

UK House Price Index

1.9%

Annual UK house price inflation (Jan 2025)

1.7x

Ratio of house to flat prices - highest for 30 years

-43%

Mortgage repayments on a flat vs cost of renting

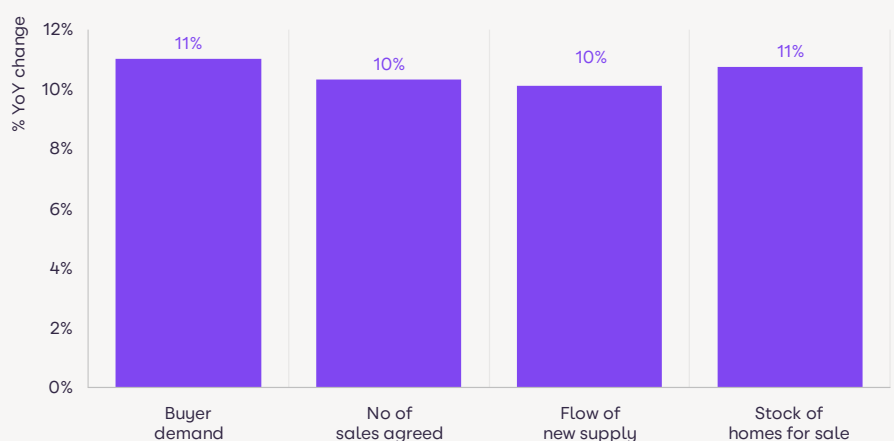
Executive summary

- Key measures of market activity increasing by over 10% yoy
- House price inflation ticks lower to 1.9% in response to higher mortgage rates and rising buying costs from April
- Rapid growth in number of flats for sale: +14% vs +5% for houses
- Value of houses has increased 24% over 5 years, 3x faster than the 7% growth in the price of flats
- Gap between price of houses and flats is at a 30-year high (1.7x)
- Buyers still prioritising houses despite lower prices of flats - mortgage repayments for a flat are 43% lower than rental costs
- Strong earnings growth supporting activity, but greater supply of homes for sale is expected to keep price inflation in check

“The housing market is resilient, supported by faster growth in average earnings. There are the most homes for sale in 7 years, which will keep price inflation in check. Are canny buyers missing opportunities in the flats market?”

Richard Donnell
Executive Director - Research

All measures of sales market activity posting double-digit growth



Source: Zoopla Research

% change - 4 weeks to 19 Feb 2025 compared to the same period in 24

+11%

Homes for sale compared to 2024

Sales activity higher but rate of price inflation dips

The sales market continues to register positive momentum, with all key measures of market activity running 10-11% higher than a year ago¹. The number of sales agreed are 10% higher, and 11% more homes are for sale than a year ago, meaning there are more buyers in the market.

Increased levels of housing market activity mirrors other measures of economic activity, including robust earnings growth, higher retail sales and signs that consumer confidence is on the rise.

While market activity continues to increase, the annual rate of house price inflation edged lower to +1.9% in the 12 months to January 2025, down from +2.0% in December 2024.

House price inflation continues to follow a north-south divide. Average prices are 7.2% higher in Northern Ireland and 3% higher in the North West. Comparatively, house prices across London and southern England are only 1% to 1.2% higher over the last year.

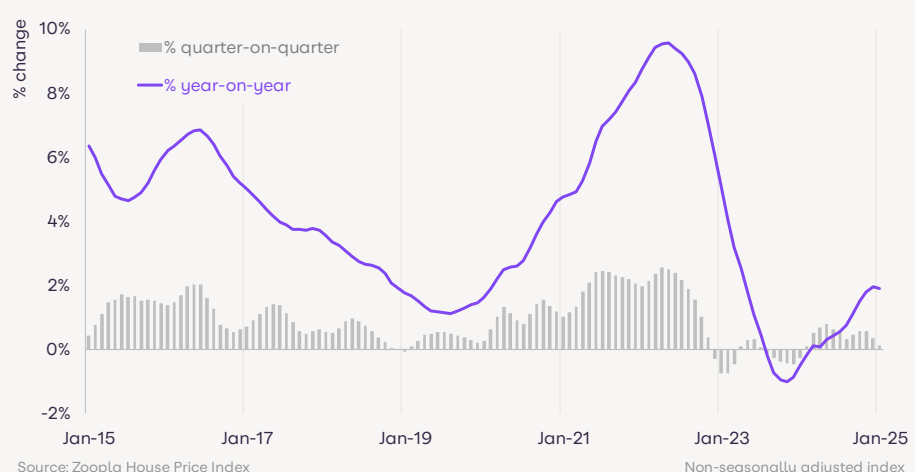
House price inflation stalled or slowed across most regions and countries of the UK in January. This reflects the sharp dip in consumer confidence in the wake of the Autumn 2024 Budget, and mortgage rates increasing by 0.5% since September 2024².

