

UK House Price Index

+5.3%

Current UK house price growth (YoY)

4.5%

Discount to asking price to achieve a sale

£14k

Value of the average discount to asking price in February 2023

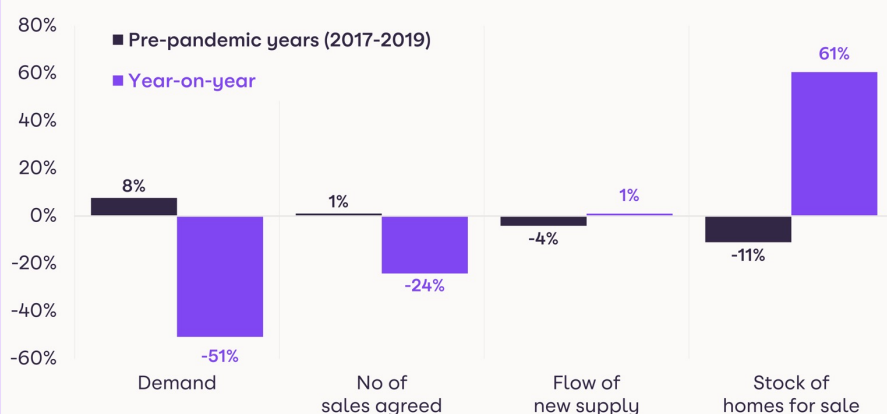
Executive summary

- Annual house price inflation slows to 5.3% down from 8.6% last year
- Buyer demand and sales volumes are 20-50% lower than a year ago but slightly ahead of the pre-pandemic years (2017-2019)
- Sellers having to accept an average 4.5% discount to the asking price to achieve a sale – the highest for 5 years as a buyers' market takes hold
- Average discount to asking price is £14,000 meaning sellers are having to forgo a third of their pandemic house price gains
- Broad based repricing of housing underway - UK house price inflation set to move into low negative year-on-year by summer
- Market is still on track for a soft landing with modest price falls of up to 5% and 1m sales in 2023

“Housing market activity has rebounded in line with pre-pandemic levels. Sellers are having to give up discounts to achieve sales, the value of which equate to a third of the price gains made over the pandemic”

Richard Donnell
Executive Director - Research

Two different ways to view sales market trends



Source: Zoopla Research

% change - 4 weeks to 19 Feb 2023 compared to the same period in previous years

+8%

Demand for homes in
February 2023
compared to the pre-
pandemic years

Glass half-full or half-empty?

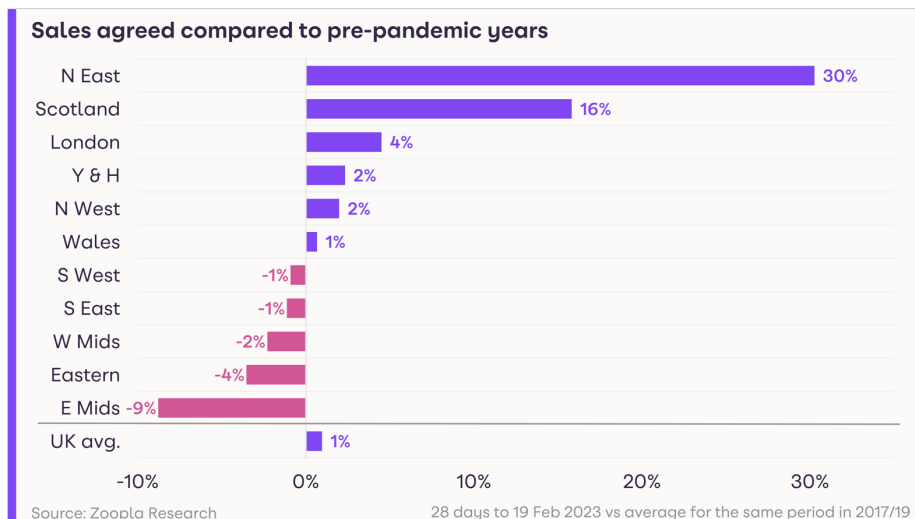
It is possible to take two opposing views on performance in the sales market. The glass-half-empty view is to look at trends on a year-on-year basis, comparing this year to the red-hot market conditions a year ago. The glass-half-full view compares the current market to the pre-pandemic years (2017-2019) when activity levels and house price growth were more benign and trading conditions tougher.

Year-on-year comparisons are important for businesses benchmarking how they are faring compared to last year. Our data shows demand from home buyers has rebounded in the first two months of 2023 but remains at half the level recorded a year ago. New sales volumes in early 2023 have also recovered, tracking the usual seasonal upturn we see each year, albeit 24% lower than this time last year.

