



FT HOUSE PRICE INDEX

MARCH 2008

HIGHLIGHTS

- On a monthly basis, house prices in England and Wales remained static in March following a three month run of growth rates hovering around zero followed by a 0.5% blip in February.
- On an annual basis, prices increased by 5.4%, down from 6.1% in February. This is the seventh successive month in which the annual rate has fallen and the lowest annual growth rate since April 2006.
- London continues to be out of step with the rest of England and Wales, with an annual growth rate of 12.3% (averaged over the last three months) which is some 5% points higher than the next highest region. Even so, house prices in the capital are continuing the downward trend observed over the last few months.
- Outside London it is the southern regions, South West (5.1%) and South East (7.2%) that have recorded the largest annual increases. Seven of the ten regions in England and Wales now have an annual growth rate below 5% whereas a year ago none were in this position. Three regions, the North, West Midlands and Wales have an annual rate below 2%.
- Overall, the evidence of a market slowdown is strengthening, but any correction must be viewed in the context of the strong performance of the market over recent years and the strong fundamentals underpinning the market, i.e. continued demand and limited supply.

COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“House prices in England and Wales remained static in March. Although there was a slight upward blip last month with a modest 0.5% growth, March is the fourth month out of five recently where we have had a broadly static market.

“On an annual basis, house prices rose by 5.4%, the lowest level since April 2006 and the seventh month in succession that this rate has been falling. An annual increase of 5.4% is still substantial (3.8% without London) but the market is clearly slowing. The FT index is based on all property transactions in England and Wales (ie, cash sales and mortgage backed transactions) and gives a very accurate view of the totality of that market. Despite monthly fluctuations, the evidence shows a market that is trending down on an annual basis.

“At present, there is nothing to suggest that this downward trend won't continue in the short term even though the fundamentals of demand and supply, employment and interest rates remain very favourable. London, the South East and the South West have now recorded seven monthly falls in the annual rate of price inflation - together they make up over 40% of the market - giving significant momentum to this price adjustment.

“With continued problems of liquidity and funding and these feeding through into the reduced availability and higher price of mortgage products, affordability is being squeezed despite static prices, and transaction numbers are continuing to fall. Loan approvals in February were 73,000 on an adjusted basis, in line with the previous two months, but a striking 40% down on February 2007. Although expectations seem to be set for widespread falls in actual house prices, the facts remain that demand continues and mortgages are still being supplied in volume reflecting the relatively strong economy. The next few months will be critical in terms of likely outcomes with much turning on the part played by the Bank of England.”

