

UK Cities House Price Index

May 2017

- Annual rate of growth increases to 5.1%. Average prices increase 3.5% in last quarter.
- We believe there is potential for material upside for city house prices outside southern England.
- Annual growth rate in London (3.3%) at the lowest for 5 years, but with signs of ‘bottoming out’. We do not expect the London City index to go negative year on year in 2017.

City house price growth 5.1%yoy

UK city house price growth is 5.1% per annum, down from 8.8% in May 2016. Half of cities have faster growth than a year ago (Table 2). Cities in south eastern England have recorded the greatest slowdown over the year – London 13% to 3%, Cambridge 13% to 2%.

Table 1 – UK 20 city index summary, May 2017

Month	3 mth. change	%yoy	Average price
Dec-16	0.0%	4.4%	£239,100
Jan-17	0.4%	4.2%	£240,100
Feb-17	1.1%	4.4%	£241,600
Mar-17	2.3%	4.9%	£244,700
Apr-17	3.1%	5.2%	£247,500
May-17	3.5%	5.1%	£250,200

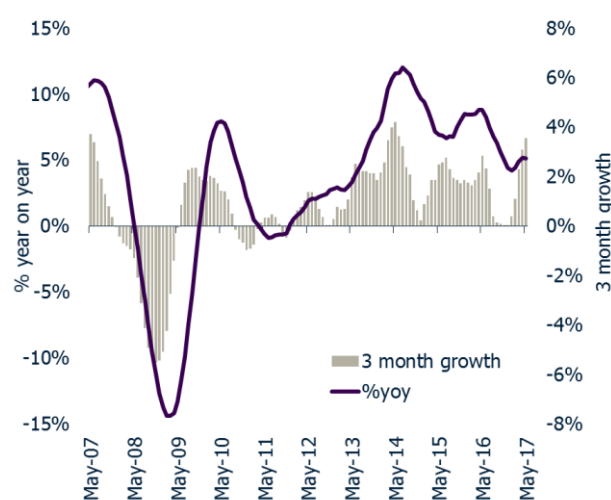
Source: Hometrack House Price Indices

Fastest increase over a quarter for 3 years

While the annual rate of growth is at 5.1%, the index has recorded an acceleration in growth over the last 3 months with average prices across the 20 city index up by 3.5%. This is the highest quarterly rate of growth for 3 years, since June 2014 (Fig. 1).

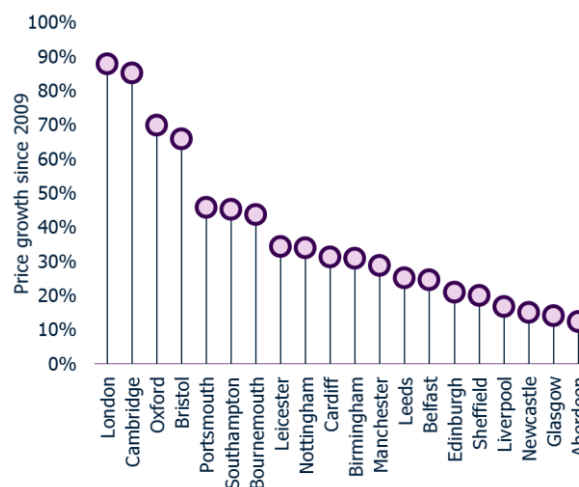
All cities, with the exception of Oxford and Aberdeen, have registered higher prices in the last 3 months. Large regional cities recorded the highest price increases over the last quarter – Birmingham (3.8%), Nottingham (3.8%), Manchester (3.3%) and Newcastle (3.5%). House prices in these and other cities continue to rise off a low base supported by a lack of housing for sale and low mortgage rates.

Fig. 1 – City price inflation – yoy and 3 month change



Source: Hometrack UK Cities Index

Fig. 2 – House price growth since 2009



Source: Hometrack House Price Indices

Note: All price changes are quoted in nominal terms. Hometrack’s house price indices are revisionary and not seasonally adjusted.

