

UK Cities House Price Index

March 2020 (published 28 April 2020)

- UK city house price growth +1.8%, with March recording lowest monthly growth for a year (<0.1%).
- Demand for housing fell by 70% from early March. The decline bottomed out in early April and has been increasing steadily over the last 3 weeks. Demand remains 60% lower than in early March.
- We estimate that there are 373,000 sales held up by the lockdown for homes worth £82bn. We expect completed housing sales to be 50% lower in 2020 compared to 2019.

UK city house price inflation +1.8% yoy

Annual house price growth is +1.8%. This low by recent standards but higher than a year ago +1.2% (Fig 1). The lockdown is yet to impact house prices – and the scale of any impact remains to be seen. The monthly growth rate for March, at 0.1%, is the lowest for a year, and a third the level of January and February.

New sales agreed are down 90% since early March and with the lockdown set to last until at least early May, pricing evidence will be limited over the next 2-3 months. Some new sales are being agreed based on viewings ahead of the lockdown but running at a tenth of the levels in early March. Activity will take time to recover as restrictions lift and market activity grows.

Table 1 - UK 20 city index summary, March 2020

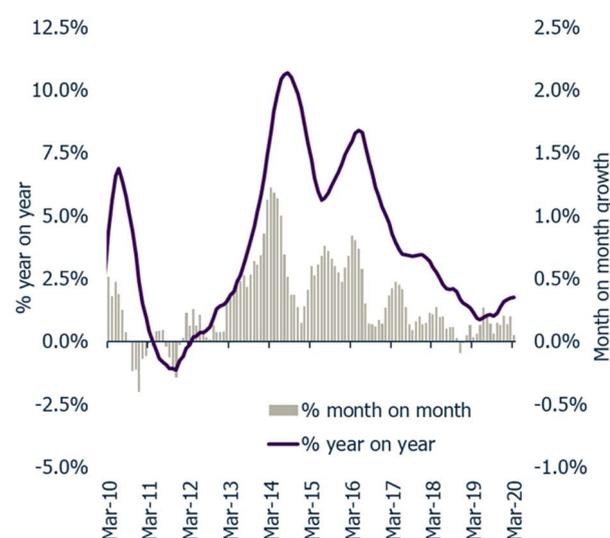
Month	3 month change	% year on year	Average price
Oct-2019	0.4%	1.1%	£254,200
Nov-2019	0.3%	1.4%	£254,500
Dec-2019	0.5%	1.6%	£255,000
Jan-2020	0.5%	1.7%	£255,400
Feb-2020	0.5%	1.7%	£255,900
Mar-2020	0.4%	1.8%	£256,000

Source: Zoopla House Price Indices, powered by Hometrack

Fall in demand bottoms out and starts to rise slowly

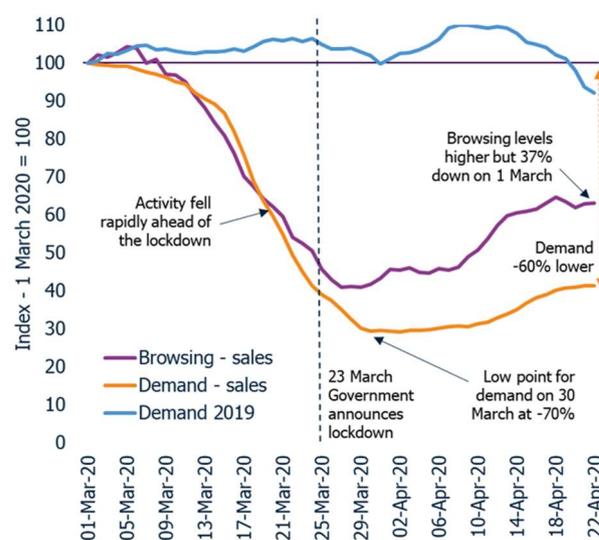
The browsing of property online and the demand for homes fell sharply over March with the greatest decline before the lockdown (Fig. 2). The fall in demand and browsing bottomed out at the start of April and has started to increase slowly off a low base. Browsing levels have recovered to within 35% of the levels at the start of March while demand is still 60% lower.

Fig.1 – City house price inflation %yoy and %mom



Source: Zoopla House Price Indices, powered by Hometrack

Fig.2 – Index of demand and browsing (rolling 7 day)



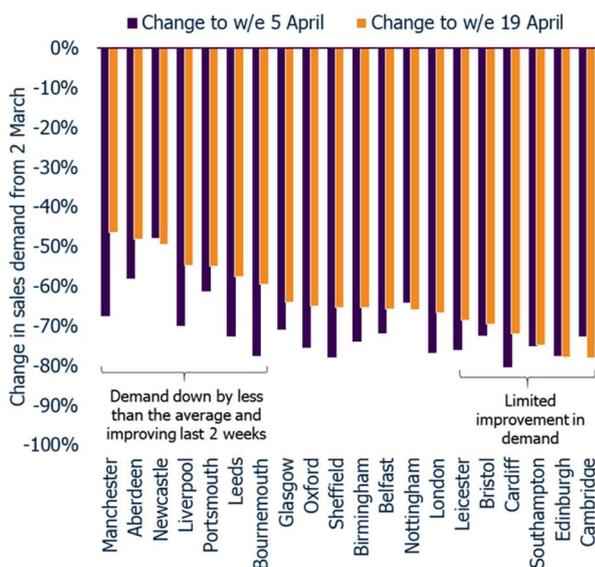
Source: Zoopla Research

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

Change in sales demand across UK cities

We have tracked the weekly change in housing demand across UK cities since the week ending 8 March when the impact of COVID-19 started to bite. Fig. 3 plots the decline in demand to the ‘low point’ after the lockdown (w/e 5 April) and data for the latest week (w/e 19 April). The chart shows the relative decline in demand across cities and those where there has been an improvement in demand over recent weeks.

