

UK House Price Index

Demand rebounds but lockdown makes sellers reluctant to list homes for sale

+4.3%

Current UK house
price growth

+13%

Demand for homes in
first 2 weeks of 2021 v 2020

-12%

Flow of new supply onto
market in first 2 weeks of 2021

Executive summary

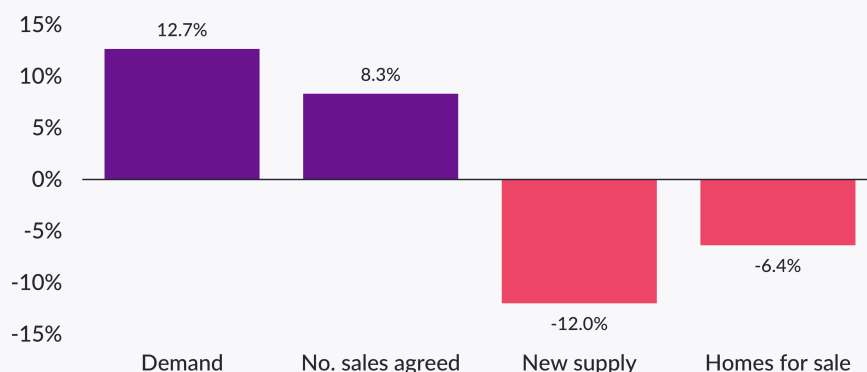
- The third lockdown is exacerbating a supply/demand imbalance in housing.
- Demand has rebounded faster than last year, but the flow of new supply is slower as sellers are reluctant to list their home while restrictions remain.
- London the only region to register more supply – primarily flats, as owners trade-up for space and/or investors take gains ahead of possible tax changes.
- The strength of demand in 2020 H2 absorbed a lot of supply, meaning we start 2021 with 7% fewer homes for sale than a year ago.
- The result is upward pressure on prices – the UK growth rate is +4.3%.
- Three regions are recording their highest growth rates since 2007. Liverpool city has annual growth running at a 15-year high.
- 70,000 households who agreed a sale in 2020 are at risk of missing the stamp duty deadline – the case for a short, 4-week extension grows.

“Rising demand and a lack of new homes coming to the market for sale will keep an upward pressure on house prices in the near term, especially in the more affordable parts of the UK.”

Richard Donnell
Research and Insight
Director, Zoopla

Supply/demand balance worsens in January 2021

Zoopla



Source: Zoopla House Price Index

Cumulative growth v last year (26 Dec to 17 Jan)

▲ **4.3%**

Annual UK house
price growth

Annual UK house price inflation +4.3%

The annual rate of UK house price growth is 4.3%, the highest since April 2017. The impetus for growth is coming from Wales, northern England and Scotland where strong demand and attractive affordability allow headroom for above average growth rates. The rate of annual price inflation is highest in Wales and the North West at +5.4% - see map at page 6.

At a city level, Liverpool has jumped to the top of the growth rankings with house prices rising by 6.3% over the last 12 months – this is the highest annual growth rate for 15 years. Manchester is close behind with a growth rate of +6.0%, back to levels of inflation last seen 2 years ago.

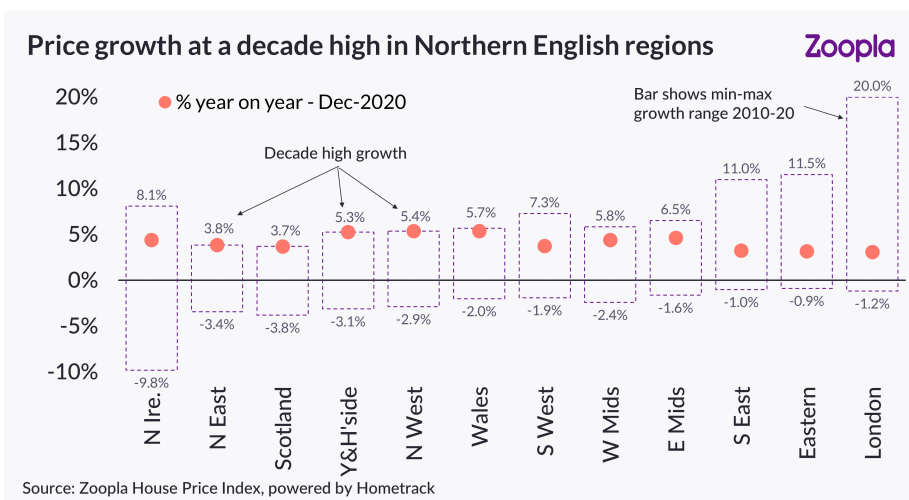
UK house price index summary, December 2020

