



FT HOUSE PRICE INDEX

SEPTEMBER 2007

The latest FT House Price Index, updated with the most recent monthly data from the Land Registry, shows that house price rises in England and Wales rose by 0.3% in September and by 8.8% 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 %
March 2007	£219,558	223.5	0.6	9.3
April 2007	£221,299	225.3	0.8	9.5
May 2007	£222,191	226.2	0.4	9.4
June 2007	£223,724	227.8	0.7	9.8
July 2007	£224,218	228.3	0.2	9.5
August 2007	£225,100	229.2	0.4	9.4
September 2007	£225,826	229.9	0.3	8.8

COMMENTARY BY PETER WILLIAMS

Dr Peter Williams, Chairman of Acadameetrics, comments,

“House prices in England and Wales increased by only 0.3% in September, bringing the annual rate of house price inflation down to 8.8%, from 9.4% over the previous 12 months. The continuing fall in both the monthly and the annual inflation rate was expected and begins to suggest we will now see a period of further reductions in the rate of price increases, following the broadly stable pattern which we have observed in the first few months of the year. In the last 6 months, average house prices have gone up around 2.5% compared to over 5% in the previous six months i.e. the rate of increase has halved.

“London remains completely out of step with the rest of England and Wales and, stripping London out of the assessment, brings the monthly increase down to 0.2% and the annual rate to 6.8% i.e 2 percentage points lower.

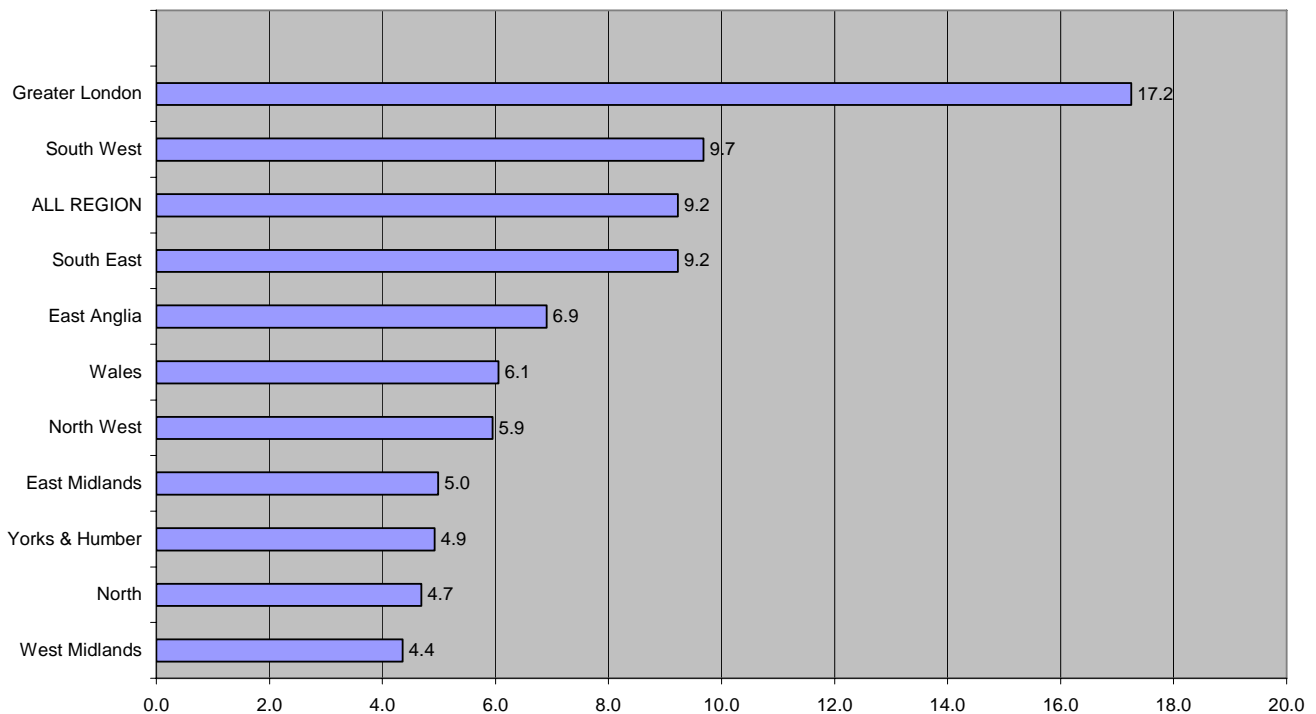
“The expectation of a slowing market through the remainder of 2007 remains regardless of any decisions by the Bank of England. Indeed, the Bank’s previous increases in interest rates have now collided with the tightening in mortgage credit resulting from the sharp increase in mortgage arrears and possessions and loss of confidence in mortgage backed securities in the US market and, to a lesser extent, in the UK. Mortgaged transactions represent around 75% of all property sales in the UK and the full effect of the current environment has yet to be reflected in the completion prices of the entirety of properties sold, both mortgaged and cash based. Our index comparison table shows that the sample-based price indices, which offer a view of asking or offer prices, are showing a flat or downward trend. We currently expect this trend to be reflected in the FT House Price index through to the end of the year.”

