

UK Cities House Price Index

April 2018

- UK city house price inflation 4.9% year on year compared to 6.9% per annum over the last 5 years.
- House price growth slowing and discounts to asking prices growing in cities across southern England.
- Large regional cities posting above average price growth with discounts from asking price narrowing.

City house price growth running at 4.9%

UK city house prices have grown by 4.9% over the last year, higher than the 4.2% average over the last 2 years but lower than the 6.9% average over the last five. Manchester has the fastest growth rate (7.7%).

City house prices have increased 2.9% in the last three months compared to a 0.5% decline in 2017Q4 when price falls across London impacted headline growth.

Prices falling across 16 local authorities in London

The pace of price reductions in London has moderated over the last quarter. House prices are 0.8% higher than a year ago, although sixteen of the 46 local authorities that make up the London city index are registering negative growth of up to -2.8%.

Table 1 - UK 20 city index summary, April 2018

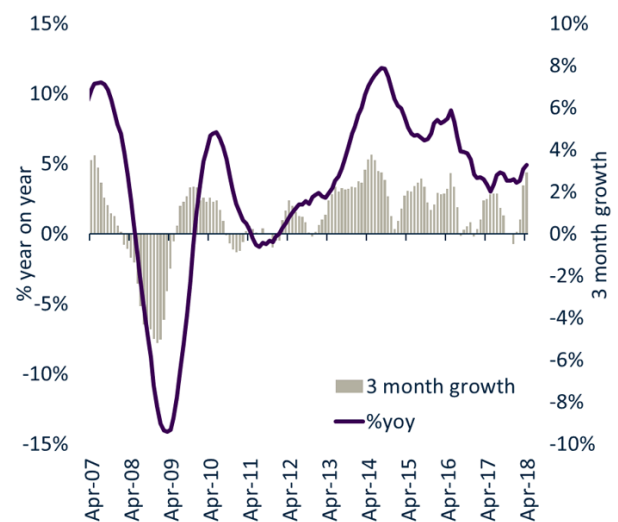
Month	3 month change	% year on year	Average price
Nov-17	0.0%	3.8%	£245,400
Dec-17	-0.5%	3.9%	£244,900
Jan-18	0.1%	3.6%	£245,500
Feb-18	0.7%	3.8%	£247,000
Mar-18	2.3%	4.6%	£250,500
Apr-18	2.9%	4.9%	£252,600

Source: Hometrack House Price Indices

Bristol the top performer over 5 years, but slowing

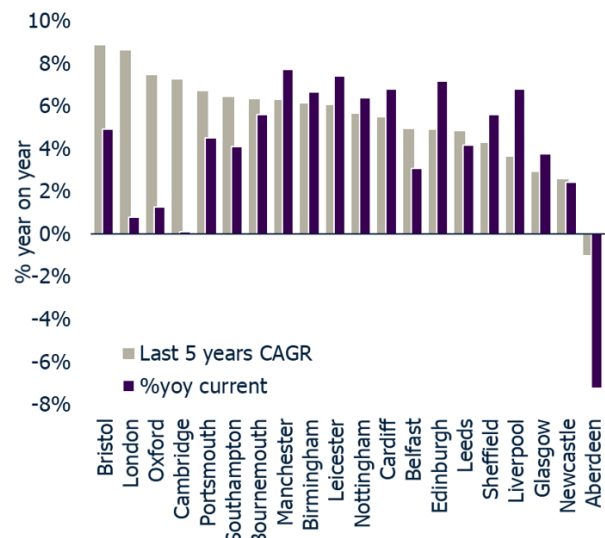
The performance of city house prices over the last 1 and 5 years is shown in Fig. 2. It provides a snapshot for how the housing cycle is evolving. Bristol has registered the highest annual growth over the last 5 years (8.9% CAGR), but the growth rate is slowing with average prices up by 4.9% in the last year.

Fig.1 – UK cities index – annual and 3-month growth



Source: Hometrack UK Cities Index

Fig.2 – House price growth over 1 and 5 years



Source: Hometrack UK Cities Index

Note: All price changes are quoted in nominal terms. Hometrack's House Price Indices are revisionary and not seasonally adjusted.

