

UK House Price Index

+8.3%

Current UK house price growth

+58%

Demand for homes 4 weeks to 24th April vs 5-year average

+3%

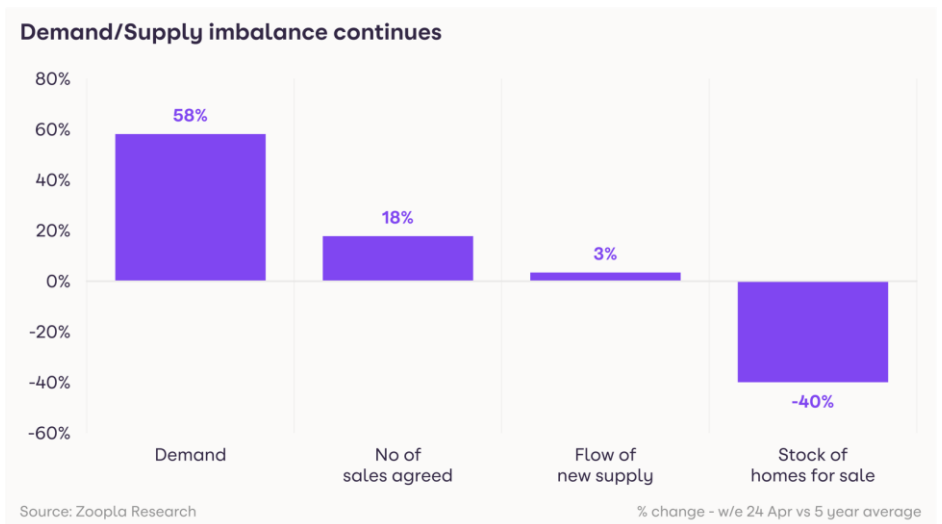
Flow of new supply 4 weeks to 24th April vs 5-year average

Executive summary

- Continued high levels of buyer demand puts upward pressure on pricing, with average home value up +8.3% on the year
- This takes the average value of a UK property close to £250,000, up £29,000 since the start of the pandemic
- The highest price growth is in Wales, where average values are up +12.1% over the last year, compared to a +3.4% rise in London
- The supply of new homes for sale is rising, up a modest 3% on the 5-year average, but some areas are seeing significant increases
- High buyer demand is driving activity, with sales agreed in the run-up to Easter running c.27% higher than pre-pandemic levels
- Upwards pressure on pricing has pushed 4.3 million homes into higher stamp duty brackets over the last 2 years

“The rise in house prices since the beginning of the pandemic, due to the demand/supply imbalance, means millions more properties are now in higher stamp duty brackets. But there are pockets of increased supply emerging, creating more choice for buyers in this busy market”

Gráinne Gilmore
 Head of Research



+1.2%

UK house price growth, three months to March 2022

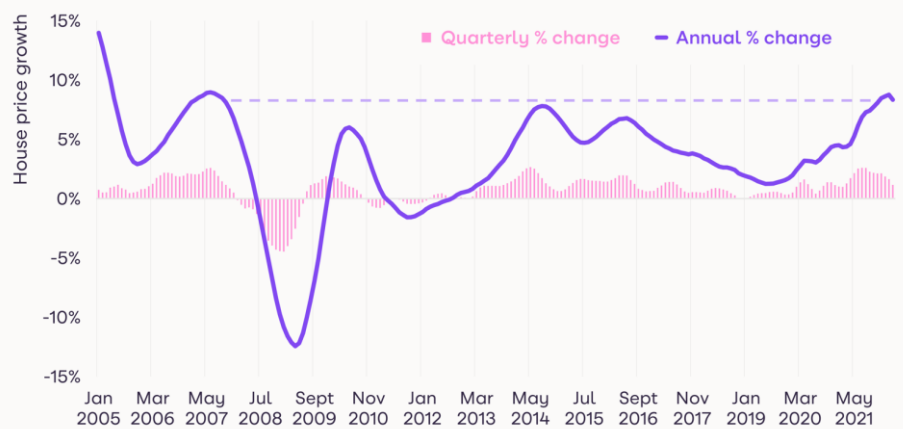
House price growth near 15-year high

Average UK house prices climbed by £441 in March, rising to nearly £249,700. This took the annual rate of house price growth to +8.3%, down slightly from a peak of +8.8% in February and +8.6% in January. The levels of annual price growth registered over the last three months are the highest since 2007. Total average price growth since the start of the pandemic in March 2020 now stands at 13%.

