

MARKET SENSITIVE INFORMATION
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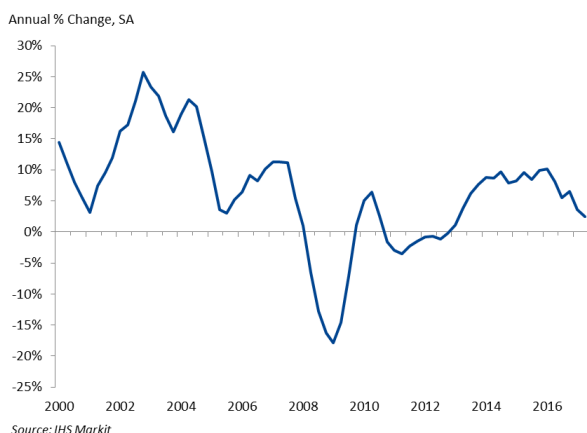
Halifax House Price Index – Q2 UK Regional Breakdown

London weakness contributes to slowest annual rise in UK house prices since Q1 2013

Key points for Q2 2017:

- UK house prices rise 2.4% year-on-year in Q2 2017 (compared to +3.6% in Q1)
- The standardised UK property price reaches £222,911, up £5,320 in cash terms since Q2 2016
- House prices in London increase by 0.8% year-on-year (compared to +13.7% at the same time in 2016).
- Scotland records the sharpest regional decline in property prices (-4.2% year-on-year in Q2).

UK summary:



The **Halifax House Price Index**, administered by IHS Markit, indicates a sustained slowdown in UK property price inflation from the peak seen in early-2016.

At +2.4% in Q2 2017, the latest annual upturn in UK house prices was the slowest since the start of 2013.

London was a notable underperformer, with prices broadly flat since Q2 2016 (+0.8%). As a result, house price momentum across the capital remains among the weakest recorded for five years.

The **East Midlands** was the strongest performing English region (+9.7% year-on-year in Q2), followed by **East Anglia** (+8.2%).

Meanwhile, latest data showed that **Scotland** experienced the fastest annual decline in house prices (-4.2%) of all UK regions.

In cash terms, the standardised UK house price is now £222,911, which represents a rise of £5,320 over the past 12 months.

The standardised UK property price is up £64,552 from its post-crisis low in Q1 2009 (+41%).

On a longer-term horizon, the latest figure is up £22,288 in cash terms since Q2 2007 (+11.1%), which was just prior to the pre-crisis peak.

Annual % change in Q2 2017, by region

Divergent trends persisted across the UK regions in the second quarter of 2017.

London has ranked among the weakest performing areas for house price growth throughout the year-to-date. At +0.8% in Q2, the latest annual rise placed the capital in the bottom third of UK regions.

Only **Scotland** (-4.2%), the **North of England** (-1.2%) and the **West Midlands** (+0.3%) saw weaker price momentum than London in Q2 2017.

At the other end of the scale, the **East Midlands** was a notable outperformer (+9.7% year-on-year), which made it the strongest English region for house price growth for the first time since Q2 2012.

House price levels in Q2 2017, by region

Q2 2017 data indicates that the standard house price in **London** is £452,758, around double the equivalent UK number (£222,911).

Aside from the capital, only the **South East** (£341,950), **South West** (£246,585) and **East Anglia** (£241,853) exceed the national average.

Northern Ireland property prices remain the lowest of the 12 regions in Q2 2017 (£131,392), followed closely by **Scotland** (£133,428).

UK standardised house price Q2 2017, by region



House price levels compared to summer of 2007

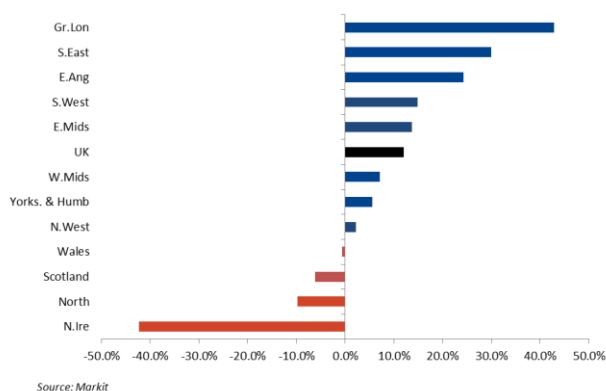
Q2 data marks almost a decade since the previous peak in UK house prices during the summer of 2007, when the standard price reached £200,623.

Regional house price trends have diverged considerably in the past 10 years.

By far the largest increase in house prices since Q2 2007 has been recorded in **London** (+42.8%), with sizeable spill over to commuter areas. As a result, the next-largest rises in standard house prices have been in the **South East** (+30.0%) and **East Anglia** (+24.3%).

At the bottom of the table, the standard house price in **Northern Ireland** (-42.2%) is still well below its pre-financial crisis peak. Three other regions have also recorded a drop in the standard house price compared with Q2 2007, namely the **North of England** (-9.7%), **Scotland** (-6.2%) and **Wales** (-0.6%).

UK house prices vs. Q2 2007



Comment:

Tim Moore, Senior Economist at IHS Markit said:

“Our latest regional breakdown of Halifax HPI data reveals that a loss of price momentum in London continues to weigh on headline measures of UK house price inflation. There are now signs that weakness in the capital has started to extend to commuter areas beyond the M25, with property prices across the wider South East increasing at the slowest annual price since the end of 2012.”

“London’s soft patch has clearly magnified the slowdown in UK house price inflation since 2016, but this weaker trend is not exclusive to the capital.”

“A generally cooling UK housing market appears to have emerged so far in 2017, driven by affordability constraints, pressures on household finances, greater caution among buyers and the fiscal squeeze on buy-to-let.”

“As we move through the summer of 2017, it marks exactly a decade since the standard UK house hit its pre-financial crisis peak, briefly rising above £200,000.”

“Against the high watermark seen in the summer of 2007, sizeable parts of the UK have experienced a ‘lost decade’ for house price gains. This includes lower standardised property prices in Northern Ireland, Scotland, the North of England and Wales compared with 10 years’ ago.”

“Despite signs of weakness in 2017, by far the greatest rises in standard house prices since the onset of the global financial crisis have been in London (+43%).”

“In cash terms, the gap between standard house prices in London compared to the UK as a whole has almost doubled in 10 years (£230k vs £119k in 2007).”

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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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