



UK House prices	MAY 2010 (seasonally adjusted)
Annual change	6.9%
Monthly change	-0.4%
Average Price	£167,570

Commenting, Martin Ellis, housing economist, said:

"House prices fell by 0.4% in May. This followed April's 0.1% decline. The mixed pattern of monthly price rises and falls so far this year is consistent with a slowing market and is in line with our view that house prices will be flat during 2010 as a whole.

The relative recovery in house prices in 2009 was driven by a boost to demand from reduced interest rates combined with a lack of properties for sale. These factors have lost some momentum in recent months. Further falls in the number of people in employment are curbing housing demand whilst the pickup in market conditions last year has encouraged more homeowners to attempt to sell their property."

Key facts

- **House prices fell by 0.4% in May.** This followed a 0.1% decline in April.
- **House prices in May were 6.9% higher on an annual basis.** This was the largest increase in the annual rate of change - measured by the average for the latest three months against the same period a year earlier – since October 2007 (8.9%). Despite May's monthly fall, the annual rate increased from 6.6% in April largely because price movements in March and April compared favourably with the significant declines recorded in the same period in 2009.
- **Prices are 8.3% above their April 2009 trough despite the modest decline over the past two months.** The average house price is now £167,570; 16% below its August 2007 peak.
- **The low supply of properties for sale was a key factor pushing up house prices in 2009.** The pickup in market conditions has encouraged more homeowners to attempt to sell their property. Estate agents have reported an increase in instructions from new vendors in ten of the past 11 months. (*Source: RICS monthly survey, April 2010.*) The recent suspension of Home Information Packs and uncertainty about changes to Capital Gains Tax may also be persuading more homeowners to put their properties on the market.

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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- **Housing market activity has softened.** On a seasonally adjusted basis, home sales in the UK fell by 18% between 2009 quarter 4 and 2010 quarter 1. (*Source: HMRC.*) This decline followed three consecutive quarterly increases from the low in 2009 Q1. Sales in 2010 quarter 1, at 214,000, were 27% higher than in the same quarter of 2009, but were still less than half the number in 2007 quarter 1 (439,000). The return of the lowest stamp duty threshold to £125,000 at the start of the year and bad weather in January and February affected both the overall level, and the timing, of activity during late 2009 and early 2010. It is therefore difficult to gauge the degree to which the fall in sales in quarter 1 represents a trend and how much is due to these temporary factors.
- **Separate research recently released by Halifax shows that total household wealth in the UK has increased by over five times in "real" terms (i.e. after allowing for retail price inflation) over the past 50 years.** There has been an increase from £1,251 billion in 1959 to an estimated £6,316 billion in 2009 in today's prices.
- **Housing wealth's contribution to total household wealth has increased significantly - from 22% in 1959 to 38% in 2009 – due to its more rapid rise compared with other types of wealth.** Housing wealth has increased in value nine times from £276 billion in 1959 to £2,519 billion in 2009. Increases in average house prices and the substantial growth in the number of privately owned homes - from 12.1 million in 1959 to 22.1 million in 2009 - have been the main drivers behind the growth in housing wealth.

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)

	Index 1983=100 1	Standardised Average Price £ 2	Monthly Change %	Annual Change %*	Price/ Earnings Ratio 3
Period					
May 2009	515.0	159,111	2.9	-16.3	4.46
Jun	511.0	157,876	-0.8	-15.0	4.43
Jul	516.9	159,709	1.2	-12.1	4.49
Aug	521.1	161,022	0.8	-10.1	4.51
Sep	529.1	163,487	1.5	-7.4	4.57
Oct	535.1	165,349	1.1	-4.7	4.61
Nov	542.0	167,451	1.3	-1.6	4.66
Dec	546.2	168,763	0.8	1.1	4.70
Jan 2010	548.5	169,484	0.4	3.6	4.74
Feb	539.5	166,703	-1.6	4.5	4.58
Mar	545.1	168,433	1.0	5.2	4.52
Apr	544.4	168,212	-0.1	6.6	4.68 ^e
May	542.3	167,570	-0.4	6.9	4.63 ^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 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). ^e Halifax estimates.

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