



FT HOUSE PRICE INDEX

MARCH 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 March and by 8.1% 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 %
September 2006	£207,464	211.2	0.8	7.4
October 2006	£209,446	213.2	1.0	7.7
November 2006	£210,787	214.6	0.6	7.9
December 2006	£212,464	216.3	0.8	7.8
January 2007	£213,759	217.6	0.6	7.9
February 2007	£215,638	219.5	0.9	8.0
March 2007	£217,076	221.0	0.7	8.1

COMMENTARY BY PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“Monthly house price growth at 0.7% and annual growth at 8.1% are both in line with our results over the last four months. They continue to indicate that, nationally, house price increases have slowed and flattened out, a view we have offered for a number of months and with which other indices now seem to be agreeing. At a regional level, using a three month average to smooth volatility, the annual rate of price increases in the South West and East Anglia at 8.5% are just above average whilst, in London, the rate has accelerated to 12.2%.

“London continues to have a large impact on the national figures but it is a market driven by a wider range of factors than elsewhere. Excluding London, our annual increase would be 6.9%, rather than 8.1%. In fact, price increases in some regions are now quite muted and, on a monthly basis, are showing little change.

“With the effects of past interest rate increases still working their way through the market and with the continuing threat of further interest rate increases, we expect to see the market remaining moderately subdued. Consumer confidence remains low, albeit it has slightly improved.

“Transaction numbers do not seem to be indicating any great rush to put homes on the market before the 1st June 2007 introduction of compulsory home information packs and the extra costs this will impose on sellers, and we must await to see whether, after this date, a shortfall in supply will exist.

“In our view, the divergence between indices in terms of both trend and aggregate continues to be a source of concern, especially given the close scrutiny the housing market is now receiving from the MPC. It is vital that market assessments are as accurate as possible.”

