Overview: UK property prices continue to grow, but at a lower rate than previous quarters, showing no sign of exuberance at the national level. The recent slowdown in property price inflation in London and metropolitan 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 earlier in the year, and the result of the EU referendum in the UK in June (Brexit).

House prices in all regions have increased since the previous release of the Observatory, however there is a considerable variation in the rates of property price inflation across regional markets. The growth of London house prices has slowed down relative to the previous quarter, to around 1%. We note that property price inflation in regions contiguous to London (Outer Metropolitan and Outer South East) is also slowing down. In Outer Metropolitan, for instance, the rate of house price growth is less than 1%, whereas the value of the statistic in the second quarter of 2016 was around 2%.

Overall, regions that have recorded the highest house price growth rates are East Anglia (1.9%), Scotland (1.4%) and Northern Ireland (1.4%). On the other hand, Wales and West Midlands are the areas with the lowest property price inflation over the period: around 0.2% in both regions.