

UK Cities House Price Index

June 2017

- Annual growth rate of 5.1% to June 2017, average city house prices increase by 5.0% over 2017H1.
- City house price inflation expected to be 6-7% over 2017, higher than 4% projection made in December 2016. This is down to continued, robust house price growth in large regional cities.
- House price growth in London has slowed to 2.6%, the lowest rate for over 5 years and the same as the annual rate of consumer price inflation.

City house price growth 5.1%yoy

UK city house price growth is running at 5.1% per annum, down from 8.8% in June 2016. House price inflation has picked up in recent months. Growth in the first half of 2017 ranges from 0.2% in Aberdeen to 6.1% in Birmingham (Table 2). This is consistent with an 11% increase in home purchase mortgages which are also 5% higher than the 5 year average.

Table 1 - UK 20 city index summary, June 2017

Month	3 mth. change	%yoy	Average price
Jan-17	0.4%	4.3%	£240,900
Feb-17	0.7%	4.2%	£241,700
Mar-17	1.1%	4.1%	£243,100
Apr-17	1.9%	4.2%	£245,600
May-17	3.4%	4.7%	£249,900
Jun-17	3.8%	5.1%	£252,400

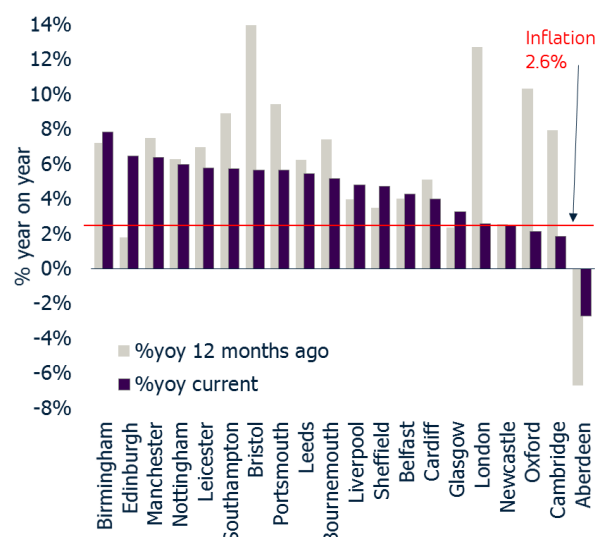
Source: Hometrack House Price Indices

Thirteen cities with lower annual growth

Thirteen cities have a lower annual growth rate than a year ago (figure 1). London, Bristol and Oxford have recorded the greatest slowdown as affordability and uncertainty impact demand. The rate of price falls in Aberdeen has slowed sharply.

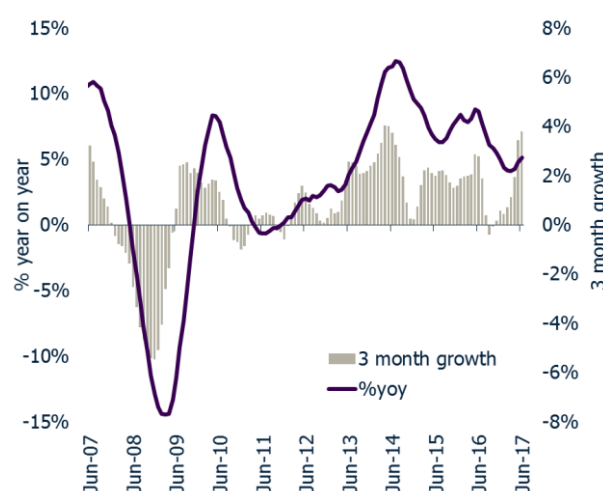
House price growth is higher in seven cities, but the scale of the increases compared to June 2016 are more modest. The exception is Edinburgh where the rate of growth has bounced back from 1.8% a year ago to 6.5% today.

