

# Nationwide HOUSE PRICE INDEX



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March 2010

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## House prices reverse February's dip

- House prices increased by 0.7% month-on-month in March
- Annual rate of price inflation remains relatively high at 9.0%
- Stamp duty savings of £1,368 for typical first-time buyer

Headlines	Feb 10	Mar 10
Monthly Index*	327.9	330.2
Monthly Change*	-0.8%	0.7%
Annual Change	9.2%	9.0%
Average Price	£161,320	£164,519

\* Seasonally adjusted

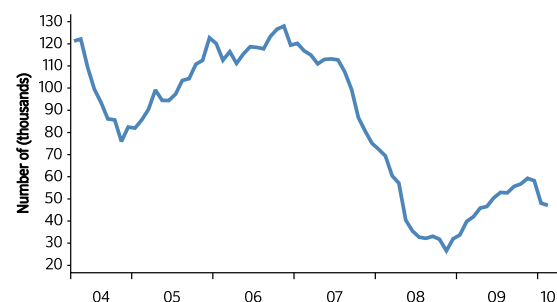
Commenting on the figures Martin Gahbauer, Nationwide's Chief Economist, said:

"The price of a typical UK property rose by a seasonally adjusted 0.7% month-on-month (m/m) in March, largely reversing the 0.8% m/m fall measured in February. The smoother three month on three month rate of inflation edged down further from 1.8% in February to 1.6% in March. At £164,519, the average price of a typical property is 9.0% higher than a year earlier.

"The last two months are consistent with a relatively flat profile for house prices, and in line with the recent drops seen in buyer enquiries and house sales. Preliminary figures show that the number of loans taken out for house purchases failed to recover from January's large dip (chart 1), suggesting that weakness in house sales at the start of the year may have been due to more than just the snowy weather. With greater than usual political and economic

uncertainty ahead of the upcoming general election, potential homebuyers are proceeding cautiously. At the same time, the number of homes for sale has not increased appreciably, meaning that the impact of lower buyer activity on house prices has not been too negative. If this trend continues, we are likely to see relatively few properties changing hands, but with prices fairly stable.

Chart 1: Mortgage approvals for house purchase



Source: Reuters EcoWin

### Will stamp duty holiday boost the market?

"The Budget brought with it the surprise announcement that for the next two years, the nil stamp duty threshold will be raised from £125,000 to £250,000 for first-time buyers. Based on Nationwide's sub-index for first-time buyers, this will produce a savings of £1,368 for the average new entrant into the property market. At a national level, the vast majority of first-time buyers should benefit from the holiday, though with the average London house price at £243,163 for first-time purchasers, a significant number of new buyers in the capital will miss out on the savings.

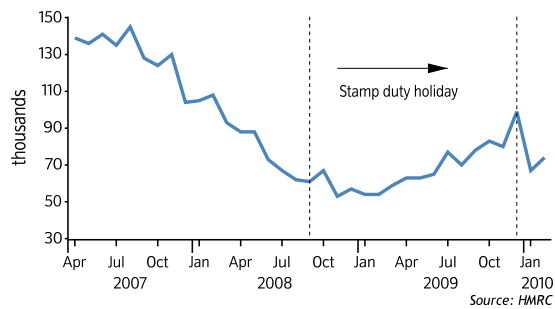
Media enquiries to: Martin Gahbauer, CFA, Chief Economist, 01793 655434  
martin.gahbauer@nationwide.co.uk  
Roy Beale, External Communications Officer, 01793 655689  
roy.beale@nationwide.co.uk

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“For first-time buyers, this initiative effectively represents a larger and longer version of the stamp duty holiday in place between September 2008 and the end of December 2009 for properties bought for less than £175,000. Looking back on the previous tax holiday, the evidence on its success in boosting transactions is mixed. Intuitively, one might expect a stamp duty holiday to boost total house purchase activity, with a disproportionately greater increase in transactions at the lower-priced end of the housing chain.

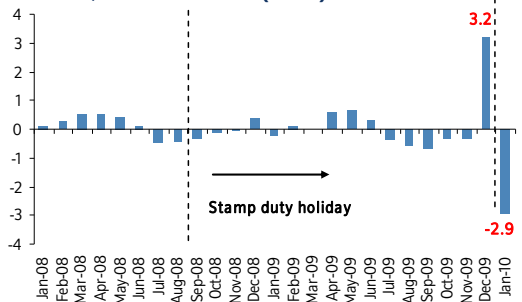
“We of course do not know what the housing market would have looked like without last year’s stamp duty holiday, and it may well be that the level of transactions would have stayed even lower for longer. Undoubtedly this new measure will be welcome relief for aspiring first-time buyers. However, based on past experience it may not be enough on its own for the housing market to make a full recovery.”

