

# Nationwide HOUSE PRICE INDEX



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December 2016

## Annual price growth stable as 2016 draws to a close

- UK annual house price growth ended 2016 at 4.5%, the same as 2015
- Price growth in London ended the year below UK average for first time in 8 years

Headlines	Dec-16	Nov-16
Monthly Index*	413.6	410.3
Monthly Change*	0.8%	0.0%
Annual Change	4.5%	4.4%
Average Price (not seasonally adjusted)	£205,898	£204,947

\* 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 story of UK house price growth in 2016 was one of relative stability. Annual house price growth ended 2016 at 4.5%, the same as the rate recorded in 2015.

"There were signs that London's significant period of outperformance may be drawing to a close. For the first year since 2008, annual house price growth in the capital was lower than the UK average, with prices increasing by 3.7% over the year, down from 12.2% in 2015.

"The South of England as a whole continued to see slightly stronger price growth than the North of England, though the differential narrowed.

"Price growth in Wales, Scotland and Northern Ireland remained subdued, though each saw small gains overall in 2016 (see page 3 for more detail on regional price trends).

### Outlook for 2017

"Looking ahead to 2017, house price prospects will depend crucially on developments in the wider economy, around which there is a greater degree of uncertainty than usual.

"Like most forecasters, including the Bank of England, we expect the UK economy to slow modestly next year, which is

likely to result in less robust labour market conditions and modestly slower house price growth.

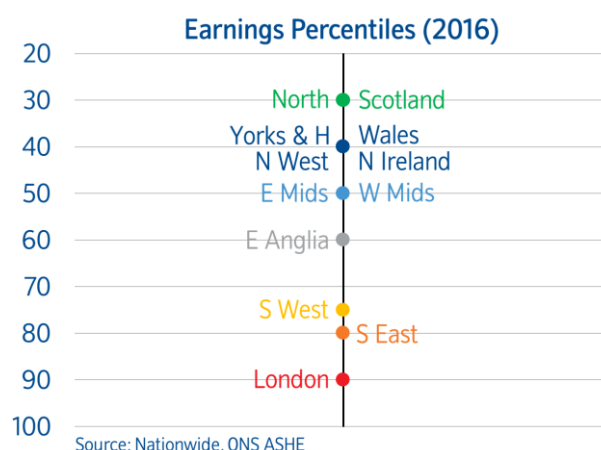
"But we continue to think a small gain - around two percent - is more likely than a decline over 2017 as a whole, since low interest rates are expected to help underpin demand while a shortage of homes on the market will continue to provide support for house prices.

### Striking differences in affordability across the UK

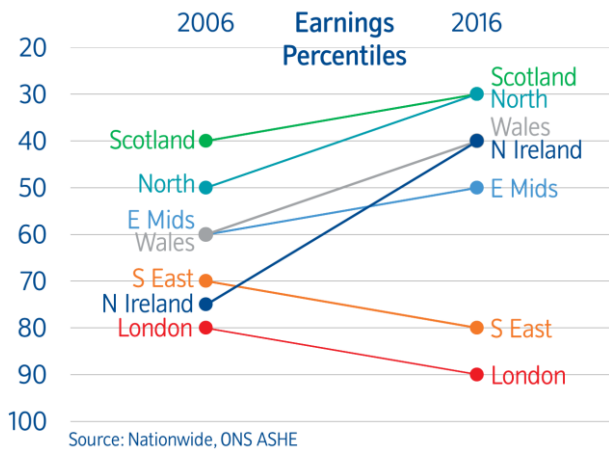
"There has been a marked divergence in house price growth across the UK in recent years, which has translated into a significant difference in affordability across the regions.

"We used regional income data to estimate where in the income distribution a prospective purchaser would lie if they were purchasing the typical first time buyer property in a region, had a 20% deposit and were borrowing four times their (single) income.

"The differences are striking. In Scotland and the North of England, this 'typical' buyer would lie in the 30th income percentile, while in the South West they would be at the 75th percentile and above the 90th percentile in London (closest percentile with available data).

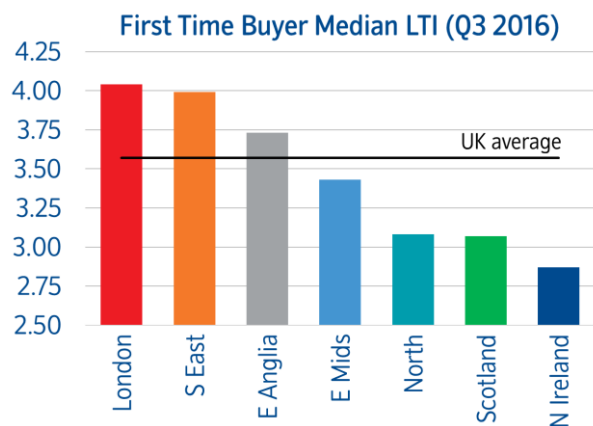


"This picture has shifted over time. In particular, the dispersion or variation in affordability across regions has increased over the past ten years, as shown in the diagram on the next page.

