



## FT HOUSE PRICE INDEX

**FEBRUARY 2008**

### HIGHLIGHTS

- On a monthly basis, house prices in England and Wales rose by a modest 0.5% in February following a three month run of growth rates hovering around zero.
- On an annual basis, prices increased by 6.1%, down from 6.8% in January. This is the sixth successive month in which the annual rate has fallen and the lowest annual growth rate since June 2006.
- London continues to be out of step with the rest of England and Wales, with an annual growth rate of 12.7% (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 (6.8%) and South East (7.8%) that have recorded the largest annual increases (again averaged over the last three months). 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.
- 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 Acadmetrics, comments,

“House prices in England and Wales increased by just 0.5% in February, which follows three consecutive months of monthly growth either just above or just below zero - the lowest for over three years. On an annual basis, house prices rose by 6.1%, the lowest level since June 2006 and the sixth month in succession that this rate has been falling.

“An annual increase of 6.1% is still substantial (4.7% without London) but it is moving in the direction of longer run market averages. The FT index is based on all property transactions in England and Wales and thus gives a very accurate view of the totality of that market. It shows on an annual basis that the market has been trending downwards and this view is backed by almost all the other market reporting.

“There is nothing to suggest that this downward trend won't continue despite our marginally higher monthly figure, even though the fundamentals of demand and supply, employment and interest rates remain very favourable. The fact that London, as a key driver of the market, has now recorded the fifth monthly fall in its annual rate of price inflation is not without its significance and that is matched in the South East and the South West.

“The latest GfK NOP index and Nationwide BS consumer confidence survey for February both show a further weakening in confidence, and we are now seeing a clear feed through from the problems in the funding markets in terms of the increased price and reduced availability of a wide range of mortgage products. Without doubt, 2008 will be a challenging year for all those involved with the housing market and not least for buyers and sellers.”

