



FT HOUSE PRICE INDEX

NOVEMBER 2008

HIGHLIGHTS

- The average price of all completed property transactions in England and Wales fell by 1.7% in November. This is the ninth consecutive monthly price fall and the fifth month in a row in which the fall has exceeded 1%.
- On an annual basis, the average price of completed transactions in England and Wales (including London) is now 8.2% lower than a year ago. All ten regions in England and Wales now show prices falling on both a monthly and an annual basis.
- In London, prices continue to trend down sharply. The annual rate of decline in the capital's house prices (averaged over the past three months) is now at 4.5%, almost double the previous month's average rate; London's disparity with other regions, previously large, continues to narrow.
- The housing market is still in a continuing decline. All UK house price indices are currently negative albeit with considerable differences.
- Although many negatives remain and we have yet to feel the full effects of a general recession, the action by both government and the Bank has eased some pressures. However, the contraction of the mortgage market continues and this may undermine the prospects for bottoming out the current decline in house prices in 2009.

COMMENTARY BY DR. PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“On a **monthly** basis, the average price of a home in England and Wales fell by 1.7% in November, making this the ninth consecutive month of nominal price falls recorded by the FT index and the fifth month in which falls have exceeded 1%.

“The **annual** rate of change of the FT index, at -8.2%, represents the largest fall which we have ever reported, and this is the fifteenth month in succession in which the annual rate has again fallen in nominal terms.

“Expressing these changes in monetary terms, the average price of a home in England and Wales peaked in February of this year at £231,853. Since then, it has fallen by £20,607 to £211,246. This takes the average price back to where it was in November 2006, some 2 years ago.

“Over the last two years, we have regularly highlighted that the London market has been out of line with all the other parts of England and Wales. As anticipated, the differentials in rates of change have now all but disappeared as the London market has contracted at a pace. If London is excluded, the England and Wales monthly change is only marginally worse at -1.8% while the annual rate stands at -8.9%; a further fall of 0.7%.

“Prices in all regions in England and Wales are declining, month on month, and all regions are now showing negatives on both a monthly and an annual basis. The most severe annual fall has been in East Midlands, down by 8.7%, but we would also highlight Wales, where prices have fallen each month for the last 12 months and are now 8.2% lower than a year ago. But it is also the rate of change which is notable, of which London provides the most dramatic example, moving from an annual rate of **increase** of over 15% in November 2007 to a **reduction** of 4.6% some 12 months later in October 2008.

“Looking at price trends in local authorities on a three month averaged basis, significant variations across England and Wales remain. But there are now thirty London boroughs and one hundred and four districts where prices have fallen over the past year, and there is now only one London borough

and no county or district with annual price inflation still in double figures. On an annual basis, in London, we note Westminster, which showed a price increase of 17.9%, in contrast to Newham, showing a fall of 11.7%; elsewhere, we note prices in the East Riding of Yorkshire rising by 1.5% and those in Gwynedd declining by 13.4%, over a three month period.

“Taken together, the different house price indices indicate that prices in England and Wales are between 10% and 15% lower in 2008 than in 2007. Expectations exist that there will be a further fall of around 10% in 2009, giving us a peak to trough reduction of some 25% on average. Were this to happen, it would bring prices back to where they were earlier in the decade i.e. roughly in 2004/05. Given the several million property transactions completed and mortgages advanced during this period, we can expect to see some negative equity emerge. However, looking at the market as whole, the current volume of repossession sales (23,000 in 2007 and 18,600 in the first three quarters of 2008) is small by comparison with the overall volume of transactions. There is no evidence to date that these repossessions, along with other auction disposals, are having a depressing effect on the market in general, but clearly there will be localised impacts. With all of these changes in the market, alongside the wide range of policy interventions, including the yet to be finalised home guarantee scheme in support of borrowers unable to meet their full interest payments, it is difficult to confidently predict detailed outcomes in 2009. However, we can be clear that re-adjustment will continue into the New Year.”

