGIONAL DATA TABLE

Region Month	<u>North</u>			<u>North West</u>			<u>East Midlands</u>			<u>West Midlands</u>		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jun-06	£144,397	0.6	7.4	£153,585	-0.2	6.6	£163,285	0.3	4.0	£173,613	0.6	4.0
Jul-06	£143,846	-0.4	6.6	£154,519	0.6	6.3	£164,026	0.5	4.0	£173,673	0.0	4.8
Aug-06	£143,919	0.1	6.2	£155,821	0.8	7.1	£164,084	0.0	4.0	£174,905	0.7	5.9
Sep-06	£144,954	0.7	5.9	£156,942	0.7	7.5	£165,820	1.1	4.3	£175,813	0.5	6.8
Oct-06	£146,486	1.1	5.5	£158,739	1.1	8.1	£166,704	0.5	4.6	£176,804	0.6	6.5
Nov-06	£148,176	1.2	6.1	£158,789	0.0	7.6	£168,286	0.9	5.4	£177,188	0.2	6.0
Dec-06	£149,171	0.7	5.7	£160,646	1.2	8.1	£168,379	0.1	5.9	£178,344	0.7	6.0
Jan-07	£150,832	1.1	6.6	£160,927	0.2	7.4	£170,157	1.1	6.9	£179,967	0.9	6.2
Feb-07	£151,268	0.3	6.0	£163,132	1.4	8.2	£171,418	0.7	7.1	£180,167	0.1	5.5
Mar-07	£150,998	-0.2	5.9	£163,362	0.1	7.0	£171,692	0.2	6.2	£179,968	-0.1	5.0
Apr-07	£150,249	-0.5	4.9	£164,481	0.7	7.5	£171,297	-0.2	5.7	£179,348	-0.3	4.2
May-07	£149,951	-0.2	4.5	£164,925	0.3	7.1	£171,084	-0.1	5.1	£180,426	0.6	4.6
Wales												
Jun-06	£154,101	0.3	5.9	£153,934	0.0	6.9	£211,868	0.2	5.1	£188,380	0.2	5.1
Jul-06	£155,219	0.7	6.0	£154,456	0.3	6.9	£212,575	0.3	5.7	£188,775	0.2	5.6
Aug-06	£156,011	0.5	5.5	£155,435	0.6	6.9	£213,354	0.4	6.3	£192,044	1.7	7.3
Sep-06	£157,111	0.7	5.6	£157,111	1.1	6.8	£214,955	0.8	7.0	£193,123	0.6	7.5
Oct-06	£160,106	1.9	6.4	£159,340	1.4	7.6	£218,053	1.4	7.9	£195,738	1.4	8.5
Nov-06	£161,670	1.0	7.2	£160,525	0.7	7.9	£220,374	1.1	8.3	£195,309	-0.2	8.8
Dec-06	£162,106	0.3	6.6	£161,468	0.6	7.9	£223,625	1.5	8.8	£197,574	1.2	9.3
Jan-07	£162,759	0.4	7.4	£161,678	0.1	6.9	£224,001	0.2	8.9	£198,348	0.4	10.0
Feb-07	£163,614	0.5	6.5	£162,430	0.5	6.4	£226,350	1.0	9.2	£200,561	1.1	9.9
Mar-07	£164,262	0.4	6.3	£162,409	0.0	5.8	£226,971	0.3	8.7	£202,552	1.0	10.0
Apr-07	£163,571	-0.4	6.2	£162,693	0.2	5.8	£229,779	1.2	9.2	£203,382	0.4	8.6
May-07	£163,288	-0.2	6.3	£163,207	0.3	6.0	£230,990	0.5	9.3	£204,305	0.5	8.6
Yorks & Humber												
Jun-06	£241,149	0.4	5.5	£305,492	0.7	8.0	£203,819	0.3	6.0			
Jul-06	£242,441	0.5	6.4	£307,208	0.6	8.3	£204,688	0.4	6.4			
Aug-06	£243,638	0.5	6.7	£308,974	0.6	8.8	£205,827	0.6	6.8			
Sep-06	£245,559	0.8	7.5	£312,371	1.1	9.7	£207,561	0.8	7.4			
Oct-06	£247,434	0.8	7.9	£314,841	0.8	9.8	£209,575	1.0	7.8			
Nov-06	£249,051	0.7	8.2	£319,467	1.5	10.6	£211,236	0.8	8.1			
Dec-06	£251,159	0.8	8.0	£325,663	1.9	11.1	£213,473	1.1	8.3			
Jan-07	£253,544	0.9	8.4	£331,642	1.8	12.5	£215,355	0.9	8.7			
Feb-07	£256,517	1.2	8.7	£336,921	1.6	13.1	£217,603	1.0	8.9			
Mar-07	£258,267	0.7	8.9	£339,720	0.8	13.9	£218,582	0.4	8.8			
Apr-07	£259,440	0.5	8.5	£343,767	1.2	14.1	£219,713	0.5	8.7			
May-07	£260,516	0.4	8.4	£347,255	1.0	14.4	£220,737	0.5	8.7			
Jun-07							£222,222	0.7	9.0			
South East												
Greater London												
ALL REGION												