REGIONAL TRENDS

The national index has risen by 0.3% in September and by 8.8% in the year. The annual rate of growth at a regional level, *averaged over the last three months to reduce volatility and on an indicative basis*, is shown in the chart below.

This analysis highlights the degree to which London (17.2%) remains completely out of step with the rest of England and Wales, with an annual growth rate nearly double the next highest region. Outside London it is the southern regions - South West (9.7%) and South East (9.2%) - that record the next largest increases, though we note that the rate of increase has been declining in both East Anglia (since March) and the South West (since June). The lowest regional growth was recorded by the North (4.7%) and the West Midlands (4.4%). However, seven regions are showing continued reductions in the annual rate of increase compared to only three showing modest increases.

Annual Growth over last three months



The Regional Data Table below (which excludes September) highlights that seven out of the ten regions have shown a fall in rate of annual inflation over the last month. In terms of monthly average prices, six regions (the North, North West, East Midlands, Yorkshire and Humberside, the South West and East Anglia) showed small actual falls or no significant change on the average price for the month. By contrast, Greater London prices have risen by around 1.5% per month throughout 2007, and the annual rate of inflation has been going up month on month for the last 12 months.

REGIONAL DATA TABLE

Region Month	<u>North</u>			<u>North West</u>			<u>East Midlands</u>			<u>West Midlands</u>		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Sep-06	£144,962	0.7	5.9	£157,027	0.7	7.5	£165,850	1.1	4.3	£175,824	0.5	6.8
Oct-06	£146,561	1.1	5.6	£158,812	1.1	8.2	£166,761	0.5	4.7	£176,904	0.6	6.5
Nov-06	£148,251	1.2	6.1	£158,948	0.1	7.7	£168,384	1.0	5.4	£177,396	0.3	6.1
Dec-06	£149,288	0.7	5.8	£160,917	1.2	8.3	£168,537	0.1	6.0	£178,607	0.7	6.2
Jan-07	£150,780	1.0	6.5	£161,270	0.2	7.6	£170,400	1.1	7.1	£180,276	0.9	6.4
Feb-07	£151,370	0.4	6.1	£163,753	1.5	8.6	£172,115	1.0	7.5	£180,705	0.2	5.8
Mar-07	£151,280	-0.1	6.1	£164,171	0.3	7.5	£172,805	0.4	6.9	£181,106	0.2	5.7
Apr-07	£151,330	0.0	5.7	£165,407	0.8	8.1	£173,082	0.2	6.8	£181,491	0.2	5.4
May-07	£151,224	-0.1	5.4	£165,119	-0.2	7.3	£173,485	0.2	6.6	£181,972	0.3	5.5
Jun-07	£151,597	0.2	5.0	£165,242	0.1	7.6	£173,665	0.1	6.3	£182,649	0.4	5.2
