

UK House Price Index

+1.0%

UK house price inflation - Sept 2024

+30%

Growth in value of sales pipeline vs Oct 2023

36%

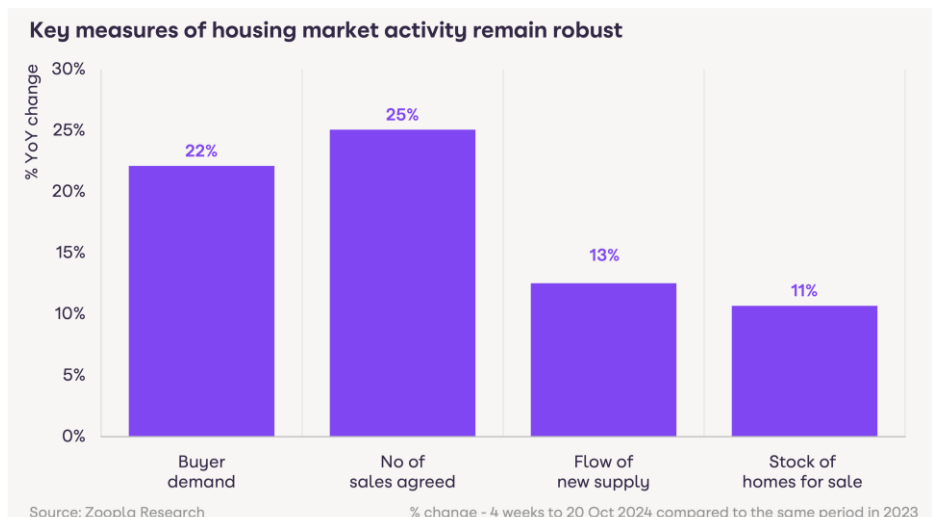
Proportion of 2024 housing sales by first-time buyers

Executive summary

- UK house price inflation increases to +1%, up from -0.9% a year ago
- Sales activity running at the highest level since the 2020 boom
- Pipeline of sales agreed is 30% higher than a year ago, at £113bn
- High supply of homes for sale and affordability pressures keeping house price inflation in check
- First-time buyers are the largest buyer group in 2024 (36% of sales)
- The dynamics of renting and buying have shifted, supporting purchases by first-time buyers
- A reversal of stamp duty land tax changes in the Budget could see 20% more FTBs paying this tax in England and N. Ireland

“Housing market activity continues to recover in response to lower mortgage rates and rising incomes, with the largest sales pipeline for 4 years. House price inflation is being kept in check by a large supply of homes for sale and ongoing affordability constraints.”

Richard Donnell
Executive Director - Research



+1.0%

UK house price inflation
September 2024

2024 a bumper year for sales more than price inflation

2024 is turning into a bumper year for housing sales. Intense competition amongst lenders has seen average mortgage rates reach their lowest for 2 years¹. Together with rising incomes, this is supporting the highest level of new sales agreed since the boom in the wake of pandemic restrictions being lifted in late 2020².

House prices are rising more slowly, up by just 1% over the last 12 months to September 2024, compared to -0.9% a year ago. Price inflation is being held back by a large choice of homes for sale, while buying power is being kept in check by affordability pressures.

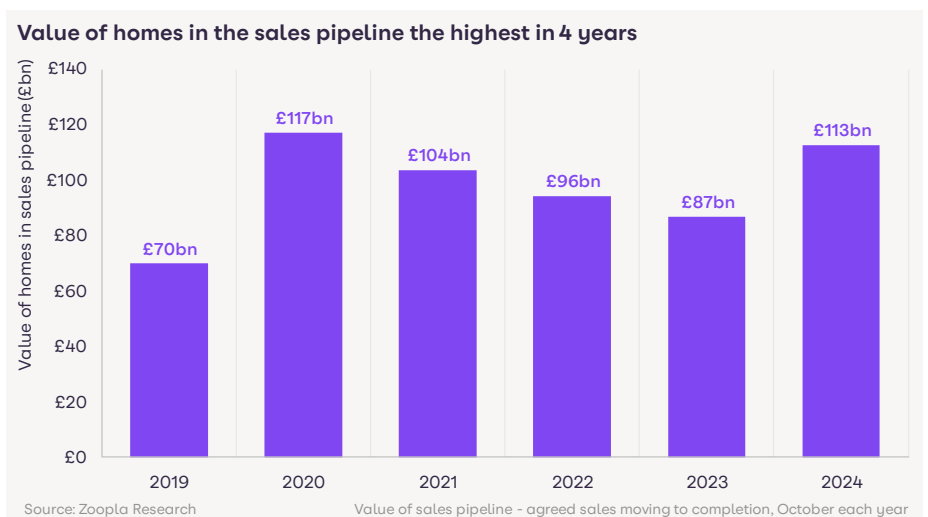
House prices are rising at an above-average rate in areas with more affordable house prices, e.g. the North East (2.0%), Yorkshire & Humberside (2.0%), the North West (2.3%), Scotland (2.4%) and Northern Ireland (5.6%). House prices are posting small falls in the Eastern (-0.3%) and South East (-0.1%) regions. UK house prices remain on track to be 2% higher over 2024 as price falls this time last year drop out of the annual rate of price inflation.