FT House Price Index clb/cms

In the above table, red data above represent the FT “forecast” index, blue data represent FT “updated” index results and black data represent the FT “final” index, as explained below. Results are based upon the census i.e. every transaction, including those for cash, in England & Wales, reported to Land Registry.

About regional, county and London borough data: as explained below, despite using *all* of the Land Registry data, we have found transaction volumes at regional and, especially, at county and London borough level, too small to be stable until two months have elapsed. Thus, the monthly FTHPI Regional Data Table above shows house prices and % changes for individual regions always one month in arrears. Current month regional, county and London borough average changes are charted, as above, for indicative purposes. All FT index national, regional, county and London borough data are consistently calculated. At every geographical level, a current month price is calculated as the average of the prices for the month and for the prior and subsequent month. Each such price is centred on, and represents, the month specified, and is not weighted towards earlier months. A London borough price for any given month relates to a London region price for the same month. Likewise, county and equivalent regional prices are compatible.

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. Rather than rely upon a small sample of c.15,000 transactions (one which we have found to be unrepresentative), we base our initial results for each, most recent, month upon our academic “index of indices” forecasting model, developed at the University of Cambridge and the Sir John Cass Business School. One month later, however, LR provides c.70,000 transactions, which we use to replace our initial forecast with an FT “updated” result. A further month later, LR provides c.90,000 transactions which we use to replace the first, with a second, FT “updated” result. Three months after any given month, LR provides c.95,000 transactions. We then regard our results as sufficiently updated to describe them as the FT “final” index. The FT “final” index comprises some 95% of the ultimate LR transactions, smoothed, seasonally and mix adjusted. Every further update from LR is used monthly until the FT “ultimate” result based upon 100% of the LR data is reached. FT “ultimate” results are the census transaction data for England and Wales smoothed, seasonally and mix adjusted. Normally, these show no significant change from the FT “final” result. Our FTHPI Valuation series is calibrated to provide portfolio revaluations with standard errors.

In each region, only some 10,000 transactions occur monthly, averaged over all the ten regions. We do not publish immediate results for the most recent month at regional or lower levels, but wait one month, pending receipt from LR of the c.70% sample. Hence, we provide results, at sub-national level, always one month in arrears of the most recent month. Our sample represents every reported transaction and the whole of the available LR data; but it is small, even at regional level, and the results are susceptible to change when the sample progressively increases to 90% and 95% in the following months. We describe our regional data as the FT “final” index, once it comprises 95% of the LR data, smoothed, seasonally and mix adjusted.

