

# Nationwide HOUSE PRICE INDEX



[www.nationwide.co.uk/hpi](http://www.nationwide.co.uk/hpi)

April 2017

## Annual house price growth slowest in nearly four years

- House prices show second consecutive monthly decline in April
- Annual house price growth dips to 2.6% - its weakest pace for almost four years

Headlines	Apr-17	Mar-17
Monthly Index*	413.5	415.1
Monthly Change*	-0.4%	-0.3%
Annual Change	2.6%	3.5%
Average Price (not seasonally adjusted)	£207,699	£207,308

\* 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:

"House prices recorded their second consecutive monthly fall in April, while the annual rate of growth slowed to 2.6%, the weakest since June 2013.

"In some respects, the softening in house price growth is surprising because the unemployment rate is near to a 40-year low, confidence is still relatively high and mortgage rates have fallen to new all-time lows in recent months.

"While monthly figures can be volatile, the recent softening in price growth may be a further indication that households are starting to react to the emerging squeeze on real incomes or to affordability pressures in key parts of the country.

### Are households feeling the pinch?

"Various data suggest that the latest slowdown in house prices may be part of a broader trend. Retail sales growth has slowed markedly in recent months, from a 14-year high of 7.3% in October, to 3.7% in February and 1.7% in March.

"Household budgets are coming under pressure, as wage growth has moderated and inflation has accelerated. The household saving ratio, which measures how much income

goes unspent each quarter, fell to an all-time low of 3.3% in Q4 on data extending back to 1963.

"There may also be more fundamental reasons for the slowdown. House price growth has been outstripping earnings growth for a sustained period of time, steadily eroding affordability on a number of metrics. For example, the typical house price is currently 6.1 times average earnings, well above the long run average of 4.3 times earnings, and close to the all-time high of 6.4 times recorded in 2007.

"Moreover, even though mortgage interest rates have touched new lows in recent months, the cost of servicing a typical mortgage is only just in line with long run average, and above long run averages in London and parts of the South of England.

### It may be too soon to write off the UK consumer just yet....

"However, there are also data that caution against writing off the UK consumer just yet. While retail sales have slowed markedly, spending in other areas, including big ticket items like cars, has remained robust.

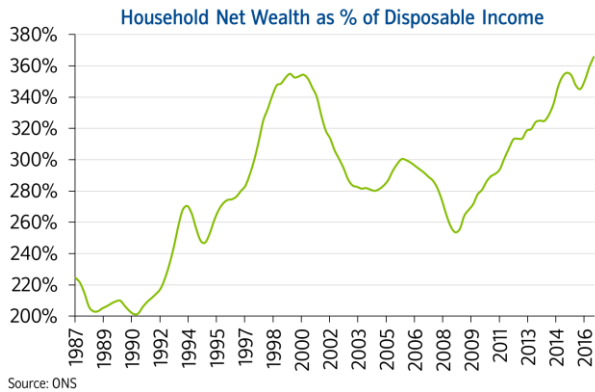
"Even though house price growth has softened, activity has remained broadly stable, with mortgage approvals for house purchase fairly steady at a respectable 68,000 per month, a little above the average prevailing in recent years.

"While wage growth has stagnated in real terms (i.e. after taking account of inflation), the number of people in work is close to all-time highs.

"Indeed, despite the pressure on household income, consumer confidence remains fairly high by historic standards.

"While the savings ratio has fallen to historically low levels, household balance sheets are in pretty good shape. Net wealth remains high, due to steady increases in asset prices (including house prices), which reduces the immediate need to save and provides a cushion for households.

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## Where next?

“It is too early to conclude whether the slowdown in house price growth is merely a blip, a reflection of the impact of the squeeze on household budgets, or is due to mounting affordability pressures in key areas of the country.

