

# UK Cities House Price Index

September 2019

- UK city house price inflation is +2.4%, half the average growth rate over the last 5 years (4.8%).
- Slower house price growth and weaker demand has resulted in the time to sell hitting a 3 year high of 12 weeks while the discount to asking price has widened to 3.8% across UK cities.
- Underlying market conditions vary widely – there are seven English cities where the average time to sell is <8 weeks and discounts to asking price are <3%. Discounts to asking price are extended at 8% in inner London and have stabilised at this level. The most efficient housing markets are in Scotland.

### UK city house price inflation +2.4%

UK city house price inflation is running at +2.4%, half the average growth rate over the last 5 years and below the growth in average earnings (+3.8%).

House price growth ranges from +4.5% in Leicester and +4.3% in Manchester to -5.5% in Aberdeen. Prices are flat in London and falling -0.5% in Oxford (Fig. 1).

**Table 1 - UK 20 city index summary, September 2019**

Month	3-month change	% year on year	Average price
Apr-19	0.5%	0.3%	£252,300
May-19	1.1%	0.6%	£253,500
Jun-19	1.4%	0.7%	£254,700
Jul-19	1.4%	1.2%	£255,800
Aug-19	1.5%	1.9%	£257,400
Sep-19	1.4%	2.4%	£258,200

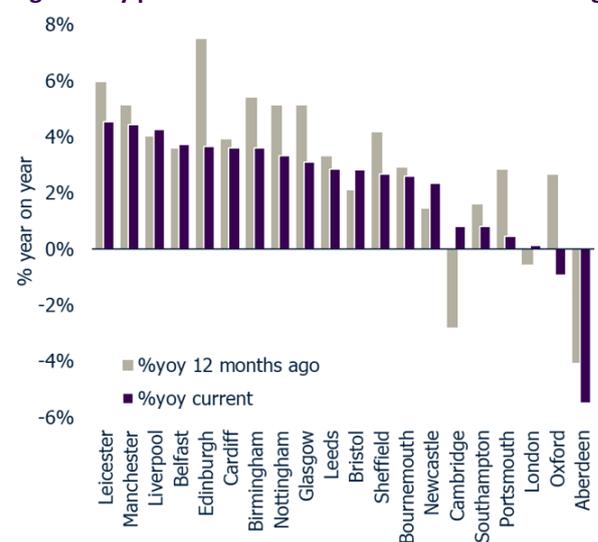
Source: Zoopla House Price Indices, powered by Hometrack

### Owner occupier demand holding up

The latest data on mortgages for home purchase shows that demand from buyers looking to purchase their main home is holding up. Brexit uncertainty is one factor weighing on buyers' minds, but it is market fundamentals, particularly the affordability of housing and cost of moving, that are of greater importance in dictating the strength of city-level housing markets.

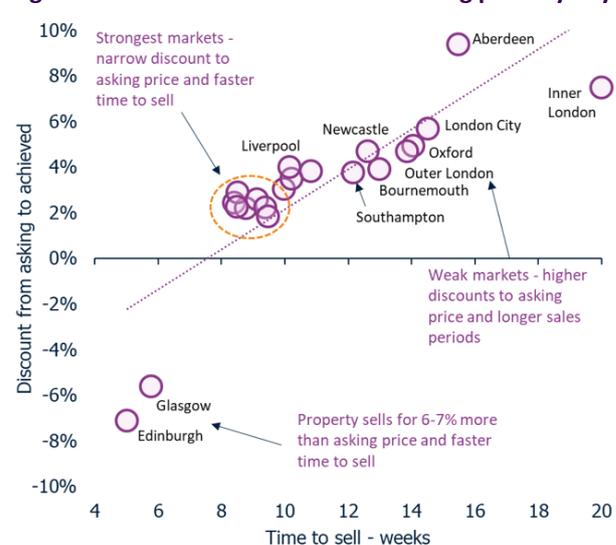
This month we have updated our analysis on the discount to asking price that sellers need to accept in order to achieve a sale and the average time to sell (from first marketing date to the property going under offer). Fig.2 summarises the results at a city level.

**Fig.1 – City price inflation – current and 12 months ago**



Source: Zoopla House Price Indices, powered by Hometrack

**Fig.2 – Time to sell and discount to asking price by city**



Source: Zoopla Research (data not available for Belfast)

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

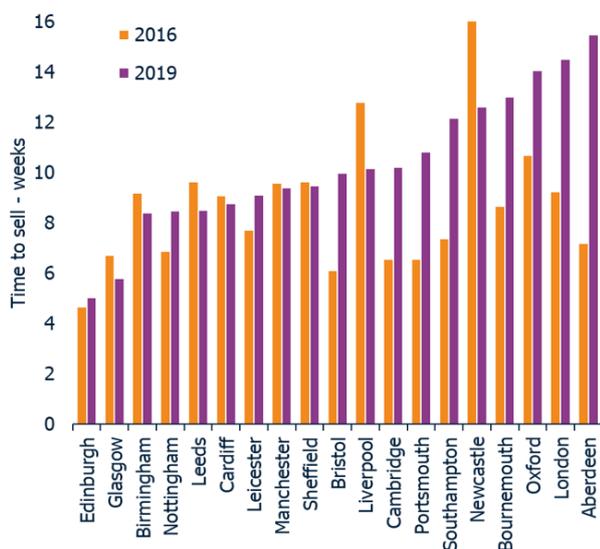
**Time to sell hits three year high across UK cities**