Sales pipeline largest for 4 years & up 30% on last year

The sustained growth in new sales over the year has led to the largest sales pipeline for 4 years. We estimate that there are currently 306,000 homes with a sale agreed, which are working their way through the buying process towards completion. In number terms, this is 62,000 (or 26%) higher than a year ago.

The total sales value of homes in the pipeline is £113bn. This is 30% higher than this time last year, when a spike in mortgage rates hit buyer demand, reducing the number of sales agreed over 2023 H2.

The momentum in new sales looks set to continue into December. Many recent sales will turn into as sales completions in H1 2025.



¹ Average mortgage rate for a new 75% loan to value 5-year fix rate in September 2024 - Bank of England Bankstats

² Comparing 4 weeks to 20 October 2024 vs same period in 2023

£113bn

Total value of the sales pipeline (October 2024)

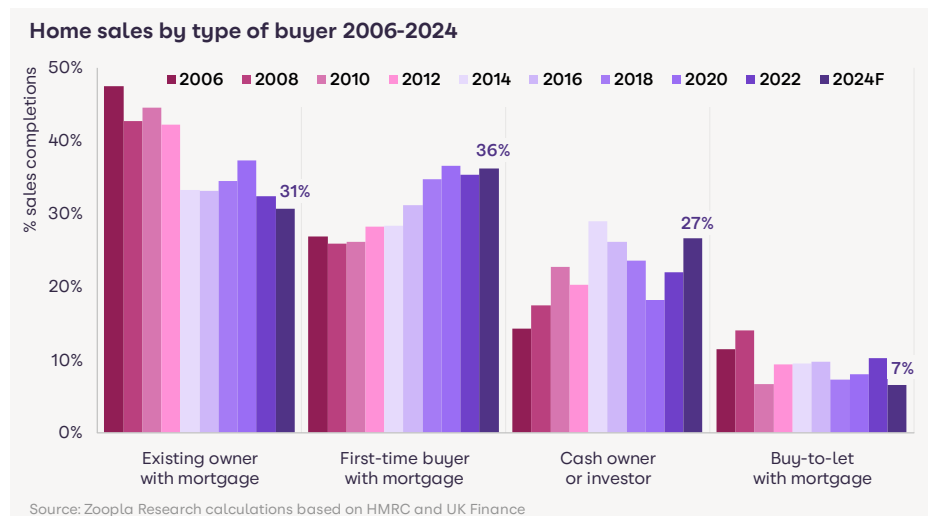
First-time buyers - the largest buyer group in 2024

The growth in sales is being driven by a combination of first-time buyers (FTBs) and existing homeowners who delayed their moving decisions until borrowing costs fell and the outlook improved.

FTBs are on track to be the biggest buyer cohort in 2024, accounting for 36% of all sales. This is followed by existing homeowners buying with a mortgage (31%), comprising both upsizers and those relocating.

Cash buyers are on track to account for 27% of sales – a mix of homeowners who have paid off mortgages and some mortgage-free investors. Landlords buying homes with buy-to-let mortgages are set to account for 7% of purchases, with their volumes hit by higher mortgage rates.

The rapid growth in rents and the decline in mortgage rates have shifted the renting vs buying dynamics and supported more FTB purchases. The average mortgage repayments for a typical UK first-time buyer home are 17% cheaper than renting, compared to a difference of just 2% a year ago, when mortgage rates were higher³.



First-time buyers benefit from landlord sales

First-time buyer numbers are supported by landlords selling homes, as in these instances the average asking price tends to be lower. 12% of homes listed for sale were previously rented, with an above-average concentration of landlord sales taking place in London.

The average asking price of a formerly rented home is £307,000, which is 16% lower than the average UK asking price of £365,000.

