

Nationwide HOUSE PRICE INDEX



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July 2016

House price growth steady in July

- House prices increased by 0.5% in July
- Annual house price growth similar to last month at 5.2%

Headlines	Jul-16	Jun-16
Monthly Index*	406.3	404.4
Monthly Change*	0.5%	0.2%
Annual Change	5.2%	5.1%
Average Price (not seasonally adjusted)	£205,715	£204,968

* 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:

"UK house prices increased by 0.5% in July and, as a result, the annual rate of house price growth was little changed at 5.2%, compared with 5.1% in June.

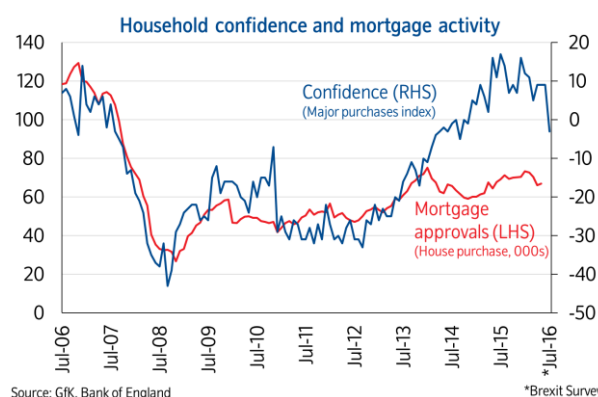
"This is the first month's data following the EU referendum. However, it is important to note that, in constructing the index we use data at the mortgage offer stage – this means any impact from the vote may not be fully evident in July's figures, as there is a short lag between a buyer making the decision to purchase a property and applying for a mortgage.

Housing market outlook unusually uncertain

"It will be tempting for commentators to assign any trends in the coming months to the impact of the referendum. Housing market transactions were always likely to soften over the summer after the surge in activity in March, as buyers brought forward purchases of second homes to avoid the stamp duty levy, which took effect in April. Determining how much of any fall-back in activity is the result of the tax changes and how much is due to the referendum will be difficult.

"In the near term, increased economic uncertainty may lead to weaker demand for homes. Leading indicators are consistent with softening ahead. Household confidence fell sharply in the wake of the referendum result, especially attitudes towards making major purchases, which in the past

has correlated with mortgage activity, though less closely in recent years (see chart below). In the run up to the vote the Royal Institute of Chartered Surveyors (RICS) reported declines in new buyer enquiries and expectations of weaker price growth amongst surveyors, though these trends pre-date the vote and are likely to have been impacted by the recent tax changes as well as the referendum.

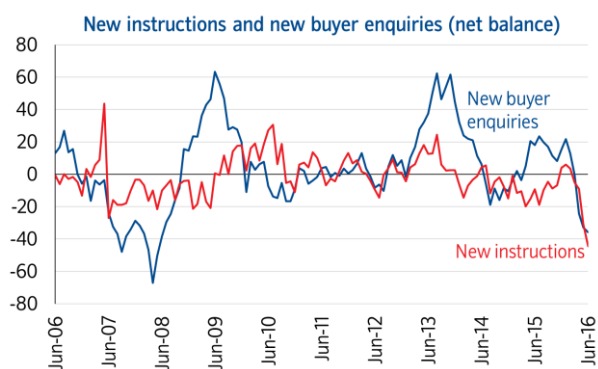


"How the labour market evolves will be crucial in determining the demand for homes in the quarters ahead. It is encouraging that conditions were robust in the run up to the vote, with the unemployment rate falling to a ten-year low in the three months to May. The decline in long term interest rates to new all-time lows in recent weeks should also help to keep borrowing costs low and provide some support for demand.

"Even if there is a fall back in demand as a result of economic uncertainty, the impact on house prices is not certain, as potential sellers may also hold off from placing their properties on the market. The stock of homes on estate agents' books is already close to its lowest levels for thirty years and surveyors have reported a decline in new instructions to sell alongside a fall in buyer enquiries (see chart on next page). Moreover, housebuilders may react to the uncertainty by delaying construction, even though home building is already failing to keep up with the natural increase in the population.

