

# Nationwide HOUSE PRICE INDEX



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

July 2018

## July sees modest rebound in annual house price growth

- Annual house price growth picks up to 2.5%
- Prices rose 0.6% month-on-month
- Any rate hike likely to have a modest impact

Headlines	Jul-18	Jun-18
Monthly Index*	428.8	426.2
Monthly Change*	0.6%	0.7%
Annual Change	2.5%	2.0%
Average Price (not seasonally adjusted)	£217,010	£215,444

\* 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:

"There was a slight uptick in annual house price growth in July to 2.5%, from 2.0% in June. Nonetheless, annual house price growth remains within the fairly narrow range of c2-3% which has prevailed over the past 12 months, suggesting little change in the balance between demand and supply in the market.

"Looking further ahead, much will depend on how broader economic conditions evolve, especially in the labour market, but also with respect to interest rates.

"Subdued economic activity and ongoing pressure on household budgets is likely to continue to exert a modest drag on housing market activity and house price growth this year, though borrowing costs are likely to remain low.

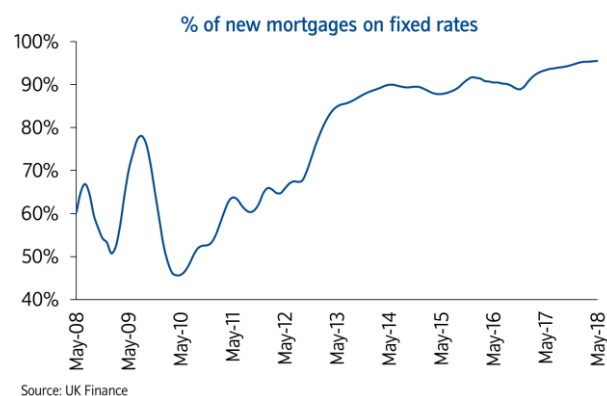
"Overall, we continue to expect house prices to rise by around 1% over the course of 2018.

### How much of a squeeze would an increase in rates exert on households?

"It is looking increasingly likely that the Bank of England's Monetary Policy Committee (MPC) will increase rates at their next meeting on 2<sup>nd</sup> August. Clearly, much will depend on the Committees' assessment of the outlook for growth and inflation, but most economists and investors expect Bank Rate to be increased from 0.5% to 0.75%.

"Providing the economy does not weaken further, the impact of a further small rise in interest rates on UK households is likely to be modest.

"This is partly because only a relatively small proportion of borrowers will be directly impacted by the change. Most lending on personal loans and credit cards is fixed or tends to be unaffected by movements in the Bank Rate. Similarly, in recent years, the vast majority of new mortgages have been extended on fixed interest rates (see chart below).



"Indeed, the share of outstanding mortgages on variable interest rates (and which are therefore likely to see an increase in payments if Bank Rate is increased) has fallen to its lowest level on record, at c35%, down from a peak of 70% in 2001.

"Moreover, a 0.25% increase in rates is likely to have a modest impact on most borrowers who are on variable rates. For example, on the average mortgage, an interest rate increase of 0.25% would increase monthly payments by £16 to £700 (equivalent to c£190 extra per year).

"The MPC has also continued to signal that it expects any increases in interest rates to be gradual and limited. Financial market pricing suggests that Bank Rate is only likely to rise to around 1.25% over the next five years.

"While the impact for most borrowers is likely to be modest, it's important to note that household budgets have been under pressure for some time because wages have not been rising as fast as the cost of living. Indeed, in real terms (i.e. after adjusting for inflation) wage rates are still at levels prevailing in 2005.

