

Cities have driven house price growth this year, as demand slowed in the suburbs

- **House prices in major British cities up by +9.2% since the start of the year**
- **Areas surrounding those cities increased by +7.9% over the same period**
- **Signs the ‘race for space’ has eased as demand increased in urban areas**
- **Pace of house price inflation expected to slow following period of rapid growth**

Increasing demand for homes in British cities was the driving force behind the rapid house price inflation witnessed earlier this year, with property prices in urban centres growing at a faster rate than their surrounding areas, according to new analysis from Halifax.

The impact of the pandemic on people’s lifestyles had driven [much stronger house price growth in suburban and rural areas](#) over the previous couple of years, as buyers sought larger properties with more indoor and outdoor space, and where homeowners perceived they’d get better value for money.

In contrast, built-up urban areas became less popular, with their typically smaller properties located further from green spaces and the amenities so valued by homeowners.

However since the start of the year, as people increasingly returned to the office and were once again able to make the most of leisure opportunities, property prices in cities have grown by +9.2%, while in surrounding areas it was much less, at +7.9%.

While the picture still varies significantly in and around individual cities across the country, this suggests a shifting in homebuyers’ post-pandemic priorities.

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Andrew Asaam, Mortgages Director, Halifax, said:

“The pandemic transformed the UK housing market. Homeowners wanted bigger homes and better access to green spaces, fueling huge demand for larger properties away from urban centres. This accelerated house price growth in the suburbs and more rural areas, while in cities it was much slower.

“That trend didn’t disappear completely this year, as house price growth in these areas remained strong. But, as daily life started to get back to normal for many, the opportunity to live in cities became more attractive again, driving up demand. There’s evidence of this in locations across the country, with property price inflation in the majority of cities outstripping increases in their surrounding areas.

“Clearly the economic environment has changed considerably in the last few months, with the likelihood of more significant downward pressure on house prices, as the cost of living squeeze and higher borrowing costs limit demand. The extent to which such trends will continue to shape the housing market is therefore uncertain.”



Around the country

In the North West, the cities of Liverpool (+8.9%) and Manchester (+11.5%) have seen much stronger house price growth so far this year, compared to their surrounding areas (+7.2% and +6.6% respectively); in Bury, for example, prices have risen by just +1.3%.

It’s a similar story in Scotland, where both Edinburgh (+12.9%) and Glasgow (+8.5%) have seen property price inflation increase much more quickly since the turn of the year, compared to their surrounding areas (+6.1% and +4.6% respectively). This has been reflected in places like Fife (+2.1%) and West Dunbartonshire (-0.7%).

And in Greater London it’s a tale of two cities, with inner London boroughs recording average property price growth of +6.8%, compared to +4.6% in the outer boroughs. Brent is one of only a handful of London boroughs to see prices fall so far this year, down -8.4%.

This picture is in contrast to the North East however, where the cities of Newcastle (+6.4%), and Sunderland (+5.3%) and Middleborough (-2.2%) are seeing lower growth than their surrounding areas. South Tyneside leads the way for house price growth in the region, up by +14.0% over the last nine months.

Likewise in Birmingham, where growth in the surrounding areas (+9.4%) has been stronger than the city itself (+8.6%) this year. This is reflected in places like Walsall, which has seen property price inflation of +16.4% over the same period.

Ends

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Table 1: Average house price, city and surrounding areas, January to September 2022

City	City average house price Jan-22	City average house price Sept-22	City average growth	Surrounding areas average growth	Highest surrounding area growth	%	Lowest surrounding area growth	%
Birmingham	£205,712	£223,362	8.6%	9.4%	Walsall	16.4%	Sandwell	2.4%
Bristol	£293,330	£320,067	9.1%	9.0%	Mendip	15.4%	Sedgemoor	1.8%
Cardiff	£235,084	£250,566	6.6%	7.0%	Monmouthshire	15.1%	Merthyr Tydfil	-3.5%
Derby	£180,265	£202,994	12.6%	10.7%	Amber Valley	17.9%	South Derbyshire	4.9%
Edinburgh	£245,107	£276,831	12.9%	6.1%	East Lothian	8.8%	Fife	2.1%
Exeter	£263,827	£294,183	11.5%	7.6%	Mid Devon	10.8%	Teignbridge	1.9%
Glasgow	£159,770	£173,331	8.5%	4.6%	North Lanarkshire	11.2%	West Dunbartonshire	-0.7%
Leeds	£199,728	£226,923	13.6%	9.8%	Selby	14.4%	North Yorkshire	5.5%
Leicester	£206,170	£227,251	10.2%	9.1%	Rutland and Melton	16.0%	Hinckley and Bosworth	6.5%
Liverpool	£158,599	£172,636	8.9%	7.2%	West Lancashire	11.9%	Cheshire West and Flintshire	2.4%
Manchester	£205,254	£228,806	11.5%	6.6%	Trafford	14.3%	Bury	1.3%
Middlesbrough	£146,612	£143,369	-2.2%	7.8%	Hartlepool	10.5%	North Yorkshire	5.5%
Newcastle	£171,151	£182,163	6.4%	9.3%	Northumberland	12.3%	Gateshead	8.9%
Norwich	£209,662	£224,025	6.9%	2.5%	South Norfolk	6.4%	Broadland	-1.2%
Nottingham	£183,866	£199,467	8.5%	9.1%	Mansfield	14.4%	Newark and Sherwood	3.1%
Portsmouth	£225,696	£242,945	7.6%	10.4%	Fareham	15.3%	East Hampshire	4.0%
Plymouth	£187,200	£192,623	2.9%	7.0%	Torbay	11.9%	South Hams	0.7%
Sheffield	£192,090	£228,353	18.9%	9.7%	Doncaster	18.3%	Bassetlaw	3.4%
Southampton	£207,000	£240,459	16.2%	7.0%	Test Valley	9.2%	New Forest	4.4%
Sunderland	£131,158	£138,088	5.3%	10.9%	South Tyneside	14.0%	County Durham	7.8%
London*	£573,559	£612,582	6.8%	4.6%	Redbridge	10.5%	Brent	-8.4%
UK average	£218,135	£238,144	9.2%	7.9%				

*Inner vs outer boroughs of Greater London used for comparison

Source: Halifax House Price Index, January – September 2022

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Notes to Editors:

This information is intended for the sole use of journalists and media professionals.

The research has been carried out in partnership with IHS Markit, now part of S&P Global. The figures are based on the same approved residential mortgage data that are used in the production of the Halifax House Price Index, the UK's longest running house price series.

House prices for referenced cities and surrounding areas have been calculated based on a residential price per square metre basis, with cash prices subsequently based on the area's typical property size according to Energy Performance Certificate (EPC) data.

Percent change figures have been calculated based on the difference in typical prices between the three months to January 2022 and the three months to September 2022.

Referenced figures are based on unweighted averages. In some instances, where sample sizes for defined areas are deemed insufficient, these have been combined with neighbouring areas.

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