

UK Cities House Price Index

July 2016

- City level house price growth running at 9.5% but starting to slow.
- London registers slowest growth in a quarter for 17 months on weak demand and rising supply.
- House price growth in large regional cities outside southern England, continues to hold steady at 7-8% per annum with no sign of an imminent slowdown.

20 city house price growth starting to slow

The annual rate of house price inflation across the 20 cities has started to slow after 12 successive months of rising house price inflation. A marked slowdown in the rate of growth over the last three months in London is behind the shift in momentum. However, house price growth in large regional cities outside southern England, continues to hold steady at 7-8% per annum with no sign of an imminent slowdown. Aberdeen is also registering a slower rate of price falls compared to recent months.

Table 1- UK 20 city index summary, July 2016

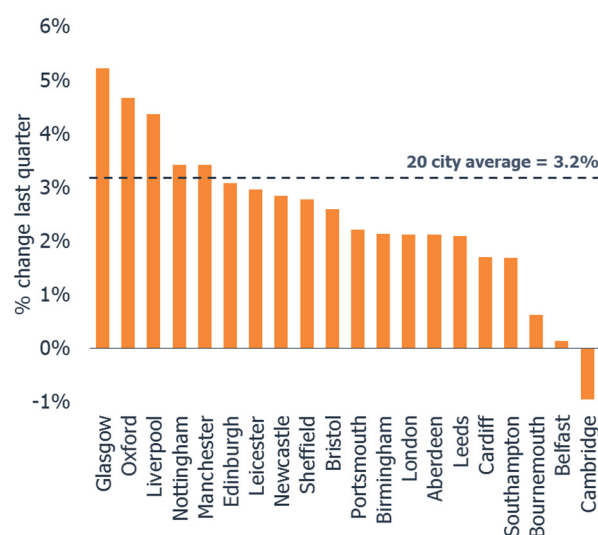
Month	3 mth. change	%yoy	Average price
Feb-16	2.1%	8.2%	£228,800
Mar-16	2.2%	8.6%	£230,600
Apr-16	2.1%	8.8%	£232,500
May-16	3.0%	9.6%	£235,700
Jun-16	3.4%	9.9%	£238,400
Jul-16	3.2%	9.5%	£240,000

Source: Hometrack House Price Indices

Headline UK city house price inflation was 9.5% in July, down from 9.9% in June. Bristol remains the fastest growing city (14%), followed by London (11.7%). House price inflation in Aberdeen is falling at a slower rate of -8% with prices up 2% in the last quarter, a sign the market may have now adjusted to the impact of the fall in the oil price on demand.

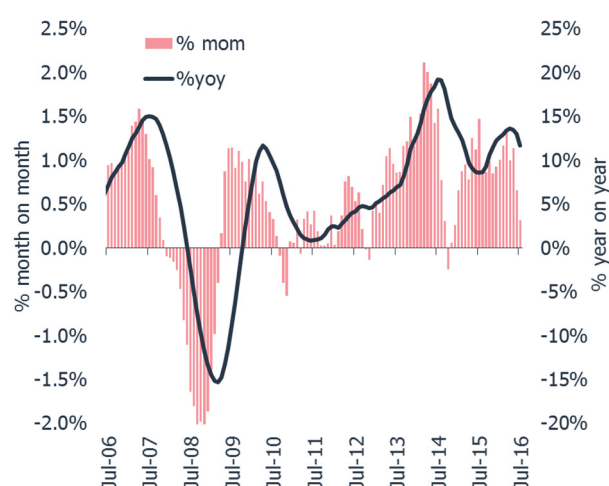
Focusing on growth in the last quarter (fig.1), the highest rate of growth have been registered in lower value, higher yielding cities where prices are rising off a lower base – Glasgow (5.2%), Liverpool (4.4%), Manchester and Nottingham (3.4%).

Fig. 1 – Growth in quarter to July 2016



Source: Hometrack House Price Indices

Fig. 2 – London City – annual and monthly growth



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.

London and Cambridge losing momentum

London has registered a marked slowdown in house price growth over the last three months (fig.2). Average growth in the last quarter was 2.1%, the lowest rate for 17 months as weaker investor demand, affordability pressures and Brexit uncertainty impact demand at the same time as supply has risen. This is still an annualised rate of 8%+ but the signs are growth will slow further over the coming months. Cambridge posted a 1% price fall over the last quarter with prices more sensitive to weaker demand although the annual rate of growth is still running at 7.1%.

Large, regional cities show no sign of a slowdown

Outside southern England, large regional cities such as Leeds, Manchester, Birmingham and Cardiff are registering annual growth rates of 7-8% per annum. House price growth in the last quarter suggests no imminent slowdown with house price inflation stable for now.

What outlook for the rest of the year?

The latest official data from HMRC on housing sales to July show seasonally adjusted volumes down 8% year on year but data is limited as to how this plays out across cities. Update analysis of recent listings data suggests sales volumes are continuing to hold up outside London and southern England. The greatest divergence in new supply and sales remains in London, consistent with slower growth recorded by the Hometrack index.

In the absence of adverse economic trends impacting employment and mortgage rates, the near term outlook is for a continued slowdown in London towards mid-single digit growth and stable growth rates in regional cities as households' price record low mortgage rates into city house price where affordability remains attractive.

We continue to believe that turnover will register the brunt of the slowdown in London. In the face of lower sales volumes agents will look to re-price stock in line with what buyers are prepared, and can afford, to pay. Past experience shows that this process can run for as long as 6 months and relies, in part, in how quickly sellers are willing to adjust to what buyers are prepared to pay.

Hometrack

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Table 2- City level summary, July 2016

City	Current price	%yoy July 2015	% change last quarter
Glasgow	£115,200	5.3%	5.2%
Oxford	£416,000	10.1%	4.7%
Liverpool	£113,400	7.7%	4.4%
Nottingham	£137,900	7.4%	3.4%
Manchester	£147,700	8.4%	3.4%
Edinburgh	£203,600	2.7%	3.1%
Leicester	£152,700	7.4%	3.0%
Newcastle	£127,400	4.2%	2.8%
Sheffield	£129,600	4.1%	2.8%
Bristol	£254,500	14.0%	2.6%
Portsmouth	£216,200	8.9%	2.2%
Birmingham	£143,300	7.6%	2.1%
London	£476,600	11.7%	2.1%
Aberdeen	£184,600	-8.0%	2.1%
Leeds	£151,500	7.3%	2.1%
Cardiff	£189,200	7.1%	1.7%
Southampton	£213,300	8.3%	1.7%
Bournemouth	£262,600	6.6%	0.6%
Belfast	£122,700	2.8%	0.1%
Cambridge	£404,500	7.1%	-1.0%
20 city index	£240,000	9.5%	3.2%
UK	£202,400	8.1%	2.6%

Source: Hometrack House Price Indices