

UK House Price Index

+8.1%

Current UK house price growth

+65%

Demand for homes
4 weeks to 20th March vs
5-year average

+5%

Flow of new supply
4 weeks to 20th March
vs 5-year average

Executive summary

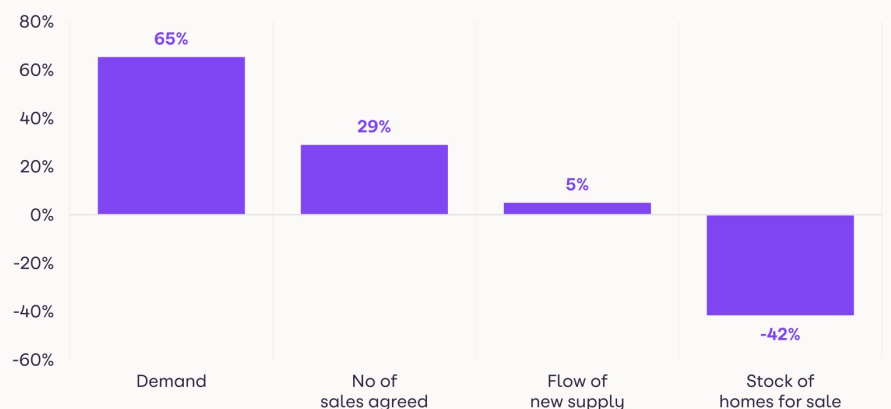
- Buyer demand remains unseasonably high, with demand for family houses more than twice as high as usual for Q1
- Average home prices rose by +8.1% in the year to February, taking the average value to £245,200
- Wales registers the highest regional price growth for the 12th month, at +11.8%. London price growth is the slowest at +3.2%
- New supply of homes for sale continues to build, albeit slowly, up 5% on the five-year average
- Busy start to the year, with sales agreed in Q1 more than 30% higher than pre-pandemic levels
- More sales agreed in London so far this year than in Q1 2021

“High buyer demand and rising supply signal activity levels will remain elevated in the short term.

As we move into H2, economic headwinds, including the rising cost of living and rising mortgage rates will act as a brake on price growth, with annual value rises returning to more sustainable levels.”

Gráinne Gilmore
Head of Research

New supply edges upwards



Source: Zoopla Research

% change - w/e 20 Mar vs 5 year average

+21.5%

UK house price
growth, 5 years to
February 2022

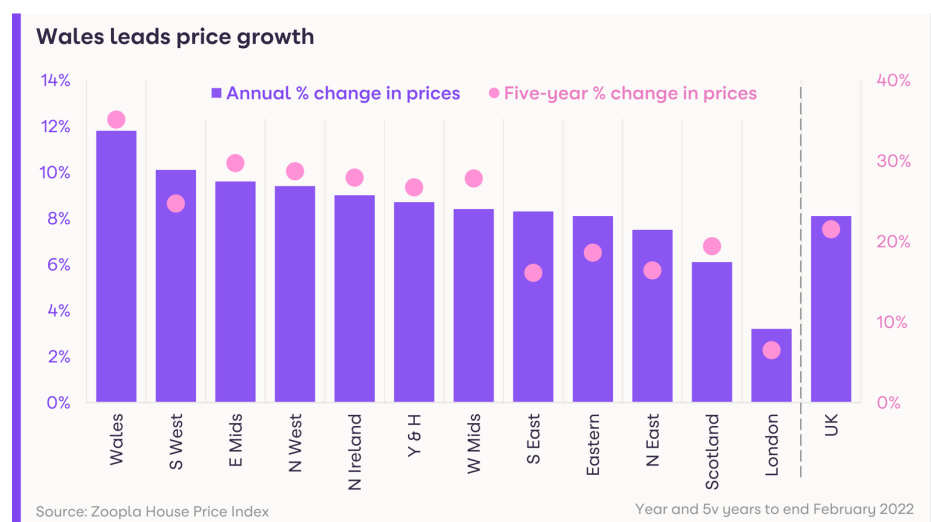
Average value of a UK home up +8.1%

UK house prices rose by +8.1% in the year to February, down from +8.4% in January, but up from +4.2% in February last year.

