

# UK Cities House Price Index

## November 2017

- UK city house price inflation increases to 6.3%, up from 4.9% a year ago.
- Glasgow is the fastest growing city (7.9%). Cities with weakest growth in prices since 2009 are currently recording the highest rates of price inflation.
- City house price growth projected to be 5% in 2018 as regional cities support headline growth rate.

### Strong end to 2017

The annual rate of UK City house price inflation has increased to 6.3%, up from 4.9% a year ago. The rate of house price growth has accelerated over the last six months with robust demand for housing in regional cities outside southern England.

### Scottish cities top growth league table

Housing market activity across Scotland has picked up over 2017 and this has resulted in Glasgow recording the highest rate of house price growth (7.9%), followed by Edinburgh (7.6%). Leicester and Birmingham are two other cities registering house price growth over 7%. Aberdeen continues to register price falls with average values down 3.7% over the last 12 months.

**Table 1 - UK 20 city index summary, November 2017**

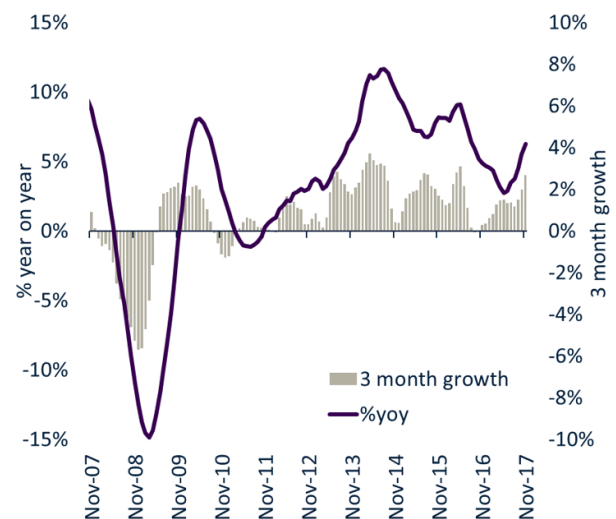
Month	3 mth. change	%yoy	Average price
Jun-17	1.3%	2.9%	£246,600
Jul-17	1.4%	3.4%	£247,900
Aug-17	1.2%	3.8%	£248,500
Sep-17	1.5%	4.5%	£250,300
Oct-17	2.0%	5.5%	£252,900
Nov-17	2.7%	6.3%	£255,100

Source: Hometrack House Price Indices

### Fastest growth in cities with weaker recovery

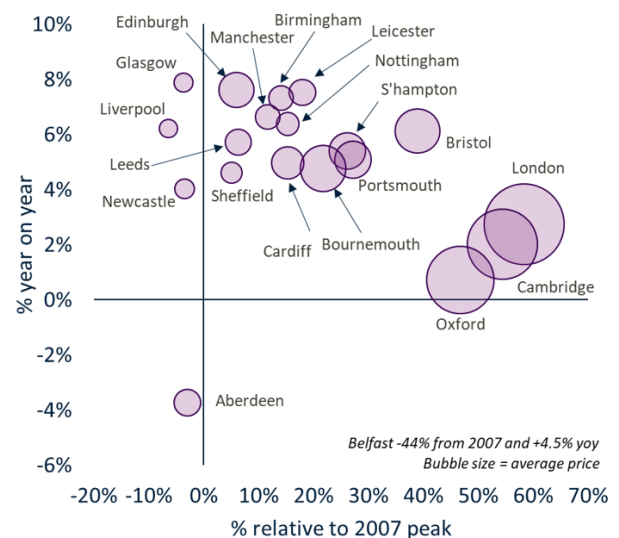
Figure 2 compares the annual rate of growth by city against the current level of prices compared to the peak of the last housing cycle in 2007. The highest annual growth rates are being registered in cities where house prices are at or below their 2007 levels in nominal terms. Housing affordability remains attractive in these cities compared to the long run average.