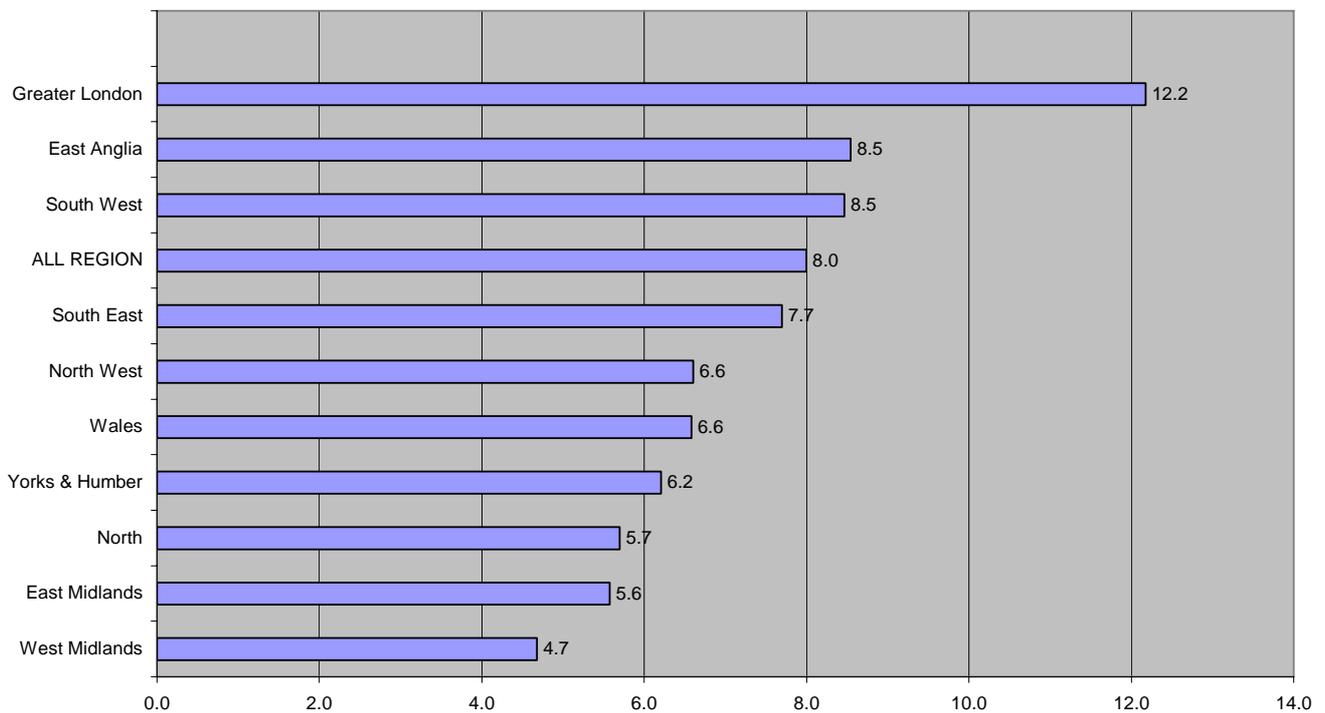
REGIONAL TRENDS

The national index has risen by 0.7% in March and by 8.1% in the year. The annual rate of growth at a regional level, *averaged over the last three months*, is shown in the chart below.

The averaged annual growth in London (12.2%) still far exceeds other regions as the chart shows. In rank order, the southern regions - South West (8.5%), East Anglia (8.5%) and South East (7.7%) - lead the way outside of London. The lowest growth was recorded by the North (5.7%), the East Midlands (5.6%), and the West Midlands (4.7%).

Taking monthly fluctuations into account the overall pattern seems to be that prices are moving in different directions on a regional basis with, for example, London, the South West and the East Midlands on an upward trajectory, while Wales, the West Midlands and the North are falling.

Annual Growth over last three months



REGIONAL DATA TABLE

Region	North			North West			East Midlands			West Midlands		
Month	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Mar-06	£142,579	-0.1	7.1	£152,769	1.4	7.2	£161,576	0.9	3.0	£171,320	0.4	4.9
Apr-06	£143,213	0.4	7.5	£153,003	0.2	7.2	£161,991	0.3	3.9	£172,127	0.5	4.7
May-06	£143,562	0.2	7.4	£153,971	0.6	7.8	£162,607	0.4	4.0	£172,429	0.2	4.8
Jun-06	£144,430	0.6	7.5	£153,512	-0.3	6.5	£163,185	0.4	3.9	£173,498	0.6	4.0
Jul-06	£143,904	-0.4	6.6	£154,369	0.6	6.2	£163,945	0.5	3.9	£173,553	0.0	4.8
Aug-06	£143,939	0.0	6.3	£155,661	0.8	7.0	£164,095	0.1	4.0	£174,774	0.7	5.8
Sep-06	£144,982	0.7	6.0	£156,681	0.7	7.3	£165,867	1.1	4.3	£175,632	0.5	6.7
Oct-06	£146,513	1.1	5.5	£158,447	1.1	7.9	£166,723	0.5	4.6	£176,545	0.5	6.3
Nov-06	£147,834	0.9	5.8	£158,426	0.0	7.3	£167,885	0.7	5.1	£176,575	0.0	5.6
Dec-06	£148,238	0.3	5.1	£159,910	0.9	7.6	£167,468	-0.2	5.3	£176,968	0.2	5.2
Jan-07	£149,287	0.7	5.5	£160,093	0.1	6.8	£168,253	0.5	5.7	£177,460	0.3	4.7
Feb-07	£150,331	0.7	5.3	£161,473	0.9	7.1	£169,303	0.6	5.8	£178,597	0.6	4.6
	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Mar-06	£154,425	0.6	7.7	£153,443	0.6	6.8	£208,734	0.7	2.2	£184,137	0.9	1.9
Apr-06	£154,000	-0.3	6.8	£153,690	0.2	7.2	£210,348	0.8	3.0	£187,369	1.8	3.3
May-06	£153,597	-0.3	6.5	£153,891	0.1	7.6	£211,377	0.5	4.5	£188,103	0.4	4.0
Jun-06	£154,128	0.3	5.9	£153,840	0.0	6.9	£211,776	0.2	5.1	£188,436	0.2	5.1
Jul-06	£155,245	0.7	6.0	£154,359	0.3	6.8	£212,512	0.3	5.7	£188,864	0.2	5.7
Aug-06	£156,039	0.5	5.5	£155,345	0.6	6.8	£213,348	0.4	6.3	£192,161	1.7	7.4
Sep-06	£157,208	0.7	5.7	£156,924	1.0	6.7	£214,953	0.8	7.0	£193,326	0.6	7.6
Oct-06	£160,229	1.9	6.4	£158,945	1.3	7.4	£218,006	1.4	7.9	£195,660	1.2	8.4
Nov-06	£161,608	0.9	7.1	£159,922	0.6	7.5	£220,054	0.9	8.1	£194,754	-0.5	8.4
Dec-06	£162,048	0.3	6.6	£160,669	0.5	7.3	£222,880	1.3	8.5	£196,282	0.8	8.6
Jan-07	£162,045	0.0	6.9	£160,858	0.1	6.3	£223,583	0.3	8.7	£196,508	0.1	9.0
Feb-07	£163,101	0.7	6.2	£162,068	0.8	6.2	£225,092	0.7	8.6	£198,027	0.8	8.5
	South East			Greater London			ALL REGION					
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual			
Mar-06	£237,129	0.5	3.6	£298,090	0.1	5.0	£200,818	0.5	4.5			
Apr-06	£238,990	0.8	4.3	£301,114	1.0	6.2	£202,135	0.7	5.1			
May-06	£240,199	0.5	5.4	£303,483	0.8	7.3	£203,078	0.5	5.9			
Jun-06	£241,079	0.4	5.5	£305,548	0.7	8.0	£203,770	0.3	6.0			
Jul-06	£242,357	0.5	6.4	£307,195	0.5	8.3	£204,625	0.4	6.4			
Aug-06	£243,517	0.5	6.6	£308,853	0.5	8.8	£205,753	0.6	6.8			
Sep-06	£245,430	0.8	7.4	£312,196	1.1	9.6	£207,464	0.8	7.4			
Oct-06	£247,293	0.8	7.8	£314,812	0.8	9.7	£209,446	1.0	7.7			
Nov-06	£248,484	0.5	7.9	£319,082	1.4	10.5	£210,787	0.6	7.9			
Dec-06	£250,084	0.6	7.6	£324,064	1.6	10.5	£212,464	0.8	7.8			
Jan-07	£251,551	0.6	7.5	£329,128	1.6	11.6	£213,759	0.6	7.9			
Feb-07	£253,838	0.9	7.6	£333,309	1.3	11.9	£215,638	0.9	8.0			
Mar-07							£217,076	0.7	8.1			

