

# UK House Price Index

## +1.9%

UK house price inflation (YoY)

## 11%

Share of listings for sale previously rented out

## 12%

House price growth in London over last 7 years  
v 46% in Wales

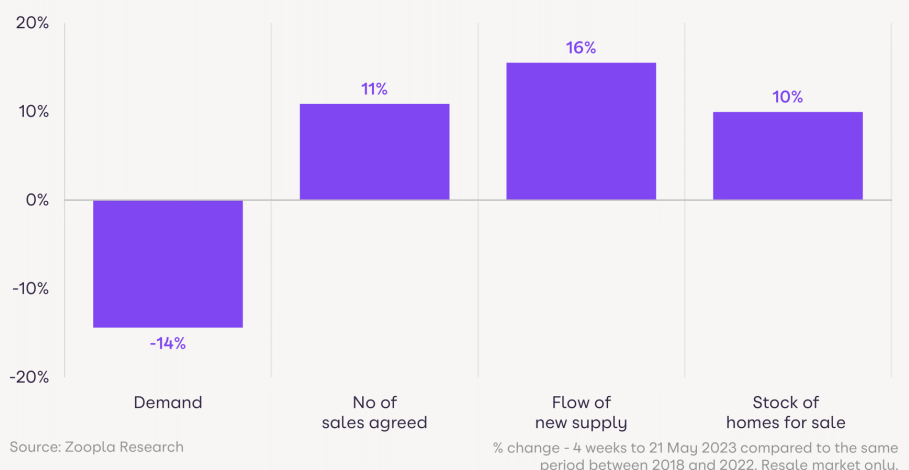
### Executive summary

- UK house prices fall 1.3% over the last 6 months
- Rate of price falls has slowed as activity levels recover
- Stronger growth in new sales brings more sellers into the market
- Above average activity in the N. East, Scotland and London
- Weaker demand but sales hold up in Midlands and southern England
- Regional trends explained by recent price inflation and affordability
- Mortgage regulations have tempered the impact of higher mortgage rates on house prices.
- The prospect of higher mortgage rates in H2 is likely to weaken demand and activity but the scale depends on how high rates move.

**“Falling mortgage rates in H1 2023 have supported increased market activity. Expectations that interest rates need to rise further to control inflation will push up mortgage rates. This is likely to result in weaker demand and levels of market activity in H2 2023.”**

**Richard Donnell**  
Executive Director - Research

### More sales and new supply despite below-average demand



# +1.9%

Annual house price  
inflation to April 2023

## Prices fall 1.3% in last 6 months, but pace of falls slows

House prices and housing market activity continue to adjust to the impact of higher mortgage rates and rising living costs. Our UK price index has registered a 1.3% decline over the last six months.

In recent months, the rate of monthly price falls has slowed as buyer confidence improves. Sales also increased in response to falling mortgage rates and a strong labour market. The annual rate of price inflation is 1.9%, down from 9.6% a year ago. At a regional level house price inflation ranges from -0.2% in London to 3.6% in Wales.

We expect prices to remain broadly static for the rest of the year. However, higher-than-expected inflation data has increased the probability of further interest rate rises. This will have a knock-on effect on mortgage rates which appear likely to edge higher in the coming weeks. This would reduce buying power and demand for homes in H2 and the impact depends on how much rates increase.

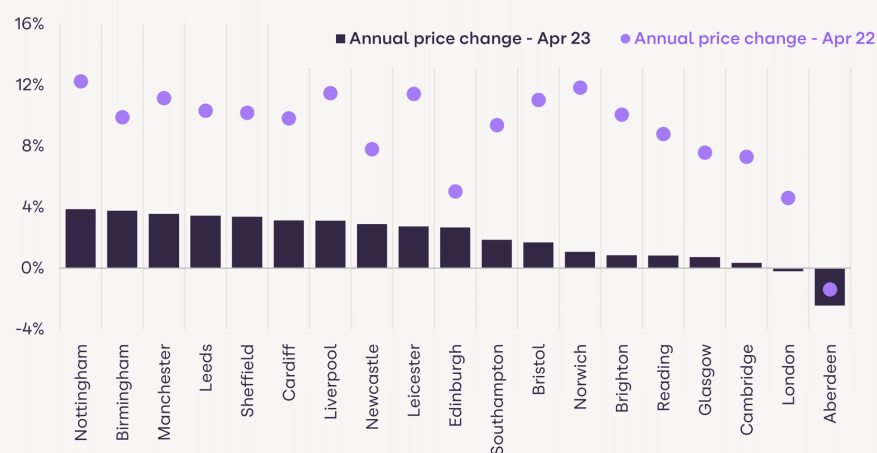
The biggest hit to housing activity in 2023 will be seen in the number of housing sales which are on track to be 20% lower than last year.