This rise in prices comes after a very busy start to the year – while buyer demand has eased slightly compared to January, it remains unseasonably high.

New supply of homes for sale continues to edge up as pandemic-led trends continue, and as some sellers look to lock in gains. This trend is likely to continue in the coming months, as price growth and high demand triggers more homeowners to make a move.

The rise in new supply has not been enough to offset high levels of activity, so total stock levels remain constrained, which has continued to put upwards pressure on pricing. As a result, price growth ranges from +11.8% in Wales to +3.2% in London over the last 12 months, contributing to cumulative five-year growth in prices ranging from 35% to 6.5%.



The localised nature of the market is demonstrated at a city level too, with Liverpool leading price growth among the UK's largest cities at +10.3% on the year, and 32% over the last five years. Nottingham follows, registering +9.5% annual growth, and a +36% rise in values since 2017. This contrasts with an annual decline in prices of -0.2% in Aberdeen since February last year, and a -13.5% decline over five years.

Affordability levels (examined in more detail below) are a key factor in the spread of price growth across the country. The largest price growth has been registered in markets with highest demand and lower average prices. The average price of a home in Wales is £186,200, compared to the UK average of £245,200. Changed working practices in the wake of the pandemic, as well as local economic conditions and property types are also factors at play in the range of value growth recorded across the country.

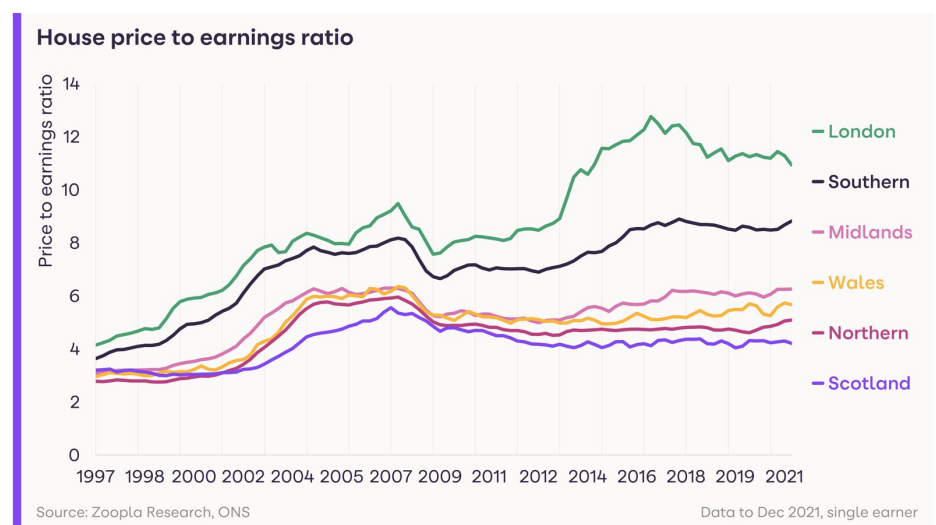
£245,200

Average value
of a home, UK,
February 2022

The pandemic impact on affordability

As the chart below shows, there is a wide spread of affordability across the country. In London, the average house price is nearly 11x the average income. This compares to the North of England, where the average house price is 5.1x average earnings.

This helps explain the current trends in price growth, with Wales being one of the most affordable markets, even with the growth in prices in recent years. Modest price growth in London means that affordability levels have improved in the capital, but they remain far above the rest of the country.



Another consideration for many buyers when it comes to affordability is the cost of mortgage finance. Mortgage rates have already started to rise after the recent rise in the Bank of England base rate to 0.75%, and independent economic forecasters expect at least another 0.25% rate rise this year.

This will push up the cost of borrowing, which will create some demand among buyers keen to lock into a mortgage rate now. At the same time, there is increasing discussion among policy setters around loosening the stress testing rules for lenders and for new borrowers, which could make access to finance easier for potential buyers, especially as the cost of living rises.

Increased pressure on household finances, as well as the geopolitical uncertainty due to the tragic events in Ukraine, will act as a drag on buyer demand during the year. This will start to ease the upwards pressure on pricing, although the continued constraints on supply will put a floor under prices.

All of these factors signal that potential sellers currently have a 'window' of strong buyer demand, especially those selling family houses.

