Annual House Price Growth Rises to 6.5%

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- House prices in the three months to December were 6.5% higher than in the same three months of 2015
- Prices in the last three months (OctoberDecember) were 2.5% higher than in the preceding quarter

Key facts House Prices Housing Activity

House prices in the final three months of 2016 were 2.5% higher than in the previous three months. This compared to the 0.9% quarterly rate of change in November. The quarterly rate of change in December was the highest since March 2016 (+2.9%).

Prices in the three months to December were 6.5% higher than in the same three months a year earlier. This was the second consecutive increase in the annual rate from a 2016 low of 5.2% in October and compared to 6.0% in November. Despite the increases in November and December, the annual rate remains significantly below.

House prices increased by 1.7% between November and December. This was the fourth successive monthly rise and the biggest since March 2016 (2.2%).

Luton recorded the biggest percentage rise in house prices among major UK towns and cities over the past year, according to recent separate research by Halifax. The average house price in the Bedfordshire town was 19.4% higher than in the previous year, increasing from £214,934 to £256,636 in 2016. Luton is within easy commuting distance of London and has relatively low property prices. The outer London borough of Barking and Dagenham experienced the second biggest rise in average house prices with an increase of 18.6%. Dunstable – Luton's near neighbour – completed the top three with a 17.9% rise.

Total UK home sales in 2016 set to be broadly unchanged from 2015 and 2014 at 1.2 million. Sales have largely stabilised since the middle of 2016 with a 1% increase between October and November. Sales in the three months from September to November were, however, 9% lower than in the same period last year. (Source: HMRC, seasonally-adjusted figures)

Mortgage approvals were 6% higher in the three months to November compared with the preceding three months. The volume of mortgage approvals for house purchases – a leading indicator of completed house sales – slightly increased (+0.2%) on a monthly basis from October to November, following a 6% rise between September and October; indicating homes sales could increase over the coming months. (Source: Bank of England, seasonally-adjusted figures)

• Supply remains very low. There are no signs that the acute shortage of stock of homes available for sale is easing. The number of new instructions for November was flat, with the figure for unsold stock at a record low. (Sources: Royal Institution of Chartered Surveyors' (RICS) monthly report)

Martin Ellis, Halifax housing economist, said:

“House prices finished 2016 strongly. Prices in the final quarter of the year were 2.5% higher than in the previous quarter. The annual rate of growth increased, rising for the second consecutive month, from 6.0% in November to 6.5%.

“Slower economic growth, pressure on employment and a squeeze on spending power, together with affordability constraints, are expected to reduce housing demand during 2017. UK house prices should, however, continue to be supported by an ongoing shortage of property for sale, low levels of housebuilding, and exceptionally low interest rates. Overall, annual house price growth nationally is most likely expected to slow to 1-4% by the end of 2017. The relatively wide range for the forecast reflects the higher than normal degree of uncertainty regarding the prospects for the UK economy this year.”

For more information on our housing market research, click on http://www.halifax.co.uk/house-price-index

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