

UK Cities House Price Index

June 2018

- UK city house price inflation 4.6% year on year ranging from +7.6% to -2.8%.
- 3-month growth rate in London increases as sellers become more realistic on pricing. The discounts from asking prices in London are narrowing which is a positive for sales volumes.
- Manchester has the lowest level of price discounting and the highest annual growth rate.

City house price growth running at 4.6%

UK city house price inflation was +4.6% in the 12 months to June 2018. Average prices increased by 4.4% over 2018H1, compared to 0.2% in 2017H2, as prices start to grow once again in London.

Manchester the fastest growing city

Manchester is registering the highest annual growth rate (7.4%), followed by Liverpool (7.2%), Birmingham (6.8%) and Leicester (6.5%).

Six cities registering real price falls

House prices are falling in real terms across six cities (growth below the 2.4% rate of consumer price inflation) - Southampton, Oxford, Belfast, London, Cambridge and Aberdeen (Table 2).

Table 1 - UK 20 city index summary, June 2018

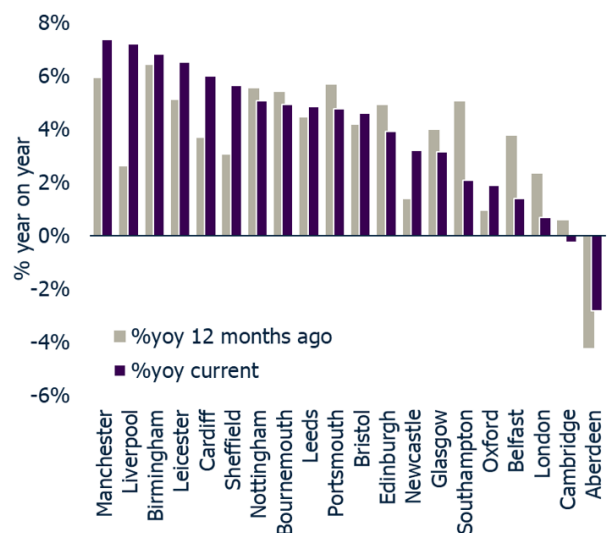
Month	3 month change	% year on year	Average price
Jan-18	0.3%	3.0%	£249,300
Feb-18	0.3%	2.8%	£249,500
Mar-18	0.7%	2.7%	£250,500
Apr-18	1.4%	3.1%	£252,700
May-18	3.1%	4.0%	£257,100
Jun-18	3.7%	4.6%	£259,700

Source: Hometrack House Price Indices

London City growth firms over 2018H1

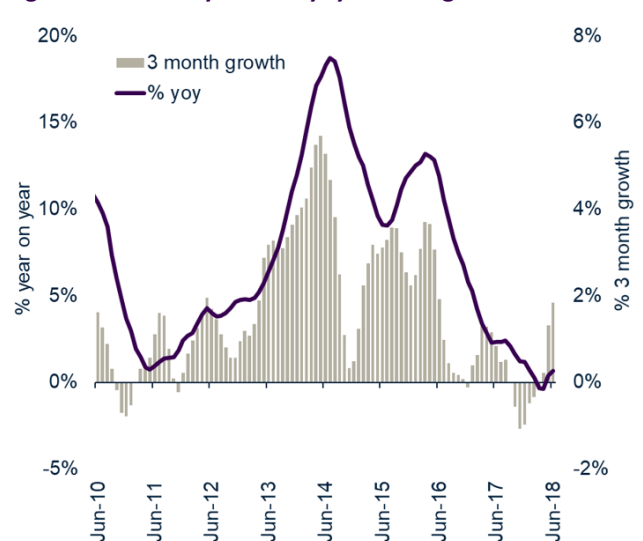
London's annual growth rate is +0.7%, but there has been an increase in the 3-month growth rate (Fig.2). Our more granular house price indices confirm this trend with a growing proportion of London postcodes registering month on month price gains. More postcodes are registering monthly price rises than falls.

Fig.1 – UK city house price inflation (%yoy)



Source: Hometrack UK Cities Index

Fig.2 – London City index – yoy and 3m growth rate



Source: Hometrack UK Cities Index

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

Insight Series

Hometrack UK Cities Index – June 2018

Greater realism after 2-year re-pricing

The current stabilisation in London house price growth reflects greater realism on the part of sellers in the wake of a two-year re-pricing process. Since 2016 the discount from asking prices to sales prices has widened, reaching a high of 7% in inner London at the end of 2017 (Fig.3).