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

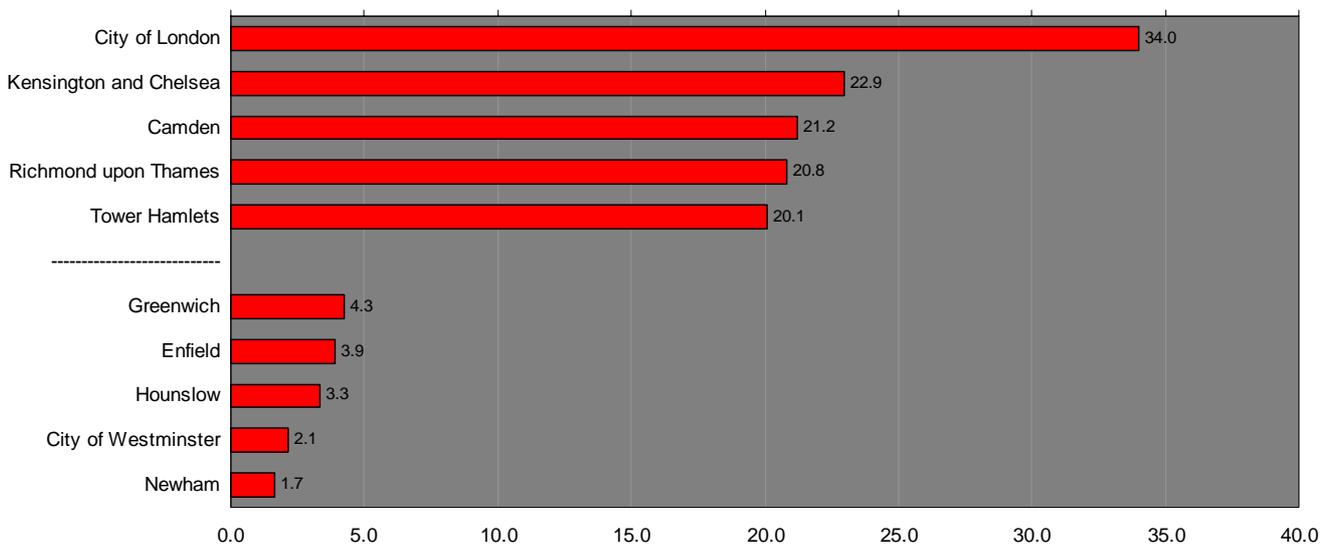
The charts below show the highest and lowest annual growth *averaged over three months*, by unitary district, county and London borough.

