



## FT HOUSE PRICE INDEX

MAY 2007

The latest FT House Price Index, updated with the most recent monthly data from the Land Registry, shows that house prices rose by 0.5% in May and by 8.5% 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 %
November 2006	£211,236	215.1	0.8	8.1
December 2006	£213,446	217.3	1.0	8.3
January 2007	£215,143	219.0	0.8	8.6
February 2007	£217,142	221.1	0.9	8.7
March 2007	£218,010	222.0	0.4	8.5
April 2007	£219,143	223.1	0.5	8.4
May 2007	£220,319	224.3	0.5	8.5

### COMMENTARY BY PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“House prices increased by 0.5% in May continuing the broad picture of stability since the start of 2007. Annual price inflation remains steady at around 8.5%, again following the pattern which we have been showing for some five to six months. The data continue to strongly support the view that, in England and Wales, house price increases have now slowed and flattened out since February.

“The average house price in May was £220,319, up from £219,143 in April. However there is considerable variation at regional level. Average prices in April exceeded £200,000 in only four regions - South East, East Anglia, South West and Greater London - and the impact of the London only average of £343,508 is clear to see.

“Market indicators from across the property purchase process (enquiries, mortgage approvals, transactions) show clear evidence of the slow down and support our assessment of the flattening price trend. Interest rate increases will continue to bite, not least upon the many thousands of borrowers who have taken out fixed rate mortgages since mid 2005 (typically for 2/3 year periods). All this suggests, at least from the housing market perspective, that a further rate rise is not needed.

“Our prediction of the Home Information Pack (HIP) “non event” proved to be correct but not in the way anticipated. A policy delay which looks increasingly like a policy abandonment has removed some pressures from the market although sadly, because of the way it has been handled, it has led to continued uncertainty.”