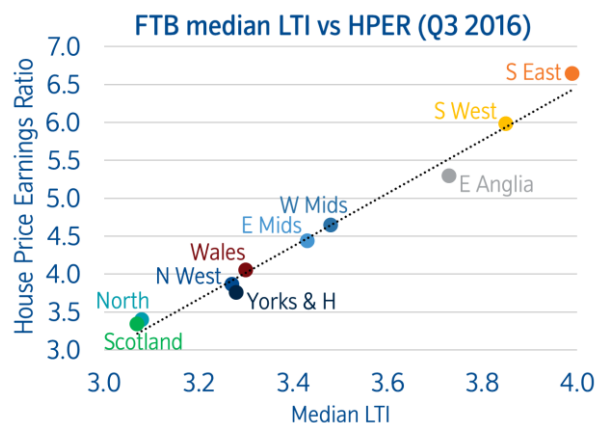


“Affordability has improved in Scotland, the North, East Midlands and Northern Ireland over the past ten years. By contrast, in London and the South of England more people have found themselves priced out of the market or had to borrow a greater multiple of their income, though low interest rates have helped reduce monthly mortgage costs.

“This pattern is reflected in median loan to income (LTI) ratios for first time buyers across the regions. As shown on the chart below, median LTI ratios are highest in London and the South East (at around four times income) and lowest in Northern Ireland (at less than three).



“As you might expect, there is a strong relationship between affordability in a region and how much first time buyers borrow relative to their income. As the diagram below illustrates, as affordability becomes more stretched (as measured by higher house price to earnings ratios), the more first time buyers borrow relative to their income.”



## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Dec-14	0.1	1.0	7.2	188,559
Jan-15	0.4	0.9	6.8	188,446
Feb-15	0.0	0.7	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	1.2	3.3	195,055
Jul-15	0.4	1.1	3.5	195,621
Aug-15	0.3	0.8	3.2	195,279
Sep-15	0.6	0.8	3.8	195,585
Oct-15	0.7	1.1	3.9	196,807
Nov-15	0.2	1.4	3.7	196,305
Dec-15	0.8	1.5	4.5	196,999
Jan-16	0.3	1.4	4.4	196,829
Feb-16	0.4	1.4	4.8	196,930
Mar-16	0.7	1.4	5.7	200,251
Apr-16	0.3	1.4	4.9	202,436
May-16	0.3	1.4	4.7	204,368
Jun-16	0.3	1.2	5.1	204,968
Jul-16	0.5	1.0	5.2	205,715
Aug-16	0.6	1.0	5.6	206,145
Sep-16	0.3	1.2	5.3	206,015
Oct-16	0.0	1.2	4.6	205,904
Nov-16	0.0	0.9	4.4	204,947
Dec-16	0.8	0.7	4.5	205,898

# Quarterly Regional House Price Statistics

Q4 2016

Please note that these figures are for the three months to December, 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 (Q4 2016)	Annual % change this quarter	Annual % change last quarter
East Anglia	£218,544	10.1%	7.3%
Outer S East	£268,656	6.9%	8.0%
Outer Met	£357,331	6.8%	9.6%
East Midlands	£169,341	4.9%	5.4%
South West	£228,611	4.4%	4.6%
West Midlands	£173,777	4.1%	4.6%
Yorks & H'side	£149,124	4.0%	3.5%
London	£473,073	3.7%	7.1%
North West	£151,463	3.7%	4.2%
Wales	£146,049	2.4%	-0.5%
Scotland	£142,895	2.2%	2.0%
N Ireland	£129,385	0.7%	2.4%
North	£124,284	0.1%	-0.2%
UK	£205,937	4.5%	5.4%

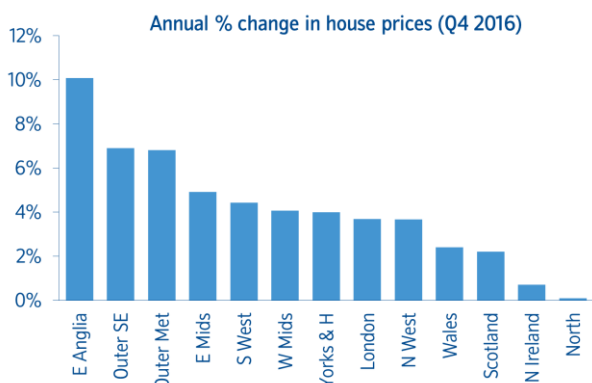
## East Anglia top performing region in 2016

All regions saw house price growth in 2016, with East Anglia topping the table for the first time since 2010, with average prices up 10.1% year-on-year. London saw a further moderation in the annual rate of price growth to 3.7% from 7.1% in Q3. This is the first time since 2010 that London has not ended the year as the strongest performing region, and the first year since 2008 that it has been below the UK average.

