3rd April 2009

HALIFAX House price index

UK House prices	MARCH 2009 (seasonally adjusted)
Annual change	-17.5%
Monthly change	-1.9%
Average Price	£157,326

Commenting, Martin Ellis, housing economist, said:

"The average UK house price declined by 1.9% in March. House prices in the first quarter of 2009 were 2.7% lower than in the previous quarter, which was smaller than the 5-6% falls recorded in each of the three previous quarters.

Completed sales in England and Wales halved between 2007 and 2008, but there are some very tentative signs that activity may be beginning to stabilise. The latest industry-wide figures show that the number of mortgages approved to finance house purchase in February – a leading indicator of completed house sales - were the highest since May 2008.

The house price to earnings ratio – a key measure of housing affordability – is at its lowest level since early 2003 at 4.34. The recent cuts in interest rates have also reduced the amount that the average existing mortgage borrower is devoting to mortgage repayments from a peak of 26.9% of household income in October 2008 to 22.6% in February 2009.

Conditions in the housing market are likely to be tough during the remainder of 2009 despite the improvements in affordability. Increasing unemployment, low consumer confidence and the constraining effects of the continuing dislocation of the financial markets on the availability of mortgage finance are all likely to exert downward pressure on the market over the coming months."

Key facts

- **House prices declined by 1.9% in March.** This was lower than February's 2.3% fall. The UK average price has returned to where it was in May 2004 (£157,326).
- **House prices declined by 2.7% in Quarter 1.** This was smaller than the 5-6% falls recorded in each of the three previous quarters.
- **House prices in March were 17.5% lower on an annual basis.** The annual rate of change (measured by the average for the latest three months against the same period a year earlier) improved slightly from -17.7% in February.

ABOUT THE HALIFAX HOUSE PRICE INDEX

The Halifax House Price Index is the UK's longest running monthly house price series with data covering the whole country going back to January 1983. From this data, a "standardised" house price is calculated and property price movements on a like-for-like basis (including seasonal adjustments) are analysed over time. The annual change is calculated as an average for the latest three months compared with the same period a year earlier. These figures provide a better picture of the underlying trend compared to a monthly year-on-year number as they smooth out any short-term fluctuations.

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HALIFAX HPI

House price index

- **The house price to earnings ratio – a key affordability measure - is at its lowest for more than six years.** The house price to average earnings ratio has declined from a peak of 5.84 in July 2007 to an estimated 4.34 in March 2009; a fall of 26%. The ratio is at its lowest level for more than six years (January 2003: 4.33). The long-term average is 4.0.

- **Mortgage debt servicing costs for all borrowers have eased in recent months.** Monthly repayments accounted for 22.6% of average gross household income in February 2009 compared to a peak of 26.9% in October 2008. This takes the proportion of income devoted to mortgage repayments by all existing mortgage borrowers to its lowest since September 2005. The decrease in the average mortgage rate paid by existing borrowers from 5.82% in October 2008 to 4.10% in February 2009 (source: Bank of England) is the main cause of this reduction. The proportion of income accounted for by mortgage repayments by all borrowers remains above the long-term average of 20.4%.

- **Tentative signs of a stabilisation in activity albeit at a very low level.** The latest Land Registry figures show that the number of completed sales in England and Wales fell by 50% between 2007 and 2008 from 1,231,420 to 618,151. Bank of England industry-wide figures show that the number of mortgages approved to finance house purchase – a leading indicator of completed house sales - increased by 19% between January and February on a seasonally adjusted basis. Approvals in February, at 38,000, were the highest since May 2008 but were still 44% lower than in February 2008.

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UK House Prices: Historical Data
All Houses, All Buyers (Seasonally Adjusted)

Period	Index 1983=100 1	Standardised Average Price £ 2	Monthly Change %	Annual Change %*	Price/ Earnings Ratio 3
Mar 2008	617.8	190,900	-2.1	1.1	5.46
Apr	610.7	188,704	-1.2	-0.9	5.37
May	595.5	183,984	-2.5	-3.8	5.22
Jun	583.9	180,417	-1.9	-6.1	5.10
July	574.2	177,421	-1.7	-8.8	5.00
Aug	564.1	174,293	-1.8	-10.9	4.90
Sep	556.8	172,027	-1.3	-12.4	4.82
Oct	543.5	167,934	-2.4	-13.7	4.70
Nov	529.0	163,458	-2.7	-14.9	4.59
Dec	520.6	160,861	-1.6	-16.2	4.51
Jan 2009	531.2	164,126	2.0	-17.2	4.51
Feb	519.1	160,390	-2.3	-17.7	4.43[e]
Mar	509.2	157,326	-1.9	-17.5	4.34[e]

EDITORS' NOTES

***** The annual change numbers are the quarterly year-on-year figures. These figures provide a better picture of underlying trends compared to a monthly year-on-year number as they smooth out any short-term fluctuations.

1. INDEX
The standardised index is seasonally adjusted using the U.S. Bureau of the Census XII moving-average method based on a rolling 84-month series. Each month, the seasonally adjusted figure for the same month a year ago and last's month figure are subject to revision.

2. STANDARDISED AVERAGE PRICE
The standardised average price is calculated using the Halifax's mix adjusted methodology.

3. PRICE/EARNINGS RATIO
Ratio of the Halifax standardised average price to national average earnings for full-time male employees. Price Earnings ratios revised to reflect new data in the Annual Survey of Hours and Earnings (ASHE). [e] Halifax estimates.

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ISDN facilities are available for broadcast media interviews

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