

UK Cities House Price Index

January 2019

- UK city house price inflation +2.9% - city level range +6% in Leicester to -2% in Aberdeen.
- The annual rate of growth continues to moderate – 13 cities with lower price growth than a year ago.
- Comparison of time to sell and discounts to asking price reveals the relative strength of city housing markets. Twelve cities have relatively strong market fundamentals.

London a drag on 20 city index headline growth

UK city house prices rose 2.9% over the 12 months to January 2019. Prices are rising fastest in Leicester (6.0%) followed by Belfast (5.8%) and Manchester (5.4%). Prices continue to fall in Aberdeen (-1.6%) where average values are £34,000 lower than mid-2015 at the time of the collapse in the oil price. London house price inflation is virtually flat at +0.2%.

Table 1 - UK 20 city index summary, January 2019

Month	3 month change	% yoy	Average price
Aug-18	0.4%	1.7%	£250,400
Sep-18	0.0%	1.6%	£250,200
Oct-18	-0.1%	1.6%	£250,000
Nov-18	0.2%	2.0%	£250,900
Dec-18	0.7%	2.6%	£251,900
Jan-19	1.1%	2.9%	£252,700

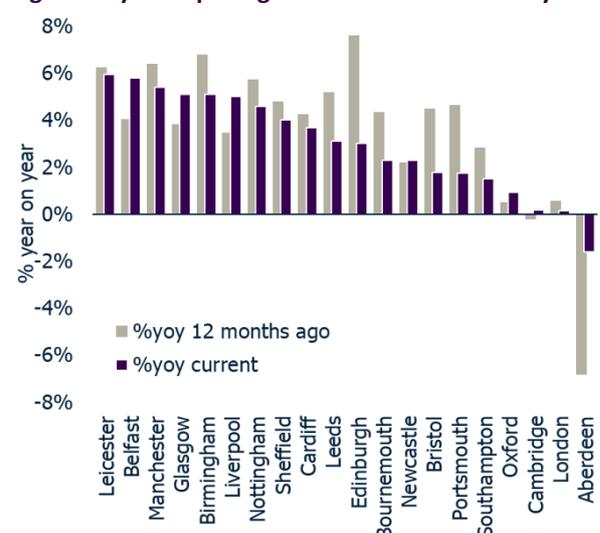
Source: Zoopla House Price Indices, powered by Hometrack

City price inflation have varied widely

The annual rate of growth continues to moderate. Thirteen cities are registering weaker growth than a year ago as a result of affordability pressures and increased uncertainty. The sharpest slowdown in the rate of growth has been registered in Edinburgh, Bournemouth, Portsmouth and Bristol (Fig.1).

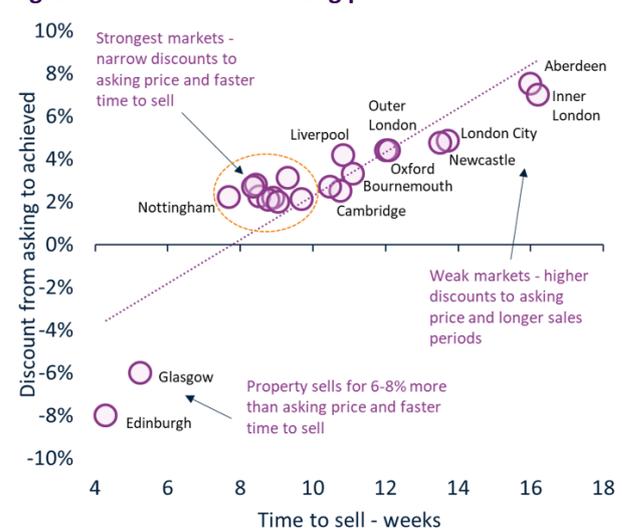
Bristol, for example, is recording annual house price growth of 1.8%, the lowest rate for over 5 years (September 2012) as affordability pressures impact demand. It is a similar story in Portsmouth, Bournemouth and other cities across southern England.

Fig.1 – City level price growth - current and last year



Source: Zoopla House Price Indices, powered by Hometrack

Fig.2 – Time to sell and asking price discounts



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.

Other measures reveal relative market strength

Other housing metrics can demonstrate the relative strength of city housing markets. Fig. 2 sets out the average time it takes to sell a property in weeks and the level of discount to achieve a sale for each city.

