

# UK Cities House Price Index

February 2017

- City house price growth running at 6.4%, down from 7.8% twelve months ago.
- Manchester registers fastest growth of 8.8%, London drops to 10<sup>th</sup> in growth rankings.
- Slower price inflation in high value cities follows static/falling sales volumes over last 12-36 months. Sales volumes expected to be flat over 2017 but down further in higher value cities.

## City house price growth 6.4%yoy

UK City house price inflation is running at 6.4% compared to 7.8% a year earlier and in line with the 5 year annual average of 6.5% per annum.

Table 1- UK 20 city index summary, February 2017

Month	3 mth. change	%yoy	Average price
Sep-16	0.3%	6.4%	£239,100
Oct-16	-0.2%	5.8%	£238,700
Nov-16	-0.2%	5.5%	£238,800
Dec-16	0.4%	5.3%	£240,100
Jan-17	2.1%	6.2%	£243,700
Feb-17	3.1%	6.4%	£246,100

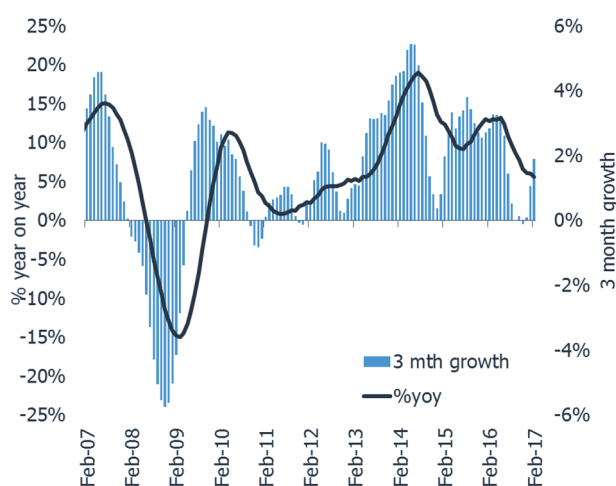
Source: Hometrack House Price Indices

## Manchester the fastest growing UK city

A continued slowdown in London house price growth, where the rate of annual price increases (5.6%) is at its lowest level since 2013, is acting as a drag on headline growth (Fig. 1). Above average rates of growth are being recorded in regional cities such as Manchester, the fastest growing city covered by the index (8.8%), as well as Portsmouth, Bristol and Glasgow.

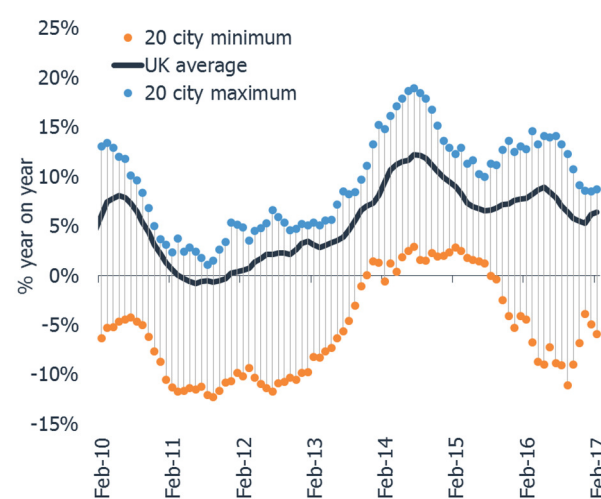
Fig. 2 plots the range in the annual rate of growth between the fastest and slowest growing cities since 2010. Affordability pressures continue to impact growth rates in high value cities in southern England. While growth in Manchester has hit close to 9%, the supply/demand dynamics are not strong enough in regional cities outside southern England to support double digit rates of house price growth. Aberdeen continues to register price falls of 5.9%.

