

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0830 (London) / 0730 (UTC) April 12th 2017

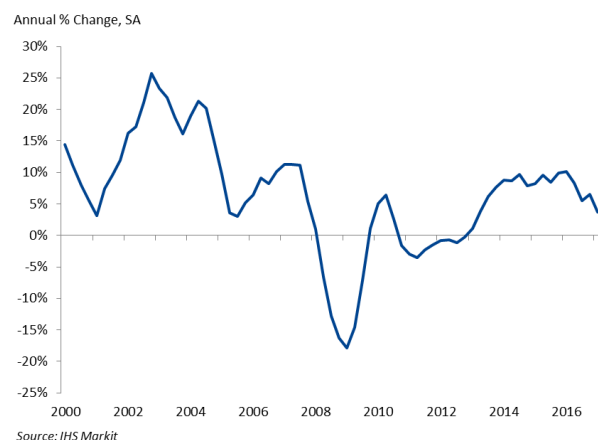
Halifax House Price Index – Q1 UK Regional Breakdown

Midlands leads UK house price gains, while London sees annual fall in house prices for first time since Q4 2012

Key points for Q1 2017:

- First quarter data indicates the slowest annual rise in UK house prices since Q1 2013 (+3.6%)
- The standardised UK property price is now £219,618, up £7,732 from Q1 2016
- The strongest annual rise in house prices was recorded in the West Midlands (+10.6%)
- On a year-on-year basis, property prices in London dropped by 0.2% during Q1 2017

UK summary:



Latest data from the **Halifax House Price Index**, administered by IHS Markit, revealed that UK property prices were essentially flat in Q1 2017, compared with the final quarter of last year. This signalled a loss of momentum following the 2.7% quarter-on-quarter rise in Q4 2016.

A slowdown in UK house price growth was also seen in the year-on-year comparison for Q1 2017. At +3.6%, the annual measure eased from +6.5% in Q4 2016 and signalled the weakest rise in property prices since Q1 2013.

In cash terms, the standardised UK house price is now £219,618, which represents an increase of £7,732 over the past year.

Annual % change in Q1 2017, by region

On an annual basis, house prices in the **West Midlands** have increased at the fastest pace of all UK regions. At +10.6% in Q1 2017, the latest rise was the fastest since Q3 2015. Property prices in the **East Midlands** picked up by 8.0% year-on-year, which placed the region in second place for price growth in Q1.

For the first time in almost eight years, **East Anglia** sat at the foot of the UK regional table, with house prices falling by -1.8% since Q1 2016.

London was the only other area to see a year-on-year fall in house prices, although the rate of decline was only marginal (-0.2%). This ended a four-year period of sustained annual house price growth.

The **South East** has now seen five years of house price gains, according to the annual measure, which is by far the longest run of all UK regions. However, at +5.2% in Q1, the latest rise in South East property values was the slowest since Q1 2013.

Quarterly % change in Q1 2017, by region

Although UK house prices were broadly unchanged since Q4 2016, this masked widespread regional disparities.

Property prices fell on the quarterly measure in four UK regions, led by the **North of England** (-4.1%) and the **North West** (-2.8%).

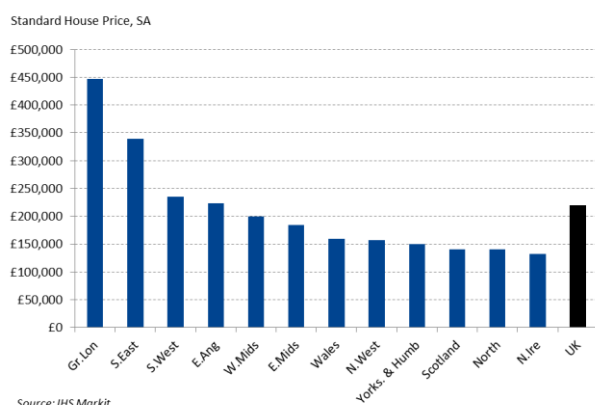
Meanwhile, of the eight UK regions recording a quarterly uplift in property prices, the largest rises were recorded in **Wales**, the **West Midlands** and **East Midlands**.

House price levels in Q1 2017, by region

The standard house price in **London** is currently £446,734 according to the Q1 2017 data, which remains more than twice the UK number (£219,618).

Northern Ireland property prices were the lowest of the 12 regions in Q1 2017 (£132,109), followed by the **North of England** (£140,670) and **Scotland** (£140,772).

UK standardised house price Q1 2017, by region



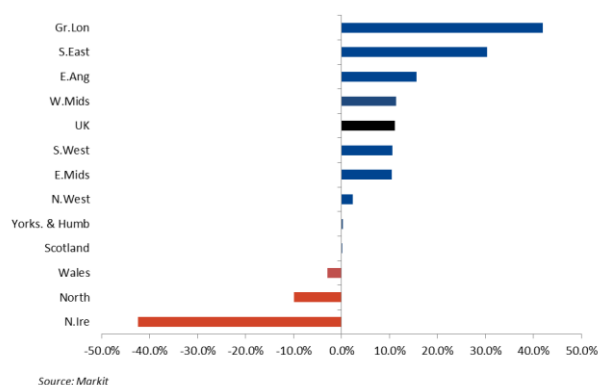
House price levels compared to summer 2007

Q1 2017 data indicated that property prices are now above the levels seen prior to the global financial crisis in nine of the twelve UK regions.

The only exceptions are **Northern Ireland** (-42.5%) and the **North of England** (-9.9%), where property prices remain below those seen almost ten years ago.

At the other end of the scale, **London** house prices are 42% higher than in Q2 2007 and those in the **South East** are 30.3% higher.

UK house prices vs. Q2 2007



Comment:

Tim Moore, Senior Economist at IHS Markit said:

“UK property prices stalled in the first quarter of 2017, which contrasts with the 2.7% rise seen during the final three months of 2016. Affordability constraints and pressure on household budgets from rising inflation may have exerted a cooling influence on the housing market so far this year. At the same time, ultra-low mortgage rates, record-high employment levels and localised supply constraints remain key factors supporting UK property values.

“The latest figures reveal a marked loss of momentum on a year-on-year basis. UK house prices were 3.6% higher than at the same time in 2016, which indicates the slowest annual increase for exactly four years.

“London was a clear underperformer in Q1, with house prices falling slightly in comparison to the first three months of 2016. East Anglia was the only other part of the UK to record a decline in property prices on an annual basis.

“Of the 12 regions monitored in Q1 2017, the strongest upturn was a double-digit annual rise across the West Midlands, followed closely by an 8.0% year-on-year uptick in the East Midlands.

“As a result, the Midlands has emerged as an engine of house price growth in the UK, with property prices rising at the fastest annual pace since the summer of 2015.”

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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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