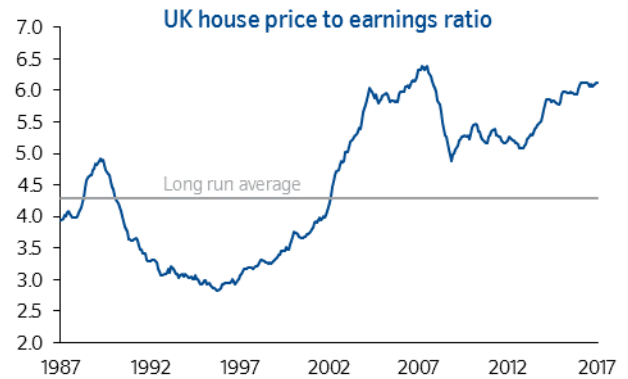
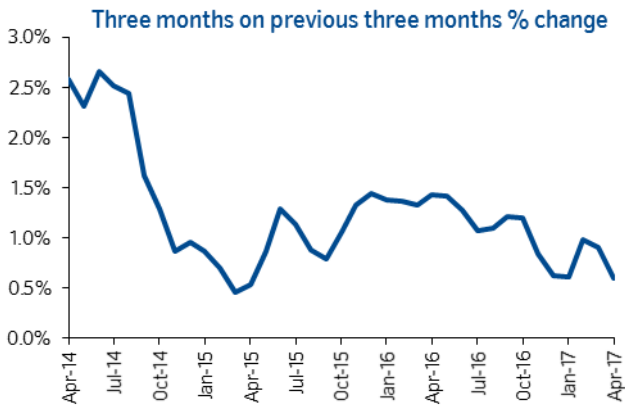
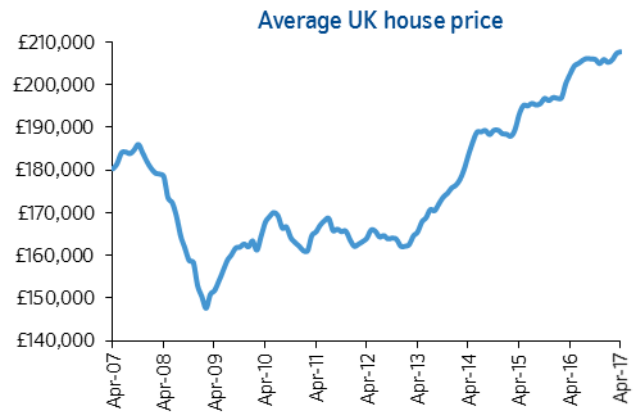
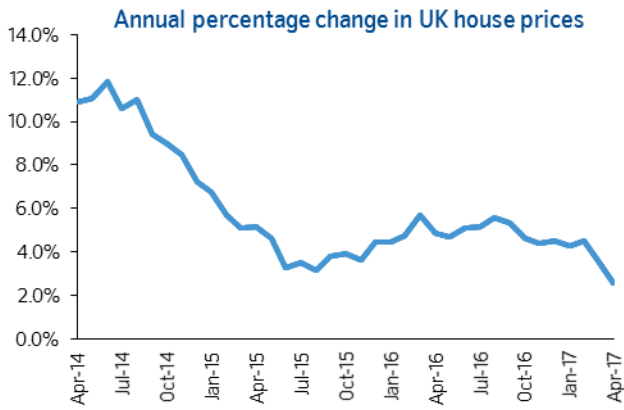
“Given the ongoing uncertainties around the UK’s future trading arrangements and the upcoming election, the economic outlook is unusually uncertain, and housing market trends will depend crucially on developments in the wider economy.

“Nevertheless, in our view, household spending is likely to slow in the quarters ahead (along with the wider economy) as rising inflation increases the squeeze on household budgets. This, together with mounting housing affordability pressures, is likely to exert a drag on activity and house price growth in the quarters ahead.

“However, the subdued level of building activity and the shortage of properties on the market are likely to provide support for prices. As a result, we continue to believe that a small increase in house prices of around 2% is likely over the course of 2017 as a whole.”

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Apr-15	1.2	0.5	5.2	193,048
May-15	0.3	0.9	4.6	195,166
Jun-15	-0.1	1.3	3.3	195,055
Jul-15	0.4	1.1	3.5	195,621
Aug-15	0.2	0.9	3.2	195,279
Sep-15	0.5	0.8	3.8	195,585
Oct-15	0.6	1.1	3.9	196,807
Nov-15	0.2	1.3	3.7	196,305
Dec-15	0.6	1.4	4.5	196,999
Jan-16	0.4	1.4	4.4	196,829
Feb-16	0.4	1.4	4.8	196,930
Mar-16	0.7	1.3	5.7	200,251
Apr-16	0.5	1.4	4.9	202,436
May-16	0.2	1.4	4.7	204,368
Jun-16	0.3	1.3	5.1	204,968
Jul-16	0.4	1.1	5.2	205,715
Aug-16	0.6	1.1	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	0.8	4.4	204,947
Dec-16	0.7	0.6	4.5	205,898
Jan-17	0.1	0.6	4.3	205,240
Feb-17	0.6	1.0	4.5	205,846
Mar-17	-0.3	0.9	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699



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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