

Nationwide HOUSE PRICE INDEX



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June 2016

Slight uptick in house price growth in June

- UK annual house price growth increased to 5.1% in June
- North-South divide continued to widen in Q2

UK Headlines	Jun-16	May-16
Monthly Index*	404.2	403.3
Monthly Change*	0.2%	0.2%
Annual Change	5.1%	4.7%
Average Price (not seasonally adjusted)	£204,968	£204,368

* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

"The rate of annual UK house price growth has remained fairly stable over the past twelve months, confined to a fairly narrow range of between 3% and 6% - this trend was maintained in June with price growth at 5.1%, up slightly from the 4.7% recorded in May.

"It has become difficult to gauge the underlying pace of demand in recent months, due to the surge in house purchase activity in March ahead of the introduction of Stamp Duty on second homes on 1 April.

"It will therefore be difficult to assess how much of the likely fall back in transactions in the quarters ahead is because buyers brought forward purchases to avoid additional Stamp Duty liabilities, and how much is due to increased economic uncertainty following the referendum result. Gauging the likely impact on house prices will be even more difficult.

"Ultimately conditions in the housing market will be determined by conditions in the wider economy, especially the labour market. It is too early to assess the impact of the referendum vote on the economy. However, it is encouraging that the labour market had remained robust in recent months, with solid employment growth and the unemployment rate declining to an eleven-year low in April. Borrowing costs also remained close to historic lows.

"Moreover, the lack of homes on the market - with estate agents continuing to report a record low number of

properties on their books - will also provide underlying support for prices even if demand softens.

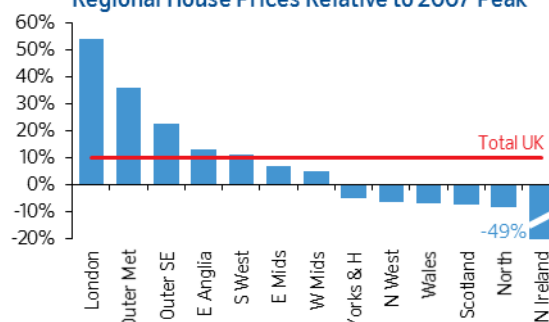
Regional disparities continue to grow

"Regional house price trends also maintained the pattern prevailing in recent quarters, with southern areas of England recording the fastest rates of house price growth in Q2.

"The Outer Metropolitan region again had the strongest rate of annual price growth of 12.4% up from 12.2% in Q1. Despite a slowing in Q2, London was still the second strongest region with prices up 9.9% to a new all-time high, some 54% above pre-crisis levels (compared with 10% for overall UK house prices). The North of England was the only region to see house prices decline in Q2, and as a result replaced Northern Ireland as the UK's least expensive region. Average prices in the North are currently 9% below their pre-crisis peak.

"It remains the case that the pace of house price growth tends to decline as you move from the south to the north of the country, even though prices in the south are already well above pre-crisis levels, while in Northern Ireland, Scotland, Wales and the North of England prices remain well below their 2007 highs (see chart).

Regional House Prices Relative to 2007 Peak



"It remains unclear how long this pattern will persist, and whether the north-south divide in house price levels will continue to widen.

Outlook for London particularly uncertain

"The outlook for London is even more difficult to assess, because landlords and overseas buyers play a larger role in the market, and the outlook for demand from these sources is particularly uncertain. It is unclear how recent Stamp Duty

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changes and upcoming changes to the tax deductibility of landlords' expenses will affect investor demand in the years ahead.

“Similarly, it is difficult to gauge how sentiment from overseas buyers will be impacted by increased economic uncertainty on the one hand and the sharp decline in sterling on the other (which, if sustained, reduces the cost of UK property in foreign currency terms).