	3-month change	% year on year	Average price
Jul-2020	0.3%	2.4%	£218,600
Aug-2020	0.8%	3.0%	£220,300
Sep-2020	2.2%	3.6%	£221,900
Oct-2020	2.1%	4.0%	£223,100
Nov-2020	1.2%	3.9%	£222,900
Dec-2020	0.8%	4.3%	£223,700

Source: Zoopla UK House Price Index

Growth rate hits 10 year high in northern English regions

House price growth is at a decade high across three regions – North East, North West, Yorkshire and the Humber – in fact growth is running at the highest since before the global financial crisis. The chart compares current growth rate to the high-low range between 2010 and 2020. Affordability pressures are acting as a drag on price growth across southern England where, in 2014 London house price growth reached +20%. Decade high growth rates of c.5% are low by historic standards yet remain ahead of the growth in household incomes.



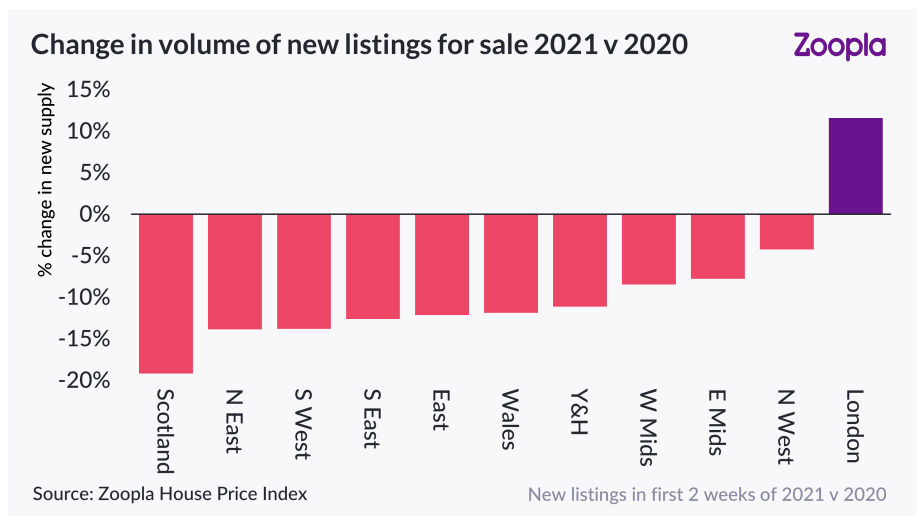
-6%

Number of homes available
'for sale' versus a year ago

Fast start to 2021 as demand rebounds faster than 2020

Despite the new lockdown, demand for homes has posted the usual seasonal rebound which has been stronger than last year. Demand for homes is up 13% on this time last year, with new sales agreed also up 8%. This rebound is broadly uniform across all regions and countries. It is a continuation of above average demand and market activity from 2020 H2. The ongoing impact of the pandemic continues to drive moving intent amongst home-owners.

Some new buyers will be looking to beat the stamp duty deadline. In a normal year over 50% would make it, but far fewer are likely to complete a sale in time this year given the volume of business in the pipeline and longer completion times, unless they look to buy a new home.



Third lockdown creates reluctance amongst would-be sellers

The flow of new supply onto the market is slower than this time last year, down 12%. Sellers remain cautious in the face of 3rd lockdown, higher case numbers and calls for people to limit movement, even though the housing market remains open for business. We expect sellers to list homes once case numbers start to fall sharply and/or we move back to regional tier-based restrictions.

The one area where supply is growing is London with flats accounting for much of this increase. We believe this is a combination of 1) more owners looking to trade up from flats to houses motivated by a desire for space and more flexible working patterns; 2) investors looking to sell homes in the face of falling rents and expectations of an increase in capital gains tax rates in 2021.

Lack of homes for sale keeps upward pressure on prices

A lack of new listings, together with rising demand and more new sales being agreed is reducing the available pool of homes for sale. There are currently 6% fewer homes available for sale than this time last year. This is reducing choice for would-be buyers and will keep an upward pressure on house price growth in the near term, especially if demand remains in line with or ahead of last year.