## More sellers as market confidence slowly improves

Despite weaker demand, the number of new sales agreed over the last 4 weeks is 11% higher than the 5-year average for the same period. As many buyers are also selling, more sales boost the flow of new homes for sale which is 16% up on the 5-year average.

While there are more sales being agreed, sellers must remain realistic on pricing to attract buyer interest. Some 18% of homes currently listed for sale on Zoopla have had the asking price cut by 5% or more, compared to 28% in February. Price reductions typically come 8 weeks after the first listing as sellers try to boost interest from buyers.

Annual growth loses momentum across all cities



Source: Zoopla House Price Index

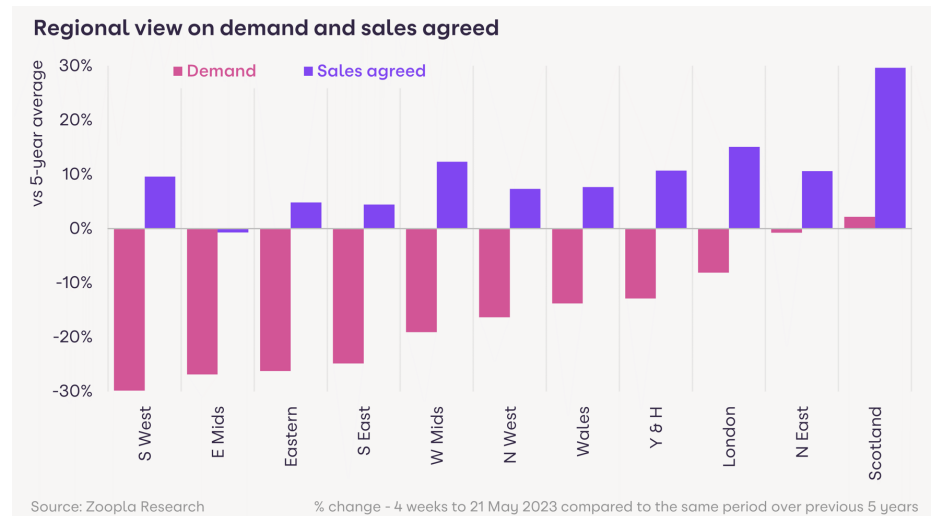
# 11%

Proportion of homes for sale that were formerly rented out

## Landlord sales add to the available supply

Some landlords looking to rationalise their portfolios in the face of higher mortgage rates are also adding to supply. Some 1 in 10 (11%) of homes listed for sale were previously rented out, a level that peaked at 14% in 2020 and which has drifted lower over the last 3 years.

Five years ago, around half of these homes returned to the rental market as unsold or bought by another investor. However, this proportion has dropped to a third more recently. These ex-rented homes have asking prices that are 25% lower than owned homes (£190,000 v £250,000) and will appeal to first-time buyers.



## Market conditions vary across the country

There are some distinct variations in market strength across Great Britain. Buyer demand and new sales continue to perform best in Scotland, the North East and London. Demand is above the national average in these regions and sales are more than 10% higher.

Demand remains below average in English regions across the South and Midlands - areas where house prices posted some of the greatest gains over the last 3 years. Higher prices, together with the hit to buying power from higher mortgage rates and the rising cost of living, have taken more buyers out of the market in these areas. However, there are still active buyers in these markets, shown by above-average sales, albeit at a lower level.