House prices are being pushed up as buyer demand remains strong in the face of more constrained supply. Higher demand has also driven more transactions, with current levels of sales agreed running more than 20% higher than pre-pandemic levels.

However, price growth is not evenly spread across the country. Some of the most affordable markets are seeing the sharpest growth in house prices, with Wales leading the way. Prices in the principality are up +12.1% on the year. Price growth in the South West is also in double digits, at +10.6%. Although this is a less affordable market compared to the UK average, the appeal of rural and coastal living has super-charged buyer demand in the two years since the start of the pandemic, driving up prices.

UK house price growth in Q1 reaches 15-year high



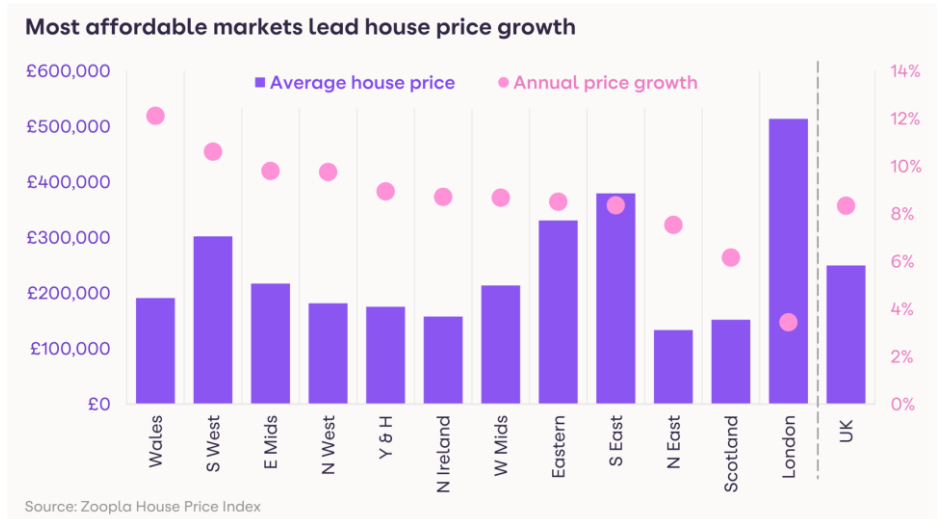
Source: Zoopla House Price Index

Annual price growth in London, the most expensive housing market in the UK, is the most modest, at +3.6%. The average price for flats in the capital has risen by just 2% since the start of the pandemic, and the potential value in this market is now driving demand.

The strongest price growth over the last year across the UK's major cities has been in Liverpool (+10.1%) Nottingham (+9.8%) and Manchester (+9.5%), while there has been double digit price growth in Warrington (+12.3%), Wigan (+12.2%) and Rochdale (+11.8%) in the North, as well as Hastings (+10.6%) and Plymouth (+10.1%) in the South of England. Swansea in Wales also registered growth of +11% in the year to March.

