

**MARKET SENSITIVE INFORMATION**  
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## Halifax House Price Index – UK Regional Breakdown

### House prices stage strong recovery in third quarter

#### Key points for Q3 2020:

- Strongest quarterly increase in prices since before the financial crisis
- Prices rise by +3.3% on quarter and by 5.5% on an annual basis
- Midlands and Northern English regions record strongest inflation rates
- Affordability constraints intensify

	Q2 2020	Q3 2020
Quarterly % Change*	-0.9%	3.3%
Annual % Change	2.6%	5.5%
Std. House Price*	£238,001	£245,856

\*seasonally adjusted

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

*“The third quarter of 2020 saw a resurgent housing market following the COVID-19 induced lockdown earlier in the year, and broadly defied all expectations to register its best quarterly performance in terms of seasonally adjusted price gains since before the financial crisis.*

*“The market was characterised by strong demand driven by a desire for more space – either as a reaction of the lockdown or the structural economic effects of increasing home working – and supercharged by a stamp duty cut that has incentivised vendors and buyers alike to ensure deals are closed before next spring.*

*“However, the headwinds facing the market of greater affordability constraints, increased mortgage rates, and rising unemployment all suggest that current activity and rapidly rising prices are unlikely to be sustained.”*

#### Sharp rebound in prices recorded

Amid a sharp rebound in activity following the broad-based closure of the market during the second quarter of the year, UK house prices rebounded strongly in the third quarter of 2020.

According to the Halifax House Price Index, prices rose by +3.3% over the three months to September on a seasonally adjusted basis. That was the strongest increase recorded since the end of 2006. On an annual basis, prices were 5.5% higher, the sharpest rate of inflation on this measure since the final quarter of 2016.

#### UK House Prices: Annual % Change



The marked upturn in prices signalled by the index meant that the standardised house price moved closer to the £250,000 mark during the third quarter. According to the latest data, the price of a typical UK property now stands just short of £246,000 having risen by around £8,000 since the second quarter.

Price inflation has picked up across all buyer and property types, although notably existing property inflation (+5.8%) outstripped that of new houses (+4.1%). Homeowners recorded a stronger rate of inflation (+5.5%) than first-time buyers (+5.0%).

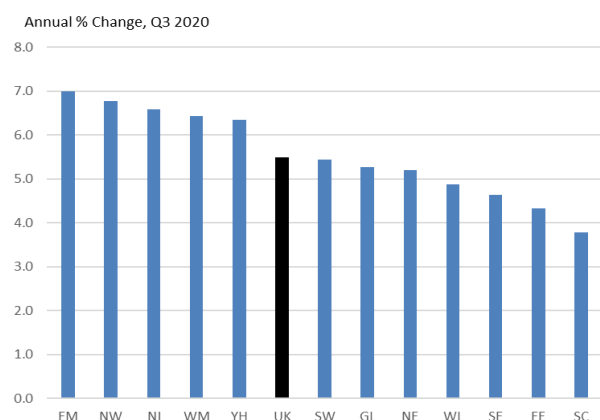
## Inflation picks up across the UK, led by the Midlands and the North of England

Price gains were recorded across the UK during the third quarter of the year, with Northern Ireland (+4.1%) and Scotland (+5.5%) recording the strongest quarterly gains.

On the annual measure, alongside Northern Ireland, it was the Midlands and the northern English regions of the North West and Yorkshire & Humberside that were the best performing. Inflation rates were all above 6% and higher than the national average.

Despite improvements since the second quarter – as was the case across the whole of the UK – the weakest annual rates of inflation were primarily centred on the South of England such as Eastern England and the South East. Nonetheless, it was in Scotland that the weakest rate of annual inflation was registered and the only area of the UK to record an annual price rise below 4.0%.

### Regional House Prices: Annual % Change (Q3 2020)



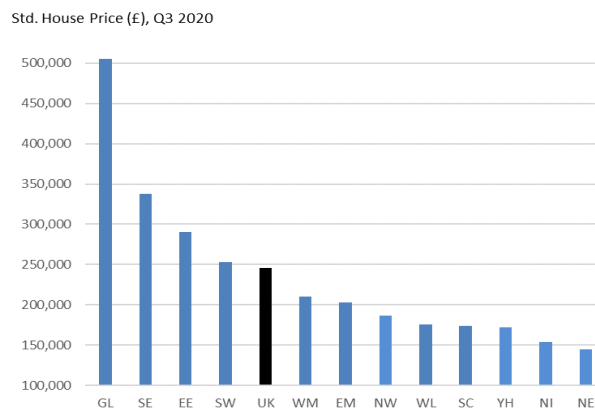
Source: IHS Markit

Despite the variance in annual rates of inflation, regional disparities in terms of prices paid for typical houses across regions remained entrenched in favour of southern England.

Greater London remains comfortably the most expensive place to purchase property, with the typical house now costing more than £500,000 and around 1.5 times higher than in the South East.

In contrast, prices in the North East remain typically below £150,000, with the region the cheapest place to buy a house.

### Regional Standardised House Prices Q3 2020



Source: IHS Markit

### Affordability constraints tighten

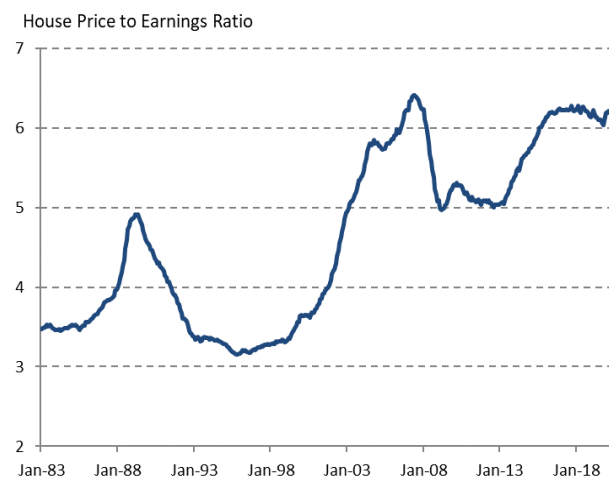
The recent uplift in house prices has led to a tightening of affordability constraints, with the house price-to-earnings ratio for the UK reaching a record high level of 6.50 by the end of the third quarter.

That surpassed the previous records of 6.40 set prior to the financial crisis in mid-2007, although of note a crucial difference between 2007 and 2020 is that the cost of financing remains notably lower today.

By region, unsurprisingly it is Greater London, with a ratio of close to 9, and the immediate regions surrounding the capital (ratios all above 7) where affordability challenges remain most acute.

With house price-to-earnings ratios below 5, the North East, Northern Ireland and Scotland remain the most affordable places to purchase.

### UK House Price to Earnings Ratio



Source: IHS Markit

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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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