Buyer demand creates good conditions for sellers

Buyer demand surged at the start of this year, rivalling levels seen last year during the stamp duty holiday. This demand has been supported by the continuation of trends that emerged during the pandemic – households reassessing where and how they are living. In addition, the large rises in home values has also prompted some sellers to lock in gains, and make a move.

Demand has eased slightly since the start of the year, but still remains unseasonably high, and some 65% higher the average level of demand registered over the last five years.

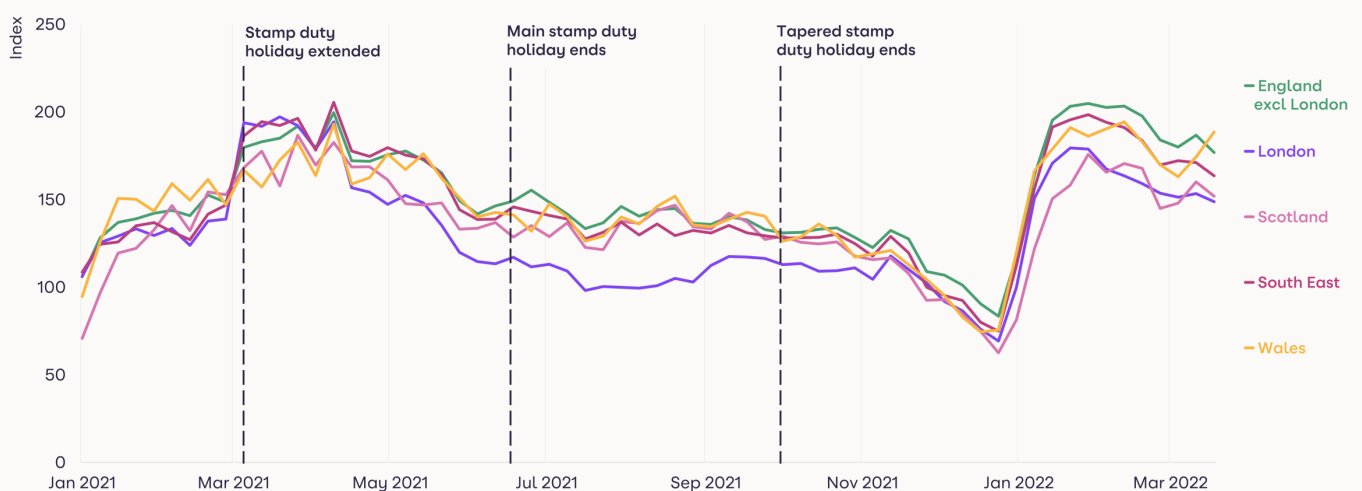
There are two factors boosting demand at present. First is the continued demand for family houses, with the demand for three-bed houses more than twice as high as usual for this time of the year.

The second factor is a continued strengthening of demand in some key cities around the UK. Since January, demand has risen by 5% in Birmingham and 7% in Newcastle, while buyer demand has jumped 20% in Blackpool and 19% in Swindon since the start of the year. This trend has been mirrored in the rental market, with the opening up of cities leading to a boost in demand.

However, at the same time, demand in semi-rural and rural markets also remains strong in most markets.

This demand has translated into elevated levels of activity in the first quarter of the year. While sales agreed are not as high as in Q1 2021, when many deals were being agreed by those hoping to benefit from the stamp duty, sales subject to contract in 2022 so far are more than 30% higher than Q1 in 2020. In London, sales agreed so far this year have exceeded Q1 last year, underlining the demand in urban areas.