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Source: RICS

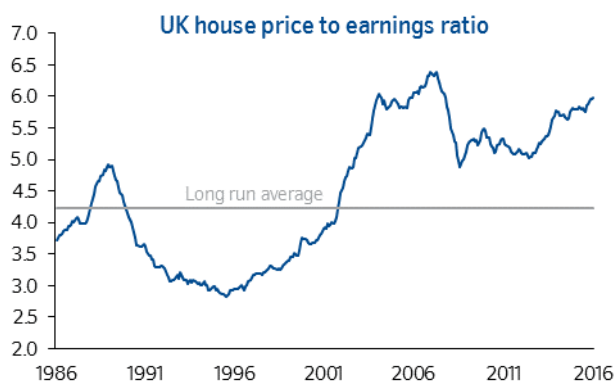
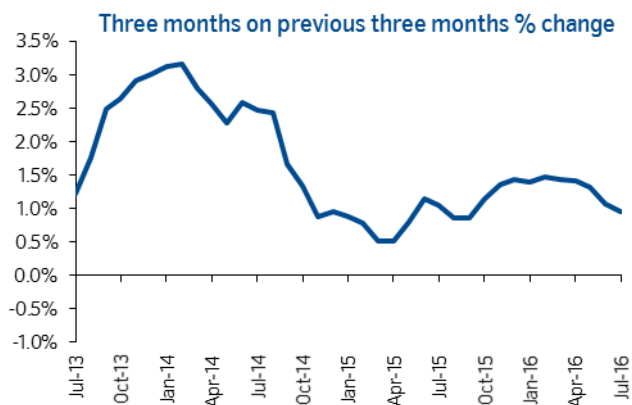
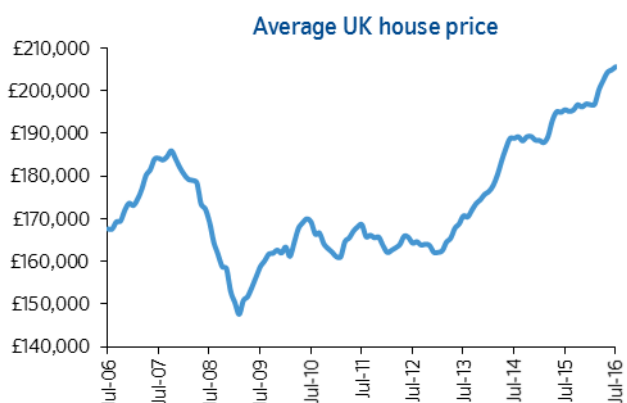
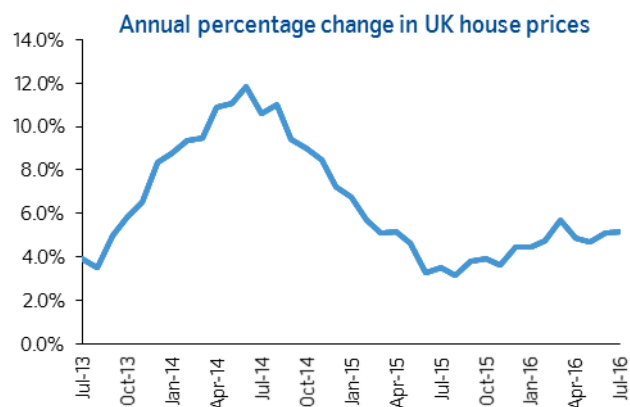
“The outlook for the housing market remains unusually uncertain and it may take several months for the underlying trends in the market to become evident.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
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	1.3	9.0	189,333
Nov-14	0.4	0.9	8.5	189,388
Dec-14	0.1	1.0	7.2	188,559
Jan-15	0.4	0.9	6.8	188,446
Feb-15	0.0	0.8	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	0.4	1.0	3.5	195,621
Aug-15	0.4	0.8	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	0.4	1.4	4.4	196,829
Feb-16	0.4	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	1.1	5.1	204,968
Jul-16	0.5	1.0	5.2	205,715

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Charts



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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