

UK Cities House Price Index

December 2016

- City level house price growth 7.2% over 2016 (7.7% 2015).
- Bristol registered fastest annual growth of 9.6%. Manchester was second (8.9%) where the rate price inflation is at its highest for 12 years as demand runs ahead of supply.
- Weakening demand and record high unaffordability explain London dropping to seventh in the house price growth rankings (7.3%) for 2016. Growth projected to slow to 1% over 2017.

City house price growth bounces back in Q4 2016

UK city house price inflation bounced back in 2016Q4 with average values rising 2.2%, up from 0.3% in Q3 when growth was impacted by the Brexit vote.

UK city house price growth 7.2% over 2016

Growth over 2016 was down slightly compared to 2015 (7.7%) but in line with the average rate over the last 18 months. Falling unemployment and rising earnings continue to stimulate demand in more affordable housing markets where buyers are using low mortgage rates to bid up the cost of housing.

Table 1- UK 20 city index summary, December 2016

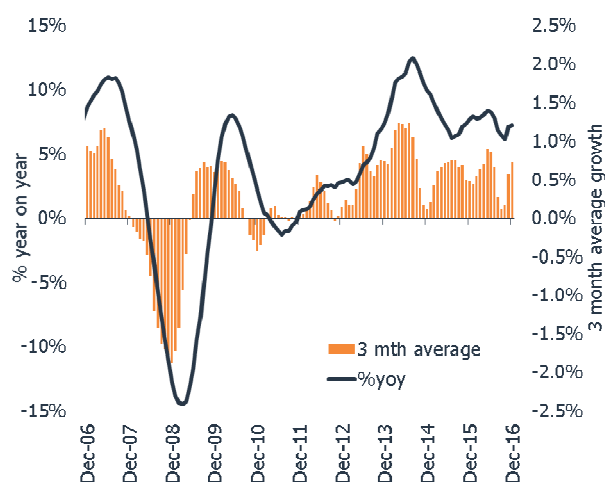
Month	3 mth. change	%yoy	Average price
Jul-16	2.0%	7.8%	£238,800
Aug-16	0.8%	6.9%	£238,700
Sep-16	0.3%	6.5%	£239,100
Oct-16	0.5%	6.1%	£240,000
Nov-16	1.7%	7.1%	£242,900
Dec-16	2.2%	7.2%	£244,300

Source: Hometrack House Price Indices

Impetus for house price growth shifting

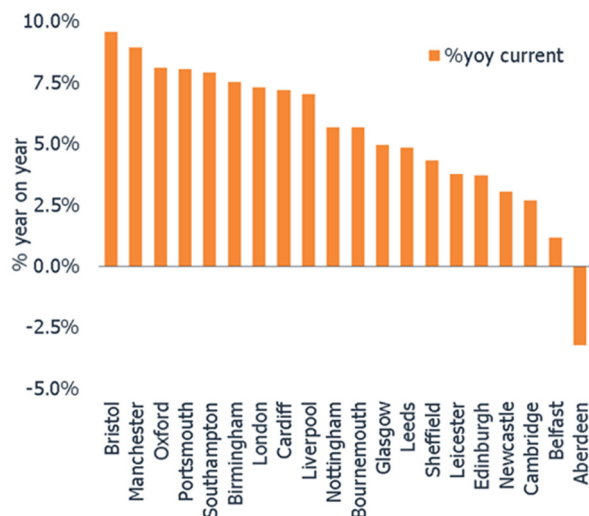
The headline rate of growth masks a clear shift in underlying growth at a city level where the impetus for growth is shifting from London to regional cities with more attractive affordability and headroom for further price inflation (Fig. 3).

Fig. 1 – 20 city house price index



Source: Hometrack House Price Indices

Fig. 2 – City level house price growth, 2016



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.

Bristol was the fastest growing city in 2016.

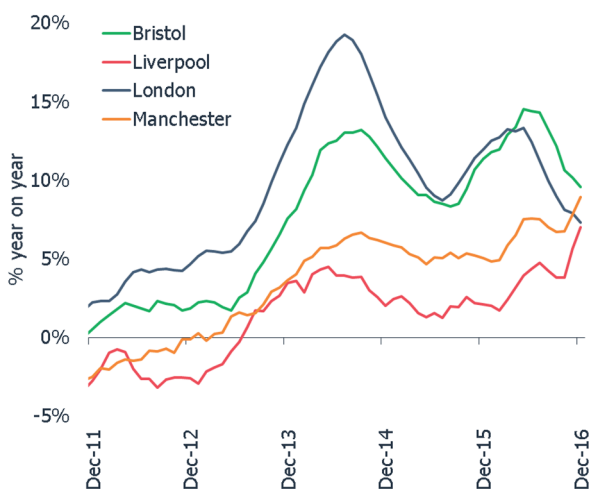
Average prices increased 9.6% down from 11.6% in 2015 but affordability pressures are set to result in slower growth in 2017.

Manchester records fastest growth for 12 years

Manchester recorded the second quickest rate of growth over 2016 at 8.9%. This is the highest rate of growth in the city for over 11.5 years (July 2005). As we have highlighted in recent city index reports, underlying market conditions remain strong in Manchester.

The supply of homes for sales is only just managing to keep pace with demand which is keeping the upward pressure on prices. The same is true in other regional cities such as Birmingham and points to continued, above average price inflation over 2017.

Fig. 3 – Shifting focus for house price growth



Source: Hometrack House Price Indices

London drops to 7th in city growth over 2016

Average prices in London increased by 7.3% over the year. This is the lowest annual rate of growth recorded across London for over 3 years (July 2013). Stretched affordability levels, with the price/earnings ratio at 14x, points to a prolonged period of price re-adjustment in the London housing market over the coming years.

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Other cities recording faster growth than London in 2016 include Oxford (8.1%), Portsmouth (8.0%), Southampton (7.9%), and Birmingham (7.5%).

Speed of price falls slows rapidly in Aberdeen

Aberdeen house prices posted something of a revival in the final quarter of 2016. House prices registered an above average increase of 2.9% over the final quarter. This reduced the rate of annual price falls to 3.2% as the market bottoms out after registering an 11% drop in average house prices since 2014.

Table 2- City level summary, December 2016

City	Current price	%yoy Dec 2016	% growth 2016 Q4
Bristol	£261,600	9.6%	0.7%
Manchester	£151,200	8.9%	2.5%
Oxford	£422,700	8.1%	2.6%
Portsmouth	£222,400	8.0%	1.8%
Southampton	£221,700	7.9%	2.2%
Birmingham	£147,500	7.5%	1.7%
London	£484,800	7.3%	0.9%
Cardiff	£195,100	7.2%	1.8%
Liverpool	£116,000	7.0%	3.0%
Nottingham	£139,900	5.7%	1.2%
Bournemouth	£272,100	5.7%	0.9%
Glasgow	£115,100	4.9%	1.4%
Leeds	£153,400	4.9%	0.3%
Sheffield	£128,500	4.3%	0.0%
Leicester	£156,100	3.8%	0.0%
Edinburgh	£202,300	3.7%	0.6%
Newcastle	£123,100	3.0%	0.3%
Cambridge	£421,000	2.7%	-0.3%
Belfast	£124,600	1.2%	-1.5%
Aberdeen	£186,500	-3.2%	2.9%
20 city index	£244,300	7.2%	2.2%
UK	£205,700	6.6%	1.4%

Source: Hometrack House Price Indices

Top 5 cities with fastest growth in last quarter highlighted