

MARKET SENSITIVE INFORMATION
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Halifax House Price Index – Q3 UK Regional Breakdown

UK house price rises remain subdued amid lack of momentum in London and the South East

Key points for Q3 2017:

- Annual rate of house price growth edges up from 2.7% in Q2 to 4.0% in Q3 2017
- The standardised UK property price is now £224,201, representing a cash terms increase of £8,702 since the third quarter of 2016
- South East joins London in recording softer annual house price growth than UK as a whole
- Property prices pick up at strong annual rates across the Midlands and Northern England
- House prices rise on the year in Wales, but were flat in Scotland and fell in Northern Ireland

UK summary:



Relatively subdued price trends were recorded by the **Halifax House Price Index** during the third quarter of 2017. The index, administered by IHS Markit, revealed a 4.0% rise in the standardised UK property price since the third quarter of 2016.

The **annual rate of increase** was slightly stronger than in Q2 (+2.7%) but still muted in comparison to those recorded since the recovery began in 2013.

Looking at the **quarter-on-quarter** rate of change indicates that short-term price momentum has picked up slightly from the soft patch seen in the

first half of 2017. At +0.9% in Q3, the quarterly upturn in UK property prices was faster than in Q2 (+0.5%) and the strongest since the end of 2016.

In **cash terms**, the standardised UK house price is now £224,201, signalling an increase of £8,702 over the past 12 months.

The standardised UK property price has risen by £62,991 over the past five years.

On a ten-year horizon, which represents a comparison against the pre-crisis peak seen in Q3 2007, the cash terms increase is only £23,578.

Annual % change in Q3 2017, by region

In contrast to the trend seen for much of the past decade, latest data indicated that property price momentum was strongest across the Midlands and Northern England.

At +9.1% in Q3, the **North of England** saw the steepest year-on-year rate of house price growth, followed by the **East Midlands** (+7.0%) and the **North West** (+6.8%).

Relatively strong annual rises in property prices were also seen in **Yorkshire & Humberside** (+6.1%) and the **West Midlands** (+5.2%).

London was the weakest performing English region (+2.6%). Moreover, for the first time in three-and-a-half years, house prices in the **South East** increased at a softer pace than the UK as a whole (annual rise of +3.8% in Q3).

Elsewhere, property prices in **Wales** picked up by +3.8% in Q3, which was just short of the UK-wide figure (+4.0%). **Scotland** and **Northern Ireland** also recorded weaker price trends than the all-UK figure.

House price levels in Q3 2017, by region

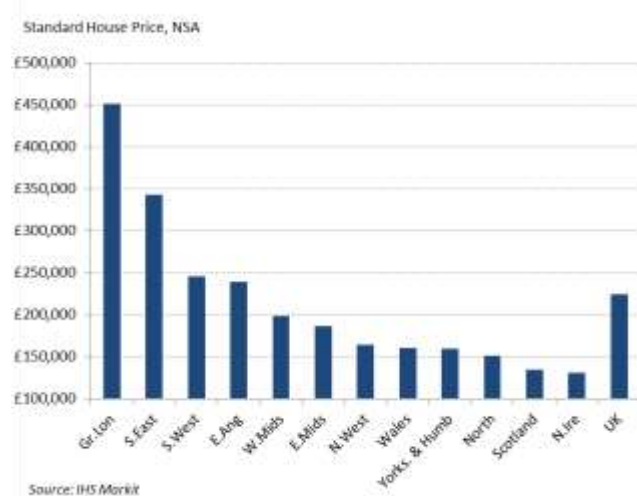
Despite muted momentum across **London** and the **South East**, the standard house price in these areas remains by far the highest of all 12 UK regions. In

the capital, the standard price sits at £451,328, while in the South East the equivalent figure is £343,159.

Property prices in the **South West** (£245,666) and **East Anglia** (£239,038) continued to hover above the UK-wide figure in Q3 2017 (£224,201).

The lowest standard property prices are in **Northern Ireland** (£130,853) and **Scotland** (£134,797).

UK standardised house price Q3 2017, by region



House price levels compared to 10 years ago

The latest set of Halifax House Price Index data mark exactly 10 years since the standardised UK house price peaked in Q3 2007 (£200,623).

In cash terms, the national figure was not breached again until Q3 2015, when the standard UK house price hit £203,819.

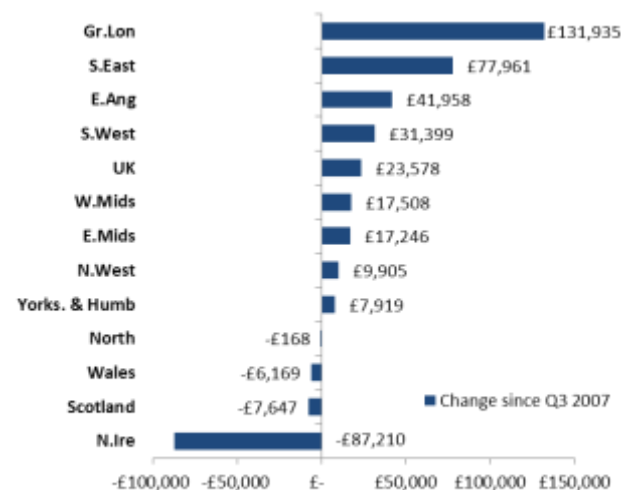
At £224,201 in Q3 2017, the UK-wide figure is now 11.8% above the pre-crisis peak seen a decade ago.

However, the recovery in house prices has been uneven, with London leading the way (in both cash and percentage terms). At the other end of the scale, property prices in Northern Ireland are down 40.0% in cash terms since Q3 2007.

In total, eight of the twelve UK regions have recorded a rise in standardised house prices from the levels seen in Q3 2007.

By contrast, in the decade leading up to Q3 2007, the standard house price more than doubled in all 12 UK regions.

UK standardised house prices vs. Q3 2007



Comment:

Tim Moore, Senior Economist at IHS Markit said:

“The latest Halifax HPI data suggests a slight recovery in UK housing market momentum this summer, but the regional figures are a mixed bag.

“UK house prices rose at a steady 0.9% pace on the quarter, meaning an improved short-term trend in comparison to the soft patch seen earlier in 2017. However, the 4% annual increase in UK property prices is flattered by comparison against a relatively weak Q3 in 2016 following the EU referendum.

“Assuming property prices continue their recent upward trajectory in Q4, the standard UK house price will finish 2017 around 2-3% higher than at the end of last year.

“Regional figures for Q3 show the North-South divide flipping on its head; annual price growth in London and the South East has slipped well behind Northern England, and indeed the Midlands.

“The third quarter of 2017 marks exactly a decade since the peak level of UK property prices prior to the global financial crisis. London was the fastest to recover, exceeding its high watermark in Q1 2014, followed six months later by the South East. There remain four areas of the UK with property prices below the Q3 2007 peak, with Northern Ireland the furthest behind in cash terms.”

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In relation to the above, please note that due to difficulties in identifying the partial coefficient for the 'Central Heating: Other' variable, and the associated destabilising impact on the determination of house prices, this variable was removed from the hedonic regression specifications for all Northern Ireland indices relating to the fourth quarter of 2016.

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 standardised average price is calculated using the HPI's mix adjusted methodology.

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