

MARKET SENSITIVE INFORMATION
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Halifax House Price Index – UK Regional Breakdown

House price inflation accelerates to 2.3% in final quarter of 2019

Key points for Q4 2019:

- Stronger price gains in final quarter, but 2019 proves to be weakest year since 2012
- First-time buyers experience faster inflation than house movers in 2019
- South of England remains primary drag on overall UK housing market
- Wales and northern regions of UK record robust price gains

	Q3 2019	Q4 2019
Quarterly % Change*	0.4%	1.0%
Annual % Change	1.5%	2.3%
Std. House Price*	£232,916	£235,350

*seasonally adjusted

Commenting on the latest figures, Paul Smith, Economics Director at IHS Markit said:

"In line with other economic indicators, the end of 2019 indicated the UK housing market enjoyed some positive momentum into the new year, but notable differences in regional performance persisted.

"Whilst there was evidence that the fog of uncertainty related to Brexit and the recent election has been lifted, helping to release some pent-up demand, prices remain under pressure in London and the south of England, in contrast to robust gains seen across Wales and the northern regions of the UK.

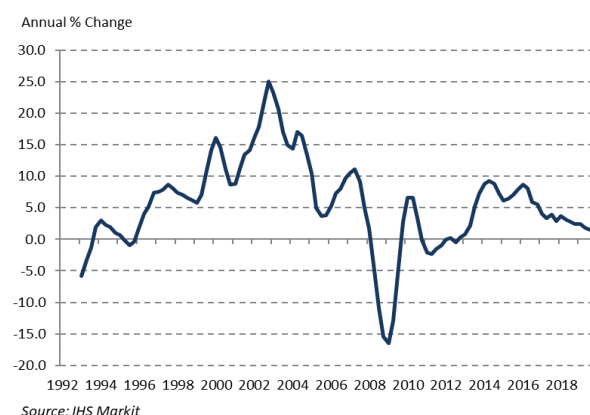
"Looking to 2020, the fundamentals of strong employment, decent earnings growth and the wide availability of cheap long-term financing deals will provide ongoing support to prices. However, the inevitable uncertainty around the UK's future relationship with key trading partners is set to keep a lid on activity. The continuation of modest inflation is therefore again the most likely outcome for 2020."

Stronger rise in house prices recorded

UK house prices increased at an annual rate of 2.3% during the final quarter of 2019, according to the latest data from the Halifax House Price Index.

Rising from the third quarter's six-and-a-half-year low of 1.5%, the latest increase was the strongest recorded by the index since the first quarter of 2019. Prices were also up by 1.0% on a seasonally adjusted basis since the previous quarter, to indicate some momentum in market activity following an increase of 0.4% in the third quarter.

UK House Prices: Annual % Change



Despite the positive end to the year, looking at 2019 overall, the UK housing market nonetheless endured its weakest performance since 2012. Prices rose by a modest 2.0%, down from the 3.0% rise recorded in 2018 and an average increase of 3.7% during the last decade.

2019 also saw a divergence of inflation by **buyer type**. Whereas house-movers recorded an increase in prices of just 1.8% in 2019, the lowest rise for seven years, first-time buyers registered a slight uptick of inflation to 2.5% (from 2.4% in 2018).

By **property type**, new house price inflation was 1.9%, compared to 3.0% in 2018. Price rises for existing properties was slightly higher than new houses, coming in at 2.1% for 2019.

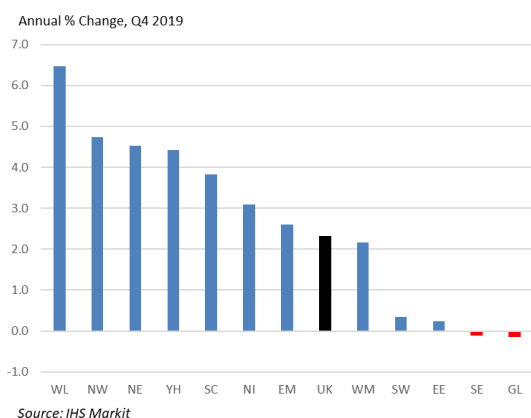
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Two-speed housing market persists in fourth quarter of 2019

Regional data for the final quarter of 2019 indicated that the UK is currently split into a two-speed property market.

