



UK House prices	MAY 2009 (seasonally adjusted)
Annual change	-16.3%
Monthly change	2.6%
Average Price	£158,565

### Commenting, Nitesh Patel, housing economist, said:

"There was a 2.6% increase in average UK house prices in May. This rise followed three successive monthly falls of between 1.8% and 2.3%.

*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 by 11% nationally during 1991 and 1992, but there were five monthly price rises in this period.*

*There are some tentative indications of a possible stabilisation in activity, albeit at a low level. 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 by 19% between the final quarter of 2008 and the first quarter of 2009, on a seasonally adjusted basis. Approvals in the three months to March were 45% lower than in the same period in 2008.*

*House sales remain substantially below their long term average and market conditions are expected to remain difficult with housing activity continuing at low levels over the coming months."*

### Key facts

- **House prices increased by 2.6% in May.** This increase followed three successive monthly declines of between 1.8% and 2.3%.
- **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 by 11% nationally during 1991 and 1992, but there were five monthly price rises in this period.
- **Prices in the three months to May compared to the previous three months - a better indicator of the underlying trend - were 3.1% lower.** The rate of decline on this measure has slowed however, from the 5-6% recorded consistently between June 2008 and January 2009.

### 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

- **House prices in May were 16.3% lower on an annual basis.** The annual rate of change (measured by the average for the latest three months against the same period a year earlier) fell from 17.7% in April to 16.3%.
- **There are some tentative indications of a possible stabilisation in activity, albeit at a very low level.** 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 by 19% between the final quarter of 2008 and the first quarter of 2009, on a seasonally adjusted basis. Approvals in the three months to March were, however, 45% lower than in the same period in 2008.
- **The house price to earnings ratio – a key affordability measure - has declined by from a peak of 5.84 in July 2007 to an estimated 4.36 in May 2009.** The ratio is now at a level last seen in January 2003. The long-term average is 4.0.
- **Lower interest rates have boosted affordability.** The proportion of disposable earnings devoted to mortgage payments has fallen significantly over the past 18 months. Nationally, typical mortgage payments for a new borrower have declined from a peak of 48% of average disposable earnings in 2007 Quarter 3 to 31% in 2009 Quarter 1. Mortgage payments relative to earnings are now below the long-term average of 37% recorded over the past 25 years.
- **Improvements in affordability have helped to raise the proportion of first-time buyers.** First-time buyers accounted for 40% of all those purchasing a home with a mortgage in March; the highest percentage since April 2005. The number of first-time buyers, however, remains very low and at 12,500 in March 2009 was one-third lower than a year earlier. (Source: CML).

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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
May 2008	594.5	183,694	-2.3	-3.8	5.21
Jun	583.9	180,417	-1.8	-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	4.70
Nov	529.0	163,458	-2.7	-14.9	4.59
Dec	520.6	160,861	-1.6	-16.2	4.54
Jan 2009	531.2	164,126	2.0	-17.2	4.68
Feb	519.1	160,390	-2.3	-17.7	4.57
Mar	509.2	157,320	-1.9	-17.5	4.34
Apr	500.0	154,490	-1.8	-17.7	4.26
May	513.2	158,565	2.6	-16.3	4.36

#### 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). © Halifax estimates.

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