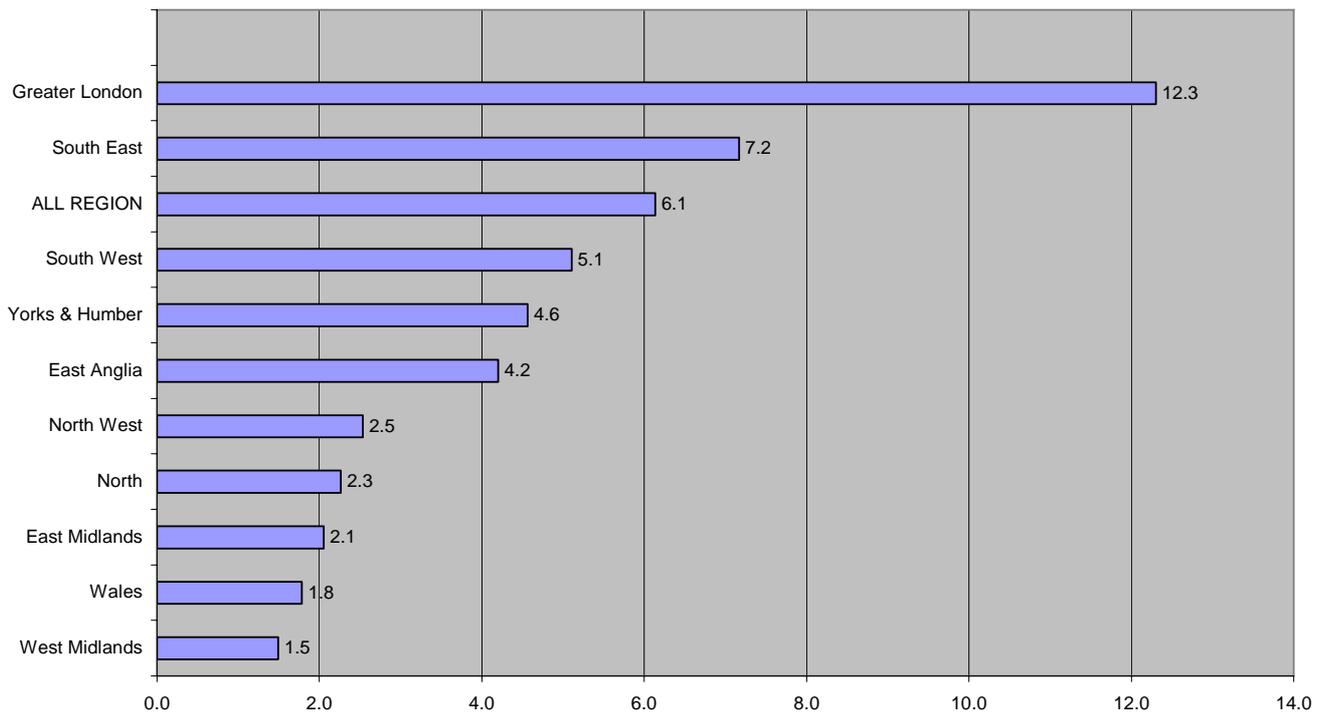
NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
September	2007	£229,153	233.3	0.8	10.4
October	2007	£230,418	234.6	0.6	9.9
November	2007	£229,976	234.1	-0.2	8.8
December	2007	£230,028	234.2	0.0	7.7
January	2008	£230,517	234.7	0.2	6.9
February	2008	£231,595	235.8	0.5	6.1
March	2008	£231,585	235.8	0.0	5.4

REGIONAL ANALYSIS

London's rate of house price inflation is twice that of the National average and is eight times higher than the lowest region (the West Midlands). Despite this, London like all other regions saw the annual rate of house price inflation fall again this month.

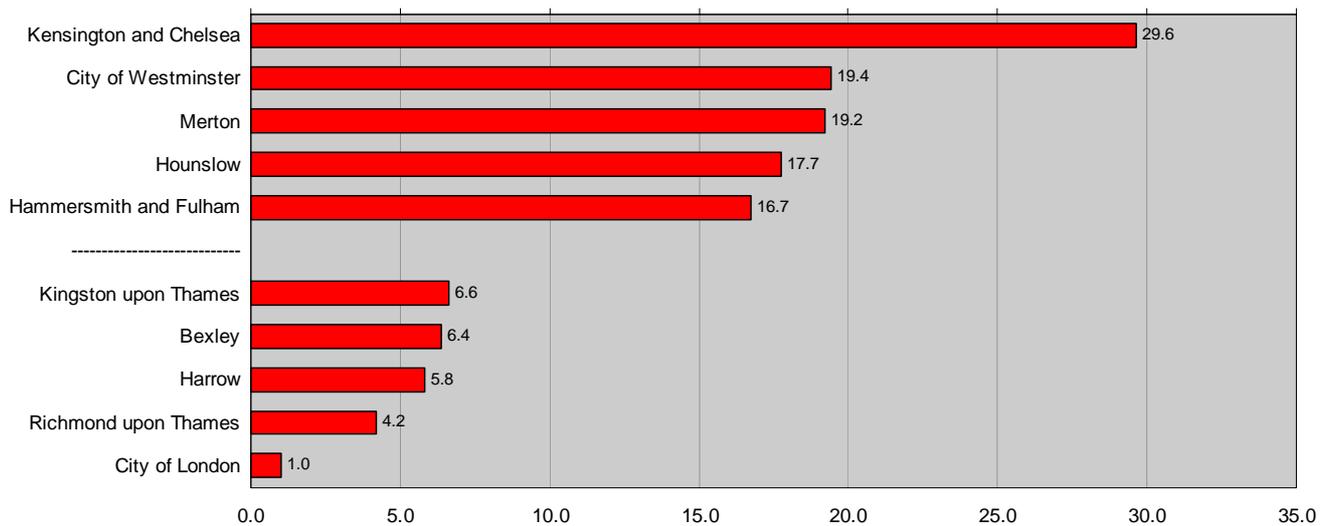
Average Annual Growth over last three months



