



| UK House prices | DECEMBER 2009 (seasonally adjusted) |
|-----------------|-------------------------------------|
| Annual change | 1.1% |
| Monthly change | 1.0% |
| Average Price | £169,042 |

Commenting, Martin Ellis, housing economist, said:

"House prices increased for the sixth consecutive month in December. The 1.0% rise between November and December was slightly below the average increase over the previous five months. Prices increased for the second successive quarter following falls in both the first two quarters of 2009.

Prices in December were 1.1% higher on an annual basis, marking the first rise since March 2008. House prices have risen by 9.4% since reaching a low in April 2009.

The significant cut in interest rates following the worldwide financial upheaval in the autumn of 2008 has markedly reduced the burden of servicing a mortgage for many households. This has helped to stimulate housing demand, albeit from a low base. The recent improvement in the labour market, highlighted by increasing numbers of people in employment in both September and October, has also supported housing demand.

The prospects for the market this year will depend on how the UK economy evolves and whether there is a significant increase in the supply of properties for sale. Overall, our current view is that house prices will be flat during 2010."

Key facts

- **House prices increased by 1.0% in December.** Prices increased for the sixth successive month with December's rise slightly below the average for the preceding five months (1.2%).
- **Prices in the final three months of 2009 were 3.5% higher than in the third quarter.** This is the biggest quarterly increase since 2006 quarter 4 (4.2%).
- **Prices have increased by 9.4% since reaching a low in April 2009; an increase in the average price of £14,552 over this period.** This follows a decline of 23% between August 2007 and April 2009. The average house price is now £169,042.
- **House prices in December were 1.1% higher on an annual basis.** This is the first increase in the annual rate of change - measured by the average for the latest three months

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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against the same period a year earlier – since March 2008. The annual rate has turned around markedly from a low of -17.7% in April.

- **Housing market activity continues to pick up.** Completed house sales in England and Wales were 11% higher on an annual basis in September, according to the latest Land Registry figures. 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, on a seasonally adjusted basis, for the twelfth successive month in November. Approvals (at 60,518) were 123% higher than in November 2008 and were at their highest level since March 2008. Nonetheless, approvals remain 53% below their late 2006 peak.
- **Higher demand combined with low supply continues to push up house prices.** Whilst there are signs that the improvement in market conditions is encouraging more homeowners to put their property up for sale, new supply is still not keeping up with the pace of rising demand. Many homeowners remain reluctant to sell at current prices. Accordingly, the ratio of house sales to the stock of unsold properties on surveyors' books increased for the eleventh month in a row in November. (Source: RICS monthly survey, November 2009.)
- **Improving labour market has supported housing demand.** Employment rose by 53,000 in October following a 6,000 increase in September. The number of people claiming unemployment also fell (-6,300) in November for the first time since February 2008. This significant improvement in labour market conditions – a key driver of the housing market – is likely to have been a factor underpinning the pick-up in housing demand in recent months.
- **Low mortgage rates have reduced the burden of servicing mortgage debt.** Monthly repayments accounted for an estimated 23% of average gross household income in December 2009 for existing mortgage borrowers. The proportion of income devoted to mortgage repayments over the past few months has been the lowest since 2005 and compares with a peak of 27% in October 2008. This improvement in affordability has also helped to boost housing demand.
- **Separate research recently released by Halifax showed that the proportion of disposable earnings devoted to mortgage payments by a potential new first-time buyer on national average earnings has almost halved from a peak of 50% in June 2007 to 27% in November 2009.** This improvement in affordability has been a result of the combination of lower house prices and interest rate reductions. Nearly a quarter of local authority areas became affordable for a potential first-time buyer between 2008 and 2009, increasing the proportion of affordable areas from 16% to 39%.

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 |
|----------|------------------------|---|------------------------|------------------------|----------------------------------|
| Dec 2008 | 518.1 | 160,070 | -2.8 | -16.2 | 4.41 |
| Jan | 531.2 | 164,126 | 2.5 | -17.2 | 4.67 |
| Feb | 519.1 | 160,390 | -2.3 | -17.7 | 4.62 |
| Mar | 509.2 | 157,320 | -1.9 | -17.5 | 4.32 |
| Apr | 500.0 | 154,490 | -1.8 | -17.7 | 4.33 |
| May | 513.1 | 158,541 | 2.6 | -16.3 | 4.45 |
| Jun | 511.0 | 157,876 | -0.4 | -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 | 4.67 ^e |
| Dec 2009 | 547.1 | 169,042 | 1.0 | 1.1 | 4.70 ^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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