£249,700

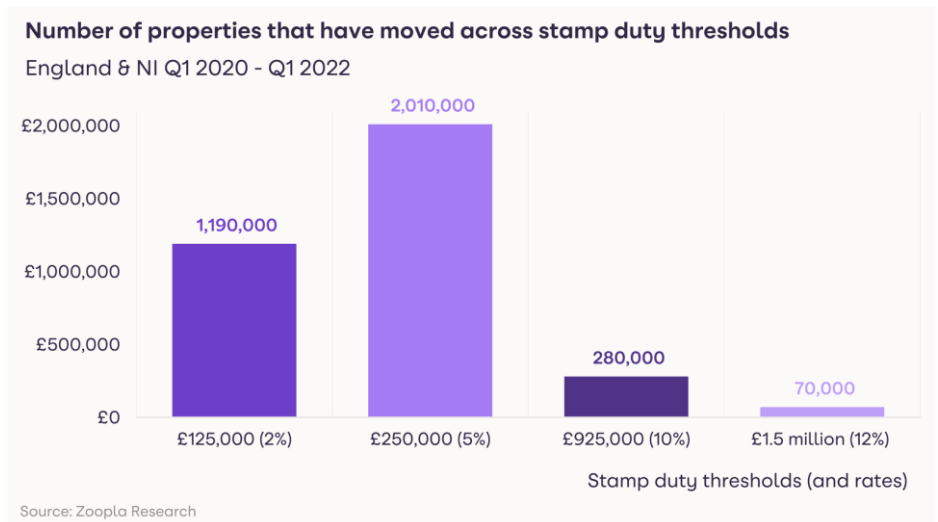
Average value of a home, UK, March 2022



The pandemic impact on stamp duty

As the chart below shows, the rise in house prices since the start of the pandemic – the value of an average home is £29,000 – has pushed millions more homes into higher stamp duty brackets across the UK. If these homes were to come onto the market now, or in the future, buyers would have to pay more stamp duty than in early 2020.

A total of 3.5 million homes in England and Northern Ireland have moved up into a higher stamp duty threshold,



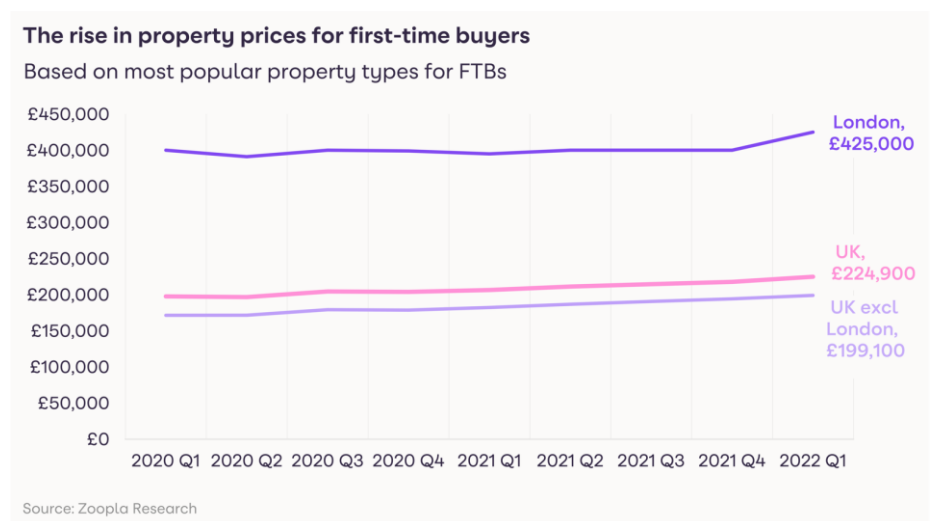
A further 815,000 properties have moved across the thresholds in Scotland and Wales, which have slightly different thresholds. When looking at the entry threshold for stamp duty, the point at which buyers would have to start paying the purchase tax, some 1.5 million additional properties will now attract a stamp duty charge compared to two years ago.

Likewise, for first-time buyers, who benefit from a stamp duty relief on purchases up to £300,000 in England and Northern Ireland, some 1.9 million more properties have moved beyond this threshold since the start of the pandemic and the first lockdown.

First-time buyers need larger deposits and higher income

The increase in average values means that buyers must pay more than two years ago to purchase a home in many parts of the country. While homeowners who are selling will also benefit from the rise in equity in their own property, those entering the market will need to find additional finance.

By examining the preferred types of properties among first-time buyers, our analysis shows that the first-time buyer home is now averaging around £225,000, up from £197,600 at the start of the pandemic.



This means the average first-time buyer must find an additional £4,000 for a 15% deposit, and an additional £5,000 in added income every year to meet the criteria of a home loan which is within the 4.5 x income threshold.

However, there are some markets where price increases are less pronounced – for example, in London, first-time buyers favouring a two-bed flat are, on average, spending the same as they were 2 years ago, given the modest price rises for this type of property in the city.

Even with the additional cost of purchase, first-time buyers remain active in the market, but as interest rates continue to rise, as well as the cost of living, the dependence of first-time buyers on family and other sources of income to raise money for a deposit will likely increase, as will the importance of mortgages which offer access to the market with smaller deposits.