Stamp duty impacts starting to feed through

The moderation in house price inflation may also reflect buyers starting to factor in higher stamp duty³ from April 2025. Half of homeowners will have to pay an extra £2,500 per purchase, while another third will pay up to this level. Two fifths of first-time buyers will pay more stamp duty from April, up from 20% today.

Home buyers will expect to reflect this extra cost in their offers, typically looking to split the cost with the seller. In monetary terms the differences are not large, but the overall impact of these stamp duty changes will keep house price inflation in check over 2025.

Annual house price inflation starting to plateau around +2%



1 Comparing 4 weeks to 19 February 2025 with same period in 2024

2 Average 5-year fix at 75% LTV (Bank of England Bank Stats)

3 Applies to England and Northern Ireland

15%

Flats for sale with asking prices below the last purchase price

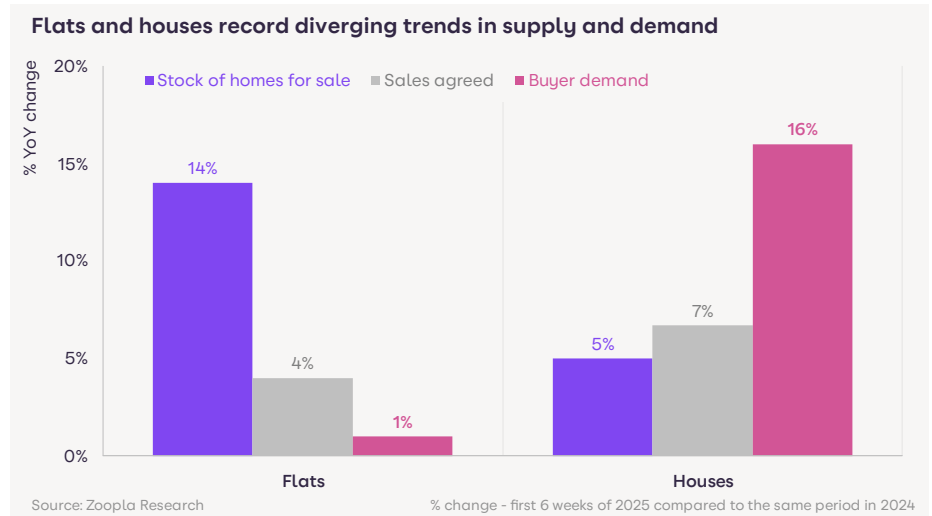
Surge in flats being listed for sale

One notable trend emerging during the early weeks of 2025 is a double-digit increase (14%) in the number of flats on the market, with a more modest increase (5%) in the number of houses for sale. A return to price increases for flats in 2024 has brought more supply to the market, with flats accounting for 1 in 4 homes currently for sale.

The increase in the number of flats for sale is running well ahead of the growth in new sales agreed (4%) and buyer demand (1%) for this property type. In contrast, the demand for houses is 16% higher than a year ago, while available supply of this property type is just 5% higher.

This mismatch in supply and demand explains why the value of an average flat has risen by just 0.5% in the last year, with house values up 2.2% in comparison. We don't expect house values to rise faster, given the greater choice of homes for sale and the extra stamp duty costs for many buyers.

Most owners of flats coming to the market are facing smaller capital gains than owners of houses. 2 in 5 (40%) flats for sale have an asking price of less than £20,000 above the last purchase price, compared to just 6% of houses. Gains, even small, are not guaranteed though, with 15% of flats priced lower than they were previously purchased for.



Gap between price of houses and flats at a 30-year high

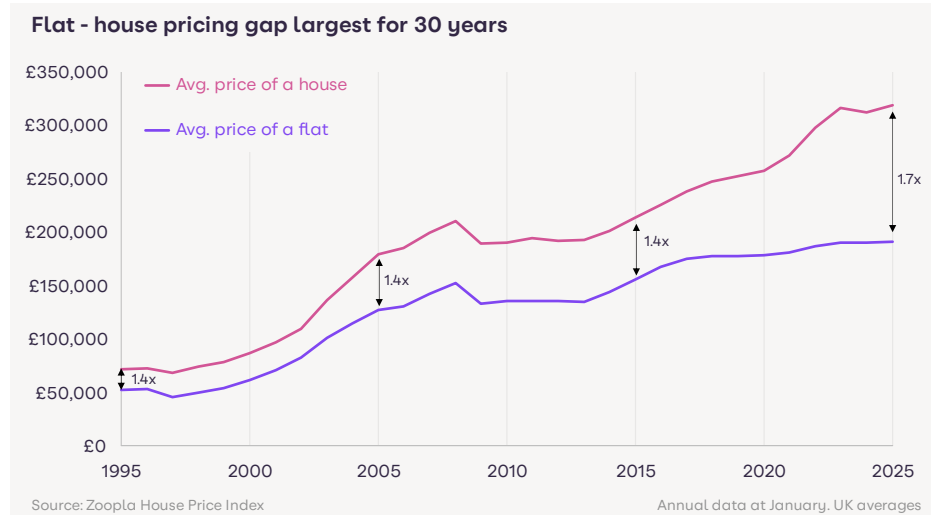
The search for space over the pandemic boosted demand for houses, while concerns over the running costs of flats (e.g. service charges and ground rents) has acted as a drag on flat prices. Building safety is another factor impacting demand for some recently built flats.