The North was the weakest performing region, with prices little changed over the year.

Wales saw a slight pick-up in the rate of growth compared to the last quarter, with a 2.4% annual increase. The picture in Scotland remained relatively subdued, with prices up 2.2% over the year, although this was an improvement on 2015 when Scotland was the only region to record price falls.

Northern Ireland saw a slowing in its annual rate of price growth to 0.7%, from 2.4% in the previous quarter.



## England: Growth slowing in the South

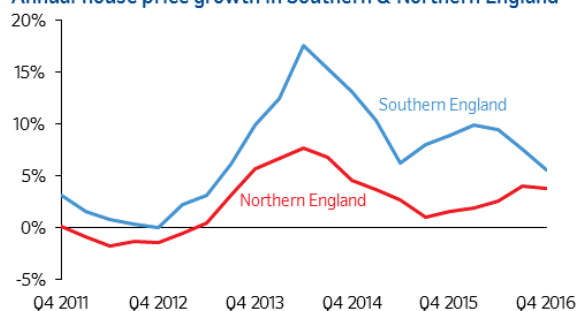
England (Q4 2016)	
Average house price	£255,315
Annual percentage change	5.1%
Quarterly change*	0.8%
Most expensive region	London
Least expensive region	North
Strongest annual price change	East Anglia
Weakest annual price change	North

\* Seasonally adjusted

Average house prices in England increased by 0.8% in the final quarter of 2016 and were up 5.1% over the year.

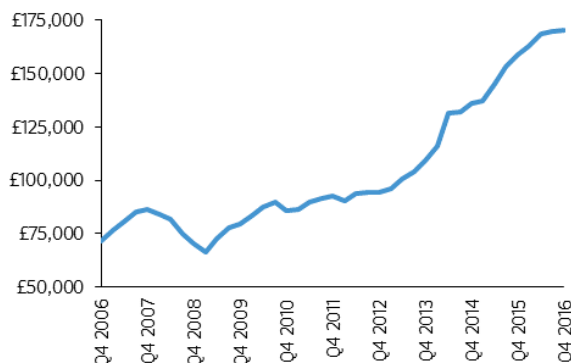
Most southern regions of England, with the notable exception of East Anglia, saw a further slowing in annual price growth compared with Q3. Overall, prices in Southern England (South West, Outer South East, Outer Metropolitan, London and East Anglia) were up 5.5% year-on-year, whilst in Northern England (West Midlands, East Midlands, Yorkshire & Humberside, North West and North), prices rose by 3.8%.

## Annual house price growth in Southern & Northern England



However, in cash terms, the gap in average prices between the South and the North continued to widen and now stands at over £170,000, around £11,500 higher than a year ago.

## House price gap between Southern & Northern England



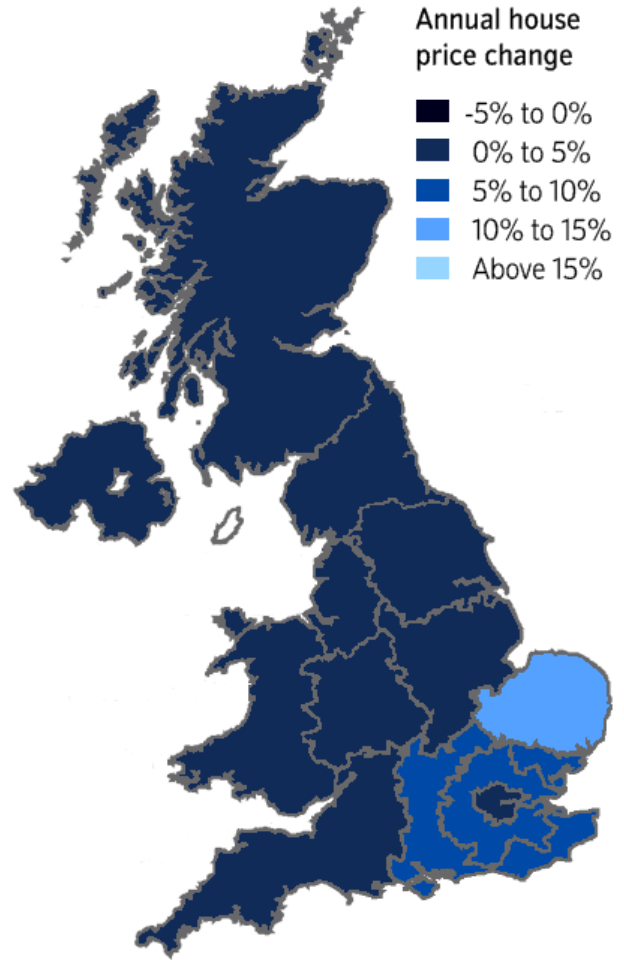
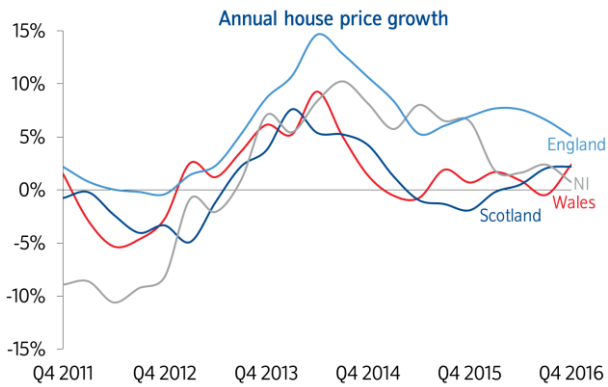
UK Fact File (Q4 2016)	
Quarterly average UK house price	£205,937
Annual percentage change	4.5%
Quarterly change*	0.7%
Most expensive region	London
Least expensive region	North
Strongest annual price change	East Anglia
Weakest annual price change	North

