



FT HOUSE PRICE INDEX

NOVEMBER 2007

HIGHLIGHTS

- On a monthly basis, house prices in England and Wales rose by 0.5% in November, down from 0.7% in the previous month.
- On an annual basis, prices increased by 9.1%, down from 10.2% in June and the lowest annual growth rate since January.
- London remains completely out of step with the rest of England and Wales, with an annual growth rate of 18.5% (averaged over the last three months) which is nearly double the next highest region.
- Outside London the southern regions, South West (9.0%) and South East (9.7%) have recorded the next largest annual increases (again averaged over the last three months).
- Overall, there is continuing evidence of the market slowing, 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 increased by just 0.5% in November, suggesting that last month’s rise of 0.7% was a blip. On an annual basis, the rate of house price inflation has continued the downward path recorded since June, and is now 9.1%, the lowest level since January this year.

“The FT index is based on all property transactions in England and Wales, and our evidence of a softening market is very much in line with other indices despite the different reporting bases. The prices on which the FT index is based reflect transactions agreed some weeks ago. With continued weakening in consumer confidence and the further negative commentary on market prospects in 2008, we would expect this downward trend to continue. This is despite the strong fundamentals in terms of continued demand and limited supply and the possibility of cuts in the Bank base rate.

“London had a strong month and this helped keep prices higher. If we strip London out of the assessment the overall monthly increase for England and Wales was down by 0.2% to 0.3%, and the annual rate to 6.7%, i.e. well over 2 percentage points lower.

“The current state of flux in the funding markets, and the tightening of the access to and the cost of credit, suggest that 2008 will be a challenging year and one in which house price prediction will be particularly difficult. However, any suggestions of a significant fall in prices must be placed in the context of the strong performance of the market in recent years. Since 2000 the annual rates of growth at November have been as follows; 13.6% (2000), 11.3% (2001), 21.9% (2002), 13.1% (2003), 13.5% (2004), 3.1% (2005), 8.2% (2006) and 9.1% (2007). In 2000 the average price was £108,891; it is now more than twice that at £230,504. Decelerating house prices in 2008 reflecting a modest market correction have to be seen in that context.”

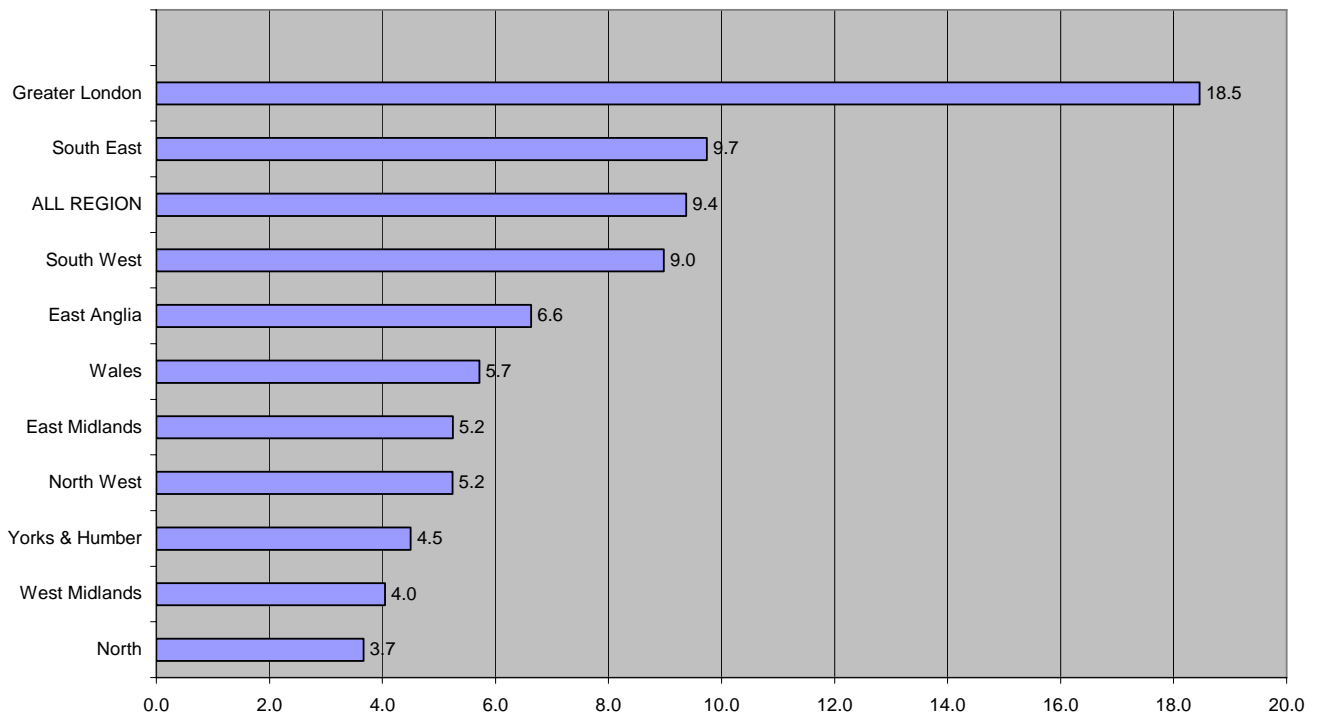
NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
May	2007	£222,627	226.7	0.5	9.6
June	2007	£224,603	228.7	0.9	10.2
July	2007	£225,399	229.5	0.4	10.1
August	2007	£226,775	230.9	0.6	10.2
September	2007	£227,631	231.8	0.4	9.6
October	2007	£229,334	233.5	0.7	9.4
November	2007	£230,504	234.7	0.5	9.1