Fig. 1 – Lowest annual growth in London since 2013



Source: Hometrack House Price Indices

Fig. 2 – Range of city level house price inflation



Source: Hometrack House Price Indices

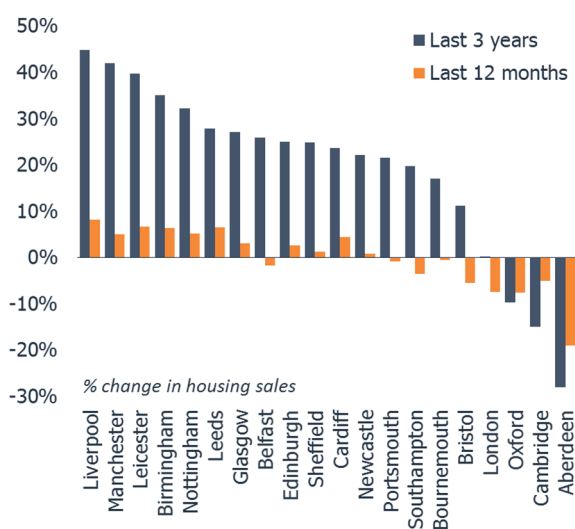
Note: All price changes are quoted in nominal terms. Hometrack's house price indices are revisionary and not seasonally adjusted.

### A new phase in city level housing cycles

The moderation in growth rates for high value cities reflects a shift into the next phase of the housing cycle in these cities. This is reflected in changes in the level of housing turnover over recent years.

Figure 3 plots the change in housing sales by city over the last 1 and 3 years.

Fig. 3 – Change in turnover by city – 1 and 3 years



Source: HMLR, ROS, ONS

### Sales volumes flat to falling in unaffordable cities

Over the last 1 and 3 years housing turnover has been flat or falling in the highest value, least affordable cities such as London, Bristol, Oxford and Cambridge. This is a result of weaker investor demand, the impact of the Brexit vote and stretched affordability levels. In London overall sales volumes are down 7.5% since 2015. The falls in Aberdeen are down to the external shock of falling oil prices.

### Sales up 40% in regional cities since 2013

In contrast, regional cities outside southern England are in the earlier stages of housing recovery and in Liverpool and Manchester sales volumes are up by over 40% over the last 3 years. Growth over 2016 was at a slower rate of less than 10%.

Levels of housing turnover across UK cities are expected to remain broadly flat over 2017. There is some further upside for sales volume in regional cities such as Birmingham and Newcastle.

We expect sales volumes to fall by c.5% in the highest value cities over 2017 as the market and pricing levels start to adjust to price sensitive and affordability constrained demand. We expect slower growth in volumes in regional cities where there remains continued upside for market activity and house prices on more attractive affordability.

Table 2- City level summary, February 2017

City	Current price	%yoy Feb 2017	% yoy Feb 2016
Manchester	£151,800	8.8%	4.9%
Portsmouth	£225,600	8.1%	8.1%
Bristol	£261,900	8.0%	12.0%
Glasgow	£117,900	7.7%	1.2%
Birmingham	£148,300	7.4%	5.7%
Leicester	£162,400	7.2%	6.3%
Liverpool	£115,600	6.8%	1.6%
Bournemouth	£275,500	6.2%	8.0%
Southampton	£220,600	6.0%	7.8%
London	£488,700	5.6%	12.8%
Sheffield	£130,800	5.6%	2.8%
Nottingham	£140,700	5.6%	5.6%
Edinburgh	£203,900	5.5%	4.0%
Leeds	£154,800	5.0%	5.2%
Cardiff	£193,700	5.0%	5.5%
Belfast	£127,700	3.8%	4.8%
Newcastle	£123,800	3.7%	1.1%
Oxford	£409,700	3.4%	9.1%
Cambridge	£418,400	2.2%	12.1%
Aberdeen	£181,600	-5.9%	-4.5%
20 city index	£246,100	6.4%	7.8%
UK	£206,600	6.0%	6.3%

Source: Hometrack House Price Indices

### Sales volumes flat over 2017

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