However, against this background of rising prices, there are also some markets around the country where the supply of homes for sale is starting to materially increase, offering more choice for buyers. If the momentum of supply is maintained, it will start to ease the upward pressure in pricing in these localities.

+38%

Uplift in new sales listings in Pendle, April vs March 2022

The Supply ‘hotspots’

The supply of homes newly listed for sale has started to rise, and is currently running at 3% above the 5-year average. This is a modest rise, and it will take some time yet to unwind the significant shortage of stock for sale, which is currently sitting some 40% below the 5-year average.

However, there are some areas across the country where listings have stepped up over the last month - the area with the largest rise in each region is listed in the chart below.

Regional new supply hotspots		
Local Authority	Region	MoM growth in new supply
Kensington and Chelsea	London	53%
Erewash	E Mids	45%
Pendle	N West	38%
Elmbridge	S East	38%
Southend-on-Sea	Eastern	28%
Powys	Wales	27%
Stratford-on-Avon	W Mids	27%
Sedgemoor	S West	17%
Aberdeenshire	Scotland	16%
Sheffield	Y & H	14%
North Tyneside	N East	5%

Source: Zoopla Research

4 weeks to 24 Apr vs 4 weeks to 27 Mar 2022

The increase in listings in Kensington & Chelsea – across all property types, comes amid the return of international demand into the sales market in London, with some buyers seeing value in central London where prices have risen more modestly than the rest of the country.

In the North West, a rise in supply of homes in Pendle will be attractive to buyers looking for a slice of rural life, as it borders two Areas of Outstanding Natural Beauty. Erewash in the East Midlands however is within easy commuting distance of Nottingham and Derby.

The increase in listings will provide more choice for buyers, helping to further loosen up housing chains, and could lead to higher numbers of transactions.

Outlook

While there are signs of a positive turn in the supply of homes for sale, it is unlikely that the total shortage of stock across the UK will unwind this year. This will continue to put a floor under pricing.

However, the market will not continue to operate at its current pitch throughout the rest of the year. The economic headwinds which are already being felt in households across the country, will start to have more a material impact on the housing market in H2, putting some downward pressure on house price growth. These headwinds include the rising cost of living, and the rising cost of mortgage borrowing.

As we have illustrated in this report, recent price rises mean many more homes now attract higher stamp duty charges, and first-time buyers need more finance and support to climb onto the property ladder. Having said that, those who are already homeowners have the option to sell and crystallise these significant gains.

