UK city house price growth slows to 1.7%. Lowest growth rate since May 2012 as slowdown extends into cities across southern England.

Sales volumes in southern cities are 13% lower than in 2015. Weaker demand has steadily reduced the rate of residential property price inflation.

Above average price inflation in regional cities with sales volumes up to 19% higher than in 2015.

Price growth weakens across southern England
UK city house price inflation has slowed to 1.7%, the weakest growth since May 2012. Weaker market conditions are spreading out from London into cities across southern England as affordability pressures grow and moving costs increase.

All six cities covered by the index in southern England, outside London, are recording the lowest growth rates since 2012 – ranging from -0.6% in Oxford to +2.2% in Bristol (Fig.1).

Table 1 - UK 20 city index summary, March 2019

<table>
<thead>
<tr>
<th>Month</th>
<th>3 mth. change</th>
<th>%yoy</th>
<th>Average price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-18</td>
<td>-0.4%</td>
<td>1.2%</td>
<td>£251,800</td>
</tr>
<tr>
<td>Nov-18</td>
<td>-0.5%</td>
<td>1.1%</td>
<td>£251,400</td>
</tr>
<tr>
<td>Dec-18</td>
<td>-0.4%</td>
<td>1.2%</td>
<td>£251,300</td>
</tr>
<tr>
<td>Jan-19</td>
<td>0.1%</td>
<td>1.3%</td>
<td>£252,000</td>
</tr>
<tr>
<td>Feb-19</td>
<td>1.0%</td>
<td>1.8%</td>
<td>£253,800</td>
</tr>
<tr>
<td>Mar-19</td>
<td>1.3%</td>
<td>1.7%</td>
<td>£254,600</td>
</tr>
</tbody>
</table>

Source: Zoopla House Price Indices, powered by Hometrack

Weaker demand as sales volumes fall 13% since 2015
Demand for housing in southern cities has weakened, evidenced by falling sales volumes, and this has resulted in lower levels of house price growth.

Our latest analysis of city level housing transactions shows sales volumes down by an average of 13% across southern cities since 2015. (Fig.2). Sales are down by 20% in Cambridge, in line with the decline in London, and by 12% to 13% in Portsmouth and Bournemouth.

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

Fig.2 – Change in housing sales from 2015 to 2018

Source: Zoopla House Price Indices, powered by Hometrack

Source: Zoopla analysis of ROS, HMLR, NISRA

Note: All price changes are quoted in nominal terms. Hometrack’s House Price Indices are revisionary and not seasonally adjusted.
High price growth eventually results in lower sales
Falling sales volumes after a prolonged period of high house price growth is part and parcel of the unfolding housing cycle. The reality is that the more house prices increase over time, the more buyers are priced out of the market through a mix of affordability factors and higher moving costs.

Figure 3 shows the relationship between price growth since 2008 and the change in sales since 2015. It shows cities with the greatest increase in house prices have registered a steeper decline in sales since 2015 - the year with the highest overall sales since 2007.

Above average price growth in affordable cities
The cities with the highest rates of price growth at present are those where the recovery in prices since 2008 has been weakest and where affordability levels remain most attractive. Liverpool currently has the highest annual rate of house price growth (5.8%) with three other cities registering price growth over 5% - Leicester, Glasgow and Manchester. Housing sales in Glasgow and Liverpool are, respectively, 12% and 19% higher than in 2015.

Coverage of price falls in London continues to decline
House prices in London are unchanged compared to 12 months ago. The decline in proportion of local markets registering annual price falls that we highlighted last month has continued into March. Greater realism over pricing after a 3-year period of falling sales means house price growth is currently stabilising.