North West

Regional Composition

Blackburn with Darwen, Blackpool, Bolton, Burnley, Bury, Cheshire East, Cheshire West and Chester, Chorley, Fylde, Halton, Hyndburn, Knowsley, Lancaster, Liverpool, Manchester, Oldham, Pendle, Preston, Ribble Valley, Rochdale, Rossendale, Salford, Sefton, South Ribble, St. Helens, Stockport, Tameside, Trafford, Warrington, West Lancashire, Wigan, Wirral, Wyre

Forecasts

House Price Growth Rate*

<table>
<thead>
<tr>
<th>Date</th>
<th>Actual</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018Q3</td>
<td>4.042</td>
<td></td>
</tr>
<tr>
<td>2018Q4</td>
<td>2.202</td>
<td></td>
</tr>
<tr>
<td>2019Q1</td>
<td>2.800</td>
<td></td>
</tr>
<tr>
<td>2019Q2</td>
<td>1.319</td>
<td></td>
</tr>
<tr>
<td>2019Q3</td>
<td>0.323</td>
<td></td>
</tr>
<tr>
<td>2019Q4</td>
<td>0.981</td>
<td></td>
</tr>
<tr>
<td>2020Q1</td>
<td>0.307</td>
<td></td>
</tr>
<tr>
<td>2020Q2</td>
<td>2.152</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: The table reports actual and predicted annual log house price growth rates. Please note that actual growth rates are revised each quarter and, therefore, may differ from one release to the other. The forecasts are shown in blue. Predictions are for 1,2,3 and 4 quarters ahead. The reported predictions are computed as the average of forecasts generated by a battery of forecasting models, including Dynamic Model Averaging (DMA) and Dynamic Model Selection (DMS), Time-Varying Parameters (TVP) model, Bayesian VAR (BVAR) and the mean combination of individual Autoregressive Distributed Lag Model (ARDL) forecasts. Please refer to the Data Releases Archive section for detailed results of the individual model forecasts. For further details about the methodology see Yusupova A., 2016. “An Econometric Analysis of U.K. Regional Real Estate Markets”.

* Disclaimer

Although the Contents contained herein are provided under the highest professional standards in the generation of these forecasts, the UK Housing Observatory does not guarantee the accuracy or completeness of any information contained herein. The UK Housing Observatory specifically disclaims all warranties, expressed or implied, with respect to the use of this information or any results with respect thereto. In addition, the information contained herein shall in no way be construed to constitute a recommendation by the UK Housing Observatory with respect to the purchase or sale of any investment, security or its derivatives.
Financial Stability

Please note that the following analysis is done for the Real House Price Index (i.e. nominal house price subtracting general inflation rate) in order to avoid the financial stability analysis of house prices to be driven by overall inflation rather than housing market conditions.

House Price Index

Current status (2019 Q2): The regional house price index grew at 1.3% over the last 12 months.

Exuberance: Note in the graph below that the statistic (BSADF) employed to determine whether real house prices are in an exuberant phase is below the explosive threshold, i.e. **no exuberance**.

Probability of exuberance: The probability of entering in an exuberant phase within the next quarter is **1%** (see Pavlidis E.G. et al., 2016 for the description of the methodology and Yusupova et al., 2017 for the data details).

Price-to-Income Ratio

Current status (2019 Q2): The regional real house price to real personal disposable income ratio is currently at 2.9.

Exuberance: Note in the graph below that the statistic (BSADF) employed to determine whether the ratio of Real House Price to Real Personal Disposable Income is in an exuberant phase is below the explosive threshold, i.e. **no exuberance**.

Probability of exuberance: The probability of entering in an exuberant phase within the next quarter is **1.7%** (see Pavlidis E.G. et al., 2016 for the description of the methodology and Yusupova et al., 2017 for the data details).
Figure 1: Real House Price Index

Figure 2: Backward Supremum Augmented Dickey Fuller (BSADF) Statistics employed to determine whether regional real house prices are in an exuberant phase and Critical Value
Figure 3: Ratio of Real House Price to Real Personal Disposable Income

![Graph showing the ratio of real house price to real personal disposable income with shaded areas indicating periods of exuberance.]

Figure 4: Backward Supremum Augmented Dickey Fuller (BSADF) Statistics employed to determine whether the ratio of Real House Price to Real Personal Disposable Income is in an exuberant phase and Critical Values

![Graph showing BSADF statistics and critical values with shaded areas indicating periods of exuberance.]

**NOTE:** Shaded areas indicate identified periods of exuberance (statistic is above the critical value). The BSADF series are reported for the lag length of one. The series of BSADF and critical values are available for download in the section [Data Releases Archive](#).