This is a positive development for the sales market and is likely to explain improved market performance in London. However, it's less favourable for the rental market, where there is a chronic undersupply of homes - creating scarcity, pushing rents higher which hits lower-income renters the hardest.

³ The average mortgage repayment for a typical FTB home, using a 30-year loan at 80% LTV was £1,085 a year ago, compared to £1,110 rental costs. The cost of renting has risen by 5% to £1,170 a month, while lower mortgage rates have reduced the average mortgage repayments by 10% to £972

80%

FTBs currently pay no stamp duty land tax in England & N. Ireland

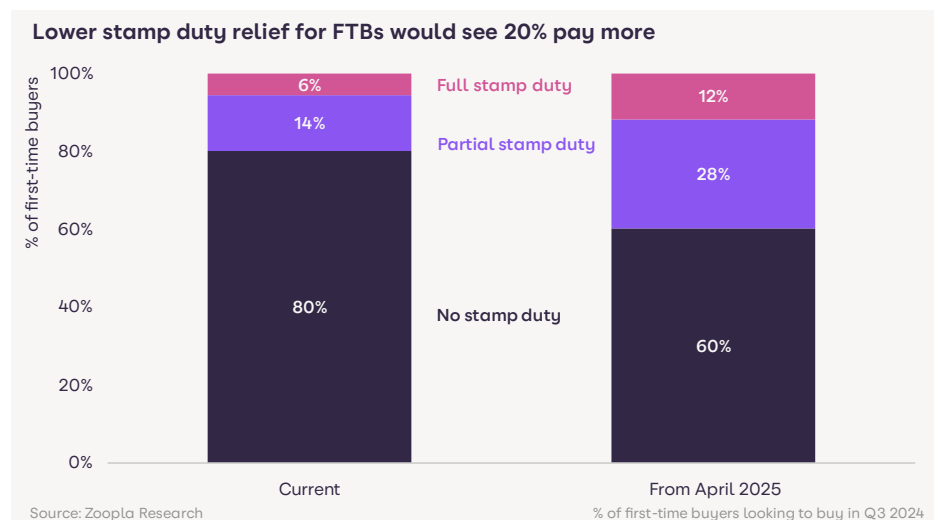
Budget 2024 stamp duty hit for first-time buyers?

FTBs currently get relief from stamp duty land tax in England and Northern Ireland, with no stamp duty due on properties that cost up to £425,000. They pay partial stamp duty on homes priced up to £625,000. Currently, 80% of FTBs pay no stamp duty and 14% pay partial duty.

These thresholds are set to return to previous, lower levels⁴ from April 2025. Without action in the upcoming Budget, 20% of FTBs would be set to pay stamp duty once again.

The impact of stamp duty changes will be the greatest in southern England, where an average FTB in London would face a stamp duty bill of £5,600 or £1,390 in the South East, compared to £0 today.

In parts of London with home values over £600,000, FTB could pay an additional £15,000 in stamp duty. Faced with higher costs, FTBs will want to pay less for homes, which will keep future price rises in check.



Outlook

The housing market is adjusting to the step change in mortgage rates over the last 2 years. It is positive to see more sales activity, which reflects growing confidence amongst buyers and sellers, supported by rising incomes and mortgage rates in the lower 4% range.