**Chart 2: Completed housing transactions (including cash)**



“Over the course of the last holiday, there was indeed a modest increase in house purchase transactions, with most of the pick-up seen during the second half of the exemption period (chart 2). However, transactions remained well below normal levels throughout and it is not clear how much of the pick-up was attributable to other factors such as the record cut in interest rates. In addition, there was no appreciable increase in transactions at the lower end of the chain. The only exception to this was the last month of the holiday (December 2009), when buyers standing to benefit from the exemption rushed to complete their purchase before the end of the year (chart 3). This rush to complete is similar to what happened during the stamp duty holiday introduced in the early 1990s housing downturn.

**Chart 3: House purchase advances for properties < £200,000 versus trend (000's)**

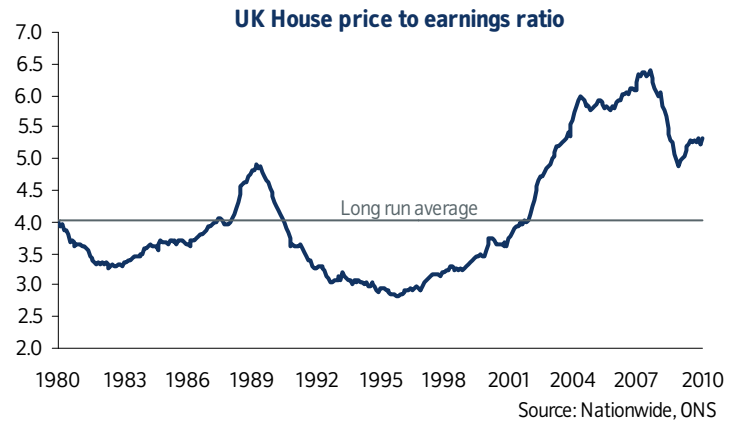
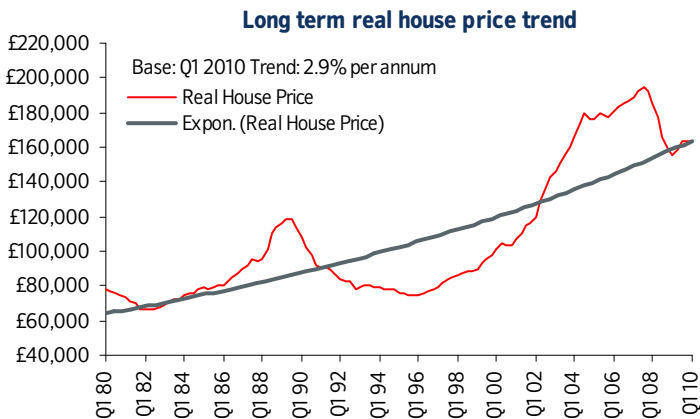
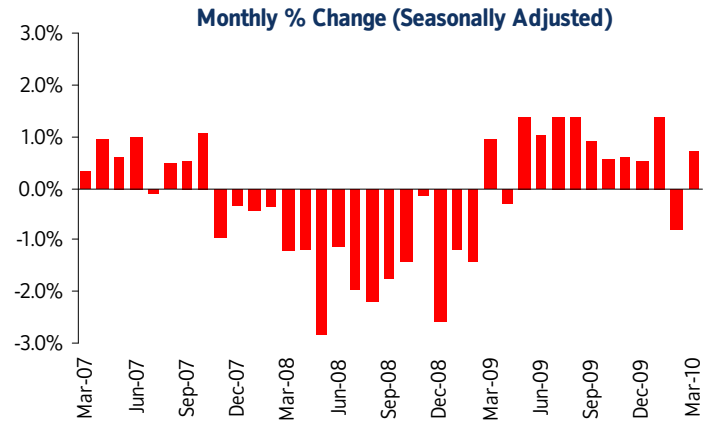
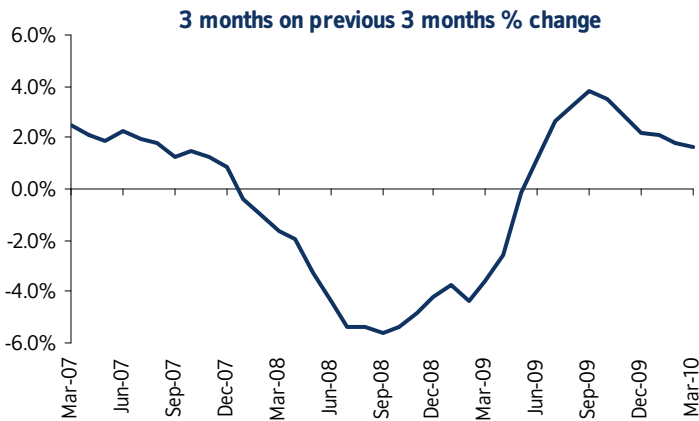
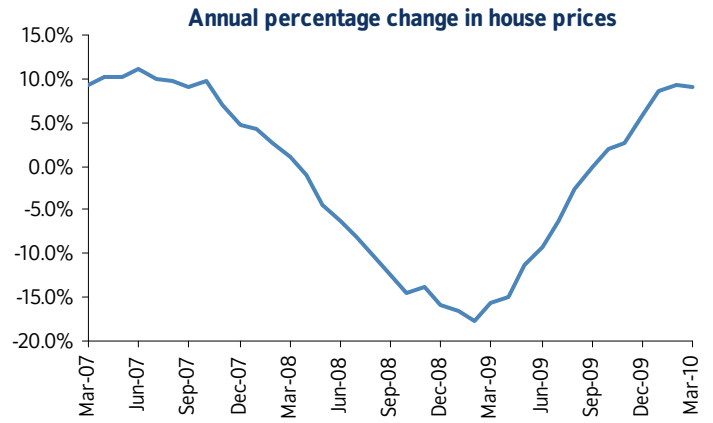
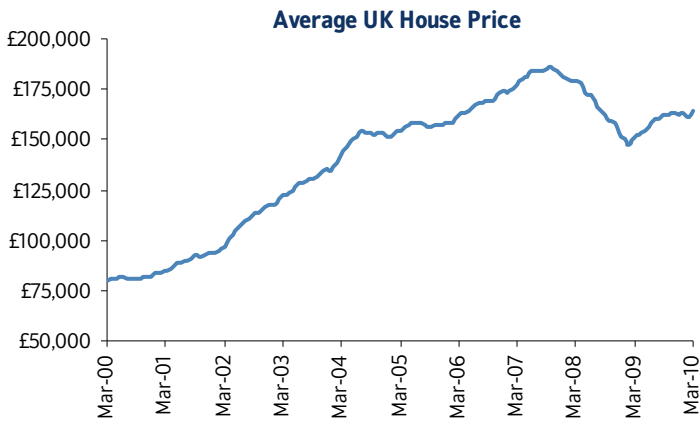