LONDON BOROUGH ANALYSIS

The very strong performance of London as a whole masks the widely varying performance on a borough by borough basis. Of the thirty three London boroughs only one has an averaged annual growth rate of 20% or more whilst fourteen have recorded rates of 10% or less.

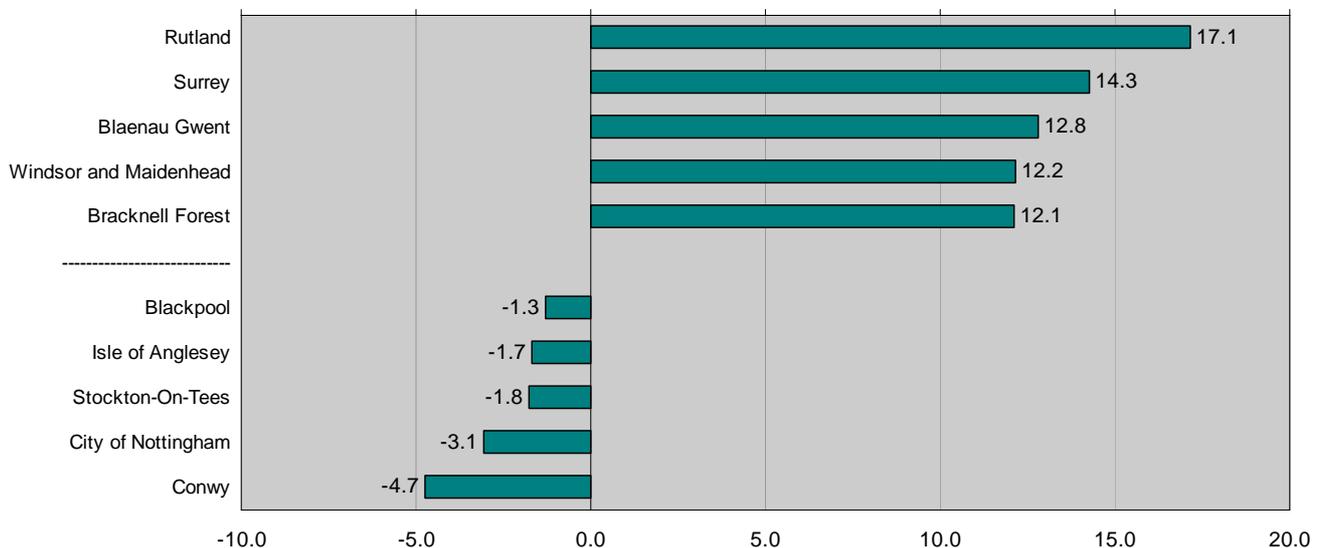
Average Annual Growth over last three months - London boroughs



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 six recorded growth rates in excess of 10%; sixty one had growth rates of less than 5% and of these ten saw price reductions. A pattern of change is beginning to build up.