Aberdeen and inner London are weakest markets

The weakest housing markets have the longest sales periods and the largest discounts – currently Aberdeen and Inner London where discounts to asking price average 7% and the time to sell is 16 weeks. The closer the top right of Fig.2, the weaker the outlook for house price growth and the greater the likelihood of lower sales as vendors hold off from selling.

Nottingham has strongest fundamentals

Nottingham has the strongest market indicators with an average asking price discount of just 2% and less than 8 weeks to achieve a sale. House price growth is holding steady at 4.6%.

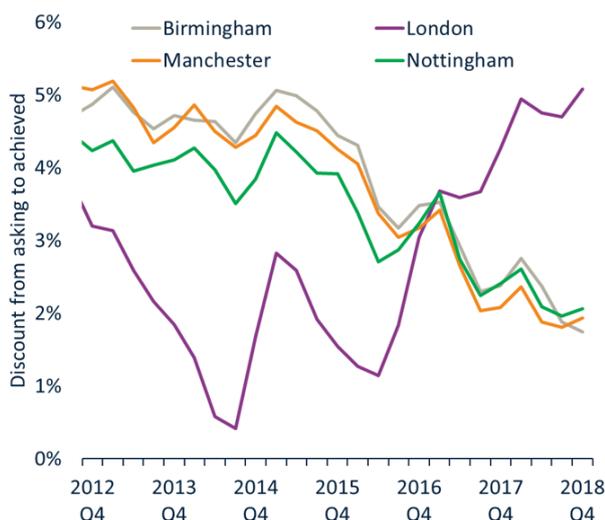
Strong underlying market conditions in 12 cities

Our analysis reveals that market conditions are strong across twelve cities. All these are located outside the south of England. While increased uncertainty has resulted in a slower rate of house price growth, there remains further potential for price growth.

Achieved prices higher than asking prices in 2 cities

Edinburgh and Glasgow have the fastest time to sell a property and achieved prices are on average 6% to 8% higher than the asking price. Homes in Scotland are typically marketed as ‘offers over’.

Fig. 3 – Discount from asking price – selected cities



Source: Zoopla Research

Table 2 - City level summary, January 2019

City	Current price	%yoy Jan-19	%yoy Jan-18
Leicester	£177,600	6.0%	6.2%
Belfast	£133,800	5.8%	4.0%
Manchester	£167,600	5.4%	6.4%
Glasgow	£123,200	5.1%	3.8%
Birmingham	£163,000	5.1%	6.8%
Liverpool	£119,700	5.0%	3.5%
Nottingham	£151,900	4.6%	5.7%
Sheffield	£137,200	4.0%	4.8%
Cardiff	£205,900	3.7%	4.3%
Leeds	£164,500	3.1%	5.2%
Edinburgh	£227,800	3.0%	7.6%
Bournemouth	£287,700	2.3%	4.4%
Newcastle	£127,100	2.3%	2.2%
Bristol	£276,800	1.8%	4.5%
Portsmouth	£237,400	1.8%	4.7%
Southampton	£226,200	1.5%	2.8%
Oxford	£408,100	0.9%	0.5%
Cambridge	£423,500	0.2%	-0.2%
London	£479,800	0.2%	0.6%
Aberdeen	£162,200	-1.6%	-6.8%
20 city composite	£252,700	2.9%	2.8%
UK	£216,600	3.1%	3.6%

Source: Zoopla House Price Index, powered by Hometrack

Asking price discounts narrow in regional cities

Fig.3 plots the trend in asking price discounts over time comparing Nottingham, Birmingham, Manchester and London. Discounts continue to narrow in large regional cities despite a slowdown in the annual rate of price inflation. In contrast, discounts continue to widen in London. Discounts of 5-6% indicate price falls.

Outlook for rest of 2019Q1

The latest data for housing sales shows transaction volumes holding up in line with the 5 years average with first time buyers the largest buyer group in 2018. Uncertainty has impacted the headline rate of growth, but demand for housing is holding up better than many had expected.

We expect city level house price growth to moderate further in the very near term. Underlying market conditions remain strong across many cities and there is potential for further price inflation once the outlook becomes clearer.