

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:30 (London) January 11th 2019

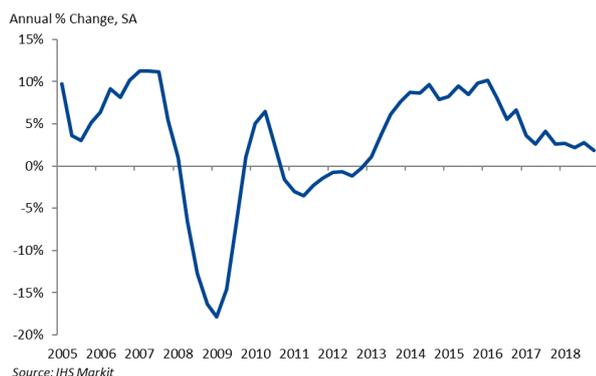
Halifax House Price Index – UK Regional Breakdown

UK house price inflation at lowest for six years in 2018

Key points for Q3 2018:

- 2018 sees UK house price inflation weaken to +2.8%, from +3.3% in 2017
- Price trends remain subdued in the South of England...
- ...compared to ongoing marked gains in the Midlands

UK summary:



UK house prices increased by +0.4% on a quarterly basis in the final three months of 2018, according to the latest figures provided by the **Halifax House Price Index**.

The index, which is administered by IHS Markit, also signalled that prices increased by +1.9% year-on-year, down from +2.7% in the previous quarter and the lowest pace of inflation on this measure for just under six years.

Looking at the 2018 calendar year as a whole, prices increased by +2.8% compared to 2017, when inflation was running at +3.3%. The increase seen in 2018 was the lowest recorded by the index since 2012, when prices declined by -0.6%.

Continued inflation in 2018 nonetheless meant that, in cash terms, the standardised UK house price increased to a new record level of £228,512, up by £6,173 on the 2017 reading.

Regional price trends remain mixed during 2018

Of the 12 UK regions, 11 registered increases in house prices during 2018, with only the **North of England** recording a fall (-0.3%).

Trends continued to vary, however. **London** recorded only a marginal increase in prices (+0.9%), which was the weakest gain in seven years of continuous inflation. Similarly, inflation in the **South West** eased noticeably to just +1.0%, whilst the +2.0% increase seen in the **South East** was the weakest since 2012.

Elsewhere, marginal gains were also recorded in **Wales** (+0.9%) and **Yorkshire & Humber** (+0.7%), whilst inflation in the **North West** slipped to a six-year low of +2.6%.

In contrast, the **West Midlands** saw a robust increase in house prices, with inflation running at +6.5%, compared to +5.0% in 2017. **East Anglia** (+4.4%) and the **East Midlands** (+3.5%) also recorded price gains above the national average.

West Midlands records strongest cash rise in prices during 2018

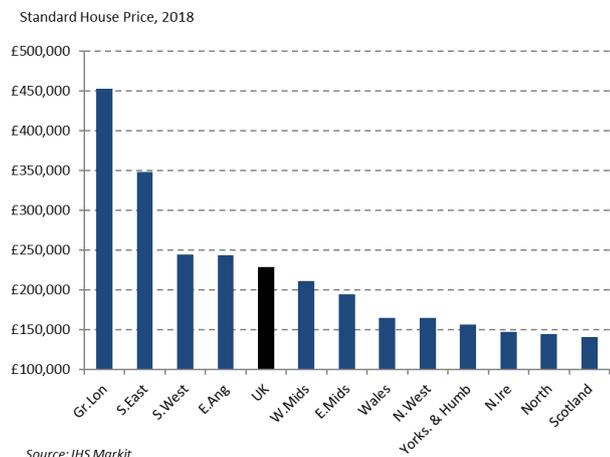
Within England, the **West Midlands** also recorded the largest cash terms price increase during 2018 (+£12,891), followed by **East Anglia** (+10,161).

Nonetheless, actual price levels remain comfortably the highest in **London**, where the standardised property price sits at £452,356, a level that is nearly double the UK average of £228,512.

Moreover, compared to 2009 when the financial crisis reached its peak in terms of negative impact on economic output, prices in the capital are some +82.7% higher, comfortably the strongest inflation in the UK.

Net gains in house prices over the past decade were also strong in the regions surrounding the capital, with the **South East** and **East Anglia** recording respective 10-year increases of +61.1% and +55.9%.

UK standardised house price 2018, by region



In contrast, the northern regions of England have seen prices increase since 2009 at rates around half those seen in southern England. Moreover, in **Northern Ireland** house prices are just +1.8% higher than in 2008 (and remain nearly 16% lower than in 2007), whilst those in **Scotland** (+14.1%) and **Wales** (+24.7) have risen at rates much lower than the UK average of +41.0%.

Comment:

Paul Smith, Economics Director at IHS Markit said:

“Despite a positive backdrop of rising employment and increasing pay levels, 2018 proved to be a subdued year for the UK housing market. With conditions amongst their toughest in recent years, especially in the closely watched regions of southern England, annual price inflation in 2018 subsequently weakened to its lowest since early 2013.

“The slowdown, especially in the second half of the year, seems to have mainly emanated from increasing uncertainty amongst buyers about the economic outlook, with enquiries down and consumer sentiment weakening.

“With the terms of Britain’s departure from the European Union remaining unknown, 2019 price developments (and wider macroeconomic performance) remain unusually uncertain and seem inevitably dependent on Brexit developments in the coming months.”

Contact Information:**IHS Markit Press Office**

Joanna Vickers, Corporate Communications

Telephone +44207 260 2234

E-mail joanna.vickers@ihsmarkit.comFor any technical queries, please contact economics@ihsmarkit.com**Note to Editors:**

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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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