

MARKET SENSITIVE INFORMATION
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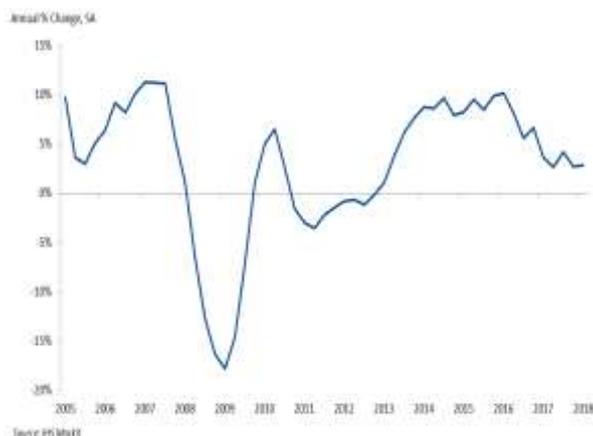
Halifax House Price Index – Q1 UK Regional Breakdown

Stagnation of UK house prices in first quarter as falls recorded in London and the South East

Key points for Q1 2018:

- House prices unchanged on a quarterly basis over first three months of 2018
- Standardised UK property price little changed at £223,819 in first quarter, +2.8% higher than in Q1 2017
- London and South East both register quarterly falls in house prices in Q1 2018
- In contrast, Midlands and East Anglia continue to record robust price inflation at start of 2018

UK summary:



UK house prices continued to increase at a relatively subdued rate during the first quarter of 2018, according to the latest figures provided by the **Halifax House Price Index**. The index, which is administered by IHS Markit, signalled a +2.8% increase in the standardised UK property price when compared to the same period a year earlier.

Although that was an improvement on the +2.7% increase seen in the final three months of 2017, inflation remained well down on rates seen during the past five years.

Moreover, compared to the previous quarter, prices were unchanged. The stagnation of house prices on the **quarter-on-quarter** measure compares unfavourably to the +1.3% upturn seen in Q4 and is the worst outturn on this measure for a year.

Looking at the standardised UK house price in **cash terms** reveals that prices were up just £300 on the quarter at £223,819 in Q1. Compared to a year ago, prices increased by £6,185.

London records sharpest fall in annual house prices since start of 2011...

Whilst the majority of regions continued to register annual house price inflation, most notably **London** saw a -3.8% reduction in prices. That followed on from a -0.7% decline in Q4 2017 and represented the worst outturn for the capital in seven years.

The neighbouring **South East** registered only a slight annual increase in prices (+0.3%), whilst the **South West** recorded inflation of just +1.9%.

In contrast, it was the **East Midlands** (+7.3%) and **East Anglia** (+7.2%) that indicated the strongest rates of annual price inflation, followed closely by **Scotland** (+6.7%) and **Yorkshire & Humberside** (+6.1%).

...and sees sharpest decline on quarterly measure since the depths of the financial crisis

Looking at short-term house price momentum, as measured by the quarter-on-quarter change, seven regions recorded falls in prices compared to the end of 2017.

London again stood out, recording its sharpest decline in prices for nine years (-3.2%), whilst there was a fall of -1.5% seen in the **South East** and a decline of -1.1% in the **South West**. The **North West** saw house prices fall by -3.0% since the previous quarter.

In contrast, the **North of England** (+4.5%), **East Anglia** (+2.2%), the **East Midlands** (+1.8%) and **West Midlands** (+1.4%) all recorded notable quarterly rises during Q1.

House prices by region continue to vary

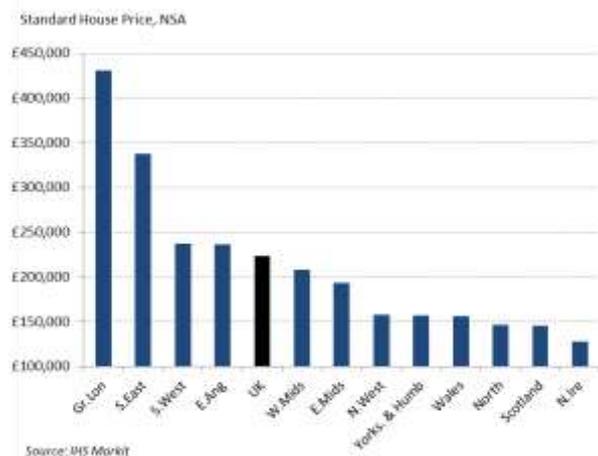
Despite the noticeable losses of momentum seen in London and broader Southern England during the first quarter, these areas remain on average by far the most expensive places to live in the UK.

In Q1 2018, the standardised house price in **London** was £430,749 (the lowest since the end of 2015), whilst for the **South East** the figure is £337,776 (one-year low).

In addition to London and the South East, only the **South West** (£237,371) and **East Anglia** (£236,335) remain above the UK-wide figure of £223,819.

At the other end of the scale, are **Northern Ireland** (£127,793) **Scotland** (£145,837) and the **North of England** (£146,648) where the lowest house prices on average can be found.

UK standardised house price Q1 2018, by region



Comment:

Paul Smith, Economics Director at IHS Markit said:

“House prices stalled in the first quarter of the year, meaning that annual inflation remained subdued and amongst the weakest we’ve seen in the past five years.

“The subdued performance of the UK housing market, especially in the South of England, seems to reflect a general lack of appetite amongst households at present for activity related to major purchases in line with the general squeeze on real incomes seen in recent months.

“Allied with a general undercurrent of Brexit-related uncertainty, plus the likelihood of higher (albeit still historically low) interest rates later in the year, the market seems set to persist in a subdued state for the foreseeable future.

“Price support is likely to come, however, from a lack of supply of houses for sale, which ironically is being driven in part by households, especially at the upper end of the market, unwilling to move unless absolutely necessary.”

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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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