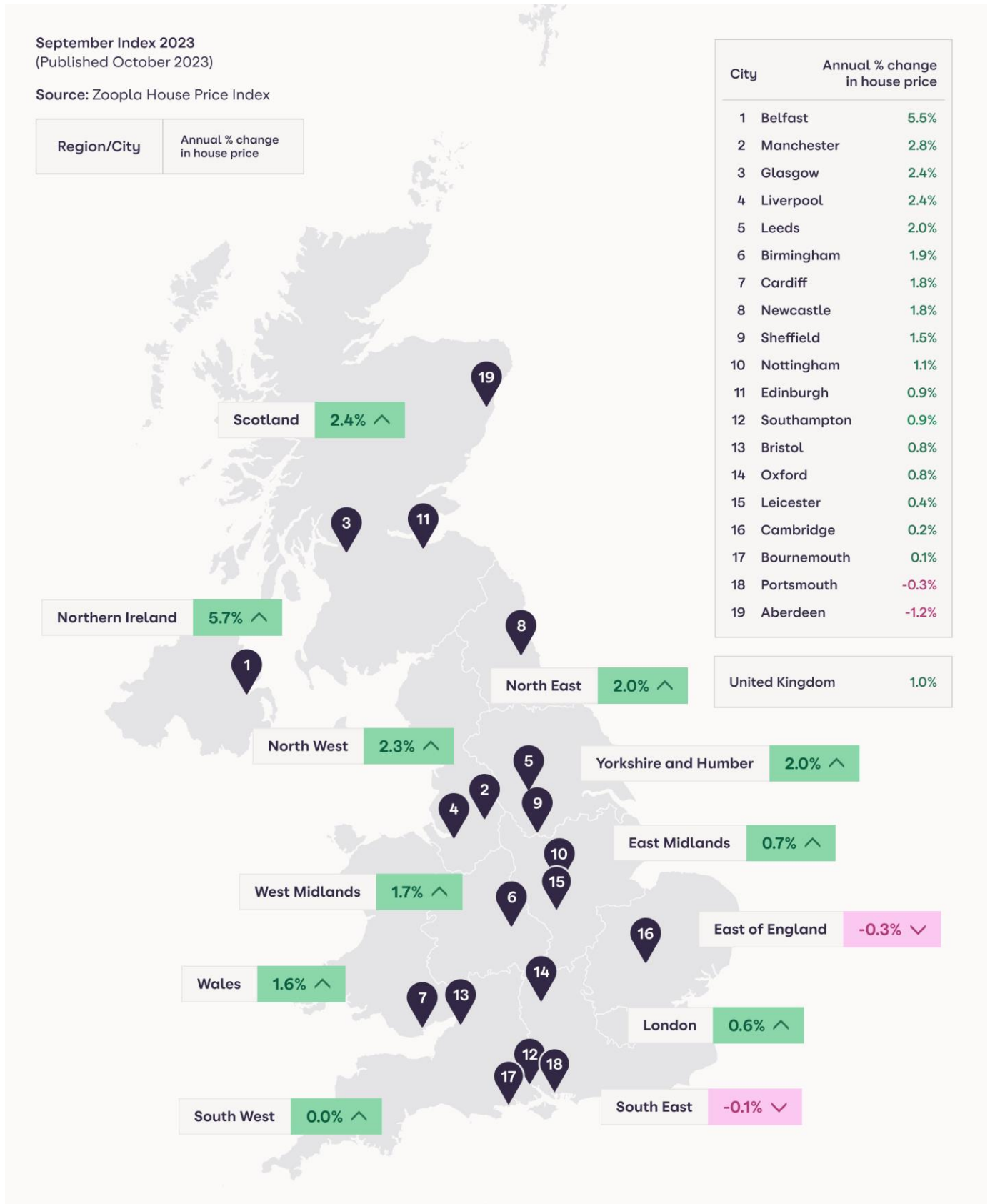
Our assumption remains that mortgage rates will remain close to current levels c4%-4.5% over 2025. This means wage growth will have to do the hard work supporting affordability and buying power with house price growth likely to remain modest. The market remains on track for a modest 2% price increase in 2024, with sales of 1.1m.

The housing market is an extension of the economy, so we hope for a Budget that delivers economic growth and rising incomes alongside much needed investment to support the development of more homes.

⁴ Previous stamp duty land tax rates for FTBs were no duty under £300,000 and partial duty of 5% between £300,000 and £500,000, normal rates applied over £500,000

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, September 2024

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 Sep-24	% YoY Sep-23	Monthly trend	Annual trend
United Kingdom	£267,500	1.0%	-0.9%		
Belfast	£179,100	5.5%	1.2%		
Manchester	£228,200	2.8%	0.1%		
Glasgow	£150,800	2.4%	2.1%		
Liverpool	£160,900	2.4%	0.2%		
Leeds	£211,500	2.0%	0.1%		
Birmingham	£212,100	1.9%	0.0%		
Cardiff	£256,700	1.8%	-0.7%		
Newcastle	£155,800	1.8%	1.1%		
Sheffield	£173,800	1.5%	0.7%		
Nottingham	£203,900	1.1%	0.1%		
Edinburgh	£273,500	0.9%	1.6%		
Southampton	£258,700	0.9%	-1.9%		
Bristol	£341,400	0.8%	-0.8%		
Oxford	£452,300	0.8%	-1.3%		
London Euro Region	£537,500	0.6%	-2.1%		
Leicester	£226,400	0.4%	-1.4%		
Cambridge	£470,000	0.2%	-1.5%		
Bournemouth	£333,700	0.1%	-3.2%		
Portsmouth	£280,300	-0.3%	-1.7%		
Aberdeen	£136,600	-1.2%	-2.7%		

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

Senior Property Researcher

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