Overview: UK property prices continue to grow and are currently at historical highs. However, the rate of price growth is slowing down and national-level exuberance indicators are still far from the explosive threshold. There is a considerable variation in the rates of property price inflation across regional markets in the UK. The growth of London house prices is rising again, to 1.4%, after a slowdown recorded in the previous release. On the contrary, house price inflation in regions contiguous to London (Outer Metropolitan, Outer South East and East Anglia) has slowed down relative to the previous quarter. The recent slowdown in property price inflation in London and southern areas affected the corresponding exuberance indicators that are now farther away from the explosive threshold. This follows from the introduction of tax changes and incentives to buy-to-let properties. Overall, house prices have increased in all regional markets but two: Scotland and the North are the only areas where property prices have fallen relative to the previous quarter (by 0.2% and 1% respectively). On the other hand, Northern Ireland, is the region which has recorded the highest house price growth rate (2.7%) since the last release of the Observatory.

The result of the EU referendum is expected to have an (negative) impact on the property market and this will be discussed in future releases of the UK Housing Observatory. The channels through which this may materialise, according to the latest release of the Bank of England’s six monthly Financial Stability Report, are: buy-to-let investors abandoning the market because of lack of confidence, and the slowdown of foreign inflow of money in the market (although this may be particularly acute in commercial property).