At county level, 100,000 national transactions spread over 119 counties and 32 London boroughs, provide an average of only 663 house prices monthly within each of these areas. Such low volumes result in volatility in our estimated monthly prices at these levels, until we are able to publish the FT “final” index using 95% of the LR data. A particular methodology difference between the FT index and the LR index exists at county and London borough level. At county and London borough level, LR provides prices for the most recent month, without publication lag, by averaging the most recent month’s prices with those over the prior three months and identifying them as at the most recent month. As explained on page 3, the FT index makes no such change, at any level, in the way in which prices are estimated.

LONDON BOROUGHS, UNITARY DISTRICTS AND COUNTIES

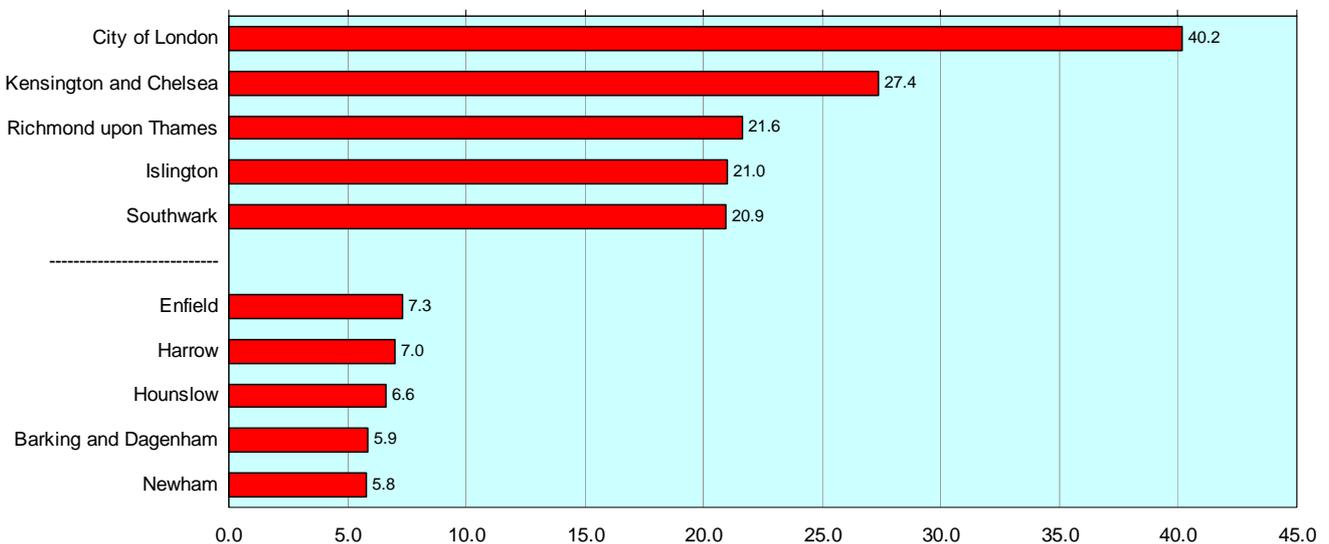
The charts below show the highest and lowest annual growth rates by unitary district, county and London borough. As is the case for the regional analysis above, we show the three month rolling average to reduce volatility.

Acadameetrics recognises the appetite for such figures but cautions that the volatility of data at these levels is such that they must be used with considerable care. However, the results do give some indication of the diversity of markets across England and Wales.

London Boroughs

Even setting aside the spectacular 40.2% annual growth recorded for the City of London, where the number of residential homes is limited, the analysis still demonstrates that the headline figures for Greater London mask an acute contrast at the local level. Four boroughs of quite different character show increases of 20% or more on an annual basis whilst, at the other end of the spectrum, there are five boroughs with increases of 7.3% or less, i.e. well below the national average. This contrast reinforces the need for commentators to treat London averages with caution, and emphasises that, across the capital, very different housing markets exist – a situation in which frustrated would-be buyers, prepared to move out of a borough, might well find that they can meet at least some of their aspirations.

