

UK Cities House Price Index

December 2019

- UK city house price growth hits 2 year high of +3.9%.
- We have ranked cities on the prospects for house price growth in 2020 based on market fundamentals. Nottingham is first with cities across southern England having the weakest prospects.
- Zoopla data shows housing demand is up 26% over the first few weeks of 2020 compared to the same period over the last 2 years – we identify the cities with the greatest ‘bounce’ in demand.

UK city house price inflation hits 2 year high

UK city house price inflation is running at +3.9% as the impetus for price growth increases in regional cities with attractive affordability and positive price growth in London (+1.9%) supporting the headline growth rate.

City house price growth is at a 2 year high, supported by a combination of 1) flat to falling house prices in the latter parts of 2018 falling out of the annual growth rate and 2) increased demand and more sales – HMRC data shows sales in December 2019 were 11% higher than in December 2018 and 1% higher over the last quarter of 2019 than the previous year.

Table 1 - UK 20 city index summary, December 2019

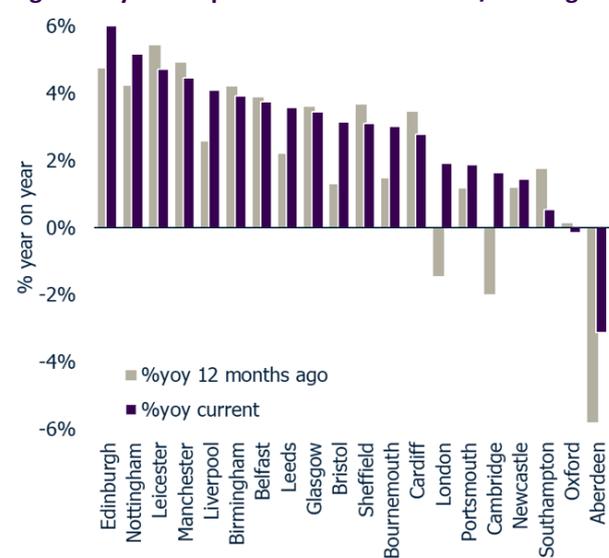
Month	3 month change	% year on year	Average price
Jul-19	0.2%	1.2%	£252,700
Aug-19	0.3%	1.3%	£253,300
Sep-19	0.2%	1.6%	£253,800
Oct-19	0.6%	2.4%	£255,200
Nov-19	0.5%	3.2%	£256,500
Dec-19	0.4%	3.9%	£257,600

Source: Zoopla House Price Indices, powered by Hometrack

Range of price growth narrows across cities

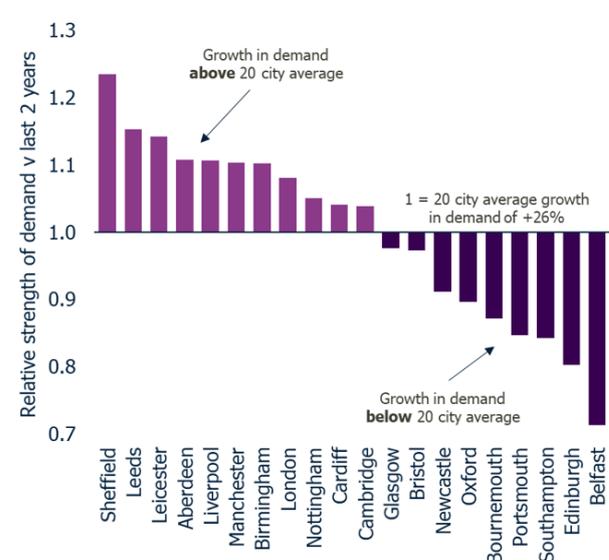
Cities in the North and Midlands registered stronger price growth during the year than many cities in the south of England. The regional nature of the housing market is still very clear, although there are signs that the spread of price growth across the country has been narrowing in recent months, standing at 9.2 percentage points in December (the gap between Edinburgh at 6.1% and Aberdeen at -3.1%) down from 13.5% at the start of 2018.

Fig.1 – City house price inflation – current / 12m ago



Source: Zoopla House Price Indices, powered by Hometrack

Fig.2 – Demand ‘bounce’ compared to +26% average



Source: Zoopla Research

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

Cities ranked on prospects for 2020

An examination of market fundamentals by city - including housing affordability, position in the current housing cycle, discounts to asking price and time to sell - indicate cities where the momentum in growth over the final quarter of 2019 will likely carry over into 2020. The ranking for all cities is shown in Table 2 along with the current annual growth rate.

Nottingham, Edinburgh and Glasgow rank as the top three cities with the strongest prospects for 2020, indicating they will be towards the top end of a relatively narrow range of price growth for 2020.

Conversely our analysis of market fundamentals suggests more constrained price growth in the South of England, in cities such as Bournemouth, Southampton, London and Oxford, largely a result of affordability factors. London ranks 16th but we expect sales volumes to rise faster than prices. Average house prices are still on a downward trajectory in Aberdeen although demand is increasing.

Housing demand 'bounces' 26% higher

There is much focus on how much the demand for housing has 'bounced' in the early weeks of 2020. Looking at the 4 weeks to 20 January 2020, demand for housing across UK cities is, on average, 26% higher than the same period in 2018 and 2019. Figure 2 shows how demand has grown above and below the average. All cities, except for Belfast (flat), have recorded an increase in demand compared to the last 2 years.

Northern cities record strongest increase in demand

Sheffield, Leeds and Leicester have recorded the greatest increase in demand over the first 4 weeks of the year. Southampton and Edinburgh have registered below average growth in demand.

We should note that demand for housing in Edinburgh remains strong overall, hence the 6% annual growth in prices over 2019, but demand has moderated in the first 4 weeks of the year compared to the last 2 years. While prices are falling in Aberdeen there are signs of increased demand, albeit off a low base.

Boost to sales volumes rather than faster price growth

Our expectation is that the boost to demand will support a much-needed increase in housing sales rather than a further acceleration in house price growth over 2020.

Table 2 - City level summary, December 2019

City	Current price	%yoy Dec-19	2020 growth ranking
Edinburgh	£242,200	6.1%	2nd
Nottingham	£159,600	5.2%	1st
Leicester	£181,000	4.7%	6th
Manchester	£173,700	4.5%	4th
Liverpool	£122,600	4.1%	8th
Birmingham	£167,500	3.9%	5th
Belfast	£138,500	3.7%	18th
Leeds	£169,100	3.6%	7th
Glasgow	£124,600	3.4%	3rd
Bristol	£285,300	3.2%	9th
Sheffield	£139,800	3.1%	10th
Bournemouth	£291,200	3.0%	14th
Cardiff	£210,800	2.8%	11th
London	£480,800	1.9%	16th
Portsmouth	£240,500	1.9%	13th
Cambridge	£410,300	1.6%	12th
Newcastle	£128,500	1.5%	17th
Southampton	£226,500	0.6%	15th
Oxford	£413,600	-0.1%	19th
Aberdeen	£155,700	-3.1%	20th
20 city index	£257,600	3.9%	-
UK	£220,400	2.8%	-

Source: Zoopla House Price Index, powered by Hometrack