The reality is that current market conditions are more aligned with the pre-pandemic years with demand 8% higher and sales agreed up 1%. This is the more useful benchmark for businesses as they plan strategies and investment decisions now the frothy market conditions of the pandemic years are well and truly behind us.

Supply returns to normal levels, boosting choice

Slower sales and a steady flow of new supply have boosted the stock of homes for sale by over 60% compared to last year. The average estate agent office has 24 homes for sale compared to just 15 a year ago. This creates more choice for home buyers who now have more room to negotiate on price. It also helps reduce the upward pressure on house prices. Sellers, supported by agents, are adjusting asking prices in the face of weaker demand. Over 40% of homes currently listed for sale on Zoopla have seen their asking prices reduced to attract price-sensitive buyers. These adjustments have been broadly uniform across regions and property type.



£14k

Median discount to asking price for sales in the last month

Activity levels holding up in more affordable markets

While overall sales volumes are lower year-on-year, they are ahead of the pre-pandemic years in more affordable housing markets such as the North East and Scotland. This is because higher mortgage rates have less of an impact on demand in lower-value markets. In contrast, sales volumes in the Midlands and southern England are up to 9% lower compared to the pre-pandemic period. Higher house prices, which have grown fast over the last 2 years, mean a greater impact on buying power and levels of demand from would-be buyers.

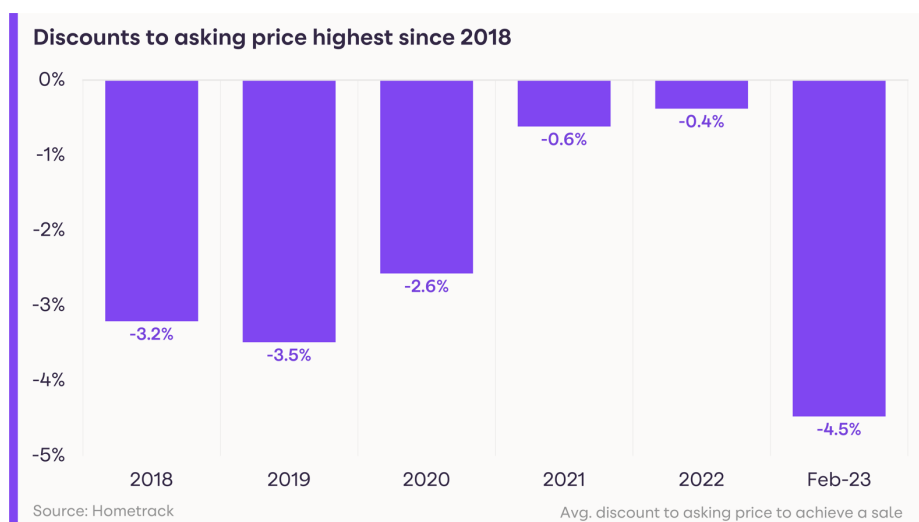
Sales are 4% above their pre-2020 levels in London. Far from being an affordable market, house prices and market activity have significantly underperformed the rest of the country since 2016. This makes the capital appear better value for money which is supporting sales.

Asking to achieved price gap widens to largest for 5 years

While sales volumes have recovered, sellers are having to accept larger discounts to the asking price to secure sales. Negotiating down from the asking price was normal practice before the pandemic boom in England, Wales and Northern Ireland. In Scotland, most homes are marketed as 'offers over'.

The latest data from valuation and risk business Hometrack shows that the discount to achieve a sale has increased over the last 5 months and currently stands at 4.5% - an average £14,100 discount per sale. Discounts to asking price are larger than in the pre-pandemic years and reflect the rapid transition from a hot sellers' market - where most buyers had to pay the asking price over much of 2021 and 2022 - to a buyers' market with more negotiation on price.

Putting this discount into context, the average UK home grew in value by £42,000 over the pandemic, suggesting sellers are having to forgo, on average, 33% of their pandemic gains to achieve a sale.



