



## FT HOUSE PRICE INDEX

**JUNE 2008**

### HIGHLIGHTS

- House prices in England and Wales fell by 0.6% in June. This is the fourth consecutive month of nominal price falls and June, like last month, shows the largest monthly fall since February 1995.
- However, on an annual basis and despite commentary to the contrary, the average price for England and Wales increased by 1.2%. This is 1.4 percentage points down from the 2.6% recorded in May. It is the tenth successive month in which the annual growth rate has fallen and it is now at its lowest since April 1996. The annual rate of growth has been declining by around 1% point each month since October 2007.
- London prices continue to trend down, but with an annual growth rate in the capital of 6.1% (averaged over the past three months) it is still some 2% points higher than the next highest region.
- Eight of the ten regions in England and Wales now have an annual growth rate of less than 3%. Three regions - the North West, East Midlands and Wales - have a negative annual rate.
- The market slowdown continues to gather momentum, spurred on by continuing contraction of the mortgage market and falling confidence fuelled by a media focus upon the 'bad' news. This is despite the strong fundamentals that underpin the market.

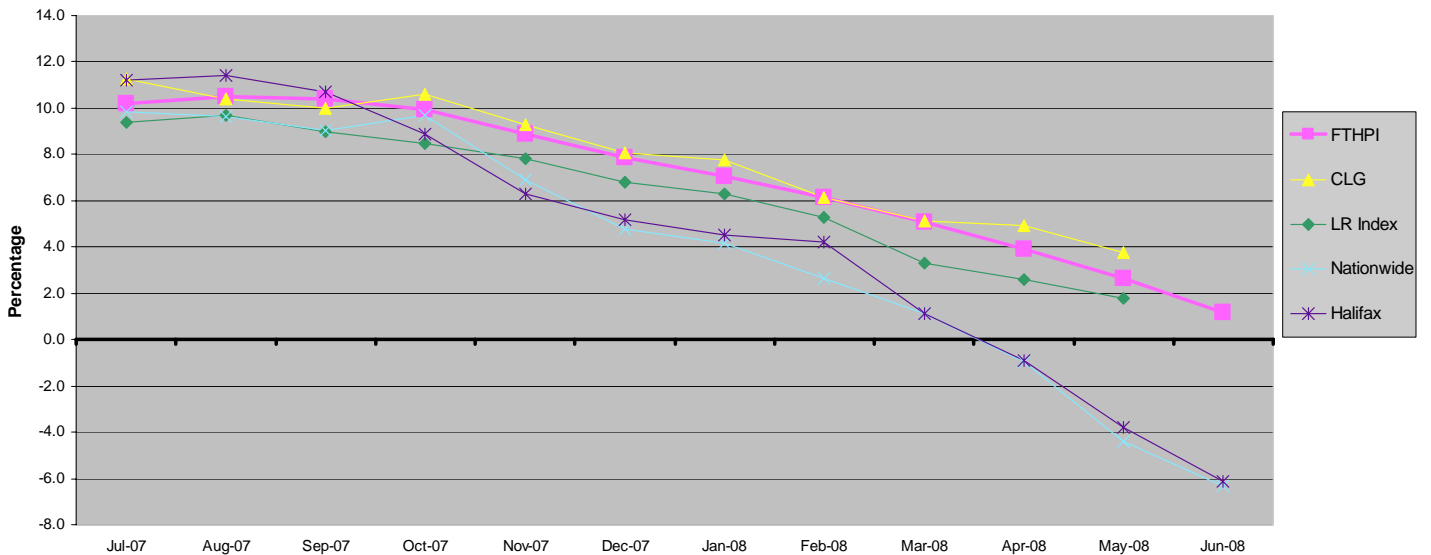
### COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

