



UK House prices	JANUARY 2009 (seasonally adjusted)
Annual change	-17.2%
Monthly change	+1.9%
Average Price	£163,966

Commenting, Martin Ellis, housing economist, said:

"There was a 1.9% increase in average UK house prices in January, offsetting December's 1.6% decline. Prices in the three months to January compared to the preceding three months, which provides a better indicator of the underlying trend, were 5.1% lower.

It is always important not to place too much weight on any one month's figures. Historically, house prices have not moved in the same direction month after month even during a pronounced downturn. For example, prices fell for seven successive months in 1989 but subsequently increased in three of the first ten months in 1990 even though the overall trend in prices was downwards.

There are some very early signs that market activity may be stabilising, albeit at quite a low level. Nonetheless, continuing pressures on incomes, rising unemployment and the negative impact of the dislocation of the financial markets on the availability of mortgage finance are expected to mean that 2009 will be a difficult year for the housing market."

Key facts

- **House prices increased by 1.9% in January.** This rise reverses December's 1.6% fall. Prices in the three months to January compared to the previous three months - a better indicator of the underlying trend - were 5.1% lower.
- **It is always important not to place too much weight on any one month's figures.** Historically, house prices have not moved in the same direction month after month even during a pronounced downturn. For example, prices fell for seven successive months in 1989 before increasing in three of the first ten months in 1990 even though the overall trend in prices was downwards.
- **House prices in January were 17.2% lower on an annual basis.** Despite the monthly gain, the annual rate of change (measured by the average for the latest three months against the same period a year earlier) fell from 16.2% in December to 17.2%.

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. This provides a better picture of the underlying trend compared to a monthly year-on-year number as it smoothes out any short-term fluctuations.

For more information on our housing market research, click on www.Lloydsbankinggroup.com



- **Signs of an increase in activity albeit at quite a low level.** Bank of England industry-wide figures show that the number of mortgages approved to finance house purchase increased by 15% in December. Nonetheless, approvals were still at quite a low level; 58% lower than in December 2007.
- **Lower interest rates are improving affordability.** Mortgage payments have fallen from 31% of gross earnings for the average new borrower in the first half of 2008 to an estimated 21% in January. Housing affordability has also improved according to the house price to average earnings ratio, which decreased to an estimated 4.48 in December 2008 from a peak of 5.84 in July 2007; a fall of 23%. The long-term average is 4.0.

House prices are still falling on an underlying basis...

Prices in the three months to January compared to the previous three months - a better indicator of the underlying trend - were 5.1% lower. House prices have been consistently falling at a quarterly rate of 5-6% since June 2008.

Housing market activity may be stabilising albeit at quite a low level...

The number of industry-wide mortgages approved to finance house purchase increased by 15% in December, to a seasonally adjusted 31,000 from a record low of 27,000 in November. Nonetheless, approvals were still at quite a low level; 58% lower than in December 2007. (Source: Bank of England)

Interest rate cuts have helped to reduce mortgage payments for the average new borrower

The significant reductions in Bank Rate in recent months have reduced regular monthly mortgage payments for the approximately 50% of all mortgage borrowers who have tracker and variable rate products. Additionally, mortgage payments have fallen from 31% of gross earnings for a new borrower in the first half of 2008 to an estimated 21% in January.

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.

For more information on our housing market research, click on www.Lloydsbankinggroup.com

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
Jan 2008	635.1	196,244	-0.4	4.5	5.64
Feb	635.9	196,465	0.1	4.2	5.61
Mar	620.1	191,590	-2.5	1.1	5.46
Apr	610.7	188,704	-1.5	-0.9	5.37
May	595.5	183,984	-2.5	-3.8	5.22
Jun	583.9	180,417	-1.9	-6.1	5.10
July	574.2	177,421	-1.7	-8.8	5.00
Aug	564.1	174,293	-1.8	-10.9	4.90
Sep	556.8	172,027	-1.3	-12.4	4.82
Oct	543.5	167,934	-2.4	-13.7	4.69
Nov	529.0	163,458	-2.7	-14.9	4.57
Dec	520.6	160,861	-1.6	-16.2	4.48 ^e
Jan 2009	530.7	163,966	1.9	-17.2	4.55 ^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 it smoothes 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.

For further information please contact:

Helpline No 08456 045404

Email Groupeconomics@hbosplc.com

ISDN facilities are available for broadcast media interviews

For more information on our housing market research, click on
www.Lloydsbankinggroup.com