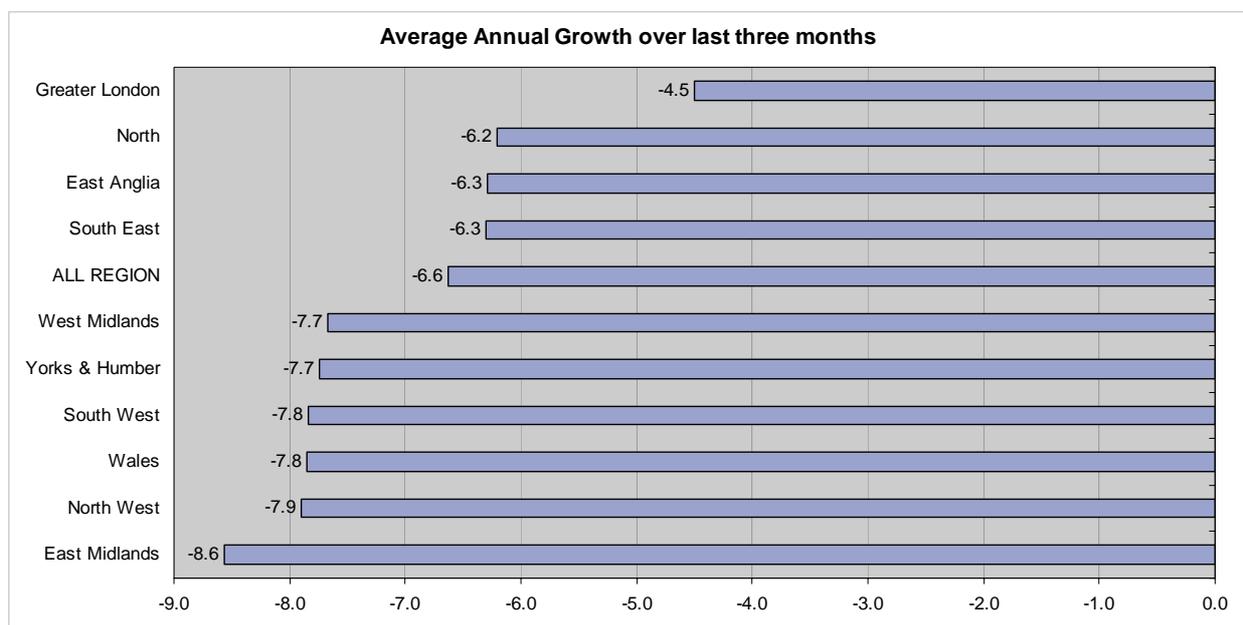
NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
May	2008	£229,318	233.5	-0.6	2.9
June	2008	£227,401	231.5	-0.8	1.2
July	2008	£224,191	228.3	-1.4	-0.6
August	2008	£221,020	225.0	-1.4	-2.8
September	2008	£217,937	221.9	-1.4	-4.9
October	2008	£214,933	218.8	-1.4	-6.7
November	2008	£211,246	215.1	-1.7	-8.2

REGIONAL ANALYSIS

“All regions are now recording negative growth in nominal terms as measured by a 3 month average.

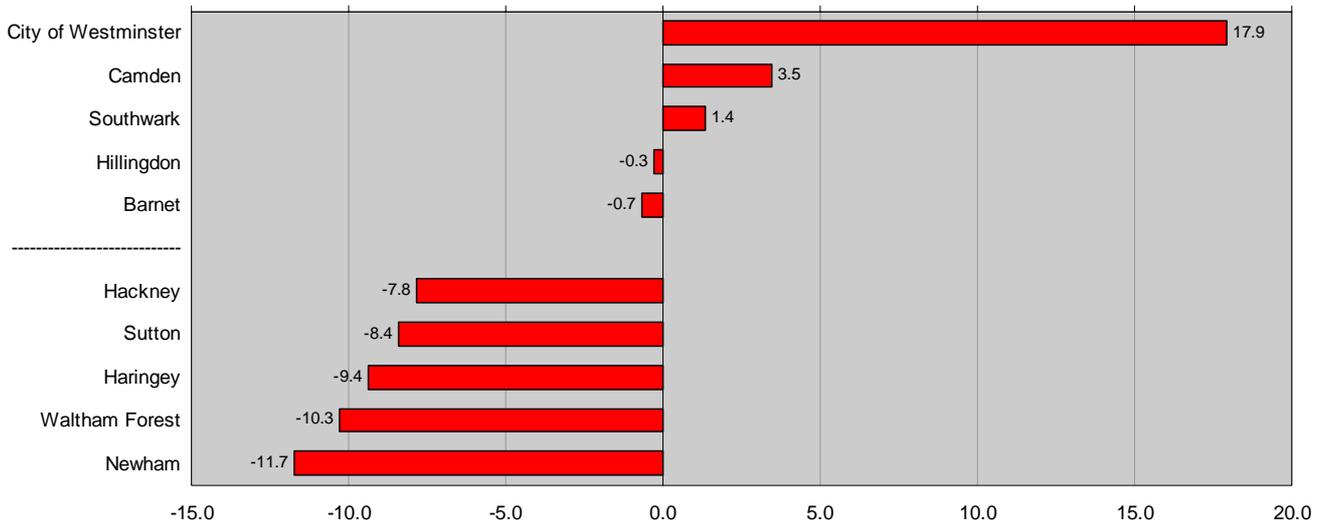
The South West has witnessed the most rapid deflation and has now dropped to seventh place in the table, having stood alongside London and the South East in recent times. Both these regions record below average falls in prices of 4.5% and 6.3%, respectively.”