## No sign of any build-up in unsold inventory

While demand is weaker and supply is rising, we find no evidence of any material build-up in an unsold stock of homes. The number of homes listed for more than 90 days in most areas is in line with the 5-year average. It suggests that while new sellers will need to set asking prices carefully, there is no need for larger price falls to clear stock at this stage.

# 12%

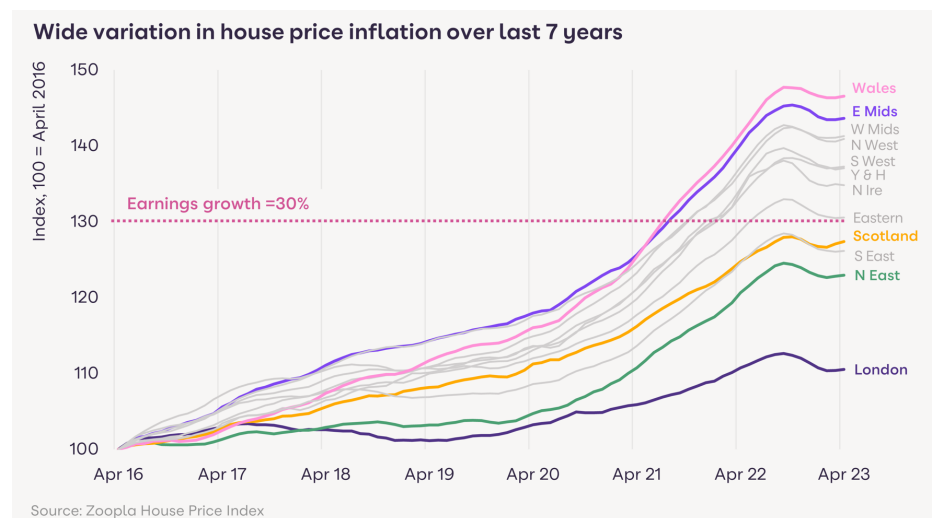
House price growth in London over last 7 years v 32% for the UK

## Weaker demand where prices have outpaced earnings

The variation in activity across regional markets is most likely explained by the level of recent price growth. Above-average growth has impacted the affordability of homes. It has also increased the sensitivity of would-be home buyers to higher mortgage rates.

House price growth over the last 7 years has ranged from just 12% in London to 47% in Wales. Average earnings increased by 30% over the same period. Areas with house price growth outpacing earnings align with those where demand is below average at present. In contrast, the regions and countries with the lowest rate of price inflation since 2016 are recording stronger activity.

London is not an affordable market with average house prices 2x the UK level. However, low price inflation has improved affordability. There is better value for would-be buyers, especially those looking to buy flats where prices are unchanged since 2016. Increased migration into the UK is likely to be supporting market activity in London.



## Has the market avoided the risk a big price correction?

UK home buyers have seen a significant increase in borrowing costs in the last year, which would historically have led to house prices falling. The impact of higher rates has been less pronounced than it might have been in the past due to mortgage regulations introduced by the Bank of England in 2015.

Anyone taking a mortgage since then has had to prove to their bank that they can afford a 6.5-7% mortgage 'stress' rate even though they were paying 1% or 2%. It is as if the housing market, and the ability to buy with a mortgage, has been operating at 6-7% rates already.

This is one key reason we have seen less of an impact on pricing thus far, but values remain sensitive to mortgage rates rising above 5%. Most lenders are currently testing affordability at >8% mortgage rates, hence below-average demand and fewer sales over 2023.

# 4.2%

Average mortgage rate  
for a new 5-year fix at  
75% LTV

## What is the risk from mortgage rates edging higher?

The increase in housing market activity this year is down to average mortgage rates falling back towards 4% in line with the underlying cost of finance. The latest inflation numbers has increased the likelihood that interest rates may need to rise further to cool inflation which means an increase in mortgage rates in the near term.

Improving levels of housing activity over the last two months prove that 4% to 4.5% mortgage rates are generally manageable for new homebuyers. This is despite them being more than double the lows of late 2021. However, higher living costs continue to erode spending power at the same time.

