

MARKET SENSITIVE INFORMATION
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Halifax House Price Index – UK Regional Breakdown

House prices turn downwards in second quarter of 2020

Key points for Q2 2020:

- Prices fall at sharpest rate on a quarterly basis since the height of the global financial crisis in 2009
- Annual price inflation falls to +2.6% during second quarter of 2020
- Prices generally down across the UK, with Scotland registering both quarterly and annual price declines

	Q1 2020	Q2 2020
Quarterly % Change*	2.0%	-0.9%
Annual % Change	3.3%	2.6%
Std. House Price*	£240,080	£238,025

*seasonally adjusted

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

“The second quarter of the year was one characterised by opposing forces acting on the housing market.

“On the one hand, transactions put on hold towards the end of March were brought back online, whilst those buyers fortunate enough to have seen incomes protected and savings rise over the pandemic were able to move forward with purchasing plans. With listings for houses for sale remaining low, the release of residual demand from earlier in the year is currently providing crucial market support.

“However, there are signs of growing uncertainty amongst buyers as worries mount over the effect on incomes and employment from the COVID-19 economic shock.

“As the macroeconomic landscape in the UK becomes clearer in the coming months, especially with regards the impact of the pandemic on the labour market, it’s hard to look past the downward risks to prices over the medium-term.

“Whilst low mortgage costs, quantitative easing by the Bank of England, and government measures to lessen the impact of COVID-19 should soften the blow, on balance further price falls seem most likely in the second half of the year.”

House prices drop on quarterly basis

Following a strong start to 2020, **UK house prices** fell on a seasonally adjusted quarterly basis for the first time in a year during the second quarter as activity was curtailed by the coronavirus disease 2019 (COVID-19) pandemic.

According to the latest data from the Halifax House Price Index, prices slipped by -0.9% compared to the first quarter of the year. That was the sharpest fall recorded by the index since the first quarter of 2009 – the height of the global financial crisis.

Despite the fall on the quarterly measure, prices were nonetheless still up by +2.6% compared to the same period a year earlier.

UK House Prices: Annual % Change



Prices remain comfortably higher than 12 months ago thanks to the strong price rises seen during the final months of 2019 and into the start of 2020, when demand was driven higher by greater clarity around Brexit and the decisive general election result. This led to a surge in activity and buying prior to COVID-

Administered by

19, leading market transactions to be placed broadly on hold from late March onwards.

Whilst activity has broadly since resumed, and the market is benefiting from a release of this residual demand from earlier in the year, greater uncertainty amongst households regarding employment and income has placed downward pressure on prices in the second quarter of the year.

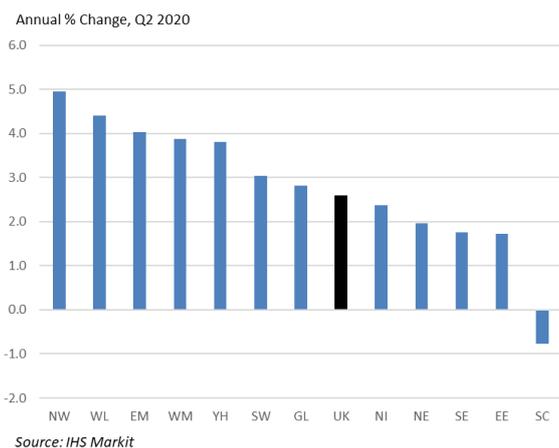
Annual price inflation sustained across England, but price falls in Scotland

At the regional level, all English regions and Wales registered higher prices compared to a year ago according to the latest data.

The strongest inflation was seen in the North West, where prices were reported to have risen by 5.0% on the year, followed by Wales and then the East and West Midlands.

Once again, relatively subdued gains were seen in southern England, with the South East and Eastern England registering rates of inflation below +2.0%. Greater London recorded an increase of +2.8%, which was the best gain in over three years. However, prices were little changed since the first quarter peak in London and were noticeably lower in Eastern England and the South East.

Regional House Prices: Annual % Change (Q2 2020)



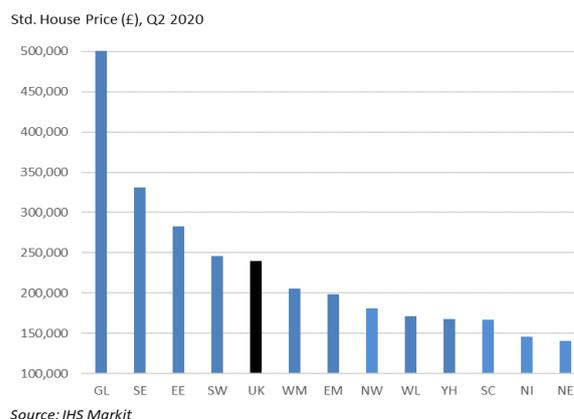
In stark contrast to England and Wales, Scotland registered a drop in prices on an annual basis for the first time in seven years (-0.8%). Prices in Scotland were also down on a quarterly basis (by over -4.0%),

There remained considerable variance in terms of actual property prices across the UK in the second quarter of 2020. By far the most expensive place to

buy remains Greater London, with prices here typically 1.5 times higher than in the South East, the second most expensive region to purchase residential property.

In contrast, the North East remains the cheapest place to purchase property, with prices here typically less than a third of those seen in London.

Regional Standardised House Prices Q2 2020



Affordability constraints ease slightly

The fall in house prices during the second quarter of 2020 has led to a mild easing in the **house price-to-earnings ratio**, although it remains at a historically elevated level. The ratio averaged 6.18 during Q2, compared to 6.20 in the first quarter but still amongst the highest recorded since before the global financial crisis.

Affordability constraints remain most acute in southern England where typical prices remain more than eight times earnings (and deposit requirements also much higher than elsewhere in the UK).

UK House Price to Earnings Ratio



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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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