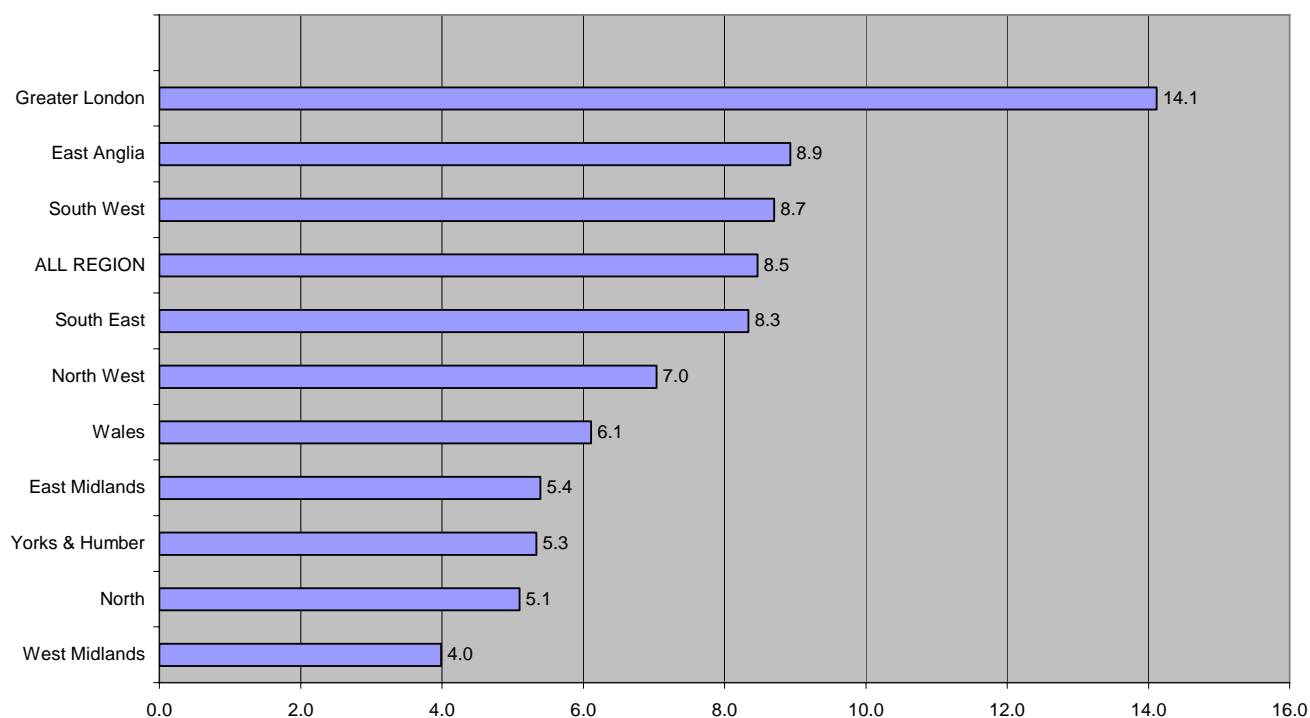
## REGIONAL TRENDS

The national index has risen by 0.5% in May and by 8.5% 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 (14.1%) is out of step with the rest of England and Wales. Outside London it is the southern regions - East Anglia (8.9%), South West (8.7%) and South East (8.3%) - that are showing the greatest increases, ones which are well over 1% higher than in the remaining regions. The lowest growth was recorded by the North (5.1%) and the West Midlands (4.0%).

Allowing for monthly fluctuations there are significant regional variations in trends but it is the material gap between London and everywhere else that remains the most notable feature of the current market; with all that is implied for labour mobility, recruitment and retention and any London-based and London-biased policy decisions.

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 0.9% in January has been followed by consecutive falls of 0.2% during March and April. At the other end of the scale Greater London prices have risen by at least 0.8%, monthly, since September last year. Annual house price inflation in London rose to 14.0% in April 2007, up from 7.3% in May 2006.

## REGIONAL DATA TABLE

<u>Region</u>	<u>North</u>			<u>North West</u>			<u>East Midlands</u>			<u>West Midlands</u>		
<u>Month</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>
May-06	£143,530	0.2	7.4	£153,953	0.6	7.8	£162,698	0.4	4.0	£172,521	0.2	4.8
Jun-06	£144,417	0.6	7.5	£153,563	-0.3	6.6	£163,271	0.4	4.0	£173,607	0.6	4.0
Jul-06	£143,874	-0.4	6.6	£154,489	0.6	6.3	£164,046	0.5	4.0	£173,657	0.0	4.8
Aug-06	£143,950	0.1	6.3	£155,802	0.8	7.1	£164,104	0.0	4.0	£174,906	0.7	5.9
Sep-06	£144,982	0.7	6.0	£156,940	0.7	7.5	£165,848	1.1	4.3	£175,776	0.5	6.8
Oct-06	£146,513	1.1	5.5	£158,702	1.1	8.1	£166,714	0.5	4.6	£176,753	0.6	6.4
Nov-06	£148,107	1.1	6.0	£158,738	0.0	7.6	£168,271	0.9	5.4	£177,063	0.2	5.9
Dec-06	£149,085	0.7	5.7	£160,475	1.1	8.0	£168,287	0.0	5.9	£178,178	0.6	5.9
Jan-07	£150,468	0.9	6.3	£160,712	0.1	7.2	£169,694	0.8	6.6	£179,474	0.7	5.9
Feb-07	£150,902	0.3	5.7	£162,676	1.2	7.9	£170,695	0.6	6.6	£179,697	0.1	5.3
Mar-07	£150,649	-0.2	5.7	£162,966	0.2	6.7	£170,891	0.1	5.8	£179,229	-0.3	4.6
Apr-07	£150,320	-0.2	5.0	£164,134	0.7	7.3	£170,811	0.0	5.4	£178,366	-0.5	3.6
<b>Wales</b>												
<u>Month</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Yorks &amp; Humber</u>			<u>South West</u>			<u>East Anglia</u>		
<u>Month</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>
May-06	£153,650	-0.3	6.5	£153,964	0.1	7.6	£211,392	0.5	4.5	£188,047	0.4	4.0
Jun-06	£154,107	0.3	5.9	£153,909	0.0	6.9	£211,856	0.2	5.1	£188,376	0.2	5.1
Jul-06	£155,230	0.7	6.0	£154,426	0.3	6.9	£212,565	0.3	5.7	£188,815	0.2	5.7
Aug-06	£155,974	0.5	5.4	£155,430	0.7	6.9	£213,375	0.4	6.3	£192,082	1.7	7.4
Sep-06	£157,091	0.7	5.6	£157,078	1.1	6.8	£214,955	0.7	7.0	£193,165	0.6	7.5
Oct-06	£160,041	1.9	6.3	£159,270	1.4	7.6	£218,027	1.4	7.9	£195,725	1.3	8.5
Nov-06	£161,640	1.0	7.2	£160,474	0.8	7.9	£220,794	1.3	8.5	£195,236	-0.2	8.7
Dec-06	£162,021	0.2	6.6	£161,472	0.6	7.9	£224,079	1.5	9.1	£197,517	1.2	9.3
Jan-07	£162,480	0.3	7.2	£161,579	0.1	6.8	£224,601	0.2	9.1	£198,004	0.2	9.8
Feb-07	£163,278	0.5	6.3	£162,127	0.3	6.2	£226,175	0.7	9.1	£199,883	0.9	9.5
Mar-07	£164,036	0.5	6.2	£161,902	-0.1	5.5	£226,611	0.2	8.6	£201,429	0.8	9.3
Apr-07	£163,398	-0.4	6.1	£161,828	0.0	5.2	£228,831	1.0	8.8	£203,073	0.8	8.4
<b>South East</b>												
<u>Month</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Greater London</u>			<u>ALL REGION</u>					
<u>Month</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>	<u>Av HP</u>	<u>%monthly</u>	<u>%annual</u>			
May-06	£240,263	0.5	5.4	£303,483	0.7	7.3	£203,113	0.5	5.9			
Jun-06	£241,159	0.4	5.5	£305,515	0.7	8.0	£203,818	0.3	6.0			
Jul-06	£242,444	0.5	6.4	£307,230	0.6	8.4	£204,688	0.4	6.4			
Aug-06	£243,600	0.5	6.6	£308,952	0.6	8.8	£205,819	0.6	6.8			
Sep-06	£245,503	0.8	7.5	£312,326	1.1	9.7	£207,540	0.8	7.4			
Oct-06	£247,385	0.8	7.9	£314,828	0.8	9.7	£209,542	1.0	7.8			
Nov-06	£249,003	0.7	8.1	£319,456	1.5	10.6	£211,236	0.8	8.1			
Dec-06	£251,061	0.8	8.0	£325,676	1.9	11.1	£213,446	1.0	8.3			
Jan-07	£253,138	0.8	8.2	£331,530	1.8	12.4	£215,143	0.8	8.6			
Feb-07	£255,829	1.1	8.5	£336,682	1.6	13.0	£217,142	0.9	8.7			
Mar-07	£257,498	0.7	8.6	£339,356	0.8	13.8	£218,010	0.4	8.5			
Apr-07	£258,719	0.5	8.2	£343,508	1.2	14.0	£219,143	0.5	8.4			
May-07							£220,319	0.5	8.5			