Jul-07	£151,151	-0.3	5.1	£165,031	-0.1	6.8	£173,354	-0.2	5.7	£181,837	-0.4	4.7
Aug-07	£151,036	-0.1	4.9	£165,107	0.0	5.9	£172,562	-0.5	5.2	£182,764	0.5	4.5
	<u>Wales</u>			<u>Yorks & Humber</u>			<u>South West</u>			<u>East Anglia</u>		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Sep-06	£157,102	0.7	5.6	£157,181	1.1	6.8	£214,941	0.7	7.0	£193,120	0.5	7.5
Oct-06	£160,109	1.9	6.4	£159,354	1.4	7.6	£218,067	1.5	7.9	£195,858	1.4	8.6
Nov-06	£161,693	1.0	7.2	£160,545	0.7	7.9	£220,401	1.1	8.3	£195,449	-0.2	8.8
Dec-06	£162,247	0.3	6.7	£161,439	0.6	7.8	£223,672	1.5	8.9	£197,768	1.2	9.4
Jan-07	£162,931	0.4	7.5	£161,758	0.2	6.9	£224,134	0.2	8.9	£198,359	0.3	10.0
Feb-07	£163,824	0.5	6.7	£162,638	0.5	6.6	£226,806	1.2	9.5	£201,149	1.4	10.2
Mar-07	£164,317	0.3	6.4	£162,691	0.0	6.0	£227,803	0.4	9.1	£203,953	1.4	10.7
Apr-07	£163,820	-0.3	6.3	£164,256	1.0	6.8	£231,747	1.7	10.2	£205,084	0.6	9.5
May-07	£163,362	-0.3	6.3	£164,653	0.2	6.9	£233,395	0.7	10.4	£205,539	0.2	9.3
Jun-07	£164,364	0.6	6.7	£164,882	0.1	7.1	£234,558	0.5	10.7	£203,992	-0.8	8.2
Jul-07	£164,755	0.2	6.1	£163,386	-0.9	5.8	£234,102	-0.2	10.1	£204,364	0.2	8.2
Aug-07	£165,670	0.6	6.2	£163,257	-0.1	5.0	£233,991	0.0	9.7	£204,291	0.0	6.4
	<u>South East</u>			<u>Greater London</u>			<u>ALL REGION</u>					
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual			
Sep-06	£245,573	0.8	7.5	£312,281	1.1	9.7	£207,571	0.8	7.4			
Oct-06	£247,476	0.8	7.9	£314,737	0.8	9.7	£209,606	1.0	7.8			
Nov-06	£249,162	0.7	8.2	£319,216	1.4	10.5	£211,291	0.8	8.2			
Dec-06	£251,355	0.9	8.1	£325,456	2.0	11.0	£213,584	1.1	8.4			
Jan-07	£253,965	1.0	8.6	£331,648	1.9	12.5	£215,569	0.9	8.8			
Feb-07	£257,467	1.4	9.2	£337,629	1.8	13.3	£218,206	1.2	9.2			
Mar-07	£259,588	0.8	9.5	£341,123	1.0	14.4	£219,558	0.6	9.3			
Apr-07	£261,581	0.8	9.4	£344,817	1.1	14.5	£221,299	0.8	9.5			
May-07	£262,202	0.2	9.1	£348,642	1.1	14.9	£222,191	0.4	9.4			
Jun-07	£264,326	0.8	9.6	£354,785	1.8	16.1	£223,724	0.7	9.8			
Jul-07	£265,035	0.3	9.3	£359,561	1.3	17.0	£224,218	0.2	9.5			
Aug-07	£266,529	0.6	9.4	£363,364	1.1	17.6	£225,100	0.4	9.4			
Sep-07							£225,826	0.3	8.8			

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

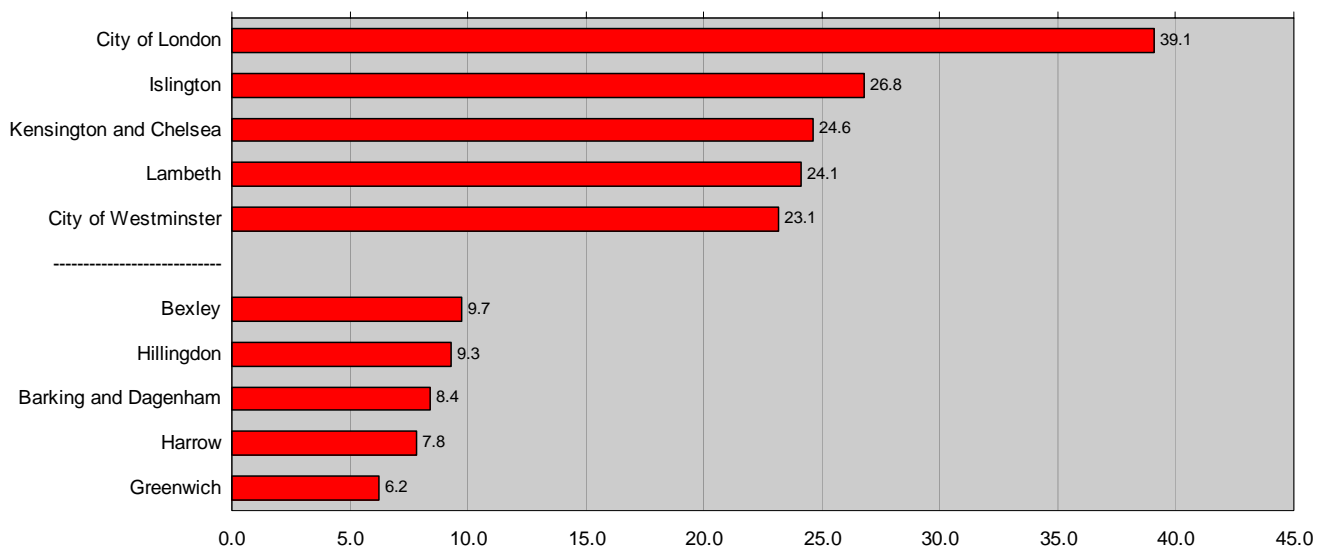
The charts below show the highest and lowest annual growth rates by unitary district, county and London borough. As is the case for the regional analysis above, we show the three month rolling average to reduce volatility.

