

UK Cities House Price Index

September 2016

- City level house price growth running at 8.5%, up from 5.7% a year ago.
- Eleven cities recording growth rate higher than start of year, primarily large regional cities.
- London records lowest growth for 20 months as growth decelerates in wake of BREXIT vote.

City house price growth outstrips UK

House price inflation across the UK Cities House Price Index is holding steady at 8.5% per annum, higher than the 5.7% growth recorded twelve months ago.

Residential values across UK Cities are registering a higher rate of growth than the overall UK market where house price growth is running at 7.2% per annum. House price inflation continues to run more than three times faster than the growth in earnings as household confidence improves, earnings rise ahead of inflation and low mortgage rates make housing affordable for those with equity.

Table 1- UK 20 city index summary, September 2016

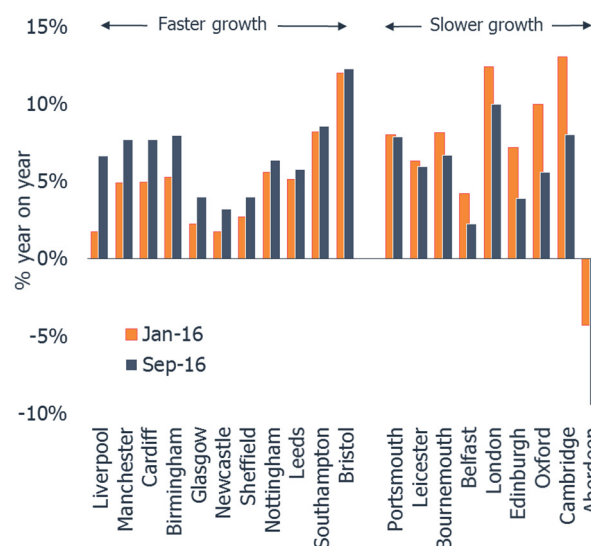
Month	3 mth. change	%yoy	Average price
Apr-16	2.5%	8.7%	£231,500
May-16	3.0%	9.2%	£234,000
Jun-16	2.5%	8.8%	£235,100
Jul-16	1.8%	8.1%	£235,700
Aug-16	1.7%	8.1%	£237,800
Sep-16	1.7%	8.5%	£239,100

Source: Hometrack House Price Indices

Growth rates rising across 11 cities

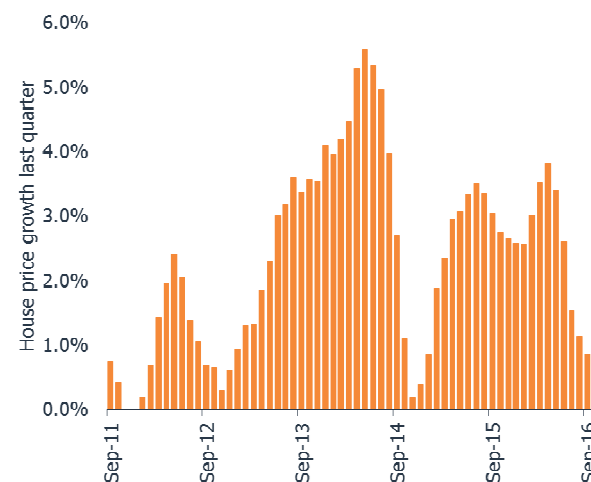
Eleven cities are registering higher rates of capital growth than in January 2016. The majority of these are large regional cities outside the south east of England – Liverpool, Manchester, Cardiff and Birmingham. These cities have attractive affordability on a price/earnings ratio measure with house prices rising off a low base. Annual house price growth currently ranges from 6.6% in Liverpool to 8.0% in Birmingham (fig.1).

Fig. 1 – City growth rates Jan-16 v Sep-16



Source: Hometrack House Price Indices

Fig. 2 – Ave. quarterly growth last 5 yrs. - London



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 slower across nine cities

Nine cities are registering house price growth lower than at the start of 2016 with the greatest slowdown led by Cambridge, Oxford, London and Aberdeen. Slower growth is a result of affordability, economic and market confidence factors.

London records slowest growth for 20 months

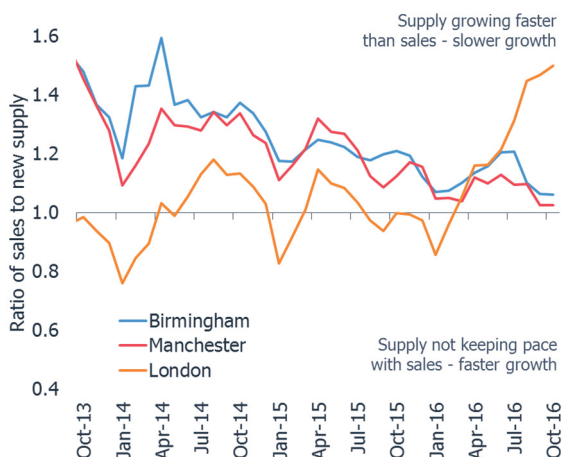
In the last quarter, London residential values have recorded their lowest growth rate since January 2015. Fears of a potential housing bubble, tightening credit terms and concerns over a mansion tax impacted demand for housing in London at this time.

In the last quarter London residential values have increased by 0.9%, compared to an average of 3.0% over the last 3 years. The recent slowdown is yet to impact the annual rate of growth which is running at 10% but is expected to move towards 5% by the year end.

Supply/demand balance varies across cities

These patterns of relative house price growth are re-enforced by an analysis of property listings and sales data over the last 3 years. Figure 3 shows that in cities where house prices are rising, market activity remains strong. Sales rates are close to matching the flow of new property to the market, creating scarcity and supporting house price growth.

Fig. 3 – Sales to new supply ratio – selected cities



Source: Hometrack House Price Indices

In contrast, London has the weakest market conditions with the new supply of homes coming to the market growing faster than sales which have fallen back in recent months on weaker demand. The ratio of sales to new supply is at its highest level for 3 years, re-enforcing the outlook for a continued slowdown in the rate of house price growth across London in the months ahead.

Table 2- City level summary, September 2016

City	Current price	%yoy Sep 2016	% change last quarter
Bristol	£259,800	12.3%	1.1%
London	£480,500	10.0%	0.9%
Southampton	£216,900	8.6%	1.7%
Cambridge	£422,200	8.0%	3.0%
Birmingham	£144,900	8.0%	1.7%
Portsmouth	£218,500	7.9%	0.4%
Manchester	£147,400	7.7%	1.5%
Cardiff	£191,800	7.7%	2.5%
Bournemouth	£269,600	6.7%	1.8%
Liverpool	£112,600	6.6%	2.6%
Nottingham	£138,200	6.4%	0.3%
Leicester	£156,100	6.0%	1.0%
Leeds	£152,800	5.8%	0.1%
Oxford	£411,900	5.6%	-2.5%
Sheffield	£128,500	4.0%	1.0%
Glasgow	£113,500	4.0%	0.5%
Edinburgh	£201,200	3.9%	1.5%
Newcastle	£122,800	3.2%	0.6%
Belfast	£126,600	2.2%	0.6%
Aberdeen	£181,300	-9.5%	-3.0%
20 city index	£239,100	8.5%	1.7%
UK	£202,900	7.2%	1.4%

Source: Hometrack House Price Indices

Hometrack

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