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

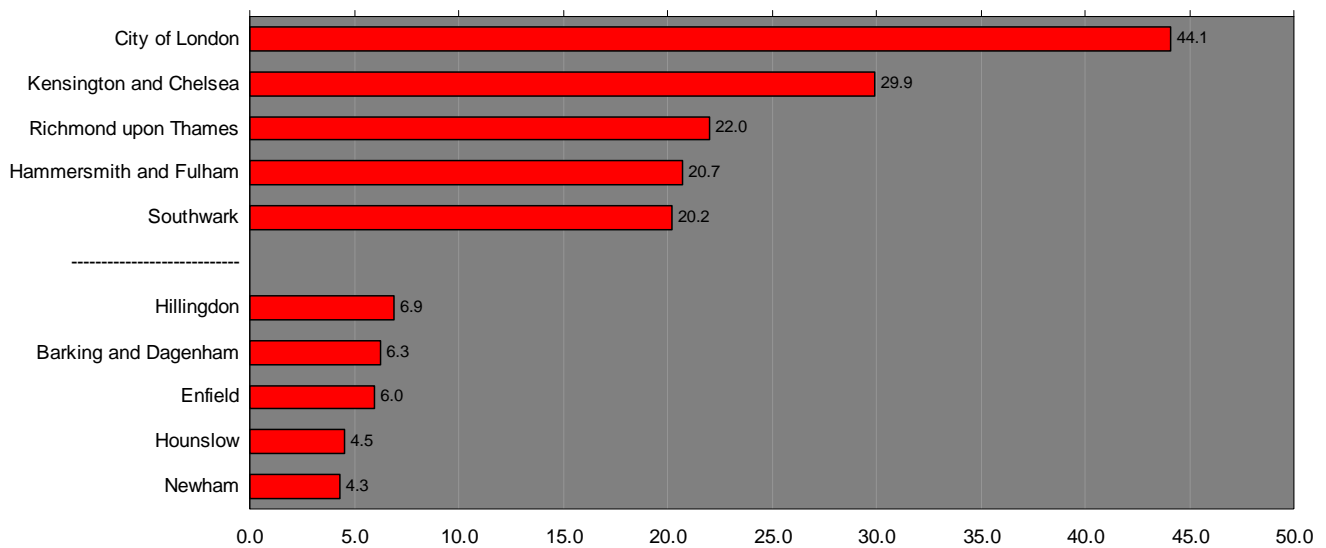
The charts below show the highest and lowest annual growth rates by unitary district, county and London borough. As is the case for the regional analysis above, we show the three month rolling average to reduce volatility.

