



## Halifax House Price Index

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**National Index**

**MAY 2008**

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**All Houses, All Buyers Index (1983=100)**

**Index (seasonally adjusted)** 595.9

**Monthly Change** -2.4%

**Annual Change** -3.8%

**Standardised Average House Price (seasonally adjusted)** £184,111

- House prices fell by 2.4% in May. Prices were 3.8% lower on an annual basis.
- Price falls should be measured against the significant gains in recent years. UK prices increased by 79% over the five years to August 2007. The average UK price rose by more than £88,000 between August 2002 and August 2007.
- The decline in prices is caused by the difficulties created for potential house purchasers by the rapid rise in house prices in the last few years, a squeeze on spending power and the reduction in credit availability. These factors have curbed housing demand.
- High employment levels, low interest rates and a shortage of new homes support housing valuations. Employment increased by 117,000 in the three months to March compared with the preceding quarter and stands at a record high 29.54 million.

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

"House prices fell by 2.4% in May. Price falls should be measured against the significant gains in recent years. The average UK house price rose by more than £88,000, or 79%, between August 2002 and August 2007.

The decline in prices is caused by the difficulties created for potential house purchasers by the rapid rise in house prices in the last few years, a squeeze on spending power and the reduction in credit availability. These factors have curbed housing demand. High employment levels, low interest rates and a shortage of new homes support housing valuations."

**Price falls partly due to squeeze on household incomes**

There has been little change in 'real' earnings over the past year. Average earnings rose by 4.0% in the year to March compared to a 3.8% increase in the headline rate of retail price inflation over the same period. Sharp increases in both fuel (9%) and food prices (7%) over the past year have helped to reduce the discretionary income available to households to fund house purchase.

**Housing market activity continues to decline**

The number of new buyers interested in home purchase fell for the seventeenth successive month in April. The decline was at the fastest pace since this data was first collected in April 1999, highlighting the sharp decline in housing demand. (Source: RICS)

The number of mortgages approved to finance house purchase – a good leading indicator of house sales – in April 2008 was 49% lower than in April 2007 at 58,000.

**High employment, low interest rates and a shortage of new homes support housing valuations.** Employment increased by 117,000 in the three months to March compared with the preceding quarter and stands at a record high 29.54 million. The UK economy is forecast to slow during the course of 2008, recording below trend growth for the first time since 2005. We expect unemployment to rise somewhat during the year due to this easing in growth. The scale of the increase in unemployment is unlikely to cause widespread difficulties for households.

## UK House Prices: Historical Data All Houses, All Buyers (Seasonally Adjusted)

|          | Index<br>1983=100<br>1 | Standardised<br>Average<br>Price<br>£<br>2 | Monthly<br>Change<br>% | Annual<br>Change<br>%* | Price/<br>Earnings<br>Ratio *<br>3 |
|----------|------------------------|--------------------------------------------|------------------------|------------------------|------------------------------------|
| Period   |                        |                                            |                        |                        |                                    |
| 2003 Q4  | 455.3                  | 140,687                                    | -                      | 15.4                   |                                    |
| 2004 Q4  | 523.5                  | 161,742                                    | -                      | 15.1                   |                                    |
| 2005 Q4  | 550.3                  | 170,043                                    | -                      | 5.1                    |                                    |
| 2006 Q4  | 606.0                  | 187,250                                    | -                      | 9.9                    |                                    |
| 2007 Q4  | 636.9                  | 196,792                                    | -                      | 5.2                    |                                    |
| May      | 636.4                  | 196,636                                    | 0.2                    | 10.6                   | 5.80                               |
| June     | 639.0                  | 197,450                                    | 0.4                    | 10.7                   | 5.79                               |
| July     | 643.9                  | 198,936                                    | 0.8                    | 11.2                   | 5.82                               |
| Aug      | 646.0                  | 199,600                                    | 0.3                    | 11.4                   | 5.81                               |
| Sept     | 641.8                  | 198,305                                    | -0.6                   | 10.7                   | 5.75                               |
| Oct      | 637.6                  | 197,000                                    | -0.7                   | 8.9                    | 5.71                               |
| Nov      | 629.5                  | 194,500                                    | -1.3                   | 6.3                    | 5.62                               |
| Dec      | 638.1                  | 197,163                                    | 1.4                    | 5.2                    | 5.67                               |
| Jan 2008 | 638.4                  | 197,243                                    | 0.0                    | 4.5                    | 5.65                               |
| Feb      | 635.9                  | 196,465                                    | -0.4                   | 4.2                    | 5.57                               |
| Mar      | 620.1                  | 191,590                                    | -2.5                   | 1.1                    | 5.43                               |
| Apr      | 610.7                  | 188,704                                    | -1.5                   | -0.9                   | -                                  |
| May      | 595.9                  | 184,111                                    | -2.4                   | -3.8                   | -                                  |

### **EDITORS' NOTES**

\* From December 2002 onwards 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.

### **ABOUT THE TABLE**

#### **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 of All Houses 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)

### **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. The Index is typically based on around 15,000 house purchases per month, and covers the whole calendar month. 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. Properties over £1 million are included and the index is seasonally adjusted with the seasonal factors updated monthly.

The 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 2008<sup>®</sup>.

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