

MARKET SENSITIVE INFORMATION
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Halifax House Price Index – Q4 UK Regional Breakdown

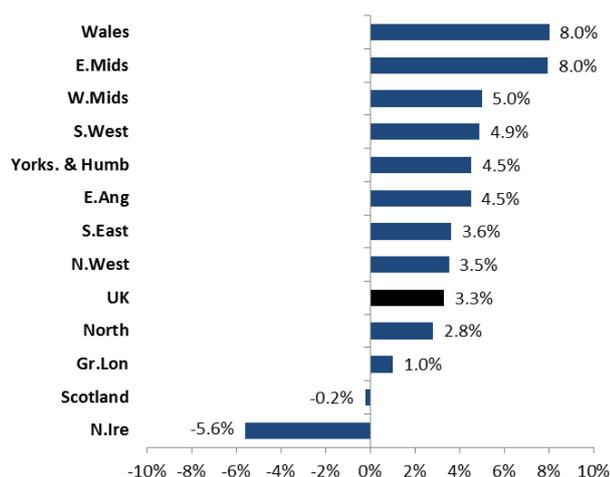
East Midlands and Wales record fastest house price growth in 2017

Key points:

- UK property prices increase by 3.3% during 2017 as whole (up £7,091 in cash terms)
- On a calendar year basis, the East Midlands and Wales saw the fastest price rises (+8.0%), followed by the West Midlands (+5.0%)
- The East Midlands posted the largest gains in cash terms since 2016 (up by £13,864)
- London was the weakest performing English region for property price rises in 2017 (+1.0%)
- Quarterly data indicates a resilient end to 2017, with the standard UK property price increasing by 1.5% since Q3 2017
- Scotland and Wales post the fastest quarterly house price rises in Q4 2017

UK summary:

House price change in 2017 (% vs. 2016)



Source: IHS Markit

Latest data from the **Halifax House Price Index**, administered by IHS Markit, highlighted mixed fortunes across the UK regions in terms of property price trends for 2017 as a whole. The standardised UK house price has increased by 3.3% since 2016, but this figure masks wide regional divergences.

The **East Midlands** and **Wales** outperformed all other UK regions in 2017, with property prices picking up by 8.0% on a calendar year basis. Relatively strong house price gains were also posted in the **West Midlands** (+5.0%) and the **South West** (+4.9%).

At the other end of the scale, **London** experienced its slowest annual rise in property prices since 2011 (+1.0% in 2017). House prices were broadly flat in **Scotland**, while **Northern Ireland** experienced a reduction since 2016 (-5.6%).

In cash terms, the standardised UK house price was up by £7,091 in 2017, with the largest increases in the **East Midlands** (£13,864), **Wales** (£12,152) and the **South East** (£11,907).

House price levels compared to 10 years ago

On a ten-year horizon, which represents a comparison against the pre-crisis peak seen in 2007, there are wide divergences in UK regional house price levels.

London (+45%) and the **South East** (+32%) have seen by far the greatest rises in property prices since the 2007 calendar year.

Meanwhile, latest data for 2017 as a whole reveals that property prices in four UK regions remain below levels seen a decade previously.

Northern Ireland house prices are the furthest behind the high watermark seen in 2007 (-43%), followed by the **North of England** (-5%), **Scotland** (-3%) and **Wales** (-1%).

Quarterly % change in Q4 2017, by region

Q4 2017 data from the **Halifax House Price Index**, administered by IHS Markit, revealed that the standard UK house price increased by 1.5% since the previous quarter.

Scotland and **Wales** saw the fastest quarter-on-quarter rises in property prices during Q4, while the **North of England**, the **North West** and **London**

were the only regions to experience a quarterly decline.

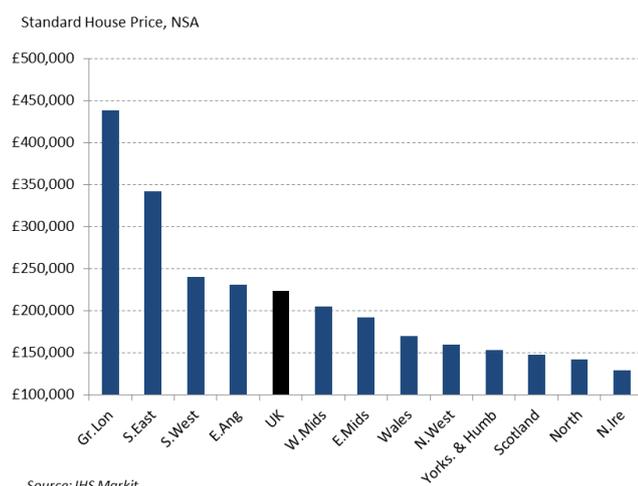
House price levels in Q4 2017, by region

The standard house price in **London** was £438,135 in Q4 2017, which was by far the highest level of all 12 UK regions.

Within the **South East**, the standard property price finished the year at £341,964, while the next highest level was in the **South West** (£240,604).

The lowest standard property prices in Q4 were in **Northern Ireland** (£129,492), the **North of England** (£142,398) and **Scotland** (£147,910).

UK standardised house price Q4 2017, by region



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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.

Comment:

Tim Moore, Associate Director at IHS Markit said:

"UK property prices remained on a modest upward trajectory in Q4 2017, supported by constrained supply, ultra-low mortgage rates and resilient job market conditions.

"However, renewed pressure on real wages means that affordability constraints are starting to bite, especially in London and the South of England where prices have advanced rapidly from post-crisis lows.

"Brexit-related uncertainty also appears to have kept a lid on property prices in London, with the capital experiencing its slowest annual inflation since 2011.

"The regional breakdown of Halifax HPI data shows that areas with lower house price earnings ratios and improving labour markets continue to outperform the national picture. Reflecting this, the East Midlands and Wales saw the strongest house price gains in 2017, closely followed by the West Midlands."

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