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

Setting aside the City of London, where the number of residential homes is limited, we show an acute contrast between four boroughs of quite different characteristics with increases of over 20%, and five boroughs at the other end of the spectrum with increases below 5%. This contrast reinforces the need for commentators to treat London averages with caution, and for it to be more fully recognised that, across the capital, very different housing markets exist – a situation where frustrated would-be buyers, prepared to move out of a borough, might well find that they can meet at least some of their aspirations.

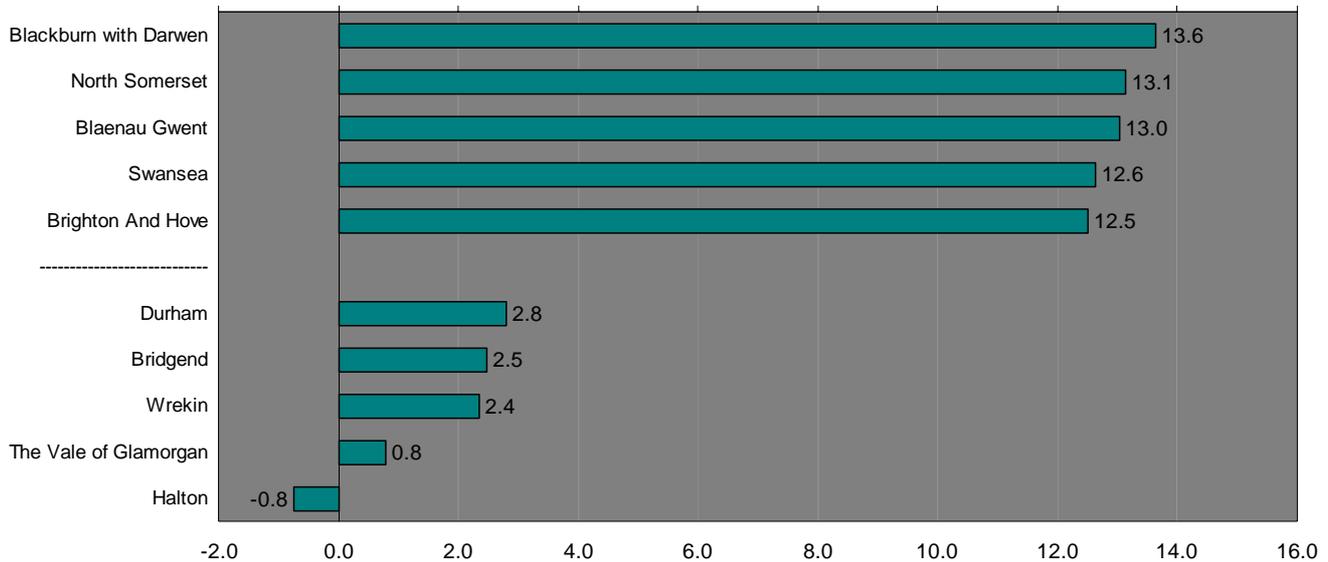
Annual Growth over three months - London boroughs



Unitary Districts and Counties

Outside of London, the unitary district and county growth figures bring together a very mixed bag of authorities, in part reflecting growth on a relatively low base, for example in Blaenau Gwent and Blackburn with Darwen. It will be interesting to see how this list changes on a month by month basis, and which authorities make more than a single fleeting appearance.

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, **the census**, data. As such, it provides the factual record of domestic property prices in England and Wales and a true guide to house price inflation.

Our [FTHPI Calibration paper](#) is available for download. It describes why FT index data are the Land Registry census data for England and Wales. It also describes our use of the FTHPI Valuation version of the FT index to value a property portfolio with a known value, calibrating the result as within 0.9%. FTHPI Calibration is, we believe, important reading for all those concerned with house prices indices.

The FT House Price Index is prepared from Land Registry data that we believe to be correct using a methodology designed to provide the best possible guide to house price movements in England and Wales, and applied with care. 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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