

UK Cities House Price Index

February 2016

- City level house price inflation increased to 11.0% – the highest rate for 18 months.
- There are 5 regional cities where the recent pick-up in growth has been strongest – the current rate of growth is the highest for up to 11 years.
- The four double digit, high growth cities all recorded a small drop in the headline rate of growth.

City house price growth ticks higher again

City level house price inflation increased to 11.0% in February, up from 8.1% a year ago and the highest annual rate of growth for almost 18 months.

Table 1- UK 20 city index summary, February 2016

Month	Year on year	3 mth. change	Average price
Sep-15	6.6%	2.2%	£223,100
Oct-15	7.2%	1.7%	£224,100
Nov-15	7.5%	1.3%	£225,200
Dec-15	8.7%	2.1%	£227,700
Jan-16	10.2%	3.6%	£232,100
Feb-16	11.0%	4.3%	£234,900

Source: Hometrack House Price Indices

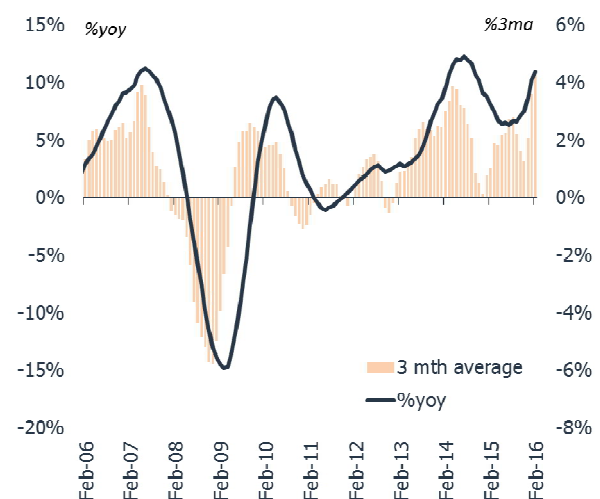
Unseasonally strong growth

There has been a notable and unseasonal acceleration in house price growth in the last three months across most large regional cities thanks, in part, to a temporary increase in demand from those looking to beat the stamp duty increase for second homes from April onwards.

Not all down to investor rush

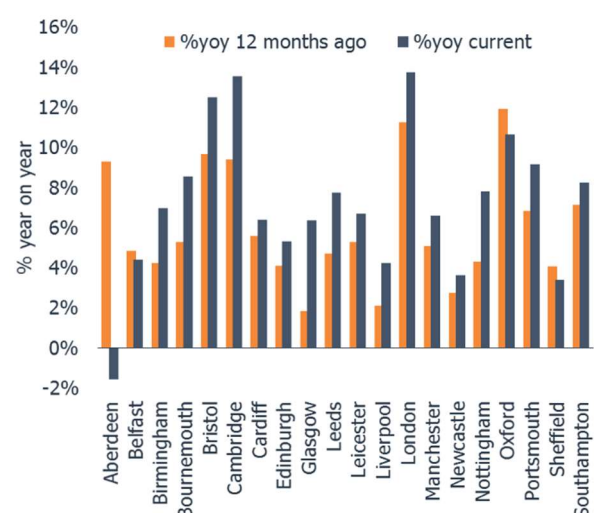
Increased demand from existing home owners in cities where the economic recovery has been less pronounced is an important underlying theme given that the majority of housing sales (80%) continue to be driven by home owners.

Fig. 1 – 20 cities index %yoy and %mom



Source: Hometrack House Price Indices

Fig. 2 – HPI current and 12 months ago



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.

Growth rate higher in 16 of the 20 cities

16 of the 20 cities covered by the index have registered an increase in the annual rate of house price growth increase in the last year. Some regional cities are recording their highest growth rates for over a decade as the recovery in house prices gains momentum. Four cities have seen the rate of growth slow with the greatest slowdown in Aberdeen and a loss of momentum in Belfast where a modest recovery appears to have stalled with house prices still 45% down on their 2007 levels.

Five regional cities stand out for pick up in growth

Five cities stand out based on a material increase in the rate of house price growth in the last year. These are led by Portsmouth and Leeds where house prices are rising much faster than earnings at between 8% and 9% per annum – see table 2.

