

Halifax House Price Index – Q2 UK Regional Breakdown

UK house price inflation remains elevated in Q2, but regional differences increase to record levels

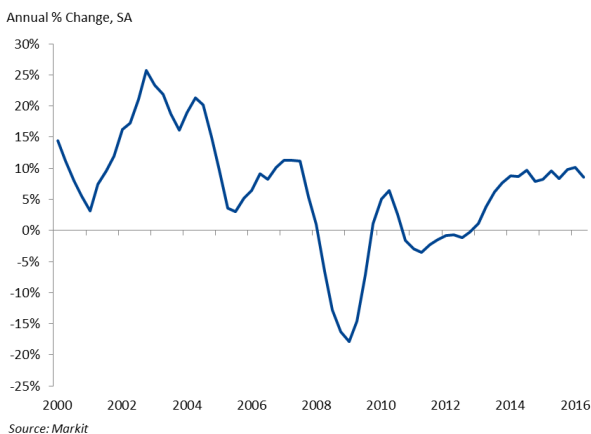
Key points:

- 8.5% increase in UK house prices on the year
- London house prices more than double UK average (and nearly four times greater than in Northern Ireland) despite stagnating in Q2
- Scotland and Wales both register annual house price depreciation

Summary:

UK house prices increased by 1.8% during the second quarter of 2016 and were up 8.5% compared to the same period a year earlier, according to the latest quarterly data from the **Halifax House Price Index**, administered by Markit. Q2's price inflation meant the standardised UK property price rose to a record of £215,582 (from £211,868 in Q1 2016).

Chart 1: UK House Prices, Annual % Change



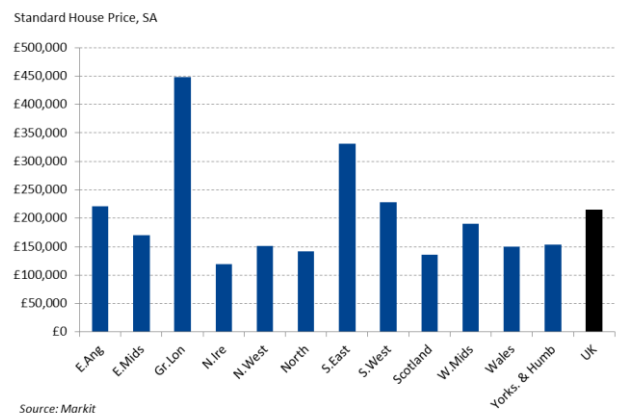
The annual increase of 8.5% during the second quarter was the lowest recorded since Q3 2015. However, house prices have now risen on a quarterly basis for 15 successive quarters, and prices are also up some 36.6% since the height of the financial crisis in the spring of 2009.

Considerable regional variations in terms of both house price inflation and standard house price levels continued into the second quarter of 2016.

London, followed by the **South East**, remain by far the most expensive areas to purchase housing, with the average house price in the capital currently pushing close to £450,000 according to the Q2 data.

With London prices now close to four times the average price paid in the area of the UK with the lowest house value – currently **Northern Ireland** at £119,000 – the gap between the most expensive and cheapest regions is at a new record of just shy of £330,000.

Chart 2: House Prices by Region



That said, in a sign that April's stamp duty changes have perhaps taken some heat out of the London market, prices were unchanged in Q2, following a 7.2% rise in the previous quarter, though remained well up on a year earlier (14.6%). Along with the South East (13.9%), house price inflation in London was the strongest seen in the UK.

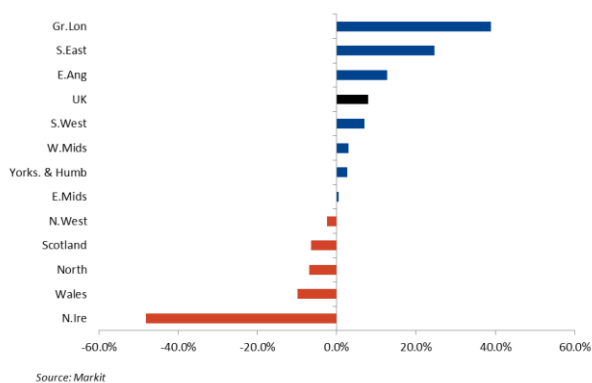
Outside of these two regions, no others recorded double-digit house price rises with most registering considerable slowdowns compared to the previous quarter.

Scotland (-1.6%) and **Wales (-0.6%)** both saw modest year-on-year falls in house prices, while the rate of inflation in Northern Ireland fell sharply to just 3.5%.

Moreover, house prices in Northern Ireland are still some 48% down on their peak seen in Q2 2007, while in Wales they remain close to 10% down on pre-financial crisis levels and Scotland some 6.4% down.

Other regions currently recording house price levels below pre-financial crisis highs include the North (-6.9%) and the North West (-2.5%).

Chart 3: Change in House Prices since Pre-Financial Crisis Peak



Comment:

Chris Williamson, Chief Economist at Markit said:

“The UK housing market showed signs of cooling in the spring, with the annual rate of inflation slowing to 8.5%.

“Although average prices moved 1.8% higher than the first quarter, only six of the 12 UK regions saw house prices rise in the three months to June, with prices falling in five regions and stagnating in London.

“This is the first time that prices have failed to rise in London since late 2012. The second quarter stagnation still left house prices in the capital some 14.6% higher than a year ago, the highest annual rate of increase of all UK regions, but that’s down from 21.2% in the first three months of the year.

“Some of the heat therefore seems to have come off the housing market. However, the extent to which this is a reflection of Brexit worries or the increase in stamp duty in the Budget remains uncertain.

“The weakest trends were in Scotland and Wales, the only two areas in which house prices were lower than a year ago in the second quarter.”

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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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