House price growth has moderated over the last 3 years as sales volumes decline as a result of high price growth and stretched affordability. The average time to sell a property across UK cities has reached a 3 year high of 12 weeks, up from 8 weeks in 2016. Discounts to asking price have grown from 2.2% in 2016 to 3.8% today but there is a wide variation around these averages at a city level (Fig.2).

**Market conditions strong across seven English cities**

There are seven cities across England and Wales where underlying market conditions remain strong – with potential for further price inflation. Cardiff, Leeds, Nottingham, Birmingham, Leicester, Manchester and Sheffield all have an average time to sell of between 8 and 9 weeks and discounts to asking price of 2 to 3%. These cities have registered steady, above average house price growth over the last 1-2 years as demand for housing is sustained on the back of rising employment and attractive affordability.

**Fig. 3 – Time to sell – weeks**



Source: Zoopla Research (data not available for Belfast)

**Continued weakness in London and Aberdeen**

In contrast, market conditions remain weak across London, Oxford and Aberdeen. Here the average time to sell is over 14 weeks and the discount from the asking price to achieve a sale is over 5% - double the level in cities with the strongest market conditions.

Aberdeen continues to feel the effects of the oil price collapse while Oxford is an extension of the London market and a city with a high ratio of house prices to average earnings.

**Market conditions not deteriorating in London**

In London, market conditions are weakest in inner London where the average discount to asking price is 7.6% compared to 4.7% in outer London. Discounts are in line with the last 12-18 months across inner London and have declined slightly in outer London over 2019. There is little prospect of an increase in house price inflation in London although greater realism on pricing is an important pre-requisite to increased sales activity.

**Time to sell hits 10+ weeks across southern cities**

Market conditions remain weak in cities across southern England where the time to sell is materially higher than three years ago (Fig. 3). Portsmouth, Southampton, Bournemouth and Bristol have all seen the time to sell increase from 6-7 weeks to 10-13 weeks as increased affordability reduces the pool of housing demand which pushes out sales periods.

**Market metrics healthy in Scottish cities**

The strongest market conditions remain in Scotland where a different system for marketing homes - with more information provided up front to would be buyers - makes for the fastest time to sell averaging 5-6 weeks in Glasgow and Edinburgh. With homes typically marketed as 'offers over' Glasgow and Edinburgh have 'negative' discounts to asking price as homes are selling for 6-7% above the asking price.

**Near term prospects**

This latest report shows a continued polarisation in housing market conditions across the country set by underlying market fundamentals. Brexit uncertainty has been a compounding factor for lower market activity in some areas. A General Election seems a growing possibility ahead of any BREXIT resolution. Once the political outlook becomes clearer we would expect a modest bounce-back in demand for 6-12 month period. However, a changed political outlook will have little immediate benefit for housing affordability as a constraint on market activity.

Market conditions are set to remain weak in southern cities until pricing levels adjust to what buyers are willing, or can afford, to pay. London is three years into a re-pricing process, and we expect sales volumes to slowly improve over 2020. However, as we highlight in this report, there are large parts of the country where housing affordability remains attractive and continued economic growth is supporting housing demand, leading to shorter sales periods and lower discounts to asking prices.

**Table 2 - City level summary, September 2019**

City	Current price	%yoy Sep-19	%yoy Sep-18
Leicester	£183,900	4.5%	6.0%
Manchester	£173,600	4.4%	5.1%
Liverpool	£124,300	4.3%	4.0%
Belfast	£136,500	3.7%	3.6%
Edinburgh	£236,500	3.7%	7.5%
Cardiff	£211,400	3.6%	3.9%
Birmingham	£168,600	3.6%	5.4%
Nottingham	£155,900	3.3%	5.1%
Glasgow	£126,900	3.1%	5.1%
Leeds	£168,400	2.8%	3.3%
Bristol	£284,700	2.8%	2.1%
Sheffield	£139,700	2.7%	4.2%
Bournemouth	£295,700	2.6%	2.9%
Newcastle	£129,700	2.3%	1.4%
Cambridge	£430,200	0.8%	-2.8%
Southampton	£229,400	0.8%	1.6%
Portsmouth	£239,800	0.5%	2.8%
London	£484,500	0.1%	-0.5%
Oxford	£409,400	-0.9%	2.7%
Aberdeen	£157,000	-5.5%	-4.0%
20 city index	£258,200	2.4%	1.1%
UK	£221,100	2.2%	2.4%

Source: Zoopla House Price Index, powered by Hometrack