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 44.1% 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% and over whilst five boroughs sit at the other end of the spectrum with increases below 7%, 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.

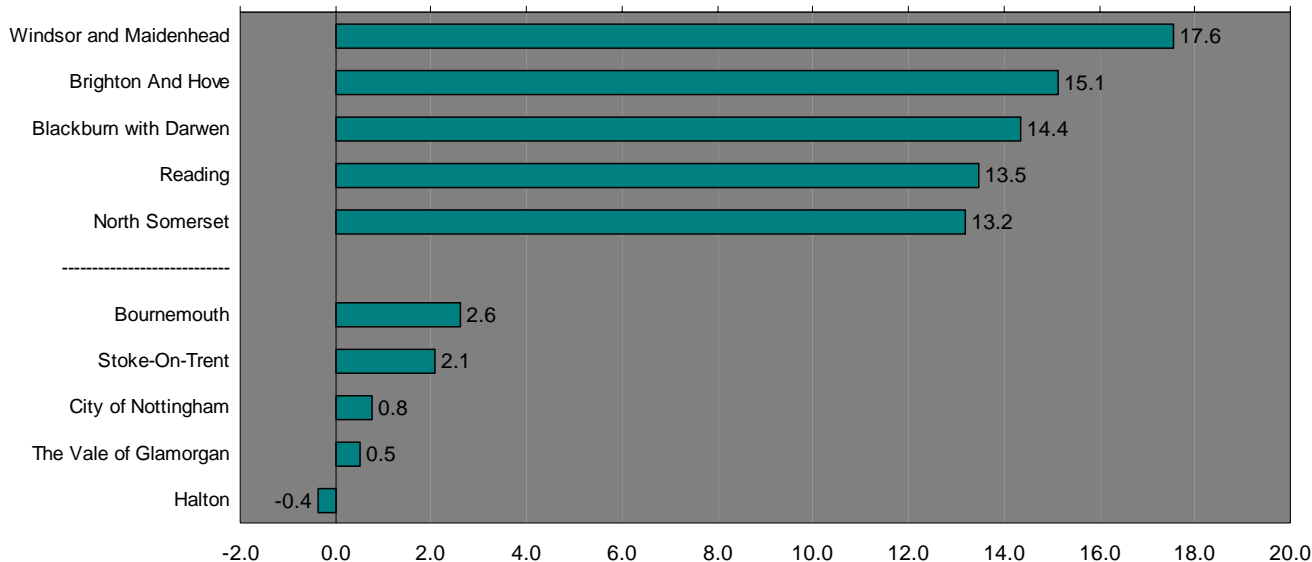
Annual Growth over three months - London boroughs



## 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.

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 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](mailto:information@acadametrics.co.uk): regional, county and London borough historic data are available.

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### ACADAMETRICS PRESS CONTACTS:

Peter Williams 07718 120858  
Troy Martin 01444 230325 or 07986 176124  
David Thorpe 020 8392 9082 or 07764 236781

[peter.williams@acadametrics.co.uk](mailto:peter.williams@acadametrics.co.uk)  
[troy.martin@acadametrics.co.uk](mailto:troy.martin@acadametrics.co.uk)  
[david.thorpe@acadametrics.co.uk](mailto:david.thorpe@acadametrics.co.uk)

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

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