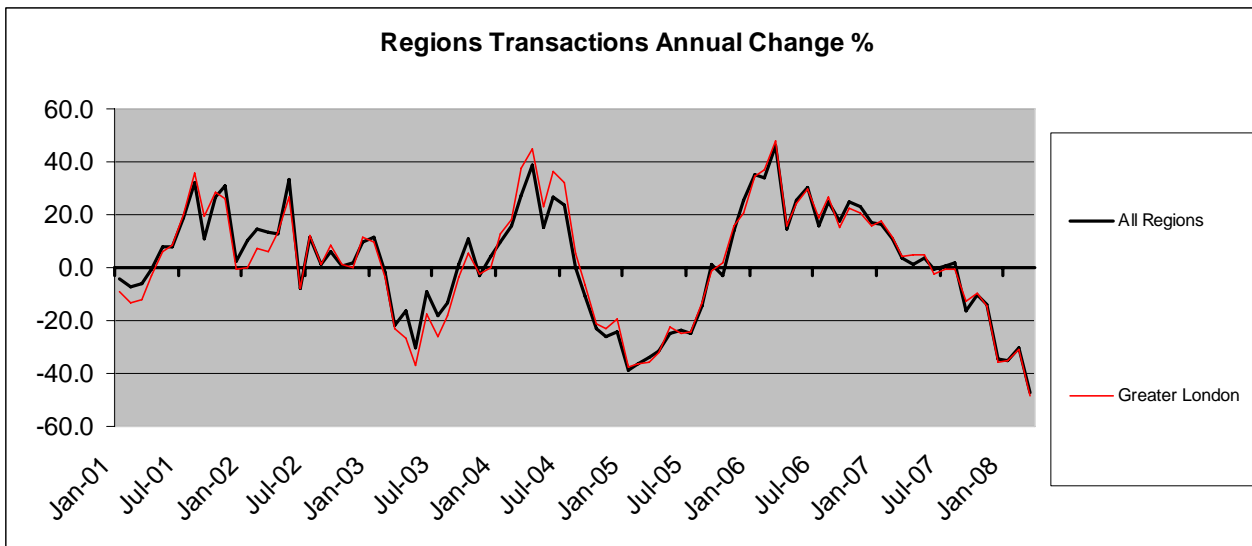
"On a monthly basis, house prices in England and Wales fell by 0.6% in June making this the fourth consecutive month of nominal price falls recorded by the FT index - the first time this has happened since April 1995. The price of an average house peaked in February 2008 at £231,709 and has since fallen by £4,365 to £227,344 in June; this takes the market average price back to where we were in August 2007. Since the turn of the year house prices have fallen by 1.4%.

"Our index shows that house prices have still risen by 1.2% during the past year, but this is the lowest annual growth rate recorded since April 1996 and it is the tenth month in succession that the annual rate has fallen. Excluding London, this rate of increase would be even lower at 0.4%. Prices in all regions are now in decline giving a real sense of a momentum building across England and Wales. Looking at the annual growth rate in local authorities on a 3 month averaged basis, there are now only 5 London boroughs and two counties/districts with price inflation in double figures. By contrast we now have 1 London borough and 32 districts where price falls have been recorded.

"The FT index, like the Land Registry and CLG indices, is based upon sales transactions 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 based indices published by Nationwide BS and HBOS which have been reporting more dramatic declines based on their own data. Given the differences, for the first time we are publishing our comparison of the performance of indices over time. As this chart on the next page shows the two lender based indices are out of step with the transaction based indices and are reporting more dramatic falls than the market as a whole suggests.



“There can be no doubt that the coverage the lender measures attract adds to negativity which in turn undermines consumer confidence and ultimately sales transactions. Clearly there are other factors at work here, not least the continuing shrinkage of the mortgage market. The recent Bank of England Credit conditions survey showed that lenders have reduced the supply of mortgages in the last three months and are expected to reduce it further in the next three months. Supporting this, the BoE reported that mortgage approvals in May were 64% down on May 2007, that they had been falling for 13 months and had now reached a record low. This is feeding through into sales transactions; the latest numbers for March 2008 show a fall to 57,987, less than 50% of the June 2007 figure of 127,768. There are suggestions from some quarters that annual residential sales transactions could go well below 1 million (in the last housing market recession they bottomed out at 1.14 million in 1993). The chart below examines the recent trends and shows the change in the number of sales transactions recorded at Land Registry since January 2000 for England and Wales in total and for London only.



“We are witnessing a continuing contraction of the housing market with little sense of when it might end. The government has been working to help the market recover through a number of measures including a housing market package of £200m to buy unsold homes from builders and more indirectly the Bank of England Special Liquidity Scheme. At this stage we note that the current measures are still modest compared to those seen during the 1991-1993 market recession, when we had a housing market package worth around £600 million, a stamp duty holiday between December 1991 and August 1992, a part public funded mortgage rescue scheme as well as the utilisation of the tax favoured Business Expansion scheme to create vehicles for holding repossessed property and allow borrowers to remain as tenants. Taken together and setting aside the SLS scheme which is not aimed directly at the housing market this was a much bigger intervention than is currently in place. This suggests that if conditions continue to worsen the government may need to consider doing more.”

