



UK House prices	JUNE 2009 (seasonally adjusted)
Annual change	-15.0%
Monthly change	-0.5%
Average Price	£157,713

#### Commenting, Martin Ellis, housing economist, said:

"There was a 0.5% decline in average UK house prices in June. On a quarterly basis, the 1.9% fall in house prices in the second quarter was the smallest since 2008 quarter one. These figures provide evidence that the underlying pace of house price decline is easing.

There are further indications of a modest improvement in sales activity, albeit at a very low level. Industry-wide figures show that the number of mortgages approved to finance house purchase increased for the fourth successive month in May. Approvals were at their highest level since April 2008 and 10% higher than a year earlier.

Improvements in affordability and low interest rates have stimulated housing demand. This, together with a low level of properties available for sale, has helped to stabilise activity and reduce the underlying rate of house price decline in recent months.

Whilst there have been encouraging recent signs of improvement, the outlook for the UK economy remains uncertain with unemployment set to continue rising for sometime. Overall, we expect to see a continuing mixed pattern of monthly house price rises and falls over the remainder of 2009."

#### Key facts

- **House prices declined by 0.5% in June.** The mixed picture of monthly rises and falls so far this year contrasts sharply with the consistent succession of significant monthly declines recorded in 2008. This indicates that the underlying rate of decline in house prices has eased.
- **House prices declined by 1.9% in Quarter 2.** This was the smallest quarterly fall since 2008 Quarter 1 and was significantly less than the 5-6% declines in the last three quarters of 2008. The UK average price has returned to where it was five years ago in 2004 Quarter 2 (£157,091).

#### 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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- **House prices in June were 15.0% 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 for the second successive month and compares with -17.7% in April. The annual rate of decline is at its lowest since November 2008.
- **Tighter supply/demand balance has helped to support activity and prices.** Increased demand, combined with a low level of properties available for sale, has helped to stabilise activity and reduce the underlying rate of house price decline in recent months. The ratio of house sales to the stock of unsold properties on surveyors' book rose for the fifth consecutive month in May, indicating a tightening in market conditions, according to the latest RICS monthly survey.
- **Lower interest rates have boosted affordability.** Monthly repayments accounted for an estimated 21.6% of average gross household income in June 2009 for existing mortgage borrowers. This compares with a peak of 26.9% in October 2008 and is the lowest proportion of income devoted to mortgage repayments since mid 2004. The decrease in the average mortgage rate paid by existing borrowers from 5.82% in October 2008 to 3.59% in May 2009 (source: Bank of England) is the main driver of this reduction. The long-term average for income accounted for by mortgage repayments is 20.4%.
- **The cost of owning and running a home in the UK has fallen by nearly a fifth over the past year.** Between April 2008 and April 2009, the average annual cost of housing fell from £8,766 to £7,298, a decline of 17% (£1,468). The significant fall in housing expenses over the past year was driven by the decline in mortgage interest payments. Housing costs currently account for 23% of average UK full-time earnings, down from 28% in 2008. The overall expense of owning and running a home is at its lowest since 2006.

Halifax House Price Index is prepared from information that we believe is collated with care, but we do not make any statement as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. © Bank of Scotland plc all rights reserved 2009.

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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
Jun 2008	583.6	180,320	-1.8	-6.1	5.07
Jul	574.2	177,421	-1.6	-8.8	4.97
Aug	564.1	174,293	-1.8	-10.9	4.87
Sep	556.8	172,027	-1.3	-12.4	4.79
Oct	543.5	167,934	-2.4	-13.7	4.67
Nov	529.0	163,458	-2.7	-14.9	4.56
Dec	520.6	160,861	-1.6	-16.2	4.51
Jan 2009	531.2	164,126	2.0	-17.2	4.65
Feb	519.1	160,390	-2.3	-17.7	4.52
Mar	509.2	157,320	-1.9	-17.5	4.38
Apr	500.0	154,490	-1.8	-17.7	4.26
May	513.1	158,541	2.6	-16.3	4.40 <sup>e</sup>
Jun	510.4	157,713	-0.5	-15.0	4.33 <sup>e</sup>

#### 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). <sup>e</sup> Halifax estimates.

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