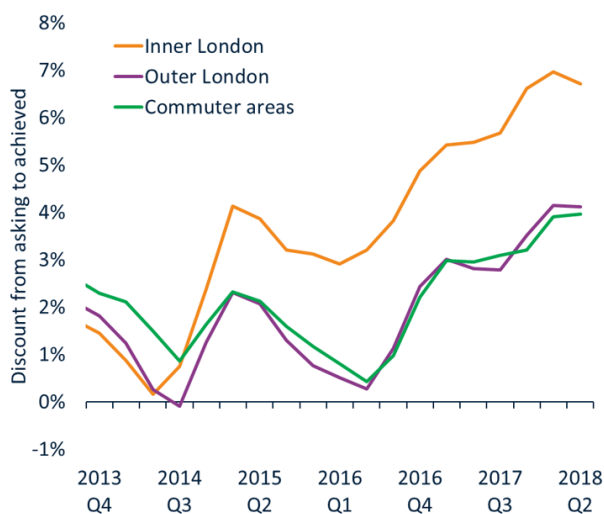
Discount from asking price narrows in London

Over the first half of 2018 the level of discounting to achieve a sale has started to narrow in inner London to 6.7%. Discounts have stabilised in outer London and the adjacent commuter areas. This is consistent with less downward pressure on prices.

Fall in London sales volumes at and end

While we expect the rate of price inflation to remain weak across London, greater realism on the part of sellers is positive news for transaction volumes which have fallen 20% since 2014.

Fig.3 – Discount from asking price – London City

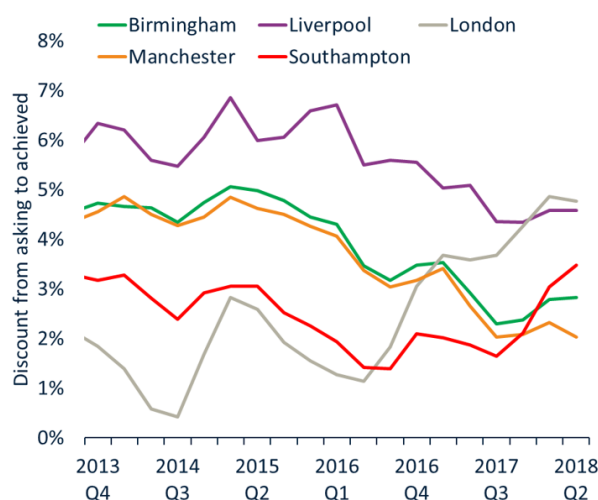


Source: Hometrack / Zoopla

Discount from asking prices varies across cities

The discount from asking to sale prices provides important insight into the relative strength of local housing markets. For example, Liverpool has the second fastest rate of growth as prices rise quickly off a low base. The level of discounting in the city has narrowed over the last two years but remains above average at 4.6%. Fig.4 shows the discount from asking prices across selected cities while Table 2 contains the latest data for each city.

Fig.4 – Discount from asking price – selected cities



Source: Hometrack / Zoopla

Lowest discounts from asking price in Manchester

Manchester has the lowest level of discounting (2.2%) across all the cities in England and Wales. This remains on a downward trend and it is no surprise the city is currently registering the fastest growth in prices.

Growth rate in Birmingham moderates

House price inflation in Birmingham has moderated over the last year and the gap between asking and achieved prices has started to plateau, standing at 2.8%. We expect a continued moderation in the rate of house price inflation over the next 12 months.

Level of discounting grows in southern England

Cities across south eastern England have registered slower price growth as affordability pressures increase. Southampton, for example, is registering annual house price growth of just 2.1% while the level of discounting has increased from 2% to almost 4% since 2017Q3.

Prospects for 2018H2

We expect current trends to continue into the second half of 2018 as housing market forces continue to play out against the backdrop of rising employment and low mortgage rates. The main risks on the horizon are 1) the timing and scale of any increase in mortgage rates and 2) how the BREXIT negotiations unfold in the coming months and in the run up to March 2019.

Table 2 - City level summary, June 2018

City	Current price	%yoy Jun-18	Asking price discount
Manchester	£166,100	7.4%	2.2%
Liverpool	£121,900	7.2%	4.6%
Birmingham	£161,200	6.8%	2.8%
Leicester	£173,400	6.5%	3.2%
Cardiff	£205,200	6.0%	2.4%
Sheffield	£138,000	5.6%	2.4%
Nottingham	£149,900	5.1%	2.3%
Bournemouth	£291,100	4.9%	3.4%
Leeds	£165,400	4.8%	3.4%
Portsmouth	£239,000	4.8%	3.1%
Bristol	£283,500	4.6%	2.2%
Edinburgh	£218,800	3.9%	-7.1%
Newcastle	£129,400	3.2%	5.2%
Glasgow	£126,200	3.1%	-5.2%
Southampton	£224,800	2.1%	3.1%
Oxford	£427,000	1.9%	5.1%
Belfast	£125,900	1.4%	n/a
London	£494,800	0.7%	4.8%
Cambridge	£439,600	-0.2%	2.9%
Aberdeen	£175,000	-2.8%	8.3%
20 city index	£259,700	4.6%	3.7%
UK	£218,600	4.1%	3.7%

Source: Hometrack House Price Indices

Note: in Edinburgh and Glasgow the discount of negative as sold prices are at a 'premium' to asking prices.

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