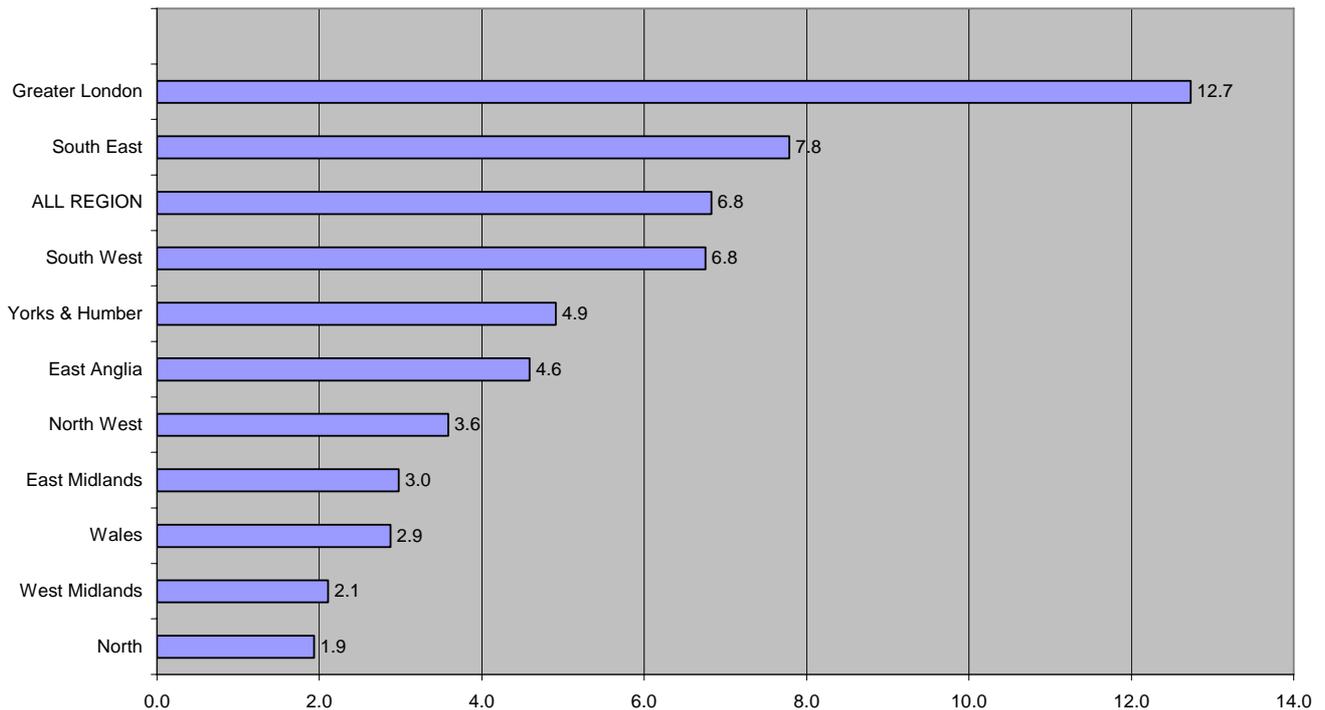
## NATIONAL INDEX SUMMARY

		House Price	Index	Monthly Change %	Annual Change %
<b>August</b>	<b>2007</b>	£227,410	231.5	0.8	10.5
<b>September</b>	<b>2007</b>	£229,175	233.3	0.8	10.4
<b>October</b>	<b>2007</b>	£230,481	234.7	0.6	9.9
<b>November</b>	<b>2007</b>	£230,112	234.3	-0.2	8.9
<b>December</b>	<b>2007</b>	£229,819	234.0	-0.1	7.6
<b>January</b>	<b>2008</b>	£230,348	234.5	0.2	6.8
<b>February</b>	<b>2008</b>	£231,530	235.7	0.5	6.1

## REGIONAL ANALYSIS

London's rate of house price inflation is almost twice that of the National average and is more than six times higher than the lowest region (the North). However, this month the annual rate of increase in London has continued to fall in common with all other regions.

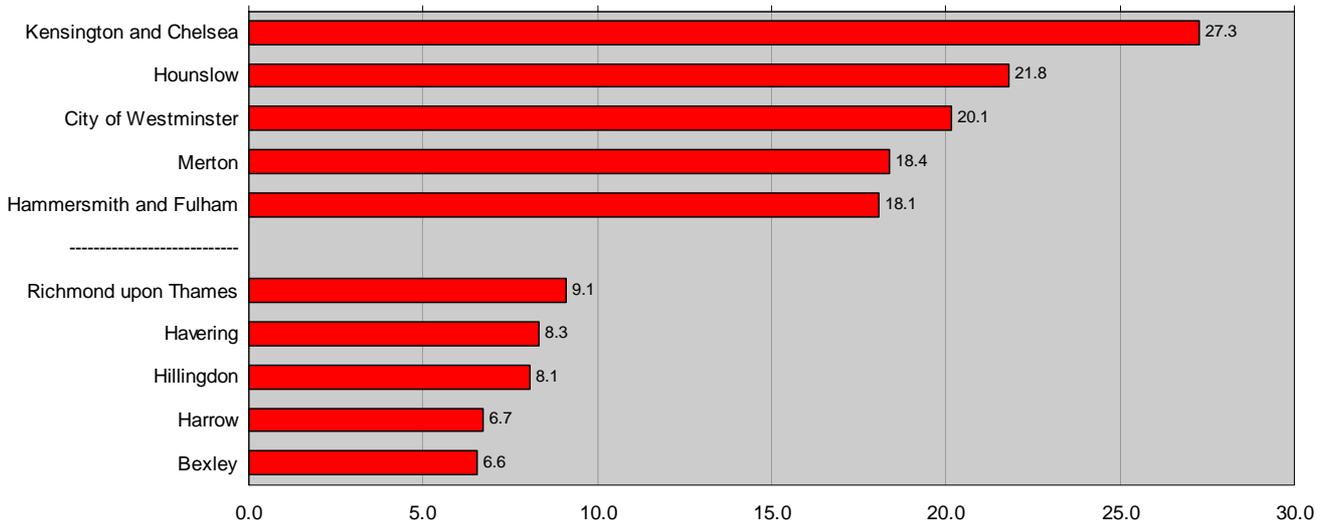
**Average Annual Growth over last three months**



## 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 three have averaged annual growth rates of 20% or more whilst eight have recorded rates of 10% or less.