More growth to come in cities outside South East

We believe there is the potential for material upside in house prices outside Southern England. Price increases since 2009 range between +85% in London to just +12% in Glasgow (Fig. 2). Regional cities are unlikely to post London levels of growth, but we expect the gap in growth from 2009 to close. Cities with growing economies creating jobs have the greatest upside. Birmingham (7.7%) and Manchester (6.8%) are examples of cities with sustained, above average price growth. A negative economic impact from the Brexit negotiations, or an upward shift in mortgage rates remain the key risks.

Rapid price deceleration in London bottoming out

In contrast, the London housing market has registered 90% growth since 2009. Affordability and uncertainty are impacting demand. London has the lowest annual growth (+3.3%) for 5 years. However, the rapid deceleration in price inflation is showing signs of bottoming out.

On current trends we do not expect to see the London City index to slip into negative year on year growth during 2017. We predict annual growth to end the year at 2-3%. The challenge for business operating in London is lower turnover, which is the market response to weaker demand.

Trends within London City vary widely

Some sub-markets within London City, which covers 46 local authority areas, are registering annual price falls. Figure 3 plots year on year growth by local authority against average prices. Subscribers to our email alerts can see the full data for London City.

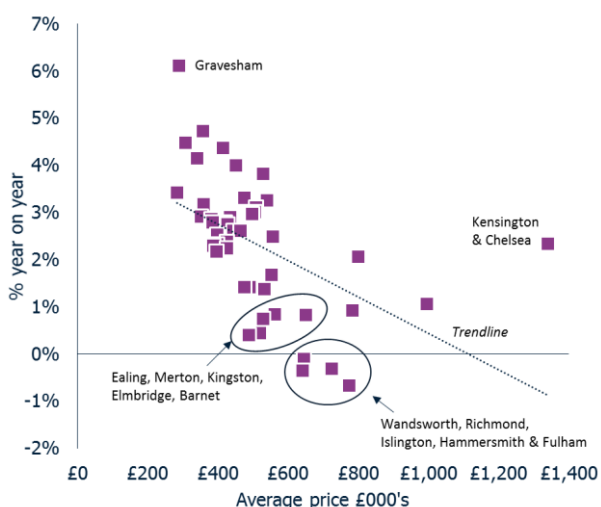
Price inflation is 4-6% in the lowest value areas, down from 15% to 18% a year ago. Price rises are lowest in the highest value markets, where growth has been in single digits for the last year. Sub-markets with prices between £600,000 and £800,000 are where small annual price falls are currently concentrated e.g. Islington, Hammersmith.

Table 2 – City level summary, May 2017

City	Current price	%yoy May 2017	% yoy May 2016
Aberdeen	£178,500	-4.3%	-8.9%
Belfast	£130,300	4.2%	3.9%
Birmingham	£153,500	7.7%	6.9%
Bournemouth	£276,800	4.1%	8.1%
Bristol	£266,800	5.0%	12.9%
Cambridge	£431,200	2.0%	13.0%
Cardiff	£194,500	3.5%	5.1%
Edinburgh	£206,900	5.5%	2.8%
Glasgow	£117,500	4.3%	1.9%
Leeds	£159,600	4.9%	6.0%
Leicester	£165,000	6.8%	6.7%
Liverpool	£117,400	4.5%	3.0%
London	£492,200	3.3%	13.0%
Manchester	£154,800	6.8%	6.4%
Newcastle	£127,800	3.7%	1.4%
Nottingham	£146,000	6.8%	5.7%
Oxford	£414,200	1.6%	8.2%
Portsmouth	£225,900	4.8%	8.5%
Sheffield	£132,800	4.6%	3.5%
Southampton	£224,000	5.1%	8.4%
20 city index	£250,200	5.1%	8.8%
UK	£210,200	4.7%	7.1%

Source: Hometrack House Price Indices

Fig. 3 – House price trends within London City



Source: Hometrack UK Cities Index

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