Table 2- Top 5 recovery cities

City	% yoy	Growth rate last highest	No. of Months	No. of years
Portsmouth	9.2%	Nov-04	135	11.3
Leeds	7.8%	Jun-07	105	8.8
Nottingham	7.8%	Mar-05	132	11.0
Birmingham	7.0%	May-05	130	10.8
Glasgow	6.4%	Nov-07	100	8.3

Source: Hometrack House Price Indices

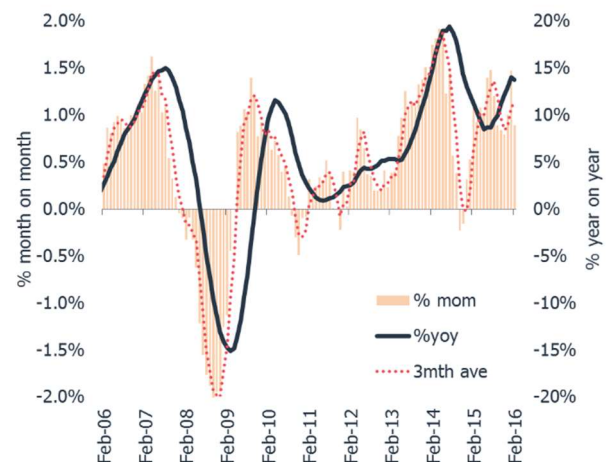
Portsmouth, Nottingham and Birmingham are recording the highest rates of annual house price growth for over 10 years while Leeds and Glasgow have the highest growth rates for over 8 years. All these cities have seen a continued pick up in house price growth since 2013 on economic growth, an improving employment outlook, earnings growth and low mortgage rates.

There are no consistent patterns as to the types of property driving higher growth in these five cities. In Portsmouth detached homes are rising at twice the rate of the city which is the same trend, with a lesser degree of magnitude, in Nottingham. In Birmingham the highest growth rate is being recorded for flats (11.3% against 7.0% for the city) while in Leeds terraced houses (11%) are recording the highest growth compared to the city (7.8%).

High growth cities starting to slow

The four high growth cities of London, Bristol, Oxford and Cambridge continue to record double digit rates of house price inflation but there are signs that the rate of growth is starting to slow. All these cities recorded a small drop in the headline rate of growth over February as affordability and sentiment factors impact pricing levels.

Fig. 3 – Early signs of growth turning in London



Source: Hometrack House Price Indices

A closer analysis of the 46 local authorities that cover the London City area shows the average growth rate in the last quarter is approaching half the rate recorded, on average, over the last 12 months. Slower growth is inevitable in these markets as affordability pressures constrain demand.

Near term prospects

While prices are moving higher, the very latest data on residential transactions from HMRC shows non-seasonally adjusted sales in February running 10% lower than sales over 2015H2. A similar pattern of lower lending volumes is revealed in the latest CML estimates for overall mortgage lending. It remains to be seen the extent to which the Referendum vote and policy changes will impact market volumes and price growth at city level.

A change in the balance of house price growth is set to emerge in 2016 with further price growth to come in regional cities. In contrast, we expect growth in London to slow in the face of more price sensitive demand and where the implications of a Brexit vote and the impact of policies targeted at investors will have the greatest impact over 2016.

Table 3- City level summary, February 2016

City	Current price	%yoy Feb 2016	%yoy Feb 2015
Aberdeen	£190,900	-1.6%	9.3%
Belfast	£119,900	4.4%	4.9%
Birmingham	£138,800	7.0%	4.2%
Bournemouth	£257,500	8.6%	5.3%
Bristol	£244,900	12.5%	9.7%
Cambridge	£397,800	13.6%	9.4%
Cardiff	£188,200	6.4%	5.6%
Edinburgh	£191,600	5.3%	4.1%
Glasgow	£110,300	6.4%	1.9%
Leeds	£148,300	7.8%	4.7%
Leicester	£147,700	6.7%	5.3%
Liverpool	£110,300	4.2%	2.1%
London	£460,000	13.8%	11.3%
Manchester	£141,000	6.6%	5.1%
Newcastle	£121,600	3.6%	2.7%
Nottingham	£134,400	7.8%	4.3%
Oxford	£381,600	10.6%	11.9%
Portsmouth	£211,100	9.2%	6.8%
Sheffield	£124,400	3.4%	4.1%
Southampton	£207,700	8.3%	7.1%
20 city index	£234,900	11.0%	8.1%
UK	£197,100	8.2%	5.9%

Source: Hometrack House Price Indices

Hometrack

Hometrack is a technology company and trusted partner for the delivery of evidence, insight and risk based decision making in the residential property market in the UK, Italy and Australia. For more information about the business, our services and further insight visit www.hometrack.com