



Halifax House Price Index

National Index

JANUARY 2007

All Houses, All Buyers Index (1983=100)

Index (seasonally adjusted) 610.5

Monthly Change 1.3%

Annual Change 9.9%

Standardised Average House Price (seasonally adjusted) £188,623

- House prices increased by 1.3% in January. The mixed pattern of monthly price rises and falls in December and January is consistent with a slowing market.
- Two key indicators of housing market activity fell in December. Firstly, the number of mortgage approvals to fund house purchase declined from 129,000 in November to 113,000 in December. Secondly, new buyer enquiries fell in December for the first time since May 2005.
- Negative real earnings growth for only the second time in over ten years - average earnings growth, at 4.1%, is below the rate of increase in retail prices of 4.4% – is putting pressure on householders' finances.
- Together with higher interest rates, slower economic growth and a fall in the level of full-time employment (down by 77,000 in the latest quarter), negative real earnings growth will curb housing demand. We predict that annual house price inflation will ease from 10% to 4% by the end of 2007.

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Commenting, Martin Ellis, chief economist, said:

"House prices increased by 1.3% in January, leaving the annual rate of house price inflation unchanged at 9.9% compared with December. The mixed pattern of monthly price rises and falls in December and January is consistent with a slowing market.

Negative real average earnings growth for only the second time in over ten years, combined with higher interest rates and slower economic growth will squeeze householders' finances, causing potential homebuyers to be more cautious and constraining housing demand. Accordingly, we predict that annual house price inflation will ease from 10% to 4% by the end of 2007."

Further signs that housing market activity may be losing momentum

Two key indicators of housing market activity fell in December, suggesting that the recent interest rates rises are beginning to have an effect on housing demand. These figures are also consistent with the house price fall we reported for December.

Firstly, the number of mortgage approvals to fund house purchase fell sharply at the end of 2006 from 129,000 in November to 113,000 in December, according to the latest Bank of England figures. The December figure, which allows for the impact of seasonal variations, was the lowest since April 2006.

Secondly, new buyer enquiries fell in December for the first time since May 2005 following a sharp drop in the pace of increase in new buyer enquiries in November, according to the latest monthly RICS survey.

Negative real earnings growth will help to curb housing demand over the coming months

Real annual average earnings growth is negative for the only the second time in more than ten years with earnings growth, at 4.1%, below the rate of increase in retail prices of 4.4%, according to the latest ONS figures. The fall in real earnings contrasts sharply with the position a year ago when earnings were increasing at a rate two percentage points higher than retail prices.

January's quarter point rise in interest rates is likely to reinforce the impact of the two increases in the latter part of 2006, causing more caution on the part of potential homebuyers.

The recent increases in interest rates are also expected to put downward pressure on investment and consumer spending growth which, together with an easing in global economic growth, is likely to result in a modest easing in the pace of UK activity during 2007. A slowing economy is likely to put some pressure on the labour market, suggesting further declines in the number of people in full-time employment following the 77,000 drop in the three months to November compared to the previous quarter.

A combination of negative real earnings growth, higher interest rates, a slowing economy and fewer people in full-time employment will constrain housing demand, causing annual house price inflation to ease during 2007.

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

	Index 1983=100 1	Standardised Average Price £ 2	Monthly Change % %	Annual Change %* %*	Price/ Earnings Ratio * 3
Period					
2002 Q4	392.1	121,137	-	26.4	
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	605.1	186,954	-	9.9	
Jan 2006	553.0	170,866	-0.4	5.1	5.26
Feb	561.9	173,613	1.6	5.5	5.29
Mar	567.8	175,441	1.1	6.2	5.37
Apr	579.0	178,905	2.0	8.0	5.46
May	578.4	178,727	-0.1	9.1	5.41
June	571.7	176,653	-1.2	9.4	5.31
July	573.5	177,190	0.3	8.8	5.33
Aug	580.8	179,455	1.3	8.2	5.39
Sept	587.5	181,538	1.2	8.0	5.43
Oct	598.2	184,823	1.8	8.6	5.52
Nov	608.0	187,855	1.6	9.6	5.59
Dec	602.6	186,181	-0.9	9.9	-
Jan 2007	610.5	188,623	1.3	9.9	-

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 the indices at any time for regulatory or other reasons. Persons seeking to place reliance on the indices for their own or third party commercial purposes do so at their own risk.