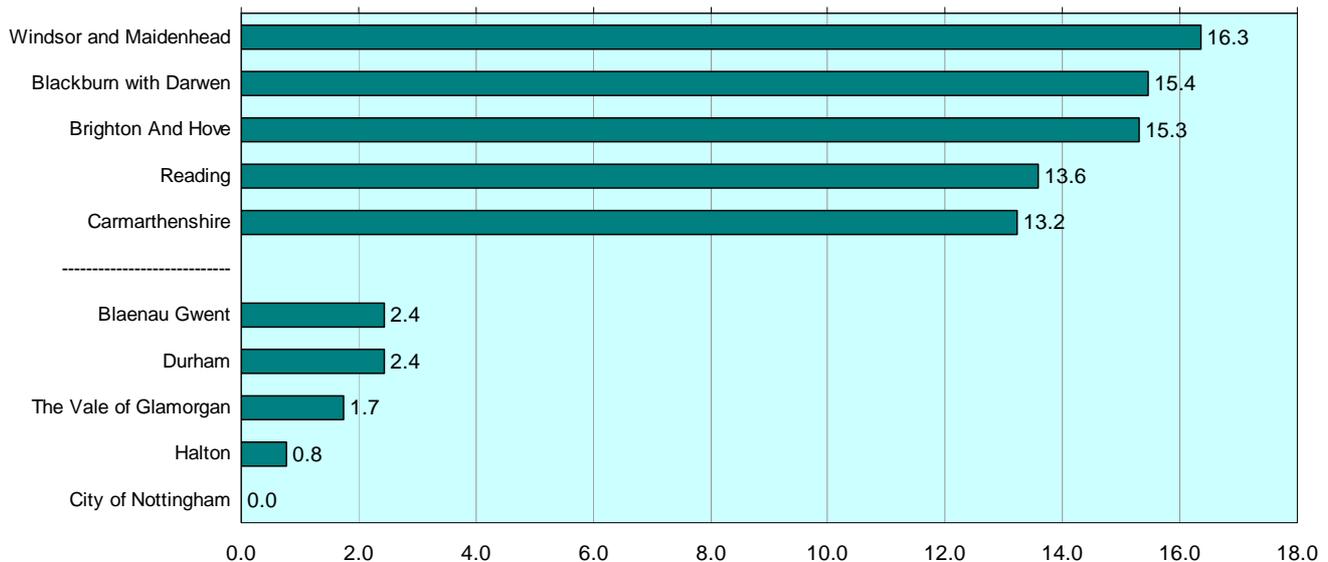
Annual Growth over three months - London boroughs



Unitary Districts and Counties

Outside London, the unitary district and county growth figures bring together an even more diverse set of authorities, and present evidence of equally significant variances between the highs and the lows as being witnessed in London. The contrast between Windsor and Maidenhead with a 16.3% increase and the City of Nottingham with 0% increase is worthy of note, as is the strength of the Blackburn with Darwen market (15.4% increase) - for long one of the weakest in England and now, of course, benefiting from falling within the Government's market renewal programme.

Annual Growth over three months - Counties



FOOTNOTE

The FT House Price Index comprises the published Land Registry house price data, smoothed and seasonally and mix adjusted by Acadametrics, combined with an "index of indices" model in order 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 provides the factual record of domestic property prices in England and Wales and a true guide to house price inflation.

Acadametrics [FTHPI Calibration paper](#) is important reading for all those concerned with house prices and the use of indices, and is available for download from our website. It describes the benefits of using the Land Registry census data for England and Wales; the use of the Valuation series derived from the FT index to re-value individual properties within a portfolio; and how to calibrate the accuracy of the results obtained from this valuation process. It also demonstrates the level of accuracy achieved and how, at the national level, the Valuation series provides results within 0.9% of the recorded value.

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 in England and Wales. 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, misdescription or other 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. Please email information@acadametrics.co.uk: regional, county and London borough historic data are available.

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also see www.ft.com/houseprices

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