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

With the spectacular 39.1% annual growth recorded for the City of London, where the number of residential homes is limited, the analysis demonstrates that the headline figures for Greater London mask considerable contrasts at the local level, with Greenwich, at the other end of the spectrum, recording the lowest growth rate at 6.2%. Over coming months we can expect to see the rates of increase across London fall.

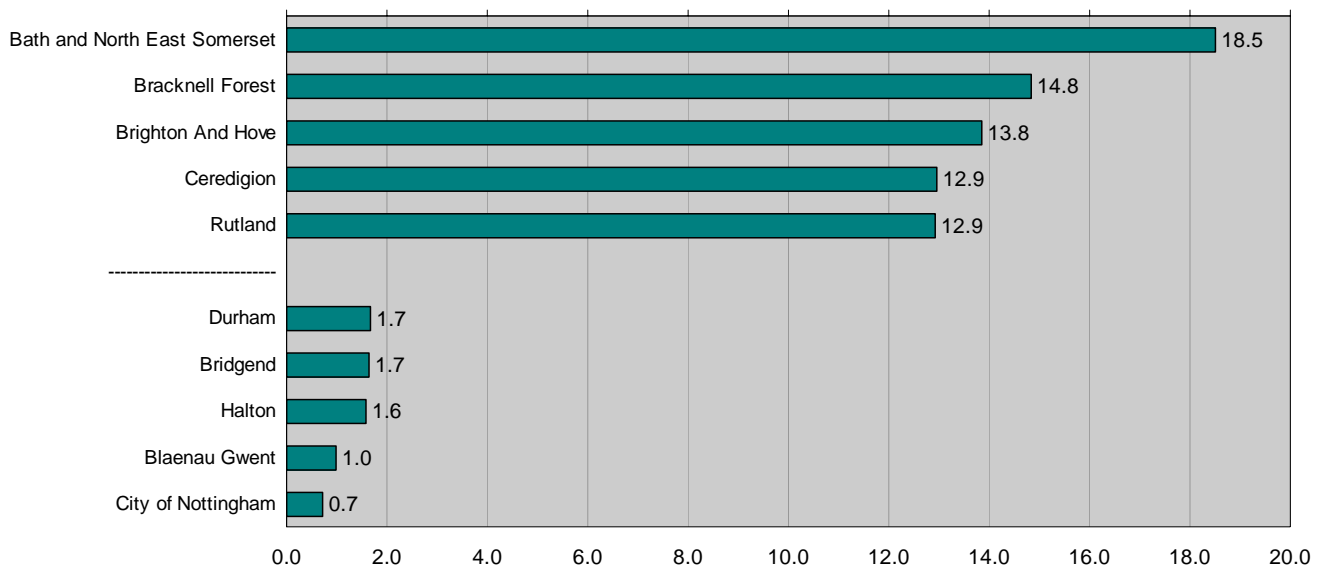
Annual Growth over three months - London boroughs



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 variations between the highs and the lows as being witnessed in London. The contrast between Brighton and Hove (13.8%) and Bath and Somerset (18.5%) with the City of Nottingham (0.7%) and Durham (1.7%) is worthy of note, again picking up on the strong North/South split in the English housing market.

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 the 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: regional, county and London borough historic data are available.

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also see www.ft.com/houseprices

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