Buyer demand remains elevated



Source: Zoopla Research

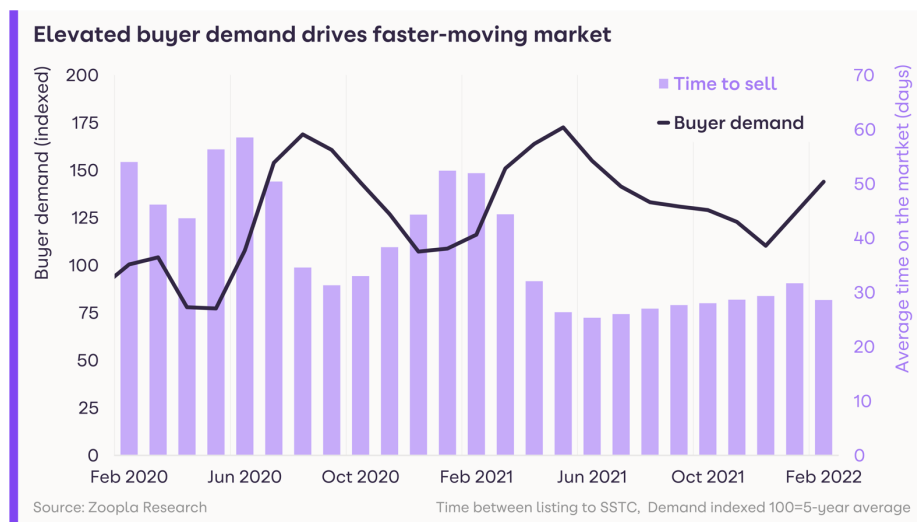
Buyer demand indexed, 100 = 5 year average

29days

Average time to
sell a home, UK
(listing to sale agreed)

Outlook

The scale of demand means the pace of activity in the market has been maintained over Q1. For homes that sell within six months, the average time taken between listing and agreeing a sale is 29 days, well down on the time to sell even at the start of last year.



The current window of strong buyer demand will lead to higher levels of activity in the short-term. However, we expect the economic headwinds, including the rising cost of living, higher mortgage rates and global uncertainty to act as a brake on house price growth which we forecast will ease to more sustainable levels over the course of 2022. It will also mark a return to transactions at levels seen pre-pandemic, resulting in 1.2 million transactions this year.

House Price Index – Country, region and city summary

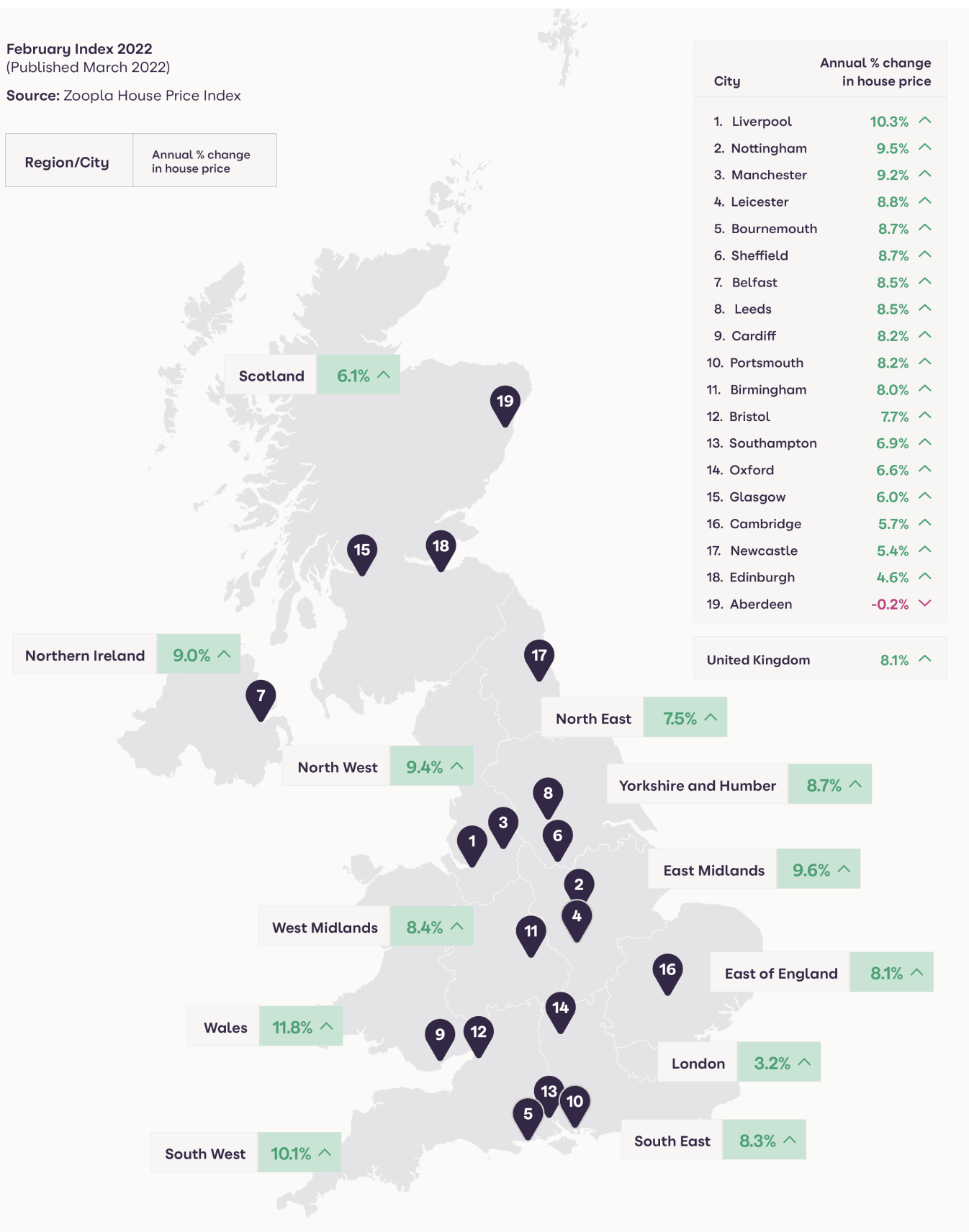
Note: The Zoopla house price index is repeat sales-based price index using sold prices, mortgage valuations and data for agreed sales. The index uses more input data than any other and is designed to accurately track the change in pricing for UK housing.