REGIONAL ANALYSIS

London, where the rate of increase is almost twice as high as the South East and more than four times higher than the lowest regions (West Midlands, Yorkshire and Humberside and the North), continues to buck the trend. This month it is the only region where the annual rate of increase has increased. It will be interesting to see how it performs over the coming months.

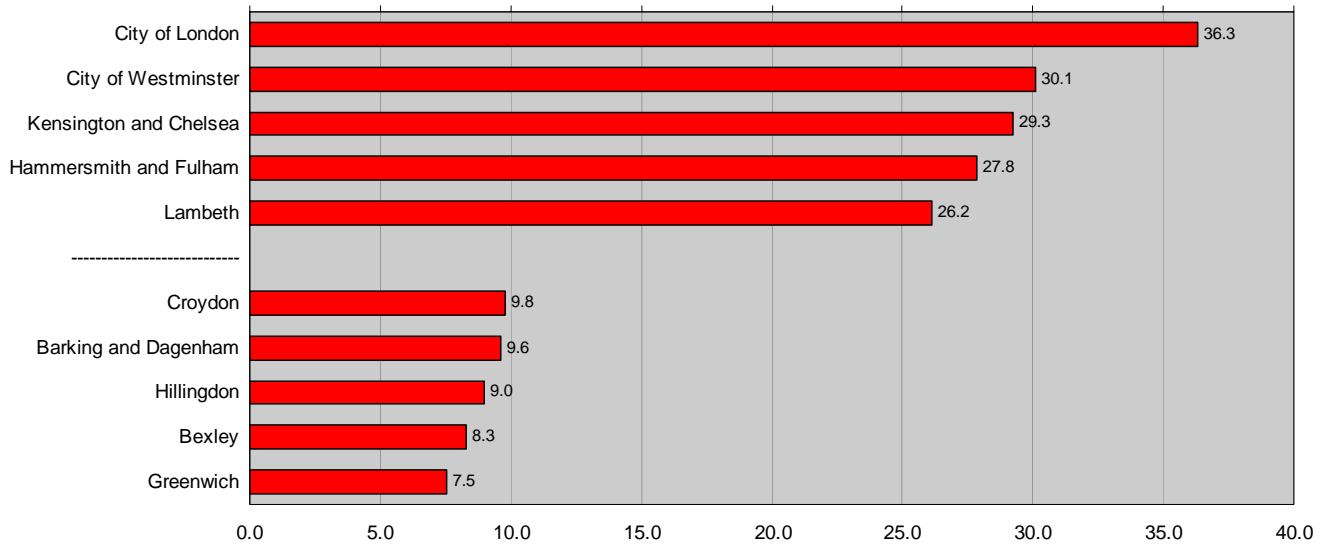
Annual Growth over last three months



LONDON BOROUGH ANALYSIS

The very strong performance of London as a whole masks the very varied performance of the market on a borough by borough basis. Some individual boroughs are still recording strong upward growth rates but a number are now moving more into line with the rest of the country.