**Fig.1 – Accelerating growth rate over 2017H2**



Source: Hometrack UK Cities Index

**Fig.2 – Fastest yoy growth in cities with weak recovery**



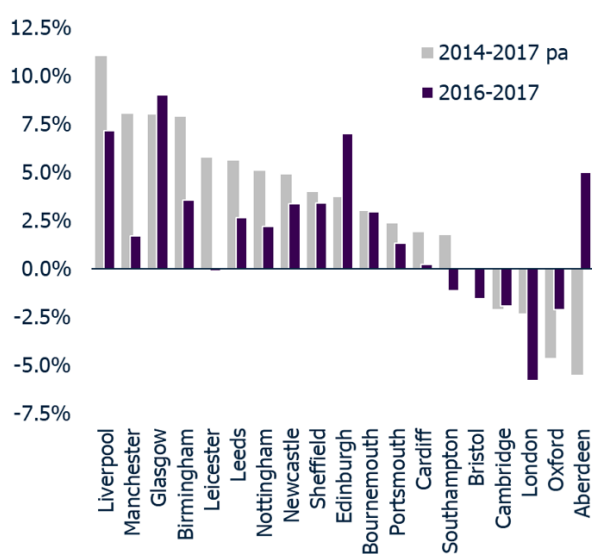
Source: Hometrack House Price Indices

Note: All price changes are quoted in nominal terms. Hometrack's House Price Indices are revisionary and not seasonally adjusted.

### Prices rise on higher turnover in Scotland

Changes in the level of housing turnover provide important context for the underlying health of city level housing markets. Our provisional estimates for turnover in 2017, shown in figure 3, reveal an increase in turnover in Scottish cities over 2017. Despite headline price falls since 2014, Aberdeen is set to register higher sales over 2017.

**Fig.3 – Change in city housing turnover**



Source: HMLR/ROS/Hometrack projections

### Prices rise on lower volumes in southern England

The change in city level housing turnover over the last three years has varied widely reflecting differing strength in underlying demand. Eight regional cities have recorded growth in turnover exceeding 5% per annum over the last 3 years led by Liverpool, Manchester, Glasgow and Birmingham. These cities are where there has been sustained price inflation over the last year as underlying demand for housing improves.

At the other end of the spectrum, housing turnover has fallen across cities in south eastern England over the last 3 years including London, Oxford and Cambridge. Record high affordability levels have priced growing numbers of households out of the market and this has reduced turnover. This in turn has created an element of scarcity which has supported prices in the absence of forced sellers. We expect levels of turnover to continue to decline further in these southern cities over 2018.

**Table 2 - City level summary, November 2017**

City	Current price	% yoy Nov-17	Price rel. to 2007 peak
Glasgow	£122,800	7.9%	-4%
Edinburgh	£220,200	7.6%	6%
Leicester	£167,400	7.5%	18%
Birmingham	£156,500	7.3%	14%
Manchester	£157,400	6.6%	12%
Nottingham	£147,500	6.4%	15%
Liverpool	£118,900	6.2%	-6%
Bristol	£277,600	6.1%	39%
Leeds	£163,500	5.7%	6%
Southampton	£228,300	5.4%	26%
Portsmouth	£230,900	5.1%	27%
Cardiff	£202,200	5.0%	15%
Bournemouth	£283,700	4.8%	22%
Sheffield	£135,600	4.6%	5%
Belfast	£129,700	4.5%	-44%
Newcastle	£126,500	4.0%	-4%
London	£491,700	2.7%	58%
Cambridge	£430,700	2.0%	54%
Oxford	£416,600	0.7%	47%
Aberdeen	£169,800	-3.7%	-3%
20 city index	£255,100	6.3%	33%
UK	£213,600	4.7%	18%

Source: Hometrack House Price Indices

### City house prices expected to increase by 5% in 2018

A year ago, we predicted that UK city house price growth would be 4% as a continued recovery in regional city house prices would offset very low nominal growth in London.

We expect 2018 to follow a similar pattern. As we highlighted last month, there is 20-25% of additional upside in house prices in regional cities were price to earnings levels to move above their 15-year average. That is before any additional allowance for the impact of lower mortgage rates. With the clouds of uncertainty around Brexit lifting very slightly we expect regional cities to continue to deliver above average house price growth in 2018.

## Insight Series

Hometrack UK Cities Index – November 2017

For London we expect the rate of house price inflation to remain in low single digits over the course of 2018. London is facing a drawn-out period where house prices and earnings need to re-align. Our central view is that this will be achieved through single digit real house price falls over several years on lower sales volumes. London's home owning households have a significant equity buffer against which to absorb price reductions but the willingness to accept lower prices takes time to feed through into agreed sales prices. Only seven of the 45 local authorities that comprise the London City index are registering year on year price falls in nominal terms.

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