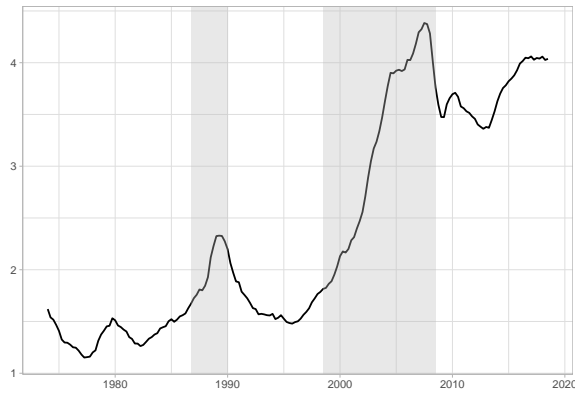
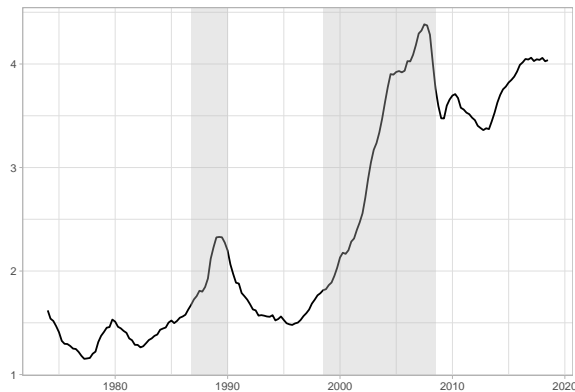


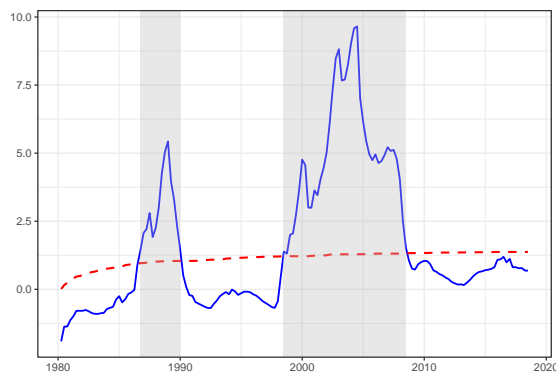
Real House Price and Trend



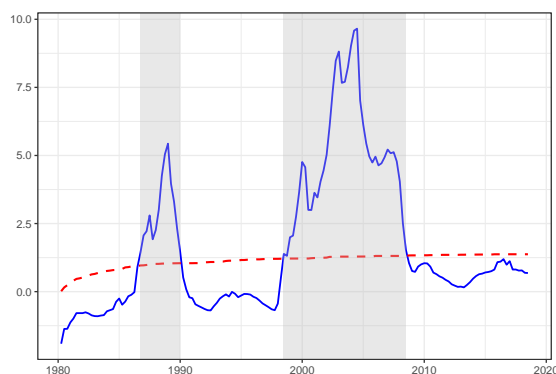
Some Graph



Some Graph



Some Graph



Summary

The growth rate of UK property prices has been falling over the last two quarters. The annual growth rate currently stands at 2.2%. This is the lowest growth rate of national housing prices since 2013 Q2. Furthermore, property prices in Greater London have fallen by nearly 2% over the last year. However, house prices have increased in all other regional markets. Overall, the regions that have experienced the highest property price inflation rates in the course of the last year are not in the South of the country: East Midlands(4.4%), West Midlands(4.2%), Wales(4%), and Scotland(3.1%).

Financial Stability

The UK Housing Observatory has created this new series that will contribute to the analysis of the housing market and general economic conditions in the UK. HPU is an index of search results from five large newspapers in the UK. This index proxies for movements in house price uncertainty. We have now incorporated this series to the set of variables we employ in our forecast models because it helps improve their out-of-sample forecasting power."

Exuberance Indicators

The Price-to-Income Ratio continues to be high for historical standards, close to its all-time high in 2007. Despite the decrease in London house prices, the ratio has not declined substantially due to the fall in real income. This indicator will therefore continue to be a source of concern as pressure on indebted households does not show signs of easing off.

Forecasting

The prediction of the UK Housing Observatory is that the growth rate of house prices in the national and the majority of regional markets will continue to drop in the course of 2018 and the first half of 2019. We forecast a growth rate of about 1.7% in the second quarter of 2019. The forecasts predict a similar pattern of house price behaviour in all regions with a much stronger pattern in Greater London. According to the forecasting results, the property prices in this region will experience negative growth, they will continue to decline during 2018 and the first quarter of 2019, however the growth in housing prices is predicted to build up towards the end of the following year.