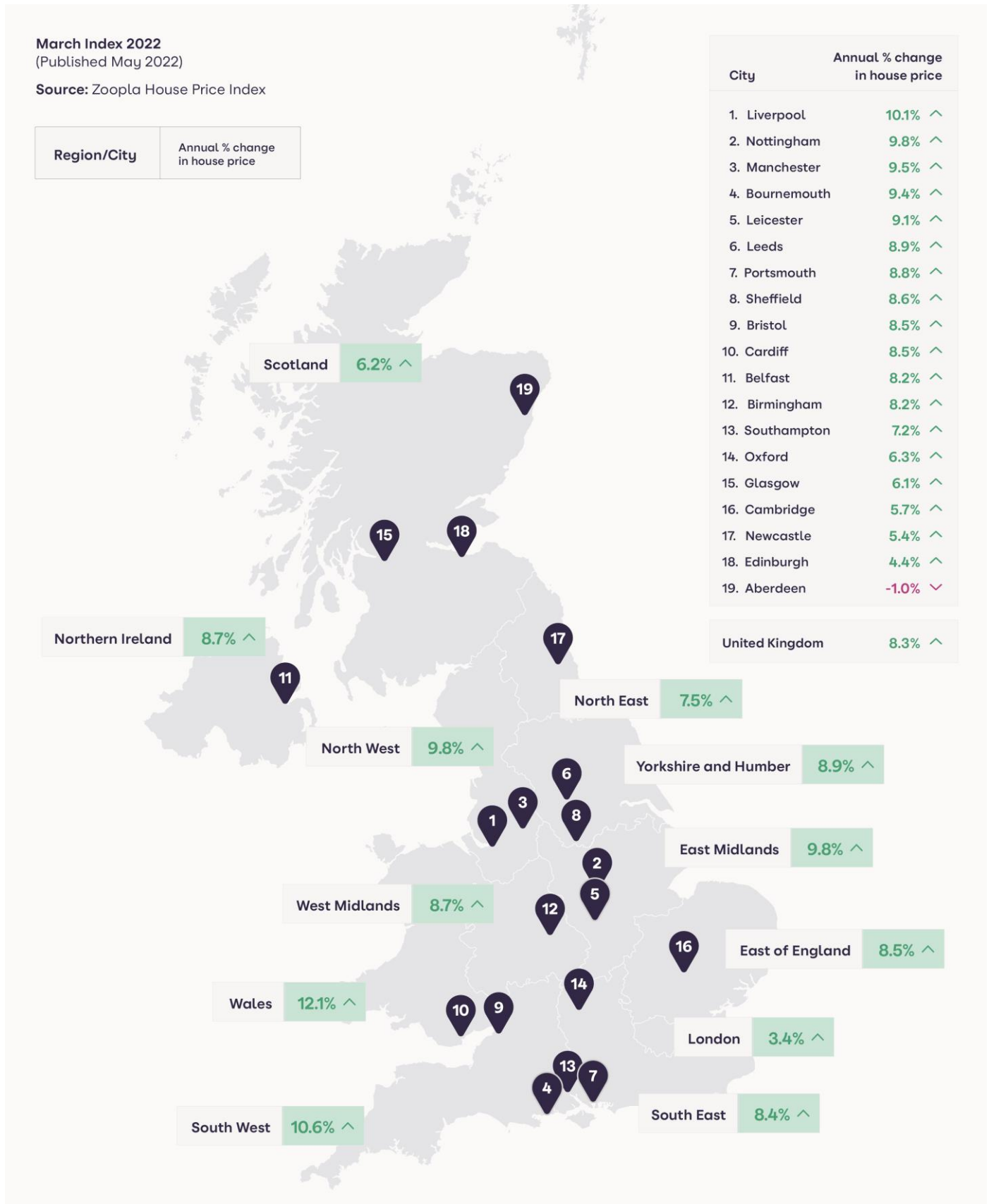
At the same time, the pandemic-led levels of demand (as many households continue to make the move they planned during successive lockdowns to a larger space or a different location) will also start to normalise. We forecast last year that strong demand would continue through the start of the this year, but that the market would return to more 'normal' pre-pandemic conditions from the summer.

All in all, this will result in a slowing in price growth in 2022, although it will remain in positive territory. We have forecast +3% growth in December, but the move from +8.3% to +3% may not be a linear progression, and it may take into Q1 2023 before price growth hits this level.

We forecast 1.2 million transactions this year, supported by a strong Q1 and Q2 in terms of sales agreed.

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 House Price Index, city summary, Mar 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 Mar-22	%yoy Mar-21	Monthly trend	Annual trend
UK	£249,700	8.3%	4.4%		
20 city index	£285,200	6.3%	3.9%		
Liverpool	£147,300	10.1%	7.7%		
Nottingham	£188,600	9.8%	5.9%		
Manchester	£207,600	9.5%	6.8%		
Bournemouth	£331,000	9.4%	4.1%		
Leicester	£214,900	9.1%	5.1%		
Leeds	£198,500	8.9%	5.9%		
Portsmouth	£273,800	8.8%	3.7%		
Sheffield	£163,000	8.6%	6.3%		
Bristol	£322,100	8.5%	4.5%		
Cardiff	£243,800	8.5%	4.5%		
Belfast	£160,200	8.2%	6.1%		
Birmingham	£194,800	8.2%	4.7%		
Southampton	£251,400	7.2%	3.2%		
Oxford	£441,000	6.3%	2.4%		
Glasgow	£138,000	6.1%	4.6%		
Cambridge	£452,400	5.7%	2.9%		
Newcastle	£143,500	5.4%	4.8%		
Edinburgh	£255,300	4.4%	3.4%		
London	£513,700	3.4%	2.2%		
Aberdeen	£140,300	-1.0%	-2.2%		

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.

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