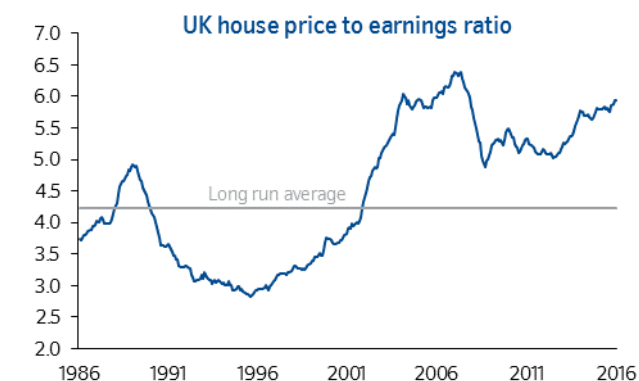
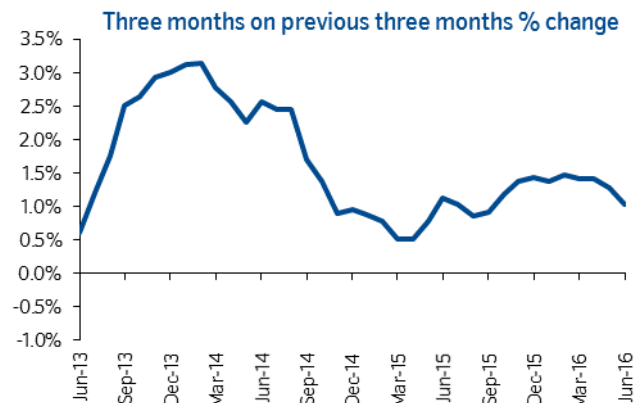
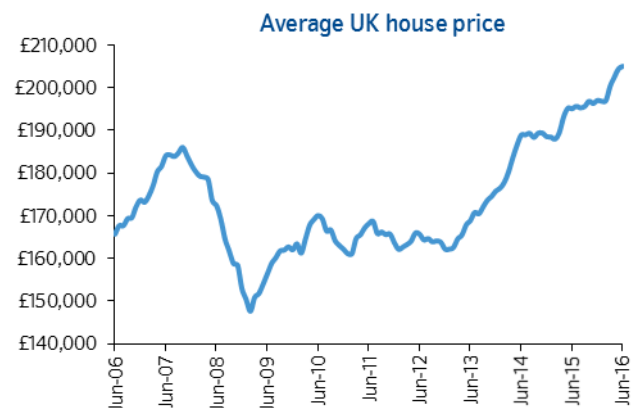
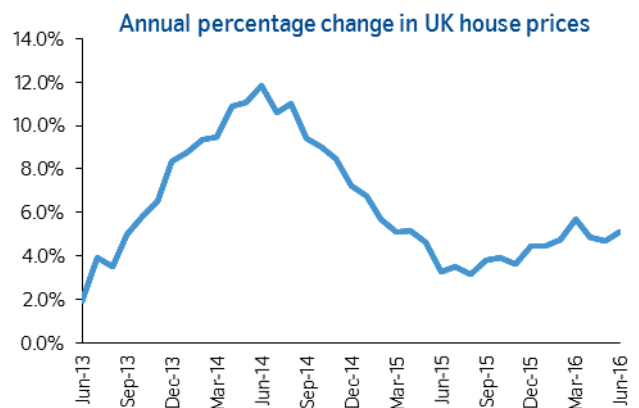
“Property prices in the capital have been supported by extremely robust labour market conditions as well as strong investor demand in recent years. Employment is now over 17% higher than its pre-crisis peak, compared to 6% higher in the UK overall. How labour market conditions evolve will be key, though valuations in the capital are already stretched by historic standards – the price of a typical London property on our measure (£472,384) is 12 times average earnings in the capital.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jun-14	1.2	2.6	11.8	188,903
Jul-14	0.2	2.5	10.6	188,949
Aug-14	0.8	2.4	11.0	189,306
Sep-14	-0.2	1.7	9.4	188,374
Oct-14	0.5	1.4	9.0	189,333
Nov-14	0.4	0.9	8.5	189,388
Dec-14	0.1	0.9	7.2	188,559
Jan-15	0.4	0.9	6.8	188,446
Feb-15	0.0	0.8	5.7	187,964
Mar-15	-0.1	0.5	5.1	189,454
Apr-15	1.1	0.5	5.2	193,048
May-15	0.3	0.8	4.6	195,166
Jun-15	-0.1	1.1	3.3	195,055
Jul-15	0.5	1.0	3.5	195,621
Aug-15	0.4	0.9	3.2	195,279
Sep-15	0.5	0.9	3.8	195,585
Oct-15	0.6	1.2	3.9	196,807
Nov-15	0.2	1.4	3.7	196,305
Dec-15	0.8	1.4	4.5	196,999
Jan-16	0.3	1.4	4.4	196,829
Feb-16	0.3	1.5	4.8	196,930
Mar-16	0.7	1.4	5.7	200,251
Apr-16	0.2	1.4	4.9	202,436
May-16	0.2	1.3	4.7	204,368
Jun-16	0.2	1.0	5.1	204,968

Note: Historical figures including index levels can be viewed using the following link: <http://www.nationwide.co.uk/about/house-price-index/download-data>

Charts



Source: Nationwide, ONS

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Quarterly Regional House Price Statistics

Q2 2016

Please note that these figures are for the three months to June, therefore will show a different UK average price and annual percentage change to our *monthly* house price statistics.