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
Mar-07	£151,821	0.2	6.5	£164,357	0.3	7.6	£172,740	0.4	6.8	£181,276	0.3	5.8
Apr-07	£151,679	-0.1	5.9	£165,502	0.7	8.2	£173,090	0.2	6.8	£181,751	0.3	5.5
May-07	£151,965	0.2	5.9	£165,421	0.0	7.4	£174,130	0.6	7.0	£182,440	0.4	5.7
Jun-07	£152,638	0.4	5.7	£165,571	0.1	7.7	£174,626	0.3	7.0	£183,142	0.4	5.5
Jul-07	£152,143	-0.3	5.7	£165,821	0.2	7.2	£174,979	0.2	6.8	£182,524	-0.3	5.1
Aug-07	£151,986	-0.1	5.5	£166,601	0.5	6.9	£174,983	0.0	6.6	£184,075	0.9	5.2
Sep-07	£152,158	0.1	4.9	£168,340	1.0	7.2	£176,960	1.1	6.7	£185,208	0.6	5.3
Oct-07	£153,343	0.8	4.6	£168,645	0.2	6.2	£177,542	0.3	6.5	£185,990	0.4	5.1
Nov-07	£154,386	0.7	4.1	£168,218	-0.3	5.8	£176,956	-0.3	5.2	£185,333	-0.4	4.4
Dec-07	£153,739	-0.4	3.0	£167,392	-0.5	3.9	£175,786	-0.7	4.3	£184,174	-0.6	3.1
Jan-08	£154,237	0.3	2.2	£167,455	0.0	3.7	£175,433	-0.2	3.0	£183,692	-0.3	1.8
Feb-08	£154,404	0.1	1.9	£167,694	0.1	2.3	£175,489	0.0	2.0	£183,666	0.0	1.6

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Mar-07	£164,289	0.4	6.4	£162,948	0.1	6.1	£227,978	0.5	9.2	£204,113	1.4	10.8
Apr-07	£163,952	-0.2	6.4	£164,554	1.0	7.0	£232,012	1.8	10.3	£205,353	0.6	9.6
May-07	£163,747	-0.1	6.6	£165,217	0.4	7.3	£234,078	0.9	10.7	£205,798	0.2	9.4
Jun-07	£164,915	0.7	7.0	£165,656	0.3	7.8	£235,097	0.4	11.0	£204,644	-0.6	8.6
Jul-07	£165,996	0.7	6.9	£164,675	-0.6	6.8	£235,238	0.1	10.7	£206,272	0.8	9.2
Aug-07	£168,032	1.2	7.7	£165,892	0.7	6.9	£235,735	0.2	10.5	£208,021	0.8	8.3
Sep-07	£168,889	0.5	7.5	£167,809	1.2	6.7	£237,249	0.6	10.4	£209,982	0.9	8.7
Oct-07	£170,397	0.9	6.4	£170,118	1.4	6.7	£238,787	0.6	9.5	£210,628	0.3	7.5
Nov-07	£169,450	-0.6	4.8	£170,263	0.1	6.0	£238,265	-0.2	8.1	£208,841	-0.8	6.8
Dec-07	£169,017	-0.3	4.2	£170,286	0.0	5.4	£238,871	0.3	6.8	£208,836	0.0	5.5
Jan-08	£166,987	-1.2	2.6	£169,714	-0.3	4.8	£237,837	-0.4	6.1	£208,660	-0.1	5.1
Feb-08	£166,599	-0.2	1.8	£170,167	0.3	4.5	£238,385	0.2	5.1	£210,250	0.8	4.4

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Mar-07	£259,822	0.9	9.6	£340,940	1.0	14.3		£219,697	0.6	9.4
Apr-07	£262,180	0.9	9.7	£344,625	1.1	14.4		£221,541	0.8	9.6
May-07	£263,180	0.4	9.5	£348,801	1.2	14.9		£222,767	0.6	9.7
Jun-07	£266,128	1.1	10.3	£355,889	2.0	16.5		£224,694	0.9	10.2
Jul-07	£266,662	0.2	10.0	£361,294	1.5	17.6		£225,555	0.4	10.2
Aug-07	£269,309	1.0	10.5	£366,545	1.5	18.6		£227,425	0.8	10.5
Sep-07	£271,157	0.7	10.4	£369,215	0.7	18.2		£229,153	0.8	10.4
Oct-07	£272,930	0.7	10.3	£370,386	0.3	17.7		£230,418	0.6	9.9
Nov-07	£272,810	0.0	9.5	£369,298	-0.3	15.7		£229,976	-0.2	8.8
Dec-07	£273,683	0.3	8.9	£370,327	0.3	13.8		£230,028	0.0	7.7
Jan-08	£274,706	0.4	8.2	£374,608	1.2	13.0		£230,517	0.2	6.9
Feb-08	£276,182	0.5	7.2	£378,741	1.1	12.2		£231,595	0.5	6.1
Mar-08								£231,585	0.0	5.4

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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.