Source: CML, Nationwide

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Mar-08	-1.2	-1.6	1.1	179,110
Apr-08	-1.2	-2.0	-1.0	178,555
May-08	-2.8	-3.3	-4.4	173,583
Jun-08	-1.1	-4.3	-6.3	172,415
Jul-08	-2.0	-5.4	-8.1	169,316
Aug-08	-2.2	-5.4	-10.5	164,654
Sep-08	-1.8	-5.6	-12.4	161,797
Oct-08	-1.4	-5.4	-14.6	158,872
Nov-08	-0.1	-4.8	-13.9	158,442
Dec-08	-2.6	-4.2	-15.9	153,048
Jan-09	-1.2	-3.8	-16.6	150,501
Feb-09	-1.4	-4.3	-17.6	147,746
Mar-09	0.9	-3.6	-15.7	150,946
Apr-09	-0.3	-2.5	-15.0	151,861
May-09	1.4	-0.1	-11.3	154,016
Jun-09	1.0	1.1	-9.3	156,442
Jul-09	1.4	2.7	-6.2	158,871
Aug-09	1.4	3.3	-2.7	160,224
Sep-09	0.9	3.8	0.0	161,816
Oct-09	0.5	3.5	2.0	162,038
Nov-09	0.6	2.9	2.7	162,764
Dec-09	0.5	2.2	5.9	162,103
Jan-10	1.4	2.1	8.6	163,481
Feb-10	-0.8	1.8	9.2	161,320
Mar-10	0.7	1.6	9.0	164,519

Media enquiries to: Martin Gahbauer, CFA, Chief Economist, 01793 655434  
[martin.gahbauer@nationwide.co.uk](mailto:martin.gahbauer@nationwide.co.uk)  
 Roy Beale, External Communications Officer, 01793 655689  
[roy.beale@nationwide.co.uk](mailto:roy.beale@nationwide.co.uk)



## Notes

Indices and average prices are produced using Nationwide's updated mix adjusted House Price Methodology which was introduced with effect from the first quarter of 1995. The data are drawn from Nationwide's house purchase mortgage lending at the post survey approvals stage. Price indices are seasonally adjusted using the US Bureau of the Census X12 method. Currently the calculations are based on a monthly data series starting from January 1991. Figures are recalculated each month which may result in revisions to historical data.

The Nationwide Monthly House Price Index is prepared from information which we believe is collated with care, but no representation is made as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the whole or any part of the Index at any time, for regulatory or other reasons. Persons seeking to place reliance on the Index for their own or third party commercial purposes do so entirely at their own risk. All changes are nominal and do not allow for inflation.

More information on the house price index methodology along with time series data and archives of housing research can be found at [www.nationwide.co.uk/hpi](http://www.nationwide.co.uk/hpi)

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