

Press Release



Halifax UK Housing Market Outlook for 2012

House Price Inflation for 2012: *Little change (-2% to +2%)*
Bank of England Bank Rate to end 2012: *0.5%*

Market Positives:

Favourable Affordability
Low Bank of England Bank Rate
Low levels of forced selling
Long term supply/demand imbalance

Market Negatives:

Weak economic growth
Pressure on household finances
High unemployment
Mortgage funding pressures

Halifax's housing economist, Martin Ellis, provides his thoughts on the housing market for the year ahead:

"The housing market has proved highly resilient in recent months despite the weak economic recovery and the significant deterioration in the outlook for both the UK and global economies.

"House sales and the supply of properties on the market for sale have remained very stable since late 2010. These steady market conditions have helped to stabilise house prices and sales. As a result, the average price is currently little changed from that at the end of last year.

Broad stability in house prices nationally during 2012

"This resilience in the face of very challenging economic conditions provides encouragement regarding the prospects for next year. Overall, we expect continuing broad stability in house prices nationally during 2012. Prices are again likely to end the year at levels close to where they begin with the market continuing to lack any real direction.

Low Bank Rate and favourable affordability to support the market...

"The prospect of an exceptionally low Bank of England Bank Rate over the foreseeable future is likely to continue to support the market over the coming 12 months. Largely as a result of low rates, typical mortgage payments for a new borrower have fallen from a peak of 48% of average disposable earnings in mid 2007 to 26% in 2011 Quarter 3. This is significantly below the average of 37% over the past 25 years and is at its lowest since 1997. Continuing low rates should further support the favourable affordability position for both those who already have a mortgage and those who are able to raise the required deposit to buy a home.

"The favourable affordability position should also help to keep down the numbers of homeowners forced to sell their properties because they cannot keep up with their mortgage payments. A significant rise in the number of forced sellers is often a factor associated with sharp house price falls.

...in the face of significant constraints

"Weak economic growth and the prospect of continuing high, and probably rising, levels of unemployment led by large scale public sector job losses, will constrain housing demand. Continuing significant pressures on householders' finances will also limit many people's ability, and willingness, to buy a home. These pressures will come from a combination of subdued earnings growth, high (but falling) inflation, the substantial fiscal tightening that is taking place and an ongoing rebalancing of household sector finances with many families seeking to reduce their debts.

Regional Variations

"We expect some modest variations in house price movements across the country. Prices are likely to be strongest in London and the South East as these regions perform better economically. House prices outside southern England are expected to be constrained by these areas' weaker economic performance and their greater dependence on public sector employment.

Supply and demand imbalance to support house prices over the longer term

"Further ahead, the imbalance between housing supply and demand should help to support house prices over the medium and longer terms. The long-standing deficit between supply and demand - whereby the rate of housebuilding has failed to match the rate at which new households are being formed - has widened in recent years as levels of housebuilding have fallen to record lows. Measures recently announced in the government's Housing Strategy should help to boost housing supply over the longer term, but they are unlikely to be sufficient to eliminate the gap.

"Nonetheless, with the ratio of house prices to earnings still above its long term average, any price growth is likely to remain weak over the coming few years.

Uncertainty is particularly high

"There is currently considerable uncertainty regarding the prospects for the UK economy. The path of the economy during 2012 will, to a large extent, depend on how events in the Eurozone unfold. In addition, the extent to which households choose to reduce their debts will also affect growth over the medium term. As a result, the outlook for both the economy and house prices is particularly uncertain."

Ends

For the latest housing research, previous releases, and for information on the Halifax House Price Index, please follow this link:

http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

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