LONDON BOROUGH ANALYSIS

“The performance of London, as a whole, masks a widely varying performance on a borough by borough basis. Of the thirty three London boroughs, rates range from a 17.9% increase in City of Westminster (probably for exceptional reasons and related to a number of specific transactions) to a fall of 11.7% in Newham and 10.3% in Waltham Forest.”

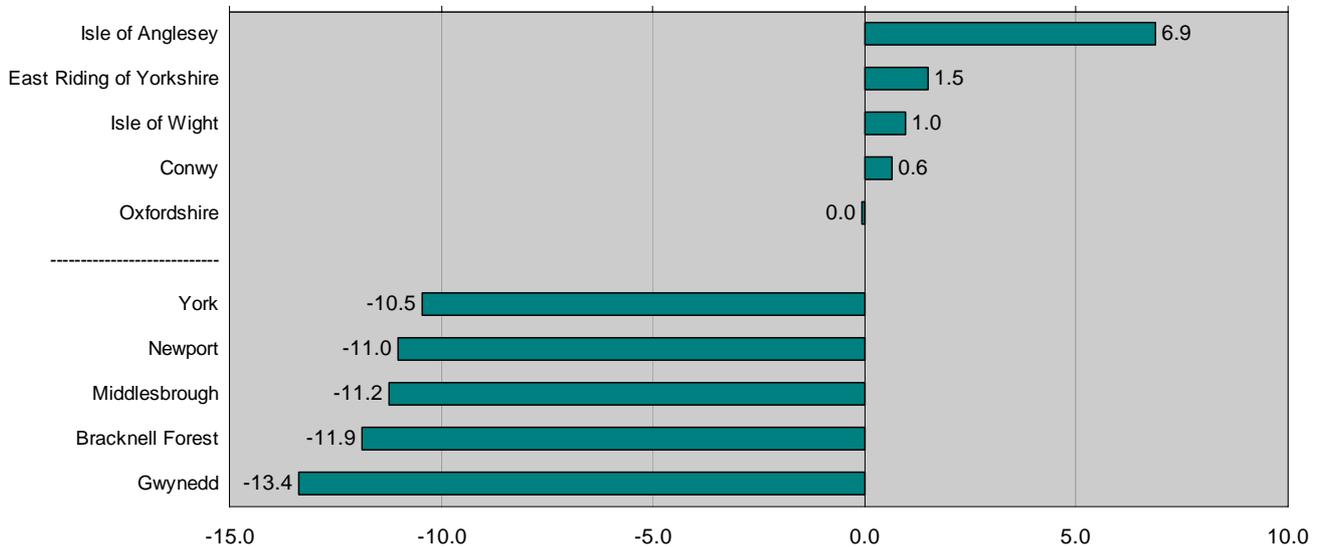
Average Annual Growth over last three months - London boroughs



UNITARY DISTRICT AND COUNTIES ANALYSIS

“Of the one hundred and eight districts and counties in England and Wales, one hundred and four saw price reductions. A distinctive pattern of change is now emerging, as more authorities record negative house price inflation, which is consolidating on a country/regional basis. For example all but two authorities in Wales are now showing declines in prices.”

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
Nov-07	£154,819	0.9	4.4	£168,485	-0.1	6.0	£176,830	-0.3	5.1	£185,805	-0.2	4.7
Dec-07	£154,484	-0.2	3.5	£168,101	-0.2	4.5	£175,952	-0.5	4.4	£184,669	-0.6	3.3
Jan-08	£157,061	1.7	4.0	£168,044	0.0	4.2	£175,825	-0.1	3.2	£184,760	0.0	2.4
Feb-08	£158,804	1.1	4.8	£168,473	0.3	2.9	£176,738	0.5	2.7	£185,298	0.3	2.5
Mar-08	£160,474	1.1	5.7	£166,958	-0.9	1.6	£175,100	-0.9	1.4	£185,917	0.3	2.5
Apr-08	£158,889	-1.0	4.7	£166,479	-0.3	0.7	£174,221	-0.5	0.6	£185,777	-0.1	2.2
May-08	£157,391	-0.9	3.5	£164,662	-1.1	-0.3	£171,915	-1.3	-1.3	£183,992	-1.0	0.8
Jun-08	£155,342	-1.3	1.7	£163,691	-0.6	-1.0	£172,322	0.2	-1.4	£181,974	-1.1	-0.6
Jul-08	£151,626	-2.4	-0.5	£161,973	-1.0	-2.3	£170,307	-1.2	-2.7	£179,435	-1.4	-1.7
Aug-08	£148,357	-2.2	-2.5	£159,938	-1.3	-4.0	£167,627	-1.6	-4.3	£177,245	-1.2	-3.7
Sep-08	£146,032	-1.6	-4.1	£157,632	-1.4	-6.3	£164,178	-2.1	-7.3	£174,556	-1.5	-5.8
Oct-08	£144,494	-1.1	-5.8	£155,109	-1.6	-8.0	£161,892	-1.4	-8.7	£171,538	-1.7	-7.9