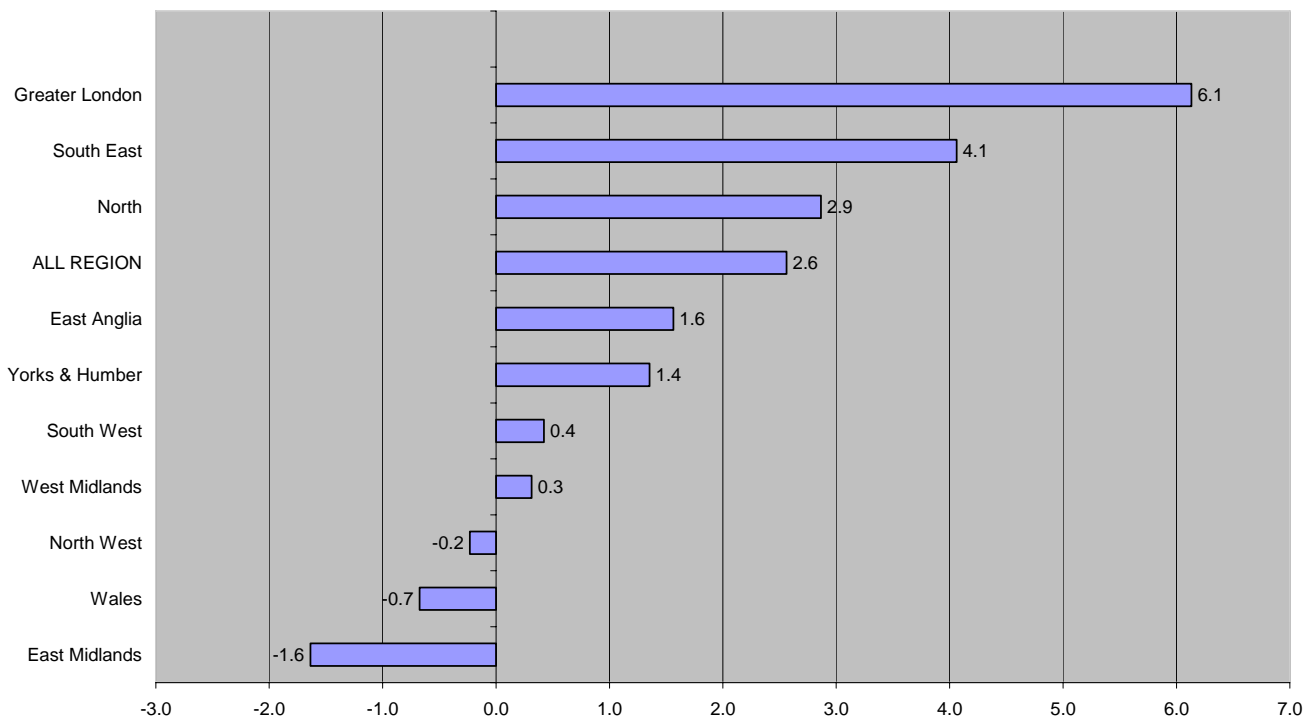
## NATIONAL INDEX SUMMARY

	House Price	Index	Monthly Change %	Annual Change %
<b>December 2007</b>	£230,370	234.5	0.1	7.8
<b>January 2008</b>	£230,756	234.9	0.2	7.0
<b>February 2008</b>	£231,709	235.9	0.4	6.1
<b>March 2008</b>	£230,884	235.1	-0.4	5.1
<b>April 2008</b>	£230,198	234.4	-0.3	3.9
<b>May 2008</b>	£228,632	232.8	-0.7	2.6
<b>June 2008</b>	£227,344	231.5	-0.6	1.2

## 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 well into single digits. 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.

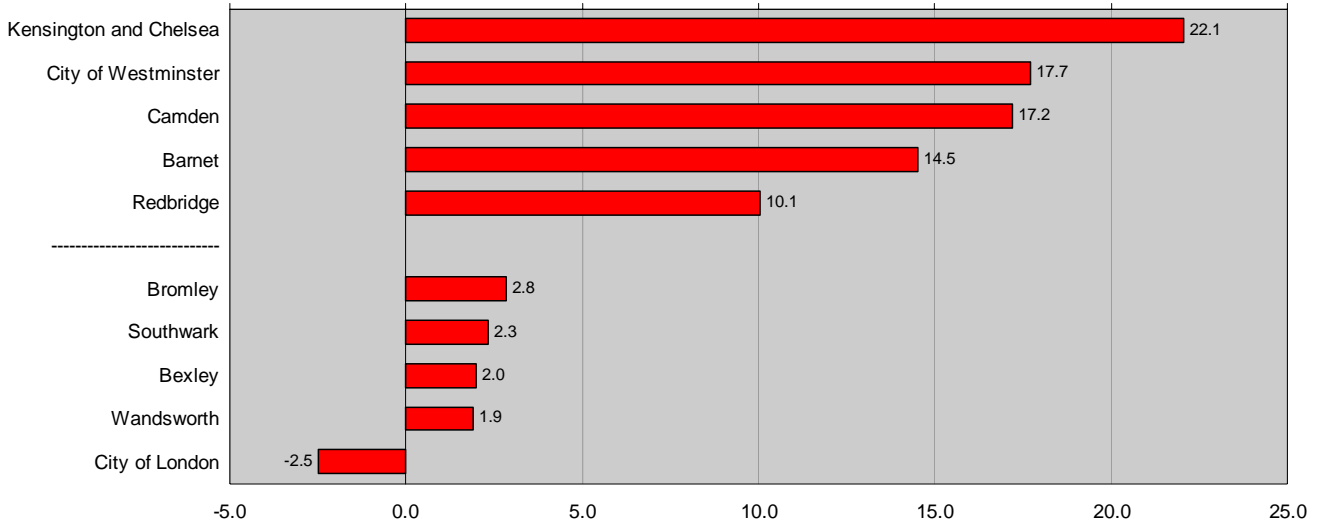
**Average Annual Growth over last three months**