20%

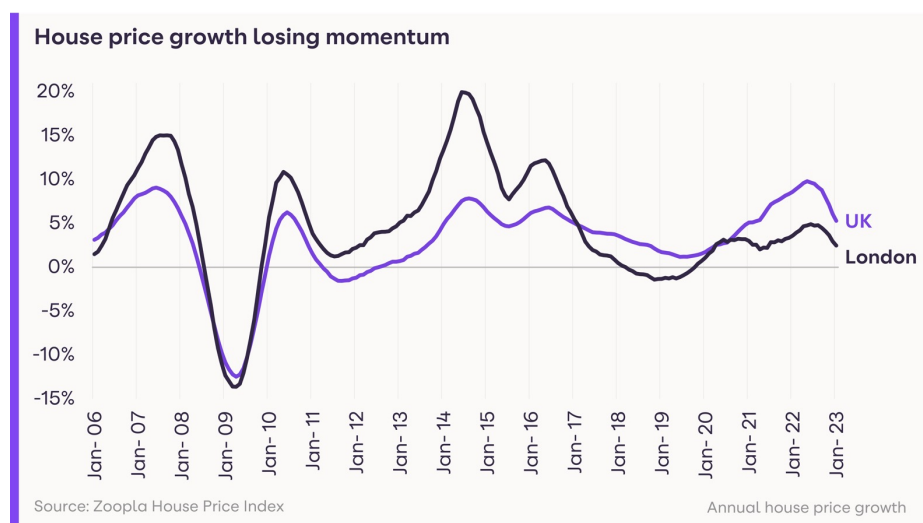
Hit to buying power at
4% mortgage rates –
compared to 2%
mortgage rates a year
ago

Soft reset in house prices underway

The transition to a buyers' market is being accompanied by nationwide repricing as the market adjusts to the reduction in buying power resulting from higher mortgage rates. Buying power is starting to recover as mortgage rates fall from their 6% highs of late 2022.

Even at 4% mortgage rates, the average home buyer has 20% less buying power than they did a year ago when mortgage rates were 2%. This will not feed straight through into house prices. Some buyers will look to buy smaller or cheaper homes as we highlighted last month. Others may inject more equity into purchases or be in position to spend more on mortgage repayments.

House price indices have started to pick up the decline in agreed prices over recent months. Our house price index is now registering modest monthly price reductions which have dragged the annual rate of inflation lower to 5.3%. We expect our UK index to continue to show small month-on-month price reductions over the next 2-4 months as a soft reset in house prices continues. By the summer, we anticipate our index to be recording modest annual price reductions of up to 2 or 3%.



On a regional basis, the annual growth rate ranges from +2.5% in London to +7.1% in Wales. The real weakness in price inflation is coming through southern England where high house prices compound the impact of higher mortgage rates on buyers.

Our index continues to show above-average house price growth in affordable regional towns next to larger employment centres covering postal areas such as Oldham, Dudley, Wolverhampton and Worcester where price inflation remains over 8%. Inner London areas continue to top the list with the weakest rates of annual price growth although no postal areas are registering year-on-year price falls at this stage.

Outlook

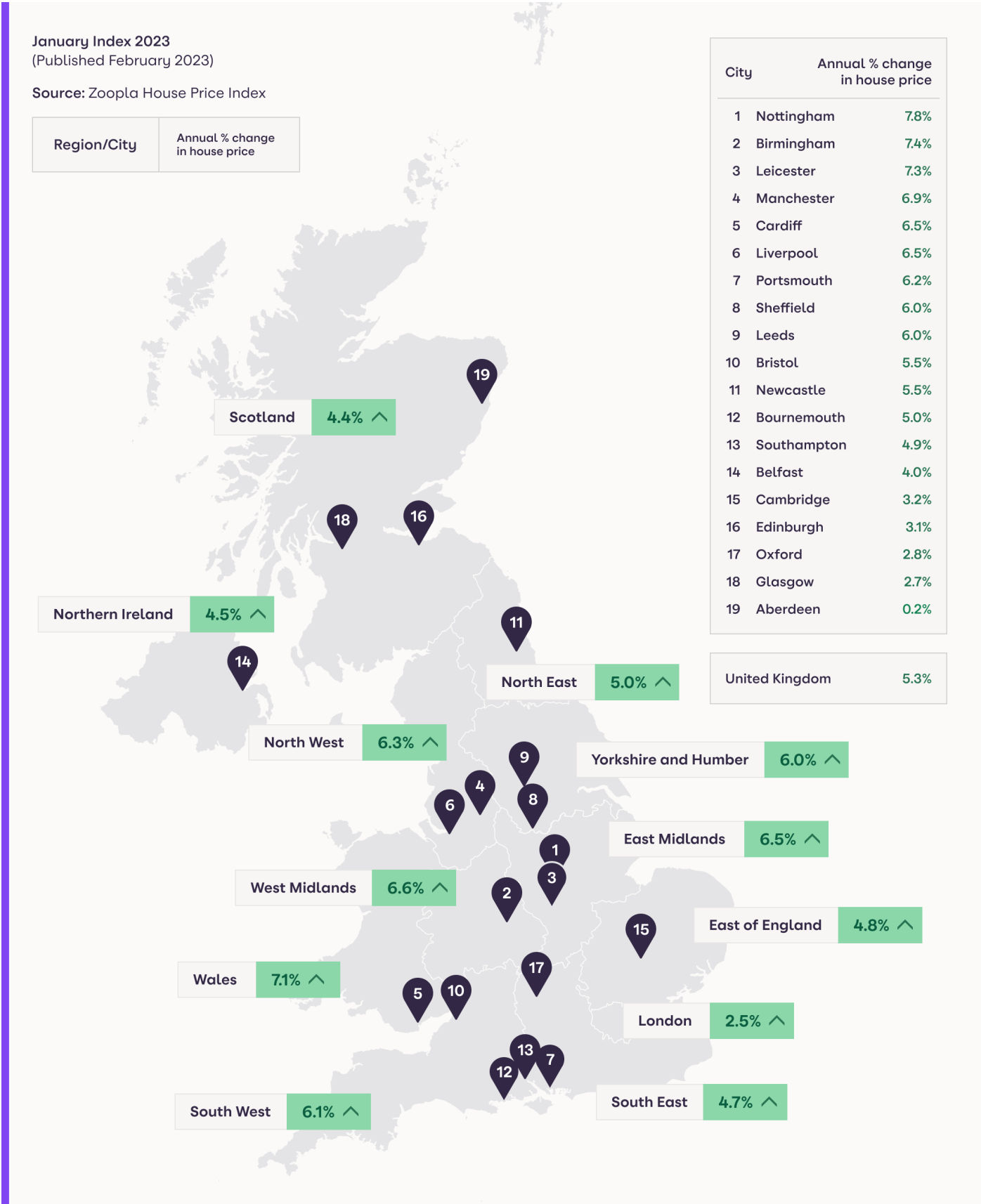
The housing market is adjusting to higher mortgage rates better than many had feared and it's welcome news to see more rates for new buyers now in the 4-5% range and even lower. Mortgage rates are unlikely to get much cheaper but competition among lenders will remain strong and keep deals attractive for borrowers. Our view has always been that 4% mortgage rates are manageable and consistent with very low levels of house price growth or price falls in real terms.