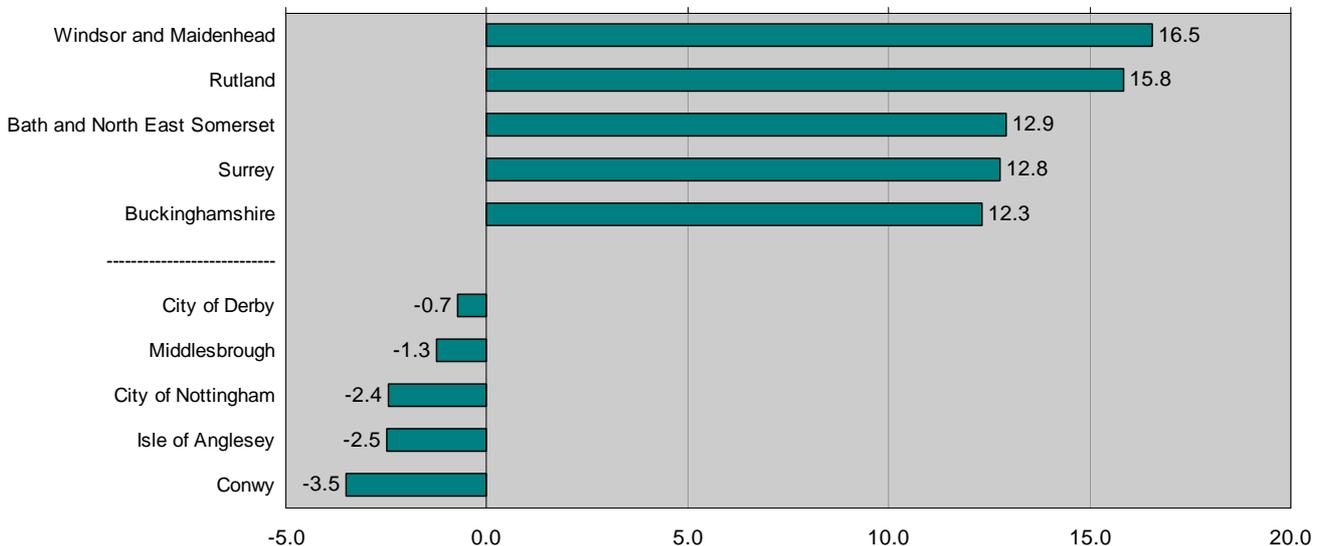
**Average Annual Growth over last three months - London boroughs**



## 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 seven recorded growth rates in excess of 10%; forty six had growth rates of less than 5% and of these five 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
Feb-07	£151,568	0.4	6.2	£163,914	1.5	8.7	£172,128	1.0	7.5	£180,798	0.2	5.9
Mar-07	£151,816	0.2	6.5	£164,319	0.2	7.5	£172,746	0.4	6.8	£181,272	0.3	5.8
Apr-07	£151,707	-0.1	5.9	£165,490	0.7	8.1	£173,107	0.2	6.8	£181,734	0.3	5.5
May-07	£151,850	0.1	5.8	£165,425	0.0	7.4	£174,124	0.6	7.0	£182,431	0.4	5.7
Jun-07	£152,541	0.5	5.6	£165,550	0.1	7.7	£174,623	0.3	7.0	£183,139	0.4	5.5
Jul-07	£152,059	-0.3	5.7	£165,775	0.1	7.2	£174,937	0.2	6.7	£182,538	-0.3	5.1
Aug-07	£151,983	0.0	5.5	£166,475	0.4	6.8	£174,934	0.0	6.6	£184,088	0.8	5.3
Sep-07	£152,131	0.1	4.9	£168,133	1.0	7.1	£176,885	1.1	6.6	£185,303	0.7	5.4
Oct-07	£153,405	0.8	4.6	£168,461	0.2	6.1	£177,345	0.3	6.4	£185,822	0.3	5.0
Nov-07	£154,214	0.5	4.0	£168,143	-0.2	5.8	£176,717	-0.4	5.0	£185,066	-0.4	4.3
Dec-07	£153,702	-0.3	3.0	£167,385	-0.5	3.9	£175,281	-0.8	4.0	£183,695	-0.7	2.8
Jan-08	£153,516	-0.1	1.7	£167,897	0.3	4.0	£175,345	0.0	2.9	£183,671	0.0	1.8