On the one hand, prices remained under pressure across much of the south of England. The **South East** and **Greater London** again recorded year-on-year price declines in the fourth quarter (-0.1%) although, amid evidence of a pick-up of activity in the final weeks of 2019, price falls were notably weaker than earlier in the year.

Regional House Prices: Annual % Change (Q4 2019)



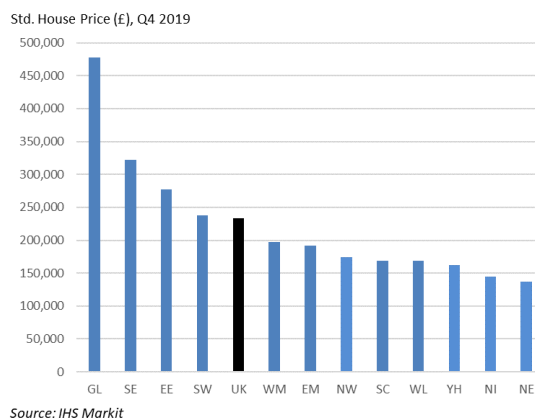
In notable contrast, **Wales** (6.5%) remains the strongest performing in terms of house price inflation, whilst across the north of England (**North West**, **Yorkshire & Humberside** and the **North East**), inflation rates were all above 4%. Despite easing to a one-year low, price inflation in Scotland remained marked at 3.8%.

Meanwhile, in the **Midlands**, both the East (2.6%) and the West (2.2%) recorded price increases that were broadly in line with the national average.

Although 2019 proved to be a challenging year for the housing market in the south of England, prices here remain comfortably above the UK average. In London, the typical house price is currently just under £478,000, some £156,000 higher than the next most expensive region, the South East.

Moreover, despite falling on a year-on-year basis throughout 2019, prices in London have risen 73% compared to opening quarter of 2010, whilst in the South East prices are 47% higher over the past decade.

Regional Standardised House Prices Q4 2019



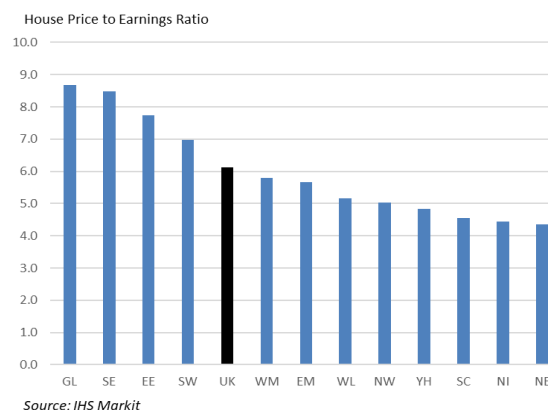
Conversely, prices in the **North East** and **Northern Ireland** remained well below the UK average at the end of 2019, coming in at £137,066 and £144,832 respectively. Both regions have experienced the lowest net increases in prices over the past decade, with the rise in Northern Ireland just 2% (and still some 40% below their pre-financial crisis peak).

Affordability constraints ease in 2019

Relatively modest inflation over 2019, combined with a pick-up in earnings, has helped to ease affordability constraints. For 2019, the UK house price to earnings ratio was the lowest since 2015.

Nonetheless, at over six times earnings, affordability constraints persist. With standard house prices varying markedly across the UK, unsurprisingly there is also notable variance in regional affordability. London and the South East (over 8 times earnings) are the most challenging areas to buy, contrasting sharply to the North East, Northern Ireland, Scotland and Yorkshire (all below 5 times earnings).

Regional House Price to Earnings Ratios (2019)



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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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