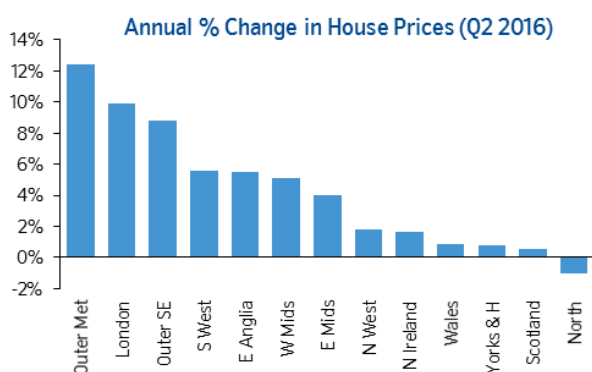
Regions over the last 12 months

Region	Average Price (Q2 2016)	Annual % change this quarter	Annual % change last quarter
Outer Met	£354,787	12.4%	12.2%
London	£472,384	9.9%	11.5%
Outer S East	£265,638	8.8%	8.3%
South West	£227,447	5.6%	5.8%
East Anglia	£209,791	5.5%	5.8%
West Midlands	£174,389	5.1%	4.1%
East Midlands	£166,956	4.0%	2.2%
North West	£149,572	1.8%	0.5%
N Ireland	£128,562	1.6%	1.8%
Wales	£145,973	0.9%	1.7%
Yorks & H'side	£148,587	0.8%	1.9%
Scotland	£141,245	0.5%	-0.2%
North	£123,914	-1.0%	-1.1%
UK	£204,238	5.1%	5.3%

Outer Metropolitan leads house price growth in Q2 2016

The Outer Metropolitan region continued to top the house price growth table, with average prices up 12.4% year-on-year. It was also the only region to record double digit growth this quarter. Average house prices in London reached a record high of £472,384, although the annual rate of growth moderated slightly to 9.9% (from 11.5% in Q1). The North was the weakest performing region in England and also the UK overall, with prices down 1.0% year-on-year.

House price growth in Northern Ireland was similar to last quarter at 1.6%. Wales saw a softening in year-on-year growth to 0.9%, from 1.7% last quarter. Scotland recorded a small annual increase, with prices up 0.5% compared with Q2 2015, though this was the first increase after four consecutive declines.



England: North/South divide widens further

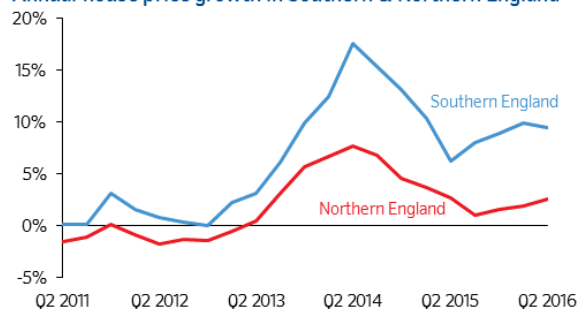
England (Q2 2016)	
Average house price	£253,461
Annual percentage change	7.6%
Quarterly change*	1.5%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Outer Metropolitan
Weakest annual price change	North

* Seasonally adjusted

Average house prices in England increased by 1.5% in Q2 2016, and were up 7.6% year-on-year, similar to the previous quarter.

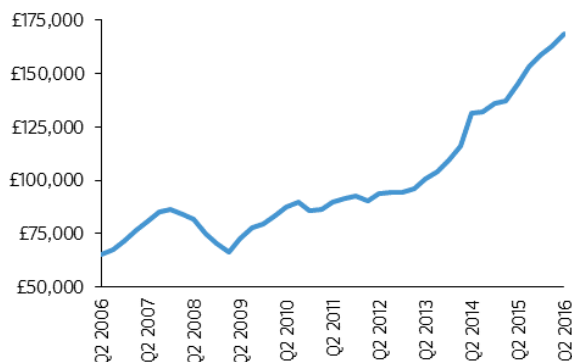
There was a slight softening in annual price growth in Southern England compared with last quarter, although growth remained well above that in the North. Prices in Southern England (South West, Outer South East, Outer Metropolitan, London and East Anglia) were up 9.4% year-on-year, whilst in Northern England (West Midlands, East Midlands, Yorkshire & Humberside, North West and North) they increased by 2.6%.