	Wales			Yorks & Humber			South West			East Anglia		
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual
Feb-07	£163,672	0.5	6.6	£162,816	0.6	6.7	£226,765	1.2	9.4	£201,375	1.5	10.3
Mar-07	£164,290	0.4	6.4	£162,918	0.1	6.1	£227,920	0.5	9.2	£204,122	1.4	10.8
Apr-07	£163,933	-0.2	6.4	£164,557	1.0	7.0	£231,955	1.8	10.2	£205,385	0.6	9.6
May-07	£163,726	-0.1	6.6	£165,257	0.4	7.3	£234,016	0.9	10.7	£205,828	0.2	9.4
Jun-07	£164,880	0.7	7.0	£165,676	0.3	7.8	£235,072	0.5	11.0	£204,669	-0.6	8.6
Jul-07	£165,971	0.7	6.9	£164,661	-0.6	6.8	£235,193	0.1	10.6	£206,110	0.7	9.2
Aug-07	£168,014	1.2	7.7	£165,849	0.7	6.8	£235,731	0.2	10.5	£207,696	0.8	8.1
Sep-07	£168,901	0.5	7.5	£167,760	1.2	6.7	£237,175	0.6	10.3	£209,630	0.9	8.5
Oct-07	£170,259	0.8	6.4	£169,816	1.2	6.5	£238,765	0.7	9.5	£210,273	0.3	7.3
Nov-07	£169,309	-0.6	4.7	£169,907	0.1	5.8	£238,443	-0.1	8.2	£208,794	-0.7	6.8
Dec-07	£168,626	-0.4	4.0	£169,787	-0.1	5.1	£239,356	0.4	7.0	£208,371	-0.2	5.3
Jan-08	£167,151	-0.9	2.7	£169,773	0.0	4.9	£239,597	0.1	6.9	£207,918	-0.2	4.8

	South East			Greater London			ALL REGION					
	Av HP	%monthly	%annual	Av HP	%monthly	%annual	Av HP	%monthly	%annual			
Feb-07	£257,547	1.4	9.2	£337,670	1.8	13.3				£218,284	1.2	9.3
Mar-07	£259,808	0.9	9.6	£340,998	1.0	14.3				£219,688	0.6	9.4
Apr-07	£262,179	0.9	9.7	£344,653	1.1	14.4				£221,539	0.8	9.6
May-07	£263,155	0.4	9.5	£348,883	1.2	15.0				£222,762	0.6	9.7
Jun-07	£266,073	1.1	10.3	£355,900	2.0	16.5				£224,673	0.9	10.2
Jul-07	£266,567	0.2	9.9	£361,897	1.7	17.8				£225,585	0.4	10.2
Aug-07	£269,170	1.0	10.5	£366,970	1.4	18.8				£227,410	0.8	10.5
Sep-07	£271,070	0.7	10.4	£369,929	0.8	18.4				£229,175	0.8	10.4
Oct-07	£272,806	0.6	10.2	£371,874	0.5	18.1				£230,481	0.6	9.9
Nov-07	£272,641	-0.1	9.4	£371,283	-0.2	16.3				£230,112	-0.2	8.9
Dec-07	£272,621	0.0	8.4	£371,568	0.1	14.2				£229,819	-0.1	7.6
Jan-08	£273,946	0.5	7.9	£373,378	0.5	12.6				£230,348	0.2	6.8
Feb-08										£231,530	0.5	6.1

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[www.acadametrics.co.uk](http://www.acadametrics.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. 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](mailto:information@acadametrics.co.uk).