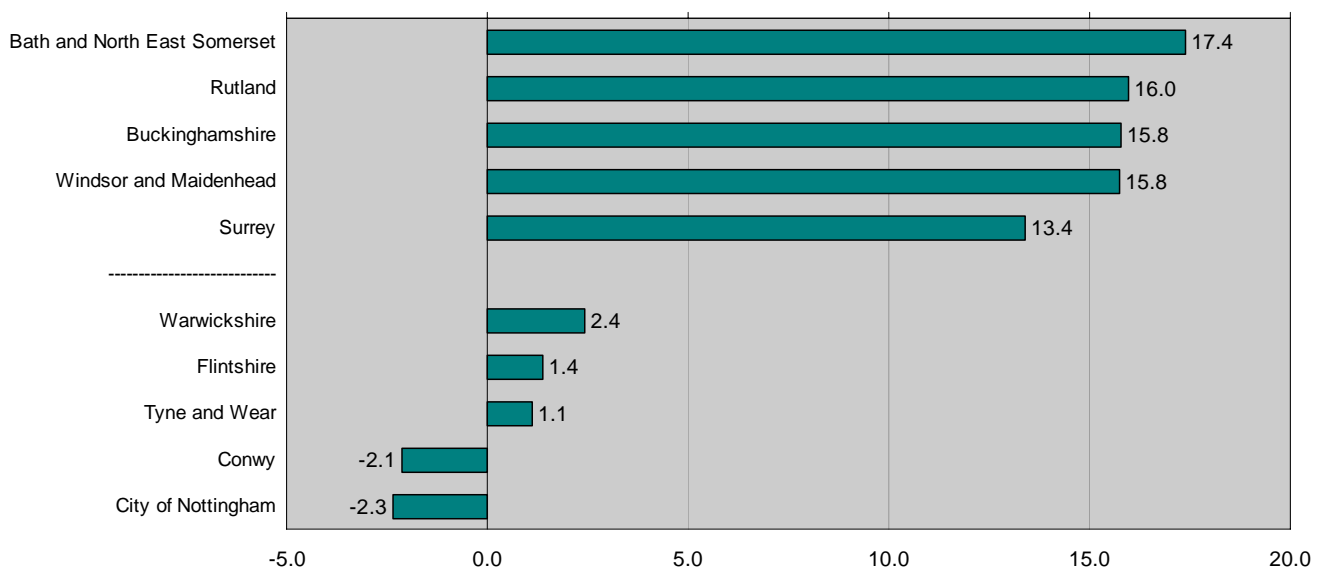
Annual Growth over three months - London boroughs



UNITARY DISTRICT AND COUNTIES ANALYSIS

In a similar fashion to London, the performance at a district and county level is very varied. Overall there remains a strong North/South split but we note that the weakening in the market is spreading more widely.

Annual Growth over 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
Nov-06	£148,274	1.1	6.2	£159,013	0.1	7.7	£168,268	0.9	5.4	£177,477	0.3	6.1
Dec-06	£149,246	0.7	5.8	£161,010	1.3	8.3	£168,537	0.2	6.0	£178,704	0.7	6.3
Jan-07	£150,821	1.1	6.6	£161,369	0.2	7.6	£170,387	1.1	7.0	£180,403	1.0	6.4
Feb-07	£151,496	0.4	6.1	£163,855	1.5	8.7	£172,117	1.0	7.5	£180,777	0.2	5.8
Mar-07	£151,694	0.1	6.4	£164,305	0.3	7.5	£172,711	0.3	6.8	£181,229	0.2	5.7
Apr-07	£151,711	0.0	5.9	£165,466	0.7	8.1	£173,102	0.2	6.8	£181,649	0.2	5.5
May-07	£151,736	0.0	5.7	£165,278	-0.1	7.3	£174,115	0.6	7.0	£182,290	0.4	5.6
Jun-07	£152,453	0.5	5.5	£165,491	0.1	7.7	£174,645	0.3	7.0	£182,974	0.4	5.4
Jul-07	£151,915	-0.4	5.6	£165,366	-0.1	7.0	£174,811	0.1	6.6	£182,257	-0.4	4.9
Aug-07	£151,828	-0.1	5.4	£165,734	0.2	6.3	£174,257	-0.3	6.2	£183,425	0.6	4.9
Sep-07	£151,425	-0.3	4.4	£165,989	0.2	5.7	£175,029	0.4	5.5	£183,390	0.0	4.3
Oct-07	£152,156	0.5	3.8	£166,770	0.5	5.0	£175,860	0.5	5.5	£184,079	0.4	4.0