\* Seasonally adjusted

### Nations – annual & quarterly price change

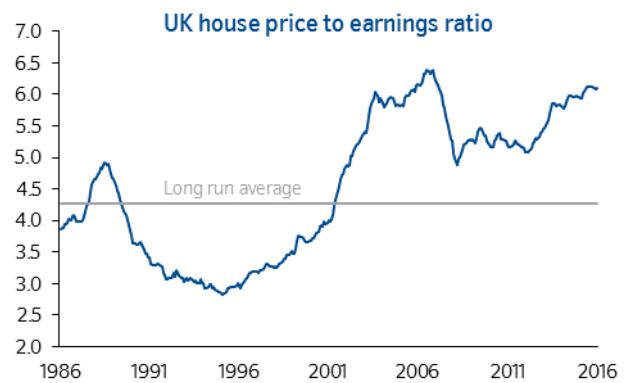
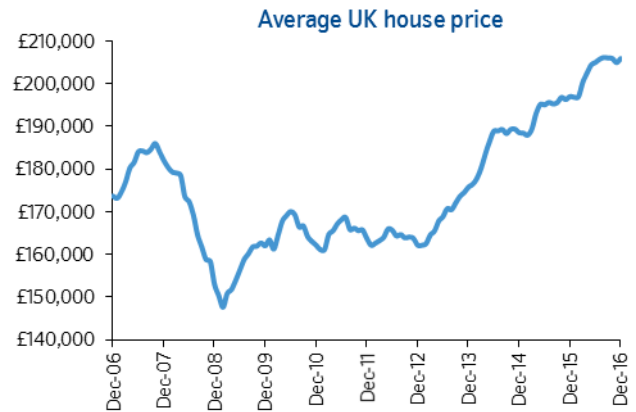
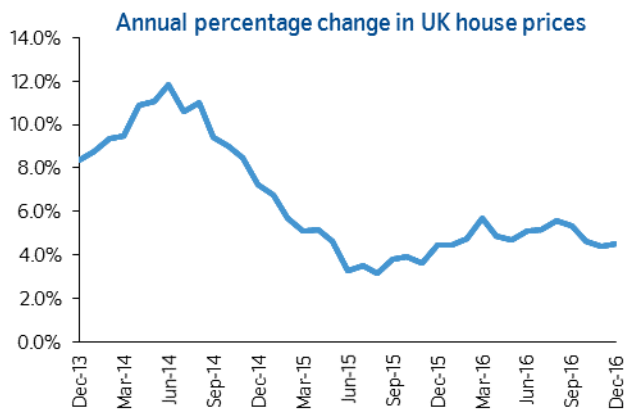
Nation	Average Price (Q4 2016)	Annual % change this quarter	Quarterly % change*
England	£255,315	5.1%	0.8%
Wales	£146,049	2.4%	1.2%
Scotland	£142,895	2.2%	0.2%
N Ireland	£129,385	0.7%	-0.2%

\* Seasonally adjusted



### Note: Data Revisions

First Time Buyer and Former Owner Occupier indices for Northern Ireland have been revised for the period Q3 2015 to Q3 2016 to fully incorporate data on new build properties. Analysts who use this data in their own systems are advised to download the whole series and refresh their databases. Please note this revision does not impact the main Northern Ireland index referenced in the release above.



Source: Nationwide, ONS

## 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.

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/headlines>

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

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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