

MARKET SENSITIVE INFORMATION
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Halifax House Price Index – UK Regional Breakdown

UK house prices rise at slowest rate for six-and-a-half years

Key points for Q3 2019:

- House price inflation down to just +1.5% in third quarter of 2019
- First-time buyers experiencing faster inflation than house movers
- London registers sharpest fall in prices since financial crisis. South East and Eastern England also experience price declines.
- Wales best performing region whilst Northern England also enjoys robust price gains

	Q2 2019	Q3 2019
Quarterly % Change*	-0.4%	0.4%
Annual % Change	1.8%	1.5%
Std. House Price	£234,026	£233,808

*seasonally adjusted

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

“The UK housing market remained fragile during the third quarter of the year and is on course to record its worst performance since 2012.

“Despite the low mortgage rate environment and rising earnings growth helping to ease affordability constraints, UK-wide house price inflation sank to a six-and-a-half year low.

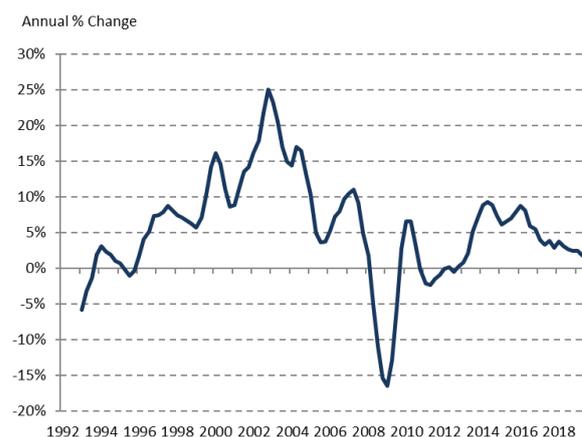
“Given the close relationship with wider macroeconomic trends in recent years, we suspect that political and economic uncertainty associated with Brexit continues to weigh on the market. This is especially the case in the south of England, where prices are falling and, in the case of London, at the fastest rate since the height of the financial crisis.”

UK house price inflation softens in Q3 2019

UK house prices rose at an annual rate of just +1.5% during the third quarter of 2019, according to the latest data from the Halifax House Price Index.

Down from +1.8% in the previous quarter, the annual increase was the lowest recorded by the index since the start of 2013.

UK House Prices: Annual % Change



Source: IHS Markit

Prices did, however, experience an uplift on a quarterly basis but, at +0.4%, this merely served to broadly offset a similar-sized fall in Q2.

Meanwhile, looking at inflation by **buyer type**, prices continued to rise more sharply for first-time buyers when compared to house movers. For the former, inflation picked up to a five-quarter high of +2.3% (Q2 2019: +2.2%). Inflation for those already on the property ladder in contrast slumped to just +1.1%, which was the lowest recorded level since the end of 2012.

In terms of **property type**, at +1.3%, new house price inflation remained under pressure, hitting its lowest level since mid-2012. Existing properties registered inflation of +1.6%, a six-and-a-half year low.

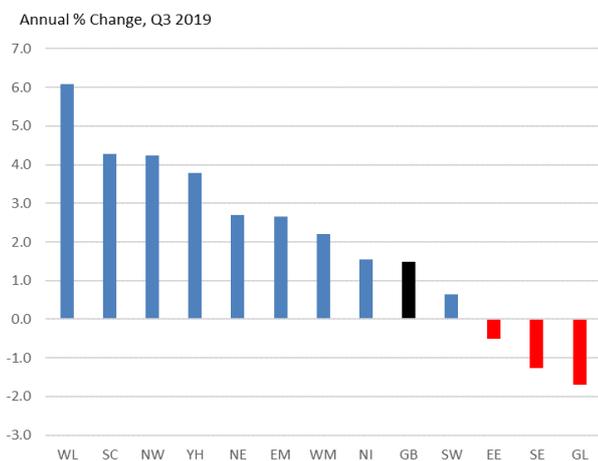
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South of England remains notable UK soft spot as prices rise markedly in Wales

There remained a notable divergence in the performance of regional housing markets heading into the final three months of 2019.

Prices remain under most pressure in the south of England, with outright falls seen across Greater London (-1.7%), the South East (-1.3%) and Eastern England (-0.5%) during the third quarter. The decline seen in London was the sharpest since the third quarter of 2009, whilst prices in the South East have now fallen on an annual basis for three quarters in a row.

Regional House Prices: Annual % Change (Q3 2019)



Source: IHS Markit

In stark contrast, Wales continued to perform strongly over the quarter, registering price inflation of above 6% for the third successive quarter. Scotland also enjoyed robust inflation of +4.3%, whilst prices in the North West increased by +4.2%.

Meanwhile, inflation in the Midlands (both East and West) remained above the national average, albeit much lower than rates seen in 2018.

Despite falling house prices across the south of England, the cost of property here remains comfortably the highest in the UK. This is especially the case in London, where prices remain above £480,000, and nearly £160,000 higher than in the South East (£323,055).

At the other end of the scale, the North East (£137,380) and Northern Ireland (£143,949) are the cheapest places to buy.

Regional Standardised House Prices Q3 2019



Source: IHS Markit

Moreover, in both instances, prices remain lower than those seen prior to the start of the financial crisis in 2009. Indeed, in the case of Northern Ireland, prices are around £87,000 lower than at the start of 2008.

Affordability constraints ease, but remain high

The broadly sideways movement in house prices during recent months, allied with a pick-up in whole economy wage growth has helped to improve overall UK house price affordability. The respective house price to earnings ratio for the UK is currently at its lowest level since late 2015.

However, the ratio remains historically high and regional differences persist. Ratios remain highest in London and the South of England, compared to much lower readings in Northern England, Wales and Scotland.

UK House Price to Earnings Ratio



Source: IHS Markit

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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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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