70k

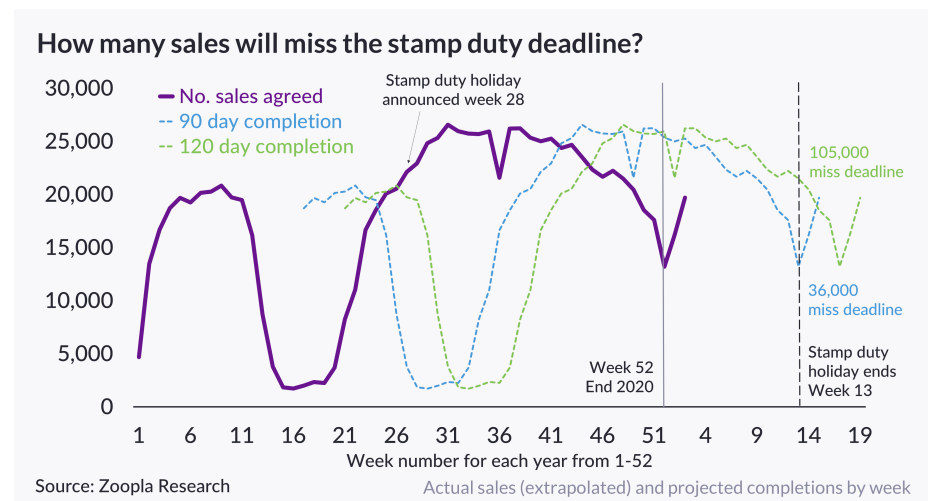
Number of sales agreed in 2020 that may miss 31 March stamp duty deadline

Stamp duty holiday – end or extend?

The impact of the stamp duty holiday deadline on activity has been the focus of intense debate. No-one could have foreseen how strong market conditions would be in 2020 H2 with 47% more homes selling compared to 2019. Under normal market conditions nearly all homes sold in a calendar year would complete by the end of March the following year – an average of 90-days to complete a sale. Market evidence suggests this period has extended by around two weeks to an average of 110-115 days or just under 4 months.

The chart shows the volume of agreed sales by week number over 2020. We project forward the sale completions into 2021 assuming it takes an average of 90 days or 120 days to complete a sale – the dotted lines. The stamp duty holiday is in week 13 of 2021. The range for the number of sales potentially missing the deadline is 36,000 and 105,000. Most buyers that agreed a sale in 2020 would have expected to complete by the 31 March. Up to 70,000 sales agreed in 2020 may miss the deadline assuming a 4-month completion period.

What is unclear is how many sales are 100% dependent upon securing the stamp duty savings. The more buyers who are wholly reliant on securing the savings, the greater the risk of a spike in fall-throughs. This will have a knock-on impact on chains of sales. No extension of the holiday will result in chains failing or buyers within the chain having to help fund the loss of stamp duty.



Growing case for a short extension?

The housing market has been one of the bright spots for the economy. While the Government will be eager to start raising tax revenues once again the case for a short, month-long stamp duty extension is growing, to ensure all sales agreed in 2020 complete. A delayed announcement closer to March would avoid drawing new buyers into the market. As with all tax policy, this is a purely political decision. The housing market will not grind to a halt without an extension, but we expect a short period of lower sales in Q2 which we have factored into our forecasts for sales in 2021. The debate on property taxes, their format, who they impact, and potential reforms, will continue to run. It will remain a hot topic of debate given how much of the nations' wealth is accounted for by the value of UK housing which now exceeds £9 trillion.

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.

