



UK House prices	SEPTEMBER 2010 (seasonally adjusted)
Annual change	2.6%
Quarterly change	-0.9%
Monthly change	-3.6%
Average Price	£162,096

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

"Looking at quarterly figures - a better measure of the underlying trend, house prices in the third quarter of 2010 were 0.9% lower than in the second quarter of 2010. This rate of decline is significantly slower than the quarterly changes of between -5% and -6% that were seen in the second half of 2008. It is therefore far too early to conclude that September's monthly 3.6% fall is the beginning of a sustained period of declining house prices.

"A shortage of properties for sale contributed to an imbalance between supply and demand and was a key factor driving up house prices last year. An increase in the number of properties available for sale in recent months has reduced the imbalance. At the same time, renewed uncertainty about the economy and jobs has caused consumer confidence to falter recently, dampening the demand for home purchase. Together, these factors have been exerting some downward pressure on prices in recent months. In addition, volatility of the month on month measure has increased due to the low transaction levels across the market; this underlines the difficulty of getting a clear reading on the current state of the housing market.

"Prospects for the housing market remain uncertain. Earnings growth is expected to be very modest over the next year, tax rises are on the way and more people are putting their homes on the market. These will all be constraints on the market, dampening house prices. On the positive side, we expect interest rates to remain very low for some time, which will underpin the improved affordability position for homeowners."

### Key facts

- **Prices in the third quarter of 2010 were 0.9% lower than in the second quarter of 2010. Quarterly house price data provides a clearer indication of the overall market trends, smoothing out the volatility caused by reduced number of monthly transactions in all house prices indices' monthly figures.** The underlying pace of house price growth has turned moderately negative in recent months. Prices fell by a modest 0.3% between the first and second quarters of the year. By comparison, the quarterly rate of decline was consistently in excess of -5% throughout the second half of 2008.

### 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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## Key facts cont'd

- **Housing market activity is softening.** Bank of England industry-wide figures show that the number of mortgages approved to finance house purchase fell for the fourth consecutive month in August, on a seasonally adjusted basis. The number of approvals was at its lowest level in the past six months, at 47,372.
- **House prices still remain higher than a year ago.** Prices in September were 2.6% higher on an annual basis as measured by the average for the latest three months against the same period a year earlier. This continues the recent downward trend from a high of 6.9% in May and was below the 4.6% increase in August.
- **Reduced demand and higher supply puts downward pressure on prices.** A shortage of properties for sale in 2009 contributed to an imbalance between supply and demand and was a key factor driving up house prices last year. An increase in the number of properties available for sale in recent months, together with a decline in demand, has reduced the imbalance, putting some downward pressure on prices in recent months. New sales instructions with estate agents increased for the seventh successive month in August whilst demand – measured by new buyer enquiries – fell for the third month in a row, according to the latest RICS monthly survey.
- **The low interest rate environment has reduced the burden of servicing mortgage debt.** Typical mortgage payments for a new borrower have fallen from a peak of 48% of average disposable earnings in mid 2007 to 30% in mid 2010. This key measure of affordability is at a better level than the long-term average over the past 25 years (37%) and is an important factor supporting housing demand.

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 %	Quarterly Change %	Annual Change %*	Price/ Earnings Ratio 3
<b>Period</b>						
Sep 2009	528.5	163,294	1.5	2.5	-7.4	4.60
Oct	535.1	165,349	1.3	2.6	-4.7	4.64
Nov	542.0	167,451	1.3	3.5	-1.6	4.70
Dec	546.2	168,763	0.8	3.2	1.1	4.74
Jan 2010	548.5	169,484	0.4	3.3	3.6	4.77
Feb	539.5	166,703	-1.6	1.8	4.5	4.66
Mar	545.1	168,433	1.0	0.6	5.2	4.59
Apr	544.4	168,212	-0.1	-0.5	6.6	4.68
May	541.4	167,287	-0.5	-0.2	6.9	4.65
Jun	538.4	166,351	-0.6	-0.3	6.3	4.62
Jul	542.2	167,536	0.7	-0.4	4.9	4.64
Aug	544.1	168,124	0.4	-0.4	4.6	4.73 <sup>e</sup>
Sep	524.6	162,096	-3.6	-0.9	2.6	4.56 <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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