



UK House prices	August 2011 (seasonally adjusted)
Annual change	-2.6%
Quarterly change	1.0%
Monthly change	-1.2%
Average Price	£161,743

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

"The underlying trend, as measured by the latest three months compared with the preceding three months, showed a modest improvement in house prices for the second consecutive month in August. Prices in the three months to August were 1.0% higher than in the previous three months.

"As we have pointed out before, the current low volume of sales tends to make house prices volatile from month to month. The 1.2% fall in August follows three months when prices have risen. As a result, the more reliable quarterly change, which smoothes out some of the monthly volatility, shows a rise in prices of 1.0%.

"A recent decline in average mortgage rates has further boosted home affordability for those able to raise a deposit to make a new purchase. Low interest rates are likely to continue to support the market whilst increased uncertainty about the economic outlook and pressures on householders' finances constrain demand. Overall, we expect broad stability in both prices and activity over the coming months."

**Key facts**

- **House prices in the three months to August were 1.0% higher than in the preceding three months.** This was the second consecutive increase in this measure of the underlying trend.
- **On a monthly basis, house prices fell by 1.2% in August.** This was the first fall since April and follows three successive monthly rises.
- **The average UK house price in August was marginally lower (-0.6%) than in December 2010 on a seasonally adjusted basis, at £161,743.**
- **On an annual basis, prices in August were 2.6% lower as measured by the average for the three months to August against the same period a year earlier.** The annual rate is the same as in July.

**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

- **Modest pick-up in housing activity.** The industry-wide number of mortgages approved to finance house purchase - a leading indicator of completed house sales – increased for the third successive month in July, to 49,200 on a seasonally adjusted basis, according to the latest Bank of England figures. In addition, approvals were 2.5% higher than a year earlier. Despite rising to the highest level since May 2010, the number of approvals remains within the range of 45,000-50,000 per month where it has been since the beginning of 2010.
- **Lower mortgage rates further boost affordability.** The average mortgage rate for a new borrower fell in July to 3.68% from 3.84% in June, further improving affordability for those that can raise a sufficient deposit to buy a home. The more than two percentage points decline in mortgage rates since mid 2007 has reduced typical mortgage payments for a new borrower from a peak of 48% of average disposable earnings in mid 2007 to 28% in July 2011. This is significantly below the long-term average of 37% over the past 25 years and is at its lowest since 1999. The recent decline in average mortgage rates has been driven by a fall in fixed rates.

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 2011.

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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>						
Aug 2010	545.0	168,388	0.5	-0.5	4.6	4.66
Sep	524.2	161,974	-3.8	-1.2	2.6	4.47
Oct	533.9	164,949	1.8	-1.0	1.2	4.55
Nov	532.8	164,622	-0.2	-2.0	-0.7	4.53
Dec	526.9	162,803	-1.1	-1.1	-1.6	4.48
Jan 2011	531.3	164,145	0.8	-0.8	-2.4	4.49
Feb	526.6	162,697	-0.9	-0.4	-2.8	4.46
Mar	526.6	162,712	0.0	-0.7	-2.9	4.45
Apr	519.1	160,393	-1.4	-1.2	-3.7	4.39
May	521.2	161,039	0.4	-1.1	-4.2	4.39
Jun	528.9	163,430	1.5	-0.5	-3.5	4.46
Jul	530.0	163,765	0.2	0.5	-2.6	4.44 <sup>e</sup>
Aug	523.5	161,743	-1.2	1.0	-2.6	4.38 <sup>e</sup>

#### EDITORS' NOTES

\* House price data on a quarterly basis provides the clearest indication of overall market trends, smoothing out the monthly volatility caused by the reduced number of monthly transactions used to calculate all house price indices.

\*\* 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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