

UK Cities House Price Index

October 2019

- UK city house price inflation ticks higher as prices start to firm across London.
- London has been through a 3-year repricing process accompanied by modest price falls – in contrast average values have increased by up to 15% in large regional cities since the start of 2017.
- The proportion of London markets experiencing monthly price falls in London (23%) is the lowest level for over 2 years - a result of reduced supply, increased sales and more realistic asking prices.

UK city house price inflation ticks higher

UK city house price growth has ticked higher on firmer pricing in southern England, driven by growing scarcity of supply and modest increase in sales volumes. The headline rate of UK city house price growth has increased to +2.9% - ranging from +4.7% in Leicester to -5.5% in Aberdeen (see Table 2).

Table 1 - UK 20 city index summary, October 2019

Month	3-month change	% year on year	Average price
May-19	0.6%	0.4%	£249,300
Jun-19	1.2%	1.0%	£250,500
Jul-19	1.1%	1.2%	£251,300
Aug-19	1.3%	1.6%	£252,400
Sep-19	1.3%	2.2%	£253,800
Oct-19	1.4%	2.9%	£254,800

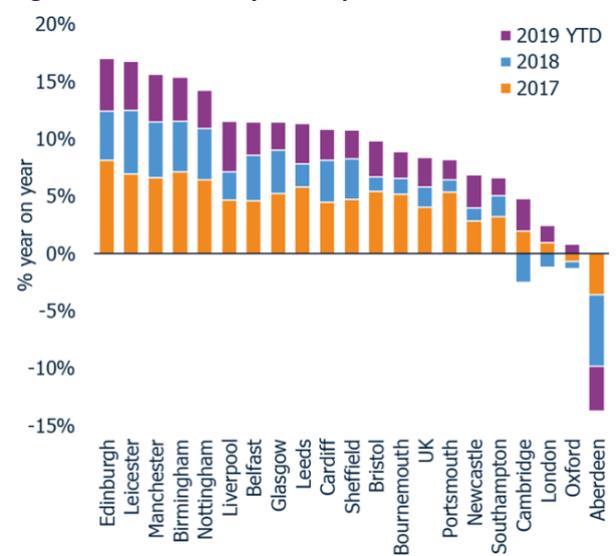
Source: Zoopla House Price Indices, powered by Hometrack

Two tiers of price growth since 2017

Large regional cities continue to post above average price growth on the back of rising demand and attractive affordability, supported by low mortgage rates. The pace of annual price growth across regional cities is slowing compared to recent years. That said, cumulative house price growth since the start of 2017 has been greater than 15% in Edinburgh, Leicester, Manchester and Birmingham (Fig.1).

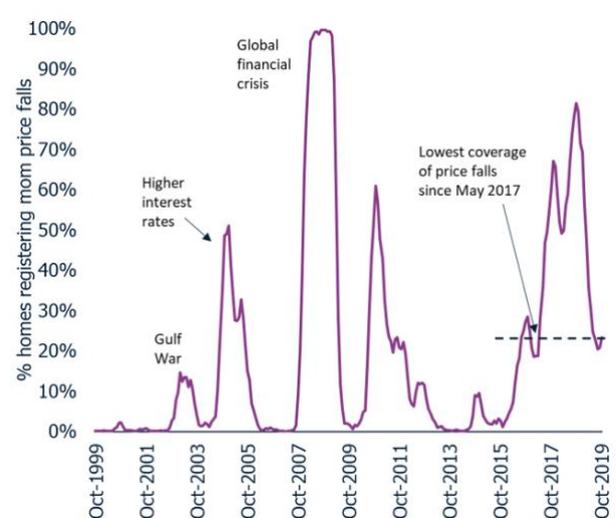
In contrast, house price growth across London, Oxford and Cambridge has been broadly flat with year on year price falls over 2018. Weak price growth has been accompanied by a 10% to 25% drop in sales volumes as demand for housing has reduced.

Fig.1 – Cumulative city house price inflation from 2017



Source: Zoopla House Price Indices, powered by Hometrack

Fig.2 – % postcodes with monthly price falls – London



Source: Zoopla House Price Indices, powered by Hometrack

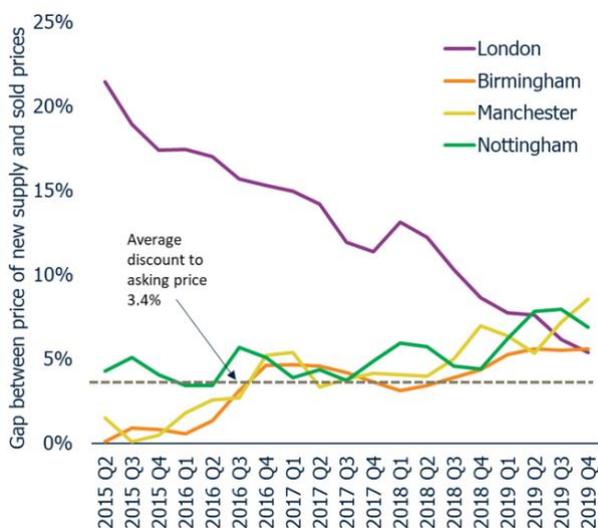
Note: All price changes are quoted in nominal terms. Hometrack's House Price Indices are revisionary and not seasonally adjusted.