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Nov-06	£161,681	1.0	7.2	£160,595	0.7	7.9	£220,428	1.1	8.3	£195,611	-0.2	8.9
Dec-06	£162,218	0.3	6.7	£161,565	0.6	7.9	£223,700	1.5	8.9	£197,964	1.2	9.5
Jan-07	£162,878	0.4	7.4	£161,840	0.2	7.0	£224,112	0.2	8.9	£198,461	0.3	10.0
Feb-07	£163,763	0.5	6.6	£162,792	0.6	6.7	£226,799	1.2	9.4	£201,315	1.4	10.3
Mar-07	£164,386	0.4	6.4	£162,804	0.0	6.0	£227,943	0.5	9.2	£204,002	1.3	10.7
Apr-07	£163,990	-0.2	6.4	£164,498	1.0	7.0	£232,062	1.8	10.3	£205,196	0.6	9.5
May-07	£163,745	-0.1	6.6	£165,090	0.4	7.2	£234,062	0.9	10.7	£205,662	0.2	9.3
Jun-07	£164,783	0.6	6.9	£165,642	0.3	7.6	£235,421	0.6	11.1	£204,509	-0.6	8.5
Jul-07	£165,610	0.5	6.7	£164,452	-0.7	6.4	£235,358	0.0	10.7	£205,718	0.6	9.0
Aug-07	£167,097	0.9	7.1	£164,998	0.3	6.1	£235,619	0.1	10.4	£206,897	0.6	7.7
Sep-07	£167,901	0.5	6.8	£165,648	0.4	5.4	£236,464	0.4	10.0	£207,747	0.4	7.6
Oct-07	£168,840	0.6	5.4	£166,425	0.5	4.4	£237,590	0.5	8.9	£208,039	0.1	6.2

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Nov-06	£249,150	0.6	8.2	£319,183	1.4	10.5		£211,303	0.8	8.2
Dec-06	£251,351	0.9	8.1	£325,353	1.9	11.0		£213,608	1.1	8.4
Jan-07	£253,911	1.0	8.6	£331,582	1.9	12.4		£215,579	0.9	8.8
Feb-07	£257,505	1.4	9.2	£337,684	1.8	13.3		£218,265	1.2	9.3
Mar-07	£259,767	0.9	9.6	£340,769	0.9	14.3		£219,625	0.6	9.3
Apr-07	£262,028	0.9	9.6	£344,356	1.1	14.3		£221,455	0.8	9.5
May-07	£262,996	0.4	9.4	£348,543	1.2	14.9		£222,627	0.5	9.6
Jun-07	£265,861	1.1	10.2	£355,765	2.1	16.5		£224,603	0.9	10.2
Jul-07	£267,073	0.5	10.2	£360,549	1.3	17.4		£225,399	0.4	10.1
Aug-07	£269,080	0.8	10.4	£365,191	1.3	18.2		£226,775	0.6	10.2
Sep-07	£269,916	0.3	9.9	£367,965	0.8	17.8		£227,631	0.4	9.6
Oct-07	£271,559	0.6	9.7	£374,134	1.7	18.9		£229,334	0.7	9.4
Nov-07								£230,504	0.5	9.1

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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 119 counties and 32 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) Our [FTHPI Calibration paper](#) is useful reading for all those concerned with house prices and the use of indices, and is available for download from our website. It discusses the question “A True Measure of House Price Inflation?” and explains the rationale for the use of all the Land Registry data for England and Wales for the FT index. The paper also provides an overview of the alternative indices aimed assisting an understanding of the unique view which each provides of house prices. We explain the valuation series derived from the FT index to revalue individual properties within a property portfolio and our procedure for calibrating the accuracy of these revaluations. We demonstrate the level of accuracy achieved and how, at the national level, the valuation series provides results within 0.9% of the recorded value, for the test portfolio as a whole.

8) 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.