Fig. 1 – City price inflation – current and 12m ago



Source: Hometrack UK Cities Index

Fig. 2 – City index – yoy and 3m growth



Source: Hometrack House Price Indices

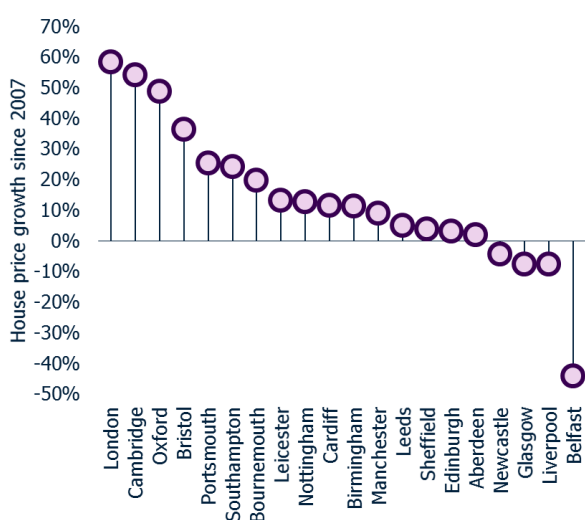
Note: All price changes are quoted in nominal terms. Hometrack's House Price Indices are revisionary and not seasonally adjusted.

Negative real house price growth

Nominal house price growth in four cities is failing to keep pace with the rate of consumer price inflation which is 2.6% – Cambridge (1.9%), Oxford (2.1%), Newcastle (2.4%) and Aberdeen (-2.7%). House price growth across London City has fallen to a 5 year low of 2.6% meaning prices are flat in real terms. Inner London markets have the lowest rates of house price growth and are registering real price falls.

At the end of 2016 we predicted that city house price growth over 2017 would be 4%. On current trends we expect this to be closer to 6-7%. There remains material upside for house prices outside south eastern England. The outlook for mortgage rates, employment and economic growth that hold to key to how fast this translates into higher house prices over the next 2-3 years.

Fig. 3 – City house prices relative to 2007 peak



Source: Hometrack UK Cities Index

16 cities have average prices above 2007 peak

Sustained house price growth in large regional cities has pushed house prices ahead of their 2007 peak in sixteen cities. At current growth rates it will be another 2 years before Newcastle, Glasgow and Liverpool exceed their 2007 levels. Belfast will take much longer with prices still 45% lower than in 2007.

Prospects for 2017H2

Despite a material slowdown in the rate of house price growth in south eastern England, house price inflation is holding up despite the squeeze on real incomes and uncertainty around Brexit. The Brexit impact was greatest over 2016H2 and house price inflation has picked up over the last 6 months.

Table 2 – City level summary, June 2017*

City	Current price	%yoy June 2017	% growth 2017H1
Aberdeen	£184,300	-2.7%	0.2%
Belfast	£130,600	4.3%	4.0%
Birmingham	£154,900	7.8%	6.1%
Bournemouth	£280,400	5.2%	3.1%
Bristol	£270,900	5.6%	4.6%
Cambridge	£425,500	1.9%	1.9%
Cardiff	£195,800	4.0%	2.2%
Edinburgh	£211,100	6.5%	5.5%
Glasgow	£117,700	3.3%	4.1%
Leeds	£161,400	5.4%	4.8%
Leicester	£164,500	5.8%	3.1%
Liverpool	£118,300	4.8%	3.8%
London	£492,700	2.6%	2.9%
Manchester	£155,700	6.4%	4.7%
Newcastle	£126,600	2.4%	3.6%
Nottingham	£146,000	6.0%	4.6%
Oxford	£424,800	2.1%	1.2%
Portsmouth	£229,700	5.6%	3.6%
Sheffield	£133,700	4.7%	4.1%
Southampton	£228,100	5.7%	4.2%
20 city index	£252,400	5.1%	5.0%
UK	£211,300	4.6%	3.9%

Source: Hometrack House Price Indices

*Top 25% cities with highest growth in H1 highlighted

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