Our assessment remains that mortgage rates of 4-5% are consistent with house price growth of +2% to -2% and circa 1 million sales a year, so long as we continue to see a strong labour market.

The more mortgage rates move above 5%, the greater the impact on buying power and the more house prices will come under downward pressure. Banks increasing their affordability tests further than the current levels for new borrowers will compound this pressure.

Banks have a supply of mortgage funding at current rates, but some lenders have also been chasing business with very competitive pricing meaning rates for best deals are set to rise. Borrowing costs look likely to edge higher in the coming weeks. How much really depends on financial markets and their assessment of the outlook for short-term interest rates.

The net result is that the build-up of market momentum this spring is likely to weaken in the second half of the year with the scale of the impact depending on how much borrowing costs increase.

## House Price Index - Country, region and city summary

Note: The Zoopla house price index is a repeat sales-based price index, using sold prices, mortgage valuations and data for agreed sales. The index uses more input data than any other and is designed to accurately track the change in pricing for UK housing.

April Index 2023  
(Published May 2023)

Source: Zoopla House Price Index

Region/City	Annual % change in house price
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City	Annual % change in house price
1 Nottingham	3.9%
2 Birmingham	3.8%
3 Manchester	3.6%
4 Leeds	3.4%
5 Sheffield	3.4%
6 Cardiff	3.1%
7 Liverpool	3.1%
8 Newcastle	2.9%
9 Leicester	2.7%
10 Edinburgh	2.7%
11 Portsmouth	2.1%
12 Southampton	1.9%
13 Bristol	1.7%
14 Bournemouth	1.6%
15 Glasgow	0.7%
16 Cambridge	0.3%
17 Oxford	0.1%
18 Belfast	-0.6%
19 Aberdeen	-2.4%

Northern Ireland	0.5% ^
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Scotland	2.1% ^
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North East	1.9% ^
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North West	2.7% ^
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Yorkshire and Humber	3.0% ^
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East Midlands	2.5% ^
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West Midlands	3.5% ^
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East of England	1.4% ^
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Wales	3.6% ^
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London	-0.2% v
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South West	2.0% ^
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South East	1.2% ^
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United Kingdom	1.9%
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## Zoopla House Price Index, city summary, April 2023

Source: Zoopla House Price Index. Sparklines show last 12 months trend in annual and monthly growth rates - red bars are a negative value - each series has its own axis settings providing a more granular view on price development.

	Average price	%yoy Apr-23	%yoy Apr-22	Monthly trend	Annual trend
<b>United Kingdom</b>	<b>£260,700</b>	<b>1.9%</b>	<b>9.6%</b>		
<b>20 City Composite</b>	<b>£296,000</b>	<b>1.7%</b>	<b>7.8%</b>		
Nottingham	£202,100	3.9%	12.2%		
Manchester	£219,900	3.6%	11.2%		
Liverpool	£155,400	3.1%	11.5%		
Birmingham	£206,800	3.8%	9.9%		
Leicester	£227,200	2.7%	11.4%		
Leeds	£209,600	3.4%	10.3%		
Sheffield	£171,600	3.4%	10.2%		
Cardiff	£256,200	3.1%	9.8%		
Bournemouth	£345,200	1.6%	11.7%		
Portsmouth	£284,300	2.1%	11.0%		
Bristol	£337,400	1.7%	11.0%		
Southampton	£259,800	1.9%	9.4%		
Belfast	£166,500	-0.6%	10.5%		
Newcastle	£149,200	2.9%	7.8%		
Cambridge	£465,400	0.3%	7.3%		
Glasgow	£142,400	0.7%	7.6%		
Edinburgh	£267,400	2.7%	5.0%		
London	£523,100	-0.2%	4.6%		
Oxford	£452,200	0.1%	7.2%		
Aberdeen	£136,400	-2.4%	-1.4%		

Source: Zoopla House Price Index. Sparklines show last 12 months trend in annual and monthly growth rates - red bars are a negative value - each series has its own axis settings providing a more granular view on price development.

### Contacts

If you have any questions about our research please do get in touch

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