Annual house price growth in Southern & Northern England



In cash terms, the gap in average prices between the South and the North of England increased to nearly £169,000, a record high, c£24,000 higher than a year ago.

House price gap between Southern & Northern England



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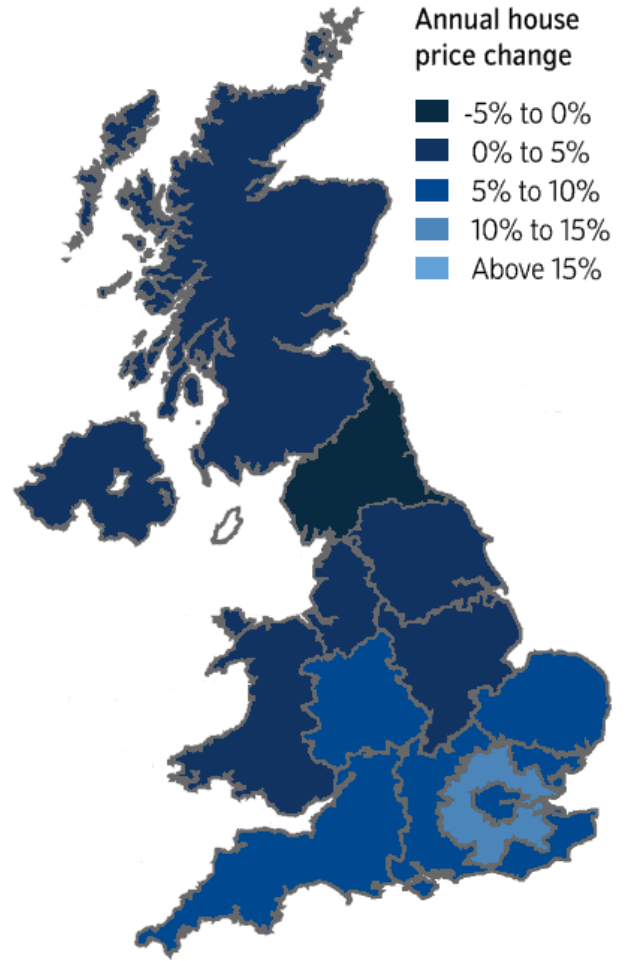
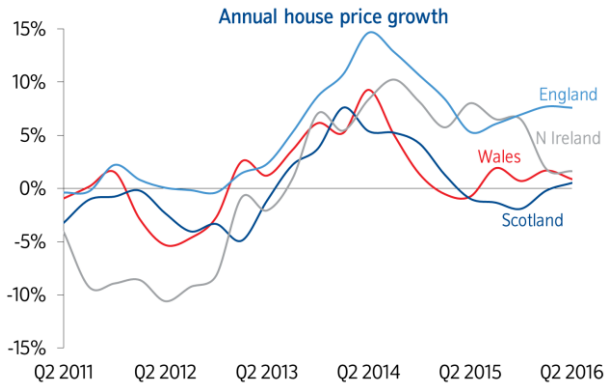
UK Fact File (Q2 2016)	
Quarterly average UK house price	£204,238
Annual percentage change	5.1%
Quarterly change*	0.9%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Outer Metropolitan
Weakest annual price change	North

* Seasonally adjusted

Nations – annual & quarterly price change

Nation	Average Price (Q2 2016)	Annual % change this quarter	Quarterly % change*
England	£253,461	7.6%	1.5%
N Ireland	£128,562	1.6%	2.7%
Wales	£145,973	0.9%	0.2%
Scotland	£141,245	0.5%	-0.2%

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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 is 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. Quarterly series are seasonally adjusted using data since 1973; the seasonal adjustment is recalculated quarterly and may lead to revisions.

More information on the house price index methodology along with time series data and archives of housing research can be found at <http://www.nationwide.co.uk/about/house-price-index/>

Photographs of our economist are available at:

<http://www.nationwide.co.uk/about/media-centre-and-specialist-areas/media-centre/photo-library>

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