Fig.3 – Change in demand by city from w/c 2 March



Source: Zoopla Research

Bounce back in northern cities

Cities in northern England have recorded below average falls in demand over the recent downturn. In addition, they have recorded some of the stronger increases in demand over recent weeks, notably Manchester, Liverpool and Leeds. These are all cities where 2020 started strongly and housing affordability remains attractive. These cities could see a faster bounce-back when restrictions lift although most cities have recorded an improvement in recent weeks.

At the other end of the spectrum, higher value and high growth cities such as Cambridge, Edinburgh and Southampton have recorded no material change to underlying levels of demand over the last two weeks.

373,000 homes or £82bn of sales ‘on hold’

While demand may be increasing off a low base, new sales agreed remain at very low levels. The temporary suspension of the sales market has put a significant volume of sales on hold.

We estimate there are c 373,000 sales held up in the pipeline worth a total of £82bn. This equates to nearly £1bn in sales commission for estate agents. Our data shows that the majority of these sales were agreed (subject to contract) between November 2019 and February 2020. Many of these sales may come back later in the year, dependent on the wider economic landscape but at present they are on hold.

Even if restrictions lift in early May, there will have been a 2-month suspension of market activity, which has affected the early stages of the sales process. It will take time for the delayed deal flow to resume and for a new pipeline of business to form. While lenders are extending the timeline for mortgage offers to support the market, there may be limits on how much further they are prepared to extend offers without the need for a new valuation, which could result in future delays even once the market is up and running.

A 50% drop in housing sales projected for 2020

Our current estimate is that we will see a 50% drop in completed housing sales in 2020 compared to 2019. The historic low for housing sales in a single month was 42,000 in January 2008. We expect sales volumes to remain below this level until September 2020. This will result in transaction completed being 50% lower than last year.

The positive news is that the total amount of housing for sale is just 4% lower than the start of March as vendors maintain listings so there is no mass withdrawal of homes for, so there is still plenty of choice for those looking.

Who is looking to buy a home at present?

Despite the decline in activity levels, demand has not dried up entirely. Increased interest in housing is not surprising as the start of the year saw pent-up demand released into the market. This is particularly true in London and south eastern England where affordability pressures, tax changes and BREXIT concerns saw the market under-perform in the 4 years between 2016 and 2019. These regions were set for a strong 2020.

Regional cities, where employment levels have risen and affordability remains attractive, also started the year with momentum. Home builders are reporting clear pick up in the pace of new orders, as further evidence emerges of demand working its way around the current restrictions. Builders could attract a high share of buyer demand when restrictions first lift.

COVID-19 lockdown spurs increased desire to move?

There could well be some support for housing demand and moves off the back of the COVID-19 crisis. Many people will have spent a prolonged period in their homes over the last month and a half – with some looking at a more prolonged period in some instances. Some people working from home may be considering doing this more often, so considering extra space or locating further afield. There will also be those simply looking to make their next move or seeing an opportunity to try and find a bargain.

Outlook for demand remains uncertain

While demand for housing has started to increase, there is a question mark over the speed and trajectory of a recovery towards normal levels in the months ahead. Recent survey data from IPSOS Mori shows the over-riding concern of consumers is the COVID-19 crisis. Economic concerns are a distant number two and fears over employment down in eighth, although rising. Low mortgage rates and major Government support are a positive but demand for housing in the coming months may be more seriously challenged by a deteriorating economic outlook that directly impacts employment levels for homeowners.

What about the impact on house prices in 2020?

We will have a clearer view on the price impact once restrictions start to lift and we get a flow of new sales agreed and pricing evidence. We will be able to track this and changes in the level of pricing for new and existing sales inventory to get an early view on the development of pricing.

Maintenance of the Zoopla House Price Index

We have no plans to make any changes to the index or reporting in the face of lower volumes of pricing evidence. Hometrack, who are market leaders in automated valuation models for UK housing, run the Zoopla house price index each month. We have built the series to be as accurate as possible; in practice proving to be at least comparable in performance with other published indices.

The Zoopla indices use more pricing data, from a wider spread of sources, than other major house price indices. In addition, we also use a repeat sales-based approach which is less data hungry than hedonic price indices. The latest index is using data on agreed and completed sales plus independent property valuations over March. You can find out more about the index at www.hometrack.com.

Table 2 - City level summary, March 2020

City	Current price	%yoy Mar-20	%yoy Mar-19
Nottingham	£159,100	4.1%	3.8%
Leicester	£182,100	3.9%	5.0%
Manchester	£174,100	3.4%	4.5%
Edinburgh	£239,200	3.2%	4.6%
Leeds	£169,200	3.1%	2.4%
Liverpool	£122,600	2.6%	2.8%
Birmingham	£168,500	2.6%	4.1%
Cardiff	£212,100	2.5%	3.0%
Sheffield	£139,600	2.4%	3.3%
Glasgow	£124,300	2.0%	2.9%
Bristol	£284,400	2.0%	1.8%
Belfast	£138,900	2.0%	4.8%
Portsmouth	£239,100	1.3%	0.4%
London	£479,000	0.9%	-1.2%
Bournemouth	£290,100	0.9%	1.3%
Cambridge	£412,800	0.7%	-1.2%
Newcastle	£128,800	0.7%	1.1%
Southampton	£227,100	0.3%	0.9%
Oxford	£410,000	-1.2%	-0.5%
Aberdeen	£154,200	-2.5%	-4.9%
20 city index	£256,000	1.8%	1.2%
UK	£219,500	2.1%	1.3%

Source: Zoopla House Price Index, powered by Hometrack