The average price of a flat has increased by just 7% over the last 5 years, compared to house prices increasing by nearly a quarter (24%).

Looking at data from a longer period, the gap between the price of houses and flats is at a 30-year high. The average price of a house (£319,500) is 67% higher than the average price of a flat (£191,300).

-43%

Mortgage repayments on a flat across major cities vs cost of renting



Growing preference for houses a missed opportunity?

While flats are looking like better value for money, buyers (especially first-time buyers) are still prioritising houses. Zoopla data shows that in 2017, over 2 in 5 (44%) of first-time buyers looking to buy outside London wanted a 3-bed house. This had increased to over a half (52%) by the end of 2024. Demand for 1 and 2-bed flats has declined from 25% to 17% over the same period.

It's surprising that more buyers aren't looking at flats as an option for home ownership, given the pricing differential to houses and the cost of buying vs renting. Among major UK cities, we calculate that the monthly mortgage repayments on a flat are 43% lower than the cost of renting, while mortgage costs for a house are 22% higher⁴.

The market for flats is diverse and, in an affordability-constrained market, it seems that there are opportunities for canny buyers prepared to do their homework and weigh up the purchase of a flat rather than potentially waiting longer to buy a house. The outlook for prices, future saleability and running costs are all important factors.

Outlook

The housing market remains resilient with more people looking to move home in 2025 and 2026 than this time last year. Average earnings growth of 6% over the last year, well ahead of inflation, is supporting buyer confidence and helping to reset affordability.

There has been a sizable increase in the number of homes for sale in the early weeks of the year, which is giving buyers greater choice and stronger negotiating power. Alongside higher stamp duty costs coming in for many from April, we expect house price inflation to be kept in check at 2-2.5%, with above-average growth in more affordable markets outside southern England.

⁴ Assumes an 80% LTV mortgage on a 30-year term at 4.5% mortgage rate across Birmingham, Brighton, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle, Southampton

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.

January 2025 Index
(Published February 2025)

Source: Zoopla House Price Index

Region/City	Annual % change in house price
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City	Annual % change in house price
1 Belfast	6.9%
2 Liverpool	3.5%
3 Manchester	3.4%
4 Sheffield	2.7%
5 Newcastle	2.6%
6 Birmingham	2.5%
7 Leeds	2.1%
8 Nottingham	2.0%
9 Cardiff	2.0%
10 Glasgow	1.7%
11 Bristol	1.5%
12 Cambridge	1.5%
13 Bournemouth	1.2%
14 Oxford	1.1%
15 Southampton	1.1%
16 Portsmouth	1.0%
17 Edinburgh	1.0%
18 Leicester	0.9%
19 Aberdeen	0.0%

United Kingdom	1.9%
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Zoopla House Price Index, city summary, January 2025

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 Jan-25	%YoY Jan-24	Monthly trend	Annual trend
United Kingdom	£267,200	1.9%	-0.5%		
20 City Composite	£307,300	1.7%	0.0%		
Belfast	£184,300	6.9%	4.2%		
Liverpool	£161,600	3.5%	1.2%		
Manchester	£228,600	3.4%	0.6%		
Sheffield	£174,900	2.7%	0.9%		
Newcastle	£156,600	2.6%	1.1%		
Birmingham	£211,300	2.5%	0.6%		
Leeds	£212,300	2.1%	0.9%		
Nottingham	£204,800	2.0%	-0.1%		
Cardiff	£253,500	2.0%	0.3%		
Glasgow	£152,300	1.7%	3.9%		
Bristol	£339,400	1.5%	-0.6%		
Cambridge	£470,500	1.5%	-1.4%		
Bournemouth	£327,200	1.2%	-2.5%		
London	£533,800	1.2%	-1.1%		
Southampton	£257,700	1.1%	-1.5%		
Oxford	£447,600	1.1%	-0.8%		
Portsmouth	£277,700	1.0%	-2.0%		
Edinburgh	£275,300	1.0%	1.8%		
Leicester	£227,500	0.9%	-1.1%		
Aberdeen	£138,400	0.0%	-1.9%		

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

Richard Donnell

Director of Research & Insight
richard.donnell@zoopla.co.uk

Theo Brewer

Director of Innovation
theo.brewer@hometrack.com

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