February Index 2022
(Published March 2022)

Source: Zoopla House Price Index

Region/City	Annual % change in house price
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City	Annual % change in house price
1. Liverpool	10.3% ^
2. Nottingham	9.5% ^
3. Manchester	9.2% ^
4. Leicester	8.8% ^
5. Bournemouth	8.7% ^
6. Sheffield	8.7% ^
7. Belfast	8.5% ^
8. Leeds	8.5% ^
9. Cardiff	8.2% ^
10. Portsmouth	8.2% ^
11. Birmingham	8.0% ^
12. Bristol	7.7% ^
13. Southampton	6.9% ^
14. Oxford	6.6% ^
15. Glasgow	6.0% ^
16. Cambridge	5.7% ^
17. Newcastle	5.4% ^
18. Edinburgh	4.6% ^
19. Aberdeen	-0.2% v
United Kingdom	8.1% ^



Zoopla House Price Index, city summary, Feb 2022

Source: Zoopla House Price Index. Sparklines show last 12 months trend in annual and monthly growth rates – red bars are a negative value – each series has its own axis settings providing a more granular view on price development.

	Average price	%yoy Feb-22	%yoy Feb-21	Monthly trend	Annual trend
UK	£245,200	8.1%	4.2%		
20 city index	£280,500	6.0%	4.0%		
Liverpool	£143,800	10.3%	7.5%		
Nottingham	£184,600	9.5%	5.7%		
Manchester	£202,300	9.2%	6.8%		
Leicester	£210,700	8.8%	5.3%		
Sheffield	£159,600	8.7%	5.9%		
Bournemouth	£323,100	8.7%	3.8%		
Belfast	£158,200	8.5%	5.3%		
Leeds	£193,300	8.5%	5.7%		
Cardiff	£236,700	8.2%	4.4%		
Portsmouth	£268,900	8.2%	3.5%		
Birmingham	£191,000	8.0%	4.5%		
Bristol	£315,200	7.7%	4.5%		
Southampton	£248,600	6.9%	2.7%		
Oxford	£433,900	6.6%	1.9%		
Glasgow	£135,200	6.0%	4.0%		
Cambridge	£445,900	5.7%	2.5%		
Newcastle	£141,900	5.4%	4.6%		
Edinburgh	£254,300	4.6%	2.9%		
London	£508,500	3.2%	2.3%		
Aberdeen	£140,800	-0.2%	-2.9%		

Source: Zoopla House Price Index. Sparklines show last 12 months trend in annual and monthly growth rates – red bars are a negative value – each series has its own axis settings providing a more granular view on price development.

Contacts

If you have any questions please do get in touch

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