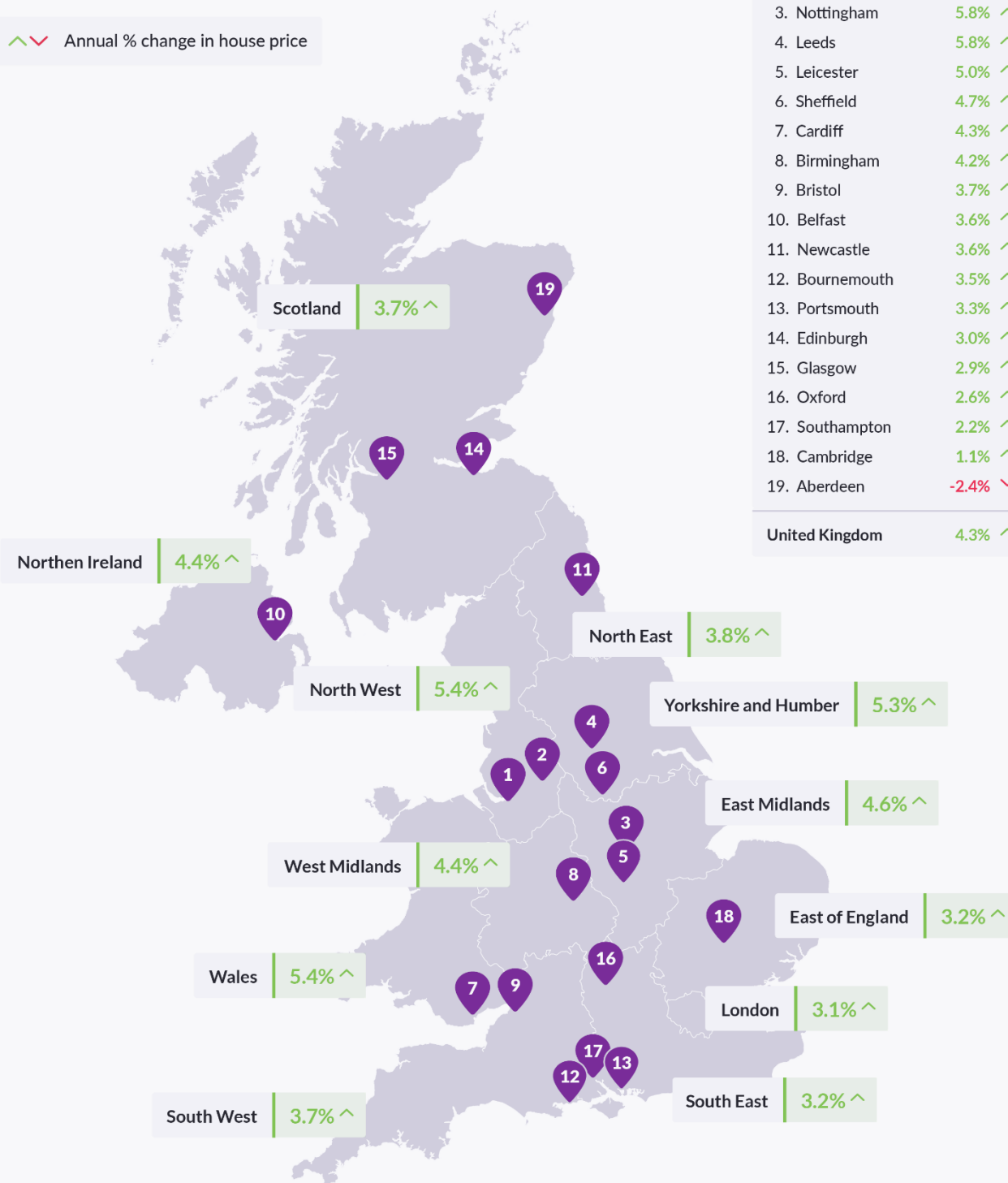
Zoopla

December Index 2020
(Published January 2021)













































Source: Zoopla House Price Index

▲ ▼ Annual % change in house price

City	Annual % change in house price
1. Liverpool	6.3% ▲
2. Manchester	6.0% ▲
3. Nottingham	5.8% ▲
4. Leeds	5.8% ▲
5. Leicester	5.0% ▲
6. Sheffield	4.7% ▲
7. Cardiff	4.3% ▲
8. Birmingham	4.2% ▲
9. Bristol	3.7% ▲
10. Belfast	3.6% ▲
11. Newcastle	3.6% ▲
12. Bournemouth	3.5% ▲
13. Portsmouth	3.3% ▲
14. Edinburgh	3.0% ▲
15. Glasgow	2.9% ▲
16. Oxford	2.6% ▲
17. Southampton	2.2% ▲
18. Cambridge	1.1% ▲
19. Aberdeen	-2.4% ▼
United Kingdom	4.3% ▲



Zoopla UK house price index – City Summary - December 2020

	Average price	%yoy Dec-20	%yoy Dec-19	Monthly trend	Annual trend
UK	£223,700	4.3%	1.3%		
20 city index	£260,500	3.7%	1.7%		
Liverpool	£127,200	6.3%	2.4%		
Manchester	£179,900	6.0%	3.5%		
Nottingham	£165,400	5.8%	3.7%		
Leeds	£175,300	5.8%	2.4%		
Leicester	£190,200	5.0%	4.0%		
Sheffield	£143,800	4.7%	2.3%		
Cardiff	£216,100	4.3%	2.2%		
Birmingham	£173,000	4.2%	2.6%		
Bristol	£288,300	3.7%	2.0%		
Newcastle	£129,900	3.6%	0.1%		
Belfast	£141,500	3.6%	2.8%		
Bournemouth	£294,900	3.5%	0.8%		
Portsmouth	£245,200	3.3%	1.2%		
Edinburgh	£234,200	3.0%	3.9%		
Glasgow	£121,900	2.9%	2.6%		
London	£485,600	2.9%	0.8%		
Oxford	£407,800	2.6%	-0.7%		
Southampton	£229,600	2.2%	0.3%		
Cambridge	£416,300	1.1%	1.4%		
Aberdeen	£141,700	-2.4%	-3.2%		

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

Contact

If you have any questions about our research please do get in touch.

Richard Donnell

Director of Research & Insight
richard.donnell@zoopla.co.uk

David Ross

Managing Director, Hometrack
dross@hometrack.com

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.