



UK House prices	June 2011 (seasonally adjusted)
Annual change	-3.5%
Quarterly change	-0.5%
Monthly change	1.2%
Average Price	£163,049

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

"House prices in the three months to June were 0.5% lower than in the previous quarter. This was the smallest quarterly fall in prices since the second quarter of 2010. There was a 1.2% rise in prices in June.

"Low interest rates, an increase in the number of people in employment and some tightening in market conditions earlier in the year are likely to have been the main factors behind the recent improvement in price trends. A slowly improving economy and sustained low interest rates should help to support broad stability in the market over the coming months.

"The market is, however, likely to continue to face significant headwinds which are expected to constrain housing demand. Low earnings growth, higher taxes and relatively high inflation are all continuing to put pressure on household finances."

### Key facts

- **House prices in 2011 Quarter 2 (April to June) were 0.5% lower than in the previous quarter.** This was the smallest quarterly fall since 2010 Quarter 2 (0.0%).
- **The average UK house price in June was broadly unchanged from that in December 2010 on a seasonally adjusted basis.**
- **On an annual basis, prices in June were 3.5% lower as measured by the average for the three months to June against the same period a year earlier.** This was an improvement on the annual rate of -4.2% recorded in May.
- **Low interest rates have helped to improve affordability.** Typical mortgage payments for a new borrower have fallen from a peak of 48% of average disposable earnings in mid 2007 to 28% in 2011 Quarter 2. This key measure of affordability is at a better level than the long-term average over the past 25 years (37%) and is an important factor supporting housing demand. Mortgage rates have fallen from an average of 5.84% to 3.85% over this period.

#### 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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- **The recent increase in employment may also have been an important factor supporting the market.** The number of people in employment increased by 80,000 in the three months to April compared with the previous three months and by 376,000 on an annual basis, according to the latest figures from the ONS.
- **The improvement in price trends is consistent with the tightening in market conditions earlier this year.** The ratio of house sales to the stock of unsold properties on surveyors' books, as measured by the RICS monthly survey, has historically been a good predictor of short-term house price movements. This ratio increased modestly between January and April, providing evidence of a slight tightening in market conditions and indicating a possible improvement in the house price trend over the coming months. The ratio, however, fell in May, according to the latest survey. It is too early to know if this was primarily due to distortions caused by the unusual succession of public holidays in late April and early May.
- **Housing activity stable.** The number of mortgages approved to finance house purchase is a leading indicator of completed house sales. The industry-wide number of approvals has remained within the range of 45,000-50,000 per month since the beginning of 2010, indicating broad stability in market activity. Encouragingly, approvals in the three months from March to May were 2% higher than in the preceding three months on a seasonally adjusted basis, according to the latest Bank of England figures.

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 2011.

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

	Index 1983=100 1	Standardised Average Price £ 2	Monthly Change %	Quarterly Change %*	Annual Change %**	Price/ Earnings Ratio 3
<b>Period</b>						
Jun 2010	536.2	165,686	-0.9	0.0	6.3	4.62
Jul	542.2	167,536	1.1	-0.7	4.9	4.65
Aug	544.1	168,124	0.4	-0.6	4.6	4.65
Sep	524.2	161,974	-3.7	-1.2	2.6	4.47
Oct	533.9	164,949	1.8	-1.1	1.2	4.55
Nov	532.8	164,622	-0.2	-1.9	-0.7	4.53
Dec	526.9	162,803	-1.1	-1.1	-1.6	4.48
Jan 2011	531.3	164,145	0.8	-0.7	-2.4	4.49
Feb	526.6	162,697	-0.9	-0.4	-2.8	4.46
Mar	526.6	162,712	0.0	-0.7	-2.9	4.45
Apr	519.1	160,393	-1.4	-1.2	-3.7	4.40
May	521.2	161,039	0.4	-1.1	-4.2	4.44 <sup>e</sup>
Jun	527.7	163,049	1.2	-0.5	-3.5	4.48 <sup>e</sup>

**EDITORS' NOTES**

\* House price data on a quarterly basis provides the clearest indication of overall market trends, smoothing out the monthly volatility caused by the reduced number of monthly transactions used to calculate all house price indices.

\*\* 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 month's 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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