



UK House prices	January 2012 (seasonally adjusted)
Annual change	-1.8%
Quarterly change	-0.9%
Monthly change	+0.6%
Average Price	£160,907

Commenting, Martin Ellis, housing economist, said:

"House prices in the three months to January were 0.9% lower than in the previous three months. Despite the slight downward movement in the underlying trend, prices increased by 0.6% in January."

"Notwithstanding monthly fluctuations, the average UK house price is very close to where it was eight months' ago, at around £161,000. The continuing very low level of interest rates has helped to support housing demand, resulting in little overall movement in house prices since last spring. Low rates have contributed to mortgage payments falling to their lowest level as a proportion of disposable earnings for a new borrower for 14 years. A recent improvement in employment trends may also have supported demand."

"Prospects for house prices over the coming months will, to a large extent, depend on events in the Eurozone and the repercussions of developments there for the UK economy. If the UK can avoid a prolonged recession, we expect broad stability in house prices in 2012."

Key facts

- **House prices in the three months to January were 0.9% lower than in the preceding three months.** This was the fourth consecutive month that this measure of the underlying trend has been slightly negative.
- **On a monthly basis, house prices increased by 0.6% in January.** This was the second rise in the past six months and the first since October.
- **Prices in the three months to January were 1.8% lower than in the same period a year earlier.** This measure of the annual rate has edged lower in the last two months from -1.0% in November, but is still comfortably above the recent low point of -4.2% in May 2011.
- **Overall, house prices have changed little in the past eight months.** The UK average price in January, at £160,907, was very similar to that in May 2011 (£161,039).

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

- **A modest pick-up in housing activity.** The industry-wide number of mortgages approved to finance house purchase - a leading indicator of completed house sales – held steady at close to 53,000 (after seasonal adjustment) for the third successive month in December. Overall, approvals in the final three months of 2011 were 3% higher than in the previous quarter and 16% higher than in the same period of 2010. (*Source: Bank of England*)
- **The recent improvement in employment trends may have supported housing demand.** The number of people in employment in the three months to November was 18,000 higher than in the preceding three months (June to August). This was the second consecutive increase on this quarterly basis following falls since May. The rate of increase in the claimant count of unemployment has also slowed significantly in recent months. This measure of unemployment increased by just less than 4,000 in 2011 Quarter 4 compared with an average monthly rise of nearly 25,000 between April and August 2011.
- **Mortgage payments for a new borrower in the second half of 2011 were at their lowest as a proportion of disposable earnings for 14 years.** Typical mortgage payments for a new borrower - both first-time buyers and homemovers – at the long-term average loan to value ratio, stood at 27% of disposable earnings in the fourth quarter of 2011. This was well below the average of 37% recorded over the past 27 years. Mortgage payments have nearly halved as a proportion of income in recent years from a peak of 48% in 2007 Quarter 3. Lower house prices and reduced mortgage rates have been the main drivers behind the significant improvement in affordability.

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 2012.

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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
Period						
Jan 2011	529.5	163,609	0.0	-0.7	-2.4	4.47
Feb	526.6	162,697	-0.6	-0.2	-2.8	4.46
Mar	526.6	162,712	0.0	-0.9	-2.9	4.45
Apr	519.1	160,393	-1.4	-1.2	-3.7	4.39
May	521.2	161,039	0.4	-1.2	-4.2	4.40
Jun	528.9	163,430	1.5	-0.5	-3.5	4.47
Jul	530.0	163,765	0.2	0.5	-2.6	4.48
Aug	524.1	161,926	-1.1	1.0	-2.6	4.41
Sep	522.3	161,368	-0.3	0.1	-2.3	4.39
Oct	528.3	163,227	1.2	-0.3	-1.8	4.42
Nov	522.9	161,556	-1.0	-0.6	-1.0	4.37
Dec	517.5	159,888	-1.0	-0.1	-1.3	4.33 ^e
Jan 2012	520.8	160,907	0.6	-0.9	-1.8	4.32 ^e

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). ^e Halifax estimates.

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