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Nov-07	£169,395	-0.5	4.8	£170,490	0.2	6.2	£238,267	-0.3	8.1	£208,698	-0.9	6.7
Dec-07	£168,820	-0.3	4.0	£170,734	0.1	5.6	£238,763	0.2	6.7	£209,465	0.4	5.8
Jan-08	£166,859	-1.2	2.5	£170,434	-0.2	5.2	£236,166	-1.1	5.4	£210,256	0.4	6.0
Feb-08	£166,666	-0.1	1.8	£169,972	-0.3	4.3	£234,932	-0.5	3.6	£211,991	0.8	5.3
Mar-08	£166,434	-0.1	1.3	£170,122	0.1	4.4	£234,048	-0.4	2.7	£211,609	-0.2	3.7
Apr-08	£165,963	-0.3	1.2	£169,778	-0.2	3.1	£235,352	0.6	1.4	£209,737	-0.9	2.1
May-08	£163,429	-1.5	-0.2	£168,273	-0.9	1.8	£235,562	0.1	0.6	£209,054	-0.3	1.5
Jun-08	£162,057	-0.8	-1.7	£165,612	-1.6	0.0	£232,968	-1.1	-0.9	£207,925	-0.5	1.5
Jul-08	£159,983	-1.3	-3.6	£162,544	-1.9	-1.3	£229,604	-1.4	-2.4	£204,709	-1.5	-0.8
Aug-08	£159,833	-0.1	-4.8	£160,700	-1.1	-3.2	£226,402	-1.4	-4.0	£202,756	-1.0	-2.6
Sep-08	£157,858	-1.2	-6.5	£158,670	-1.3	-5.5	£223,142	-1.4	-6.0	£199,161	-1.8	-5.1
Oct-08	£156,368	-0.9	-8.2	£156,463	-1.4	-8.1	£219,712	-1.5	-8.0	£197,522	-0.8	-6.2

	South East			Greater London			ALL REGION			
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	
Nov-07	£273,467	0.1	9.7	£368,754	-0.4	15.5		£230,156	-0.1	8.9
Dec-07	£274,661	0.4	9.2	£369,762	0.3	13.7		£230,411	0.1	7.9
Jan-08	£276,040	0.5	8.7	£373,037	0.9	12.5		£230,926	0.2	7.1
Feb-08	£277,634	0.6	7.8	£376,025	0.8	11.4		£231,853	0.4	6.2
Mar-08	£276,720	-0.3	6.5	£374,607	-0.4	9.9		£231,176	-0.3	5.2
Apr-08	£276,228	-0.2	5.3	£373,773	-0.2	8.5		£230,723	-0.2	4.1
May-08	£275,030	-0.4	4.5	£372,177	-0.4	6.6		£229,318	-0.6	2.9
Jun-08	£272,516	-0.9	2.4	£369,702	-0.7	3.8		£227,401	-0.8	1.2
Jul-08	£268,383	-1.5	0.6	£365,399	-1.2	1.1		£224,191	-1.4	-0.6
Aug-08	£263,556	-1.8	-2.2	£360,766	-1.3	-1.6		£221,020	-1.4	-2.8
Sep-08	£259,648	-1.5	-4.3	£357,282	-1.0	-3.2		£217,937	-1.4	-4.9
Oct-08	£255,807	-1.5	-6.4	£353,026	-1.2	-4.6		£214,933	-1.4	-6.7
Nov-08								£211,246	-1.7	-8.2

also see www.ft.com/houseprices

www.acadmetrics.co.uk

PRESS CONTACTS:

Peter Williams
David Thorpe
John Tindale

020 8390 5872 or 07718 120858
020 8392 9082 or 07764 236781
020 8891 3451

peter.williams@acadmetrics.co.uk
david.thorpe@acadmetrics.co.uk
john.tindale@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 in the normal market. 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 a small sample (one which we have found to be unrepresentative), we base our current month results upon a combination of our academic “index of indices” forecasting model, developed by Dr Stephen Satchell (University of Cambridge) and Dr George Christodoulakis (then at 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) Our "[House Price Indices – Fact or Fiction?](#)" 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.