## 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-eight have recorded rates of less than 10%. The rates range from 22.1% in Kensington and Chelsea to -2.5% in the City of London and + 1.9% in Wandsworth.

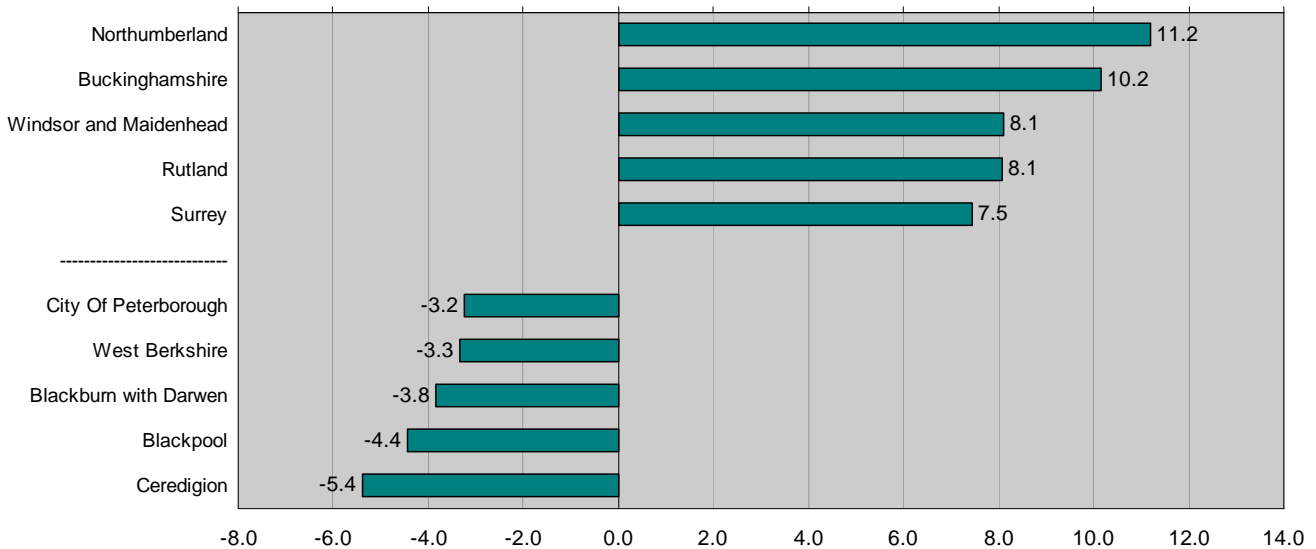
**Average Annual Growth over last three months - London boroughs**



