

**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0830 (London) / 0730 (UTC) October 12<sup>th</sup> 2016**

## Halifax House Price Index – Q3 UK Regional Breakdown

### UK house prices decrease in Q3 2016, but headline figure masks regional disparities

#### Key points for Q3 2016:

- UK house prices depreciate on a quarterly basis for the first time in four years (-0.5%)
- Five UK regions experience a quarterly fall in house prices, led by Yorks & Humber (-3.9%)
- London records its sharpest quarterly fall in house prices since Q1 2012 (-2.5%)
- On an annual basis, UK house price inflation eases to its weakest since Q2 2013 (+5.7%)

#### Summary:



Latest quarterly data from the **Halifax House Price Index**, administered by IHS Markit, indicated that UK house prices decreased during the third quarter of 2016. At -0.5%, the quarterly pace of decline was the fastest for just over five years, which contrasted with the 1.6% rise in house prices during Q2 2016.

In cash terms, the standardised UK property price dropped to £214,140 in Q3 2016, from £215,168 in the previous quarter.

A reversal in the index through Q3 2016 represented the first quarterly fall in UK house prices since Q3 2012. However, the pace of decline was only marginal and much slower than the price reductions seen through the global financial crisis (which peaked at -5.6% in Q3 2008).

UK house prices meanwhile remain higher than at the same time in 2015. Nonetheless, the year-on-year rate of inflation slowed to +5.7% in Q3, from +8.3% in Q2, to signal a considerable loss of momentum from the post-crisis peak seen at the start of 2016 (+10.1%).

The standardised UK property price was £202,548 during the third quarter of 2015, meaning that the price of the average home has risen by around £11,500 over the past year.

#### Quarterly % change in Q3 2016, by region

The quarterly decline in the Halifax House Price Index was mirrored by lower prices in five of the twelve UK regions. **Yorkshire & Humber** experienced the sharpest quarterly fall in house prices (-3.9%).

**London** stood out as a regional underperformer during the third quarter, recording a sustained fall in house prices for the first time since the end of 2010. At -2.5% in Q3, the quarterly rate of decline accelerated from -0.5% in Q2 and was the sharpest since Q1 2012. **Scotland** was the only other part of the UK to register back-to-back declines in house prices during Q3.

#### Annual % change in Q3 2016, by region

The geographical breakdown of UK house price trends provides a clear indication of persistent regional disparities over the past year.

In particular, strong price momentum has been seen across the **South of England** (led by a +10.2% rise in the South East), which contrasts with falling prices in **Scotland** (-1.9%) and relatively subdued trends across the **North of England** (below +5%).

Despite signs of cooling market conditions in the capital this summer, on an annual basis the rate of house price inflation in **London** (+7.9%) remained faster than seen for the UK as a whole (+5.7%).

## House price levels in Q3 2016, by region

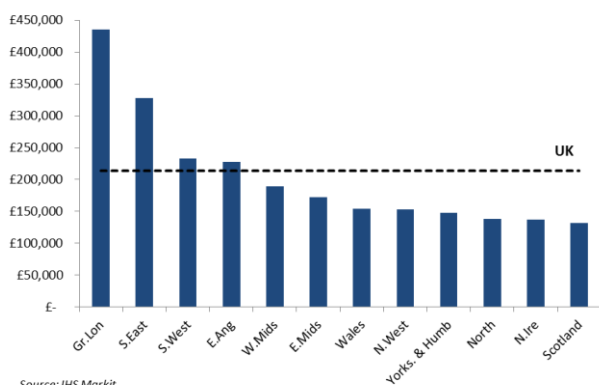
A continued north-south divide in price momentum means that regional disparities in terms of standard house price levels have generally widened over the past year.

The standard house price in **London** is currently £443,880 according to the Q3 data, which is more than twice the UK average (£214,140). The gap has closed slightly from the survey-record seen in Q1 2016, but the divergence (in percentage terms) remains close its largest in over 30 years of regional house price data collection.

Meanwhile, the average house price in the **South East** (£327,247) was again around one-and-a-half times the UK-wide figure. This divergence narrowed only fractionally since Q2 2016 and remains greater than at any other time in the past 13 years.

## UK standardised house price, by region

Standard House Price, SA



Source: IHS Markit

**Scotland** replaced **Northern Ireland** at the foot of the UK regional house price table in Q3. Moreover, the gap between property prices in Scotland and the UK as a whole was the widest recorded since the start of 2005.

## House price levels compared to 2007/08 peak

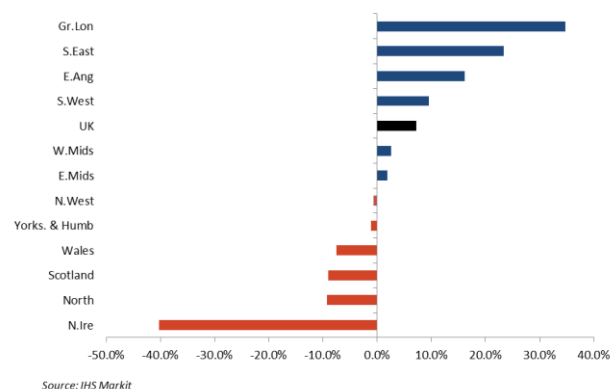
The outperformance of house price momentum in **Northern Ireland** so far this year masks a continued gap in property values in comparison to the peak seen prior to the global financial crisis.

At £137,087 in Q3 2016, average prices in Northern Ireland are around 40% lower than the peak recorded in the summer of 2007. Moreover, current levels are still below those seen a decade ago (£170,902 in Q3 2006).

Elsewhere across the UK, average house prices remain weaker than the 2007/08 peaks in **Scotland**, **Wales** and all three regions in the **North of England**.

By contrast, current values are more than one-third stronger than the pre-financial crisis peak in **London** (+35%), around 23% higher in the **South East** and 16% in **East Anglia**.

## UK house prices vs. pre-financial crisis peak



Source: IHS Markit

## Comment:

**Chris Williamson, Chief Business Economist at IHS Markit** said:

*“The UK’s vote to leave the EU has been accompanied by a clear cooling of the housing market. Average prices fell in the three months to September, in marked contrast to the robust growth seen in the first half of the year, registering the first quarterly decline in four years.*

*“Sentiment among homeowners regarding property values slumped in July but has since rallied somewhat, though remains weaker than at any time since the height of the eurozone debt crisis in 2012.*

*“This time, it’s ‘Brexit’ rather than ‘Grexit’ that has caused anxiety to spike in the housing market, so the future trajectory of prices will be very much determined by which path the government decides to choose in taking the country away from the EU, and how bumpy the negotiating route is.*

*“Any negative impact from Brexit worries will be mitigated by strong fundamentals, including a shortage of housing, high employment and record low interest rates, but IHS Markit’s base scenario is one whereby prices fall by 3% in 2017.”*

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E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)For any technical queries, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)**Note to Editors:**

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**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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