Monthly price falls in London lowest since 2017

There is early evidence of firmer pricing in cities across southern England. Most notable in London where average prices have increased by 1% over the last year. This is the highest rate of growth for 2 years and follows a period of modest price falls.

Figure 2 tracks the percentage of homes in markets across London where house prices are registering month on month price falls. It shows prices are falling in less than a quarter of postcodes, the lowest coverage of falls since May 2017. Over three quarters of postcodes are registering monthly price increases, which explains the modest increase in headline growth.

Fig. 3 – Pricing gap between ‘new’ and ‘sold’ listings



Source: Zoopla Research

Tight supply and more sales support London prices

There are several factors behind this shift in momentum. First is a decline in available supply – Zoopla listings data shows that the number of new homes listed for sale per agency branch this year is lower than over the last 4 years.

This has increased scarcity for those looking to buy a home, a trend that has been developing for the last 12 months and which has been accelerated by the announcement of the election.

Second, our data shows a small, but important, increase in the number of sales being agreed per estate agency branch. Rising sales are being supported by more realistic pricing of new supply coming to the market. This, in turn, increases the probability of a sale which supports sales volumes.

Greater realism over pricing in London

We have analysed the gap between the asking price of new listings coming to the market over time and the price of listings that are being marked as sold – the ‘market clearing’ price. In London this has recorded a significant re-alignment over the last 4 years (Fig.3).

The 20%+ gap at the start of 2015 was at a time when house price growth has been running at over 15% and agents were factoring this into where they set asking prices. When demand started to fall in 2016 a re-pricing was required to align asking prices to what buyers were willing to pay.

This has taken 3-4 years accompanied by a modest level of price falls. Today’s pricing gap of 5% is more sustainable and we expect market conditions in London to improve in 2020 with an increase in housing sales. We do not expect an increase in price inflation which we expect to remain in low single digits over 2020.

Pricing of new listings in regional cities

The gap in pricing between the new listings and sold property in other large cities has been expanding over 2018 and into 2019, supported by above average price growth. The more the pricing of new supply rises above what is selling the greater the likelihood that demand moderates and the rate of price inflation starts to slow.

Our localised pricing data does not show evidence of price falls in regional cities, but there has been a clear shift in momentum with most homes now in markets where the underlying growth rate is <5% per annum.

Election brings forward seasonal slowdown

The short-term outlook has been impacted by the start of the General Election campaign which will accelerate the seasonal end of year slowdown. Zoopla data shows that the last 2 months of the year up until Christmas account for around a tenth of buyer demand.

After Christmas, and up until the end of March is when the interest in, and demand for homes takes-off. This explains why General Elections in the Spring tend to have more of an impact on housing market activity.

We will be covering the outlook for the housing market over 2020 in the next edition of this report.

Table 2 - City level summary, October 2019

City	Current price	%yoy Oct-19	%yoy Oct-18
Leicester	£180,000	4.7%	5.6%
Manchester	£172,500	4.6%	4.9%
Liverpool	£122,300	4.1%	3.4%
Edinburgh	£236,700	4.0%	7.3%
Belfast	£137,600	4.0%	3.0%
Birmingham	£167,000	3.5%	5.2%
Nottingham	£156,700	3.4%	4.8%
Leeds	£167,800	3.4%	3.1%
Cardiff	£210,100	3.1%	3.8%
Sheffield	£138,400	3.1%	3.2%
Bristol	£282,800	3.0%	2.2%
Newcastle	£129,100	2.7%	1.3%
Glasgow	£123,200	2.6%	4.2%
Cambridge	£414,000	2.2%	-3.2%
Bournemouth	£289,800	2.1%	2.2%
Portsmouth	£238,600	1.2%	2.1%
Southampton	£227,900	1.2%	2.0%
London	£476,900	1.0%	-1.1%
Oxford	£412,200	0.0%	0.2%
Aberdeen	£154,100	-5.9%	-4.3%
20 city-index	£254,800	2.9%	1.0%
UK	£218,900	2.5%	2.0%

Source: Zoopla House Price Index, powered by Hometrack