## 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 two recorded growth rates in excess of 10%; ninety-two had growth rates of less than 5% and of these thirty-two saw price reductions, nine 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 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
Jun-07	£152,748	0.5	5.7	£165,250	0.1	7.5	£174,663	0.3	7.0	£183,149	0.4	5.5
Jul-07	£152,306	-0.3	5.8	£165,828	0.3	7.3	£175,047	0.2	6.8	£182,522	-0.3	5.1
Aug-07	£152,007	-0.2	5.5	£166,510	0.4	6.8	£175,064	0.0	6.7	£184,083	0.9	5.3
Sep-07	£152,098	0.1	4.9	£168,358	1.1	7.2	£177,017	1.1	6.7	£185,303	0.7	5.4
Oct-07	£153,321	0.8	4.6	£168,685	0.2	6.2	£177,716	0.4	6.6	£186,145	0.5	5.2
Nov-07	£154,646	0.9	4.3	£168,493	-0.1	6.0	£177,263	-0.3	5.3	£185,732	-0.2	4.6
Dec-07	£154,203	-0.3	3.3	£168,160	-0.2	4.5	£176,311	-0.5	4.6	£184,602	-0.6	3.3
Jan-08	£156,724	1.6	3.8	£167,919	-0.1	4.1	£175,695	-0.3	3.1	£184,575	0.0	2.3
Feb-08	£158,475	1.1	4.6	£168,221	0.2	2.7	£176,211	0.3	2.4	£185,051	0.3	2.4
Mar-08	£159,936	0.9	5.3	£166,439	-1.1	1.3	£174,583	-0.9	1.1	£185,123	0.0	2.1
Apr-08	£158,046	-1.2	4.2	£166,150	-0.2	0.6	£173,397	-0.7	0.2	£184,450	-0.4	1.5
May-08	£155,947	-1.3	2.6	£164,565	-1.0	-0.3	£170,693	-1.6	-2.0	£182,940	-0.8	0.3

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Jun-07	£164,993	0.7	7.1	£165,655	0.2	7.8	£235,142	0.5	11.0	£204,759	-0.5	8.7
Jul-07	£166,046	0.6	7.0	£164,654	-0.6	6.8	£235,287	0.1	10.7	£206,354	0.8	9.3
Aug-07	£167,943	1.1	7.6	£165,907	0.8	6.9	£235,831	0.2	10.5	£208,170	0.9	8.4
Sep-07	£168,855	0.5	7.5	£167,907	1.2	6.8	£237,337	0.6	10.4	£209,776	0.8	8.6
Oct-07	£170,197	0.8	6.3	£170,189	1.4	6.8	£238,828	0.6	9.5	£210,458	0.3	7.4
Nov-07	£169,270	-0.5	4.7	£170,383	0.1	6.1	£238,225	-0.3	8.1	£208,608	-0.9	6.7
Dec-07	£168,730	-0.3	4.0	£170,583	0.1	5.5	£238,743	0.2	6.7	£209,449	0.4	5.8
Jan-08	£166,835	-1.1	2.4	£170,103	-0.3	5.0	£236,082	-1.1	5.3	£210,227	0.4	5.9
Feb-08	£166,540	-0.2	1.7	£169,739	-0.2	4.2	£235,176	-0.4	3.7	£212,060	0.9	5.3
Mar-08	£165,864	-0.4	0.9	£169,479	-0.2	4.0	£234,318	-0.4	2.8	£211,476	-0.3	3.6
Apr-08	£164,898	-0.6	0.5	£168,550	-0.5	2.4	£235,324	0.4	1.4	£209,893	-0.7	2.2
May-08	£163,187	-1.0	-0.4	£167,755	-0.5	1.5	£235,306	0.0	0.5	£208,588	-0.6	1.3

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Jun-07	£266,172	1.1	10.4	£356,082	2.0	16.6		£224,716	0.9	10.3
Jul-07	£266,703	0.2	10.0	£361,391	1.5	17.6		£225,602	0.4	10.2
Aug-07	£269,397	1.0	10.6	£366,574	1.4	18.6		£227,462	0.8	10.5
Sep-07	£271,188	0.7	10.4	£369,070	0.7	18.2		£229,161	0.7	10.4
Oct-07	£273,055	0.7	10.3	£370,202	0.3	17.6		£230,448	0.6	9.9
Nov-07	£273,230	0.1	9.7	£368,824	-0.4	15.5		£230,107	-0.1	8.9
Dec-07	£274,397	0.4	9.1	£369,962	0.3	13.7		£230,370	0.1	7.8
Jan-08	£275,804	0.5	8.6	£372,935	0.8	12.5		£230,756	0.2	7.0
Feb-08	£277,564	0.6	7.8	£375,903	0.8	11.3		£231,709	0.4	6.1
Mar-08	£276,791	-0.3	6.5	£374,296	-0.4	9.8		£230,884	-0.4	5.1
Apr-08	£276,197	-0.2	5.3	£373,127	-0.3	8.2		£230,198	-0.3	3.9
May-08	£274,443	-0.6	4.3	£370,998	-0.6	6.3		£228,632	-0.7	2.6
Jun-08								£227,344	-0.6	1.2

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

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

### PRESS CONTACTS:

Peter Williams  
Troy Martin  
David Thorpe

020 8390 5872 or 07718 120858  
01444 230325 or 07986 176124  
07764 236781

peter.williams@acadmetrics.co.uk  
troy.martin@acadmetrics.co.uk  
david.thorpe@acadmetrics.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).