



UK House prices	AUGUST 2010 (seasonally adjusted)
Annual change	4.6%
Monthly change	0.2%
Average Price	£167,953

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

"House prices increased by 0.2% in August. This, together with July's rise, has reversed much of the modest decline in the three preceding months. Prices are now at a very similar level to that at the end of last year. Activity has also been largely static since the start of the year. These developments suggest that the market is broadly stable with house price inflation having cooled since last year when supply shortages helped to push up prices.

The improved economy, strengthening labour market and low interest rates are all supporting housing demand. We expect that UK house prices will remain static overall in 2010."

#### Key facts

- **House prices increased by 0.2% in August.** This was the second successive monthly increase following a 0.7% rise in July.
- **House prices in August were 4.6% higher on an annual basis as measured by the average for the latest three months against the same period a year earlier.** This was slightly below the 4.9% increase in July, continuing the recent downward trend and compares with a high of 6.9% in May.
- **Prices in July were marginally lower (-0.5%) than at the end of 2009.** The current average house price of £167,953 is 9% above its April 2009 low, but remains 16% below its August 2007 peak.
- **Housing market activity broadly stable.** Bank of England industry-wide figures show that the number of mortgages approved to finance house purchase in the three months to July – a leading indicator of completed house sales – were slightly higher (1%) than in the previous quarter, on a seasonally adjusted basis. The number of approvals has been remarkably stable this year, keeping within a range of 46,000-50,000 per month. In total, the number of approvals during January to July was 9% higher than in the same period last year.

#### 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 price index

- **The improved economy, strengthening labour market and low interest rates are all supporting housing demand.** GDP increased by 1.2% between the first and second quarters of 2010. The recovery in economic activity – whilst unlikely to be sustained at this pace - helped to boost the number of people in employment by 184,000 between Quarters 1 and 2, according to the latest ONS figures.
- **The combination of lower house prices compared with mid 2007 and interest rate reductions has created a significant improvement in affordability for those buyers wanting to take their first steps onto the property ladder.** Indeed, the proportion of a potential new first-time buyer's disposable earnings devoted to mortgage payments has almost halved from a peak of 50% in mid 2007 to 28% - below the 34% average over the past 25 years. Improving home affordability has helped to boost the number of first-time buyers, which was 28% higher in the first half of 2010 compared with the same period last year – 94,600 against 74,000 - according to the latest CML 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 2010.

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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
Aug 2009	520.9	160,947	0.7	-10.1	4.54
Sep	529.1	163,487	1.6	-7.4	4.60
Oct	535.1	165,349	1.1	-4.7	4.64
Nov	542.0	167,451	1.3	-1.6	4.70
Dec	546.2	168,763	0.8	1.1	4.74
Jan 2010	548.5	169,484	0.4	3.6	4.77
Feb	539.5	166,703	-1.6	4.5	4.66
Mar	545.1	168,433	1.0	5.2	4.59
Apr	544.4	168,212	-0.1	6.6	4.68
May	541.4	167,287	-0.5	6.9	4.65
Jun	538.4	166,351	-0.6	6.3	4.62
Jul	542.2	167,536	0.7	4.9	4.74 <sup>e</sup>
Aug	543.6	167,953	0.2	4.6	4.73 <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 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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