Insight Series

Hometrack UK Cities Index – April 2018

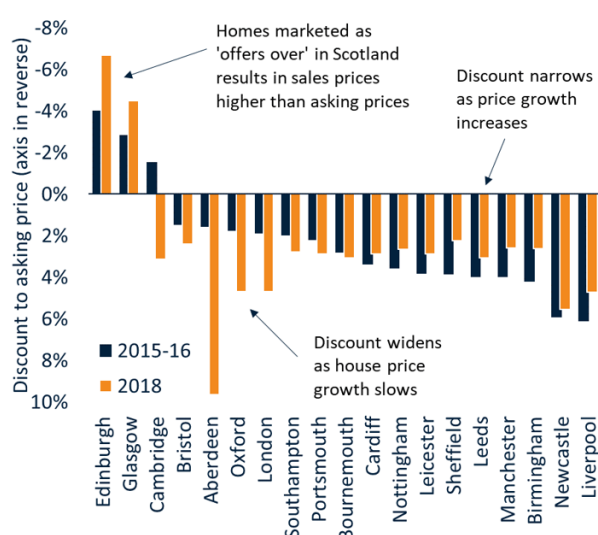
Signs of slower growth across the south coast

Cities across the south coast of England – Portsmouth, Southampton and, to a lesser degree Bournemouth, are also registering growth below the 5-year average as affordability pressures start to build.

Large regional cities the strongest performers

Large regional cities in the midlands, northern regions and Scotland continue to register annual growth above the 5-year average – Manchester, Birmingham, Leicester, Nottingham, Cardiff, Sheffield and Edinburgh. We believe that house prices have further to increase in these cities on attractive affordability levels and rising employment.

Fig.3 – Discount/premium from asking to sales price



Source: Hometrack / Zoopla

Discount from asking to sale prices varies

Other measures support this view. Figure 3 presents our latest analysis into the gap between asking and sales prices comparing 2018Q1 to the average over 2015-16. The discount from asking to sales prices continues to narrow in large regional cities suggesting further room for price rises. Birmingham and Manchester have the smallest discount (2.6%).

Not all regional cities are registering above average capital growth. The discount to asking price in Newcastle remains extended (5.5%) and house price growth is running at 2.4%. Discounts have narrowed in Liverpool but remain above average at 4.7% although price growth is above the 5-year average.

Aberdeen has largest discount to asking prices

The largest discounts (9.6%) are in Aberdeen where there has been a major demand side shock on the back of a lower oil price. House prices are falling by 7.2% per annum and have fallen by 19% since the end of 2014.

Table 2 - City level summary, April 2018

City	Current price	%yoy Apr-18	5 year (CAGR)
Bristol	£278,700	4.9%	8.9%
London	£487,600	0.8%	8.6%
Oxford	£419,100	1.3%	7.4%
Cambridge	£435,500	0.1%	7.2%
Portsmouth	£235,100	4.5%	6.7%
Southampton	£223,000	4.1%	6.4%
Bournemouth	£288,100	5.6%	6.3%
Manchester	£161,700	7.7%	6.3%
Birmingham	£157,600	6.7%	6.1%
Leicester	£171,000	7.4%	6.1%
Nottingham	£147,500	6.4%	5.6%
Cardiff	£201,300	6.8%	5.4%
Belfast	£126,800	3.1%	4.9%
Edinburgh	£222,900	7.2%	4.9%
Leeds	£161,200	4.2%	4.8%
Sheffield	£134,900	5.6%	4.3%
Liverpool	£117,200	6.8%	3.6%
Glasgow	£122,900	3.8%	2.9%
Newcastle	£126,100	2.4%	2.5%
Aberdeen	£173,200	-7.2%	-1.0%
20 city index	£252,600	4.9%	6.9%
UK	£214,700	4.5%	5.7%

Source: Hometrack House Price Indices

Discounts increasing in southern England

Market conditions are weakening in south eastern England but the size of discounts is less severe as prices are adjusting in weaker demand rather than as a result of adverse economic impacts. However, stretched affordability, Brexit uncertainty and multiple tax changes have impacted demand and mean sellers having to accept larger discounts to asking prices.

Discounts are starting to widen in cities such as Portsmouth and Southampton where the rate of house price growth is also slowing.

Insight Series

Hometrack UK Cities Index – April 2018



Housing cycle continues to unfold

The trends in relative house price growth and discounts from asking prices reveal how the housing cycle continues to unfold. The pace of overall city level growth is losing momentum, in part a result of virtually static prices in London.

Weaker consumer confidence and modest increase in mortgage rates are also impacting demand and mortgage approvals for home purchase has drifted lower in the last quarter.

Our cities index reveals how local and macro factors are impacting on house price growth where the strength of the local economy and the affordability of housing set an important benchmark.

Hometrack is part of ZPG Plc, owner of some of the UK's most trusted digital platforms including Zoopla, uSwitch, PrimeLocation and Property Software Group. Hometrack provides residential property market insights, analytics, valuations and data services to over 400 partners including mortgage lenders, new home developers, investors, housing associations and local authorities. For more information about the business, our services and further insight visit www.hometrack.com.