It is welcome to see evidence of greater realism from sellers on pricing to secure a sale. The gains made over the last 2 years provide a buffer that can be used to unlock sales and it appears that this adjustment in pricing is uniform across the market by area and property type.

All this points to reasonable levels of turnover in 2023 which will support business plans for agents, builders and lenders. The industry can manage modest price falls so long as the impetus to move remains. Working from home, increased retirement, and high immigration all continue to stimulate demand to move home. Cost-of-living pressures exacerbate those needs for some. If the market delivers 1m to 1.1m sales in 2023, as we expect, then it will be a positive result.

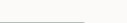
House Price Index – Country, region and city summary

Note: The Zoopla house price index is a 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.



Zoopla House Price Index, city summary, January 2023

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 Jan-23	%yoy Jan-22	Monthly trend	Annual trend
United Kingdom	£260,800	5.3%	8.6%		
20 City Composite	£296,300	4.6%	6.7%		
Nottingham	£201,600	7.8%	10.6%		
Manchester	£219,800	6.9%	10.1%		
Liverpool	£155,800	6.5%	11.3%		
Birmingham	£206,100	7.4%	8.4%		
Leicester	£226,800	7.3%	9.0%		
Leeds	£207,200	6.0%	9.8%		
Sheffield	£171,300	6.0%	10.0%		
Cardiff	£254,900	6.5%	9.2%		
Bournemouth	£345,100	5.0%	10.2%		
Portsmouth	£286,700	6.2%	9.2%		
Bristol	£336,200	5.5%	9.3%		
Southampton	£263,000	4.9%	8.4%		
Belfast	£166,800	4.0%	9.3%		
Newcastle	£149,000	5.5%	6.2%		
Cambridge	£467,200	3.2%	6.6%		
Glasgow	£142,200	2.7%	7.8%		
Edinburgh	£267,000	3.1%	5.7%		
London	£524,800	2.5%	3.6%		
Oxford	£454,700	2.8%	7.8%		
Aberdeen	£140,200	0.2%	-2.5%		

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.

House price index
report produced by

Richard Donnell

Executive Director - Research
richard.donnell@zoopla.co.uk

Izabella Lubowiecka

Property Researcher

Recent publications



Sign up for all the latest research from Zoopla at
advantage.zpg.co.uk

The information and data in this report was correct at the time of publishing and high standards are employed to ensure its accuracy. However, no reliance should be placed on the information contained in this report and Zoopla Ltd and its group companies make no representation or warranty of any kind regarding the content of this article and accept no responsibility or liability for any decisions made by the reader based on the information and/or data shown here.