

# Nationwide HOUSE PRICE INDEX



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May 2016

## Pace of house price growth broadly stable in May

- House prices increased by 0.2% in May
- Annual house price growth slows to 4.7%

Headlines	May-16	Apr-16
Monthly Index*	403.4	402.5
Monthly Change*	0.2%	0.2%
Annual Change	4.7%	4.9%
Average Price (not seasonally adjusted)	£204,368	£202,436

\* 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:

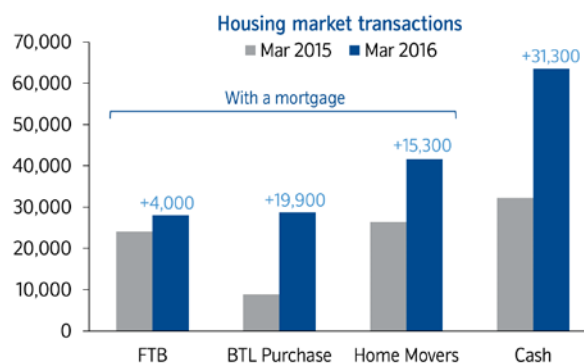
"UK house prices edged up 0.2% in May and, as a result, the annual rate of house price growth was little changed at 4.7%, compared with 4.9% in April.

"The annual pace of house price growth remains in the fairly narrow range between 3% and 5% that has been prevailing for much of the past twelve months.

"In the near term, it's going to be difficult to gauge the underlying strength of activity in the housing market due to the volatility generated by the stamp duty changes which took effect from 1 April.

"Indeed, the number of residential property transactions surged to an all-time high in March, some c11% higher than the pre-crisis peak as buyers of second homes sought to avoid the additional tax liabilities.

"While cash purchases accounted for a significant proportion of the increase in activity it is not possible to determine whether or not these were purchased by landlords. Mortgage data suggests that, while Buy to Let (BTL) purchases were a major driver of the increase, the purchase of second homes also accounted for a substantial proportion. The number of home mover mortgages, which is where second home purchases with a mortgage would show up, increased sharply in March, as shown in the following chart.



Source: HMRC, CML, Nationwide estimates

"House purchase activity is likely to fall in the months ahead given the number of purchasers that brought forward transactions. The recovery thereafter may also be fairly gradual, especially in the BTL sector, where other policy changes, such as the reduction in tax relief for landlords from 2017, are likely to exert an ongoing drag.

"Nevertheless, healthy labour market conditions and low borrowing costs are expected to underpin a steady increase in housing market activity once stamp duty related volatility has passed, providing the economic recovery remains on track.

"However, it is possible that the recent pattern of strong employment growth, rising real earnings, low borrowing costs and constrained supply will tilt the demand/supply balance in favour of sellers and exert upward pressure on price growth once again in the quarters ahead. According to RICS, the number of properties on estate agents' books was already close to all-time lows on data extending back to the late 1970s."

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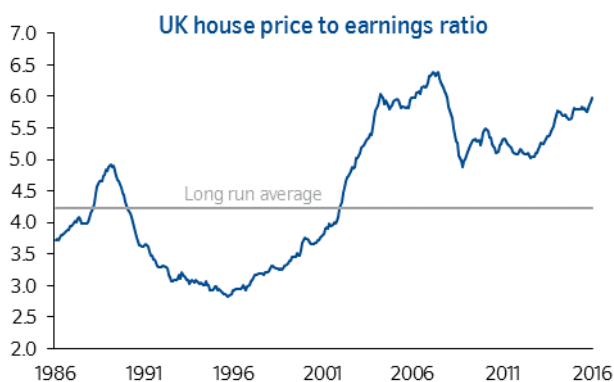
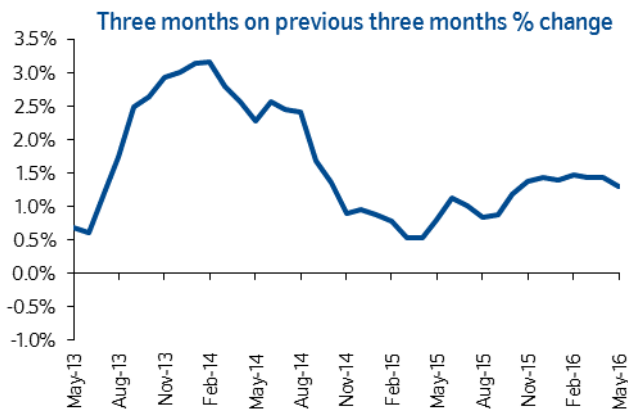
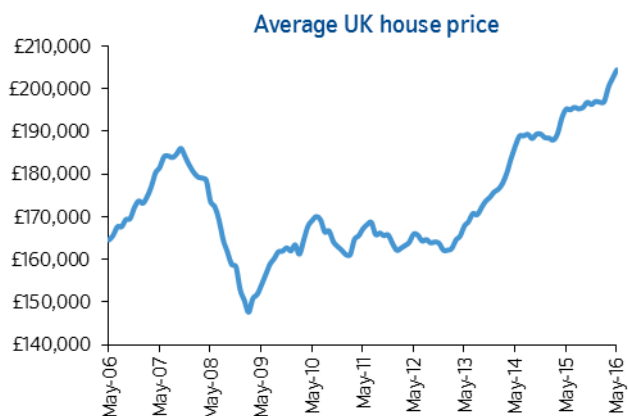
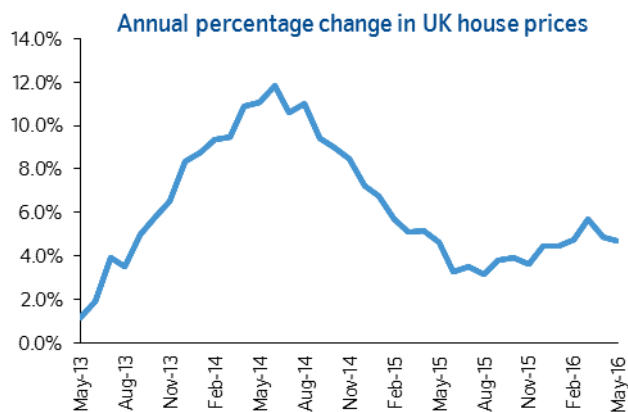
## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
May-14	0.7	2.3	11.1	186,512
Jun-14	1.2	2.6	11.8	188,903
Jul-14	0.2	2.4	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	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

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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/>

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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