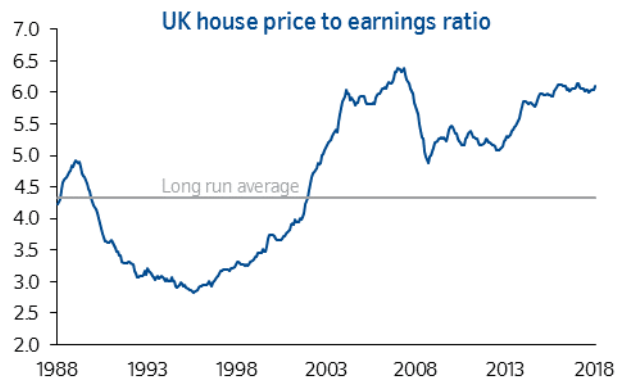
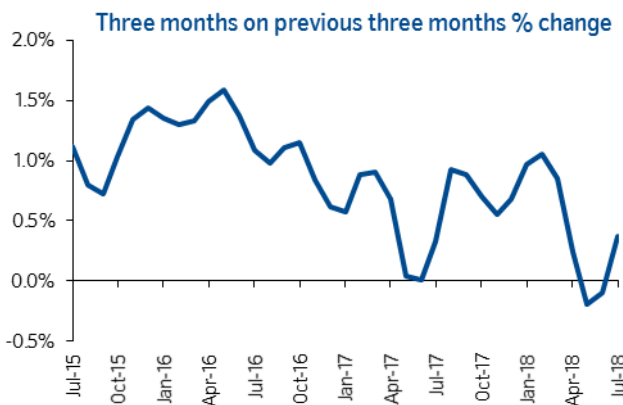
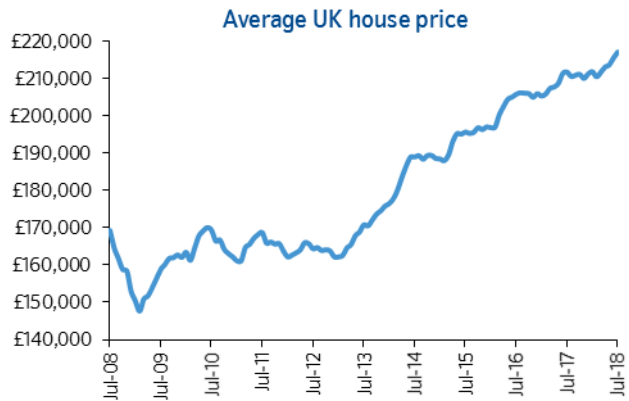
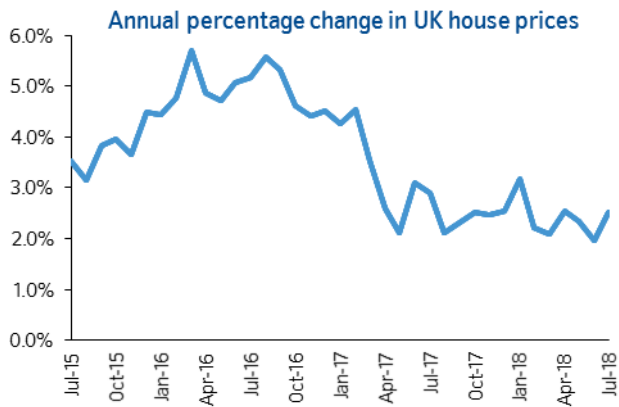
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“Moreover, a small proportion of households already have a relatively high debt service burden. For example, the English Housing Survey suggests that around 12% of homeowners already spend over 30% of their gross income on their mortgage each month. And, for those, some of whom will be on variable rates, any rate rise will be a struggle, even though the impact on the wider economy and most households is likely to be modest.”

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jul-16	0.4	1.1	5.2	205,715
Aug-16	0.7	1.0	5.6	206,145
Sep-16	0.2	1.1	5.3	206,015
Oct-16	0.0	1.1	4.6	205,904
Nov-16	0.1	0.8	4.4	204,947
Dec-16	0.5	0.6	4.5	205,898
Jan-17	0.2	0.6	4.3	205,240
Feb-17	0.6	0.9	4.5	205,846
Mar-17	-0.1	0.9	3.5	207,308
Apr-17	-0.4	0.7	2.6	207,699
May-17	-0.2	0.0	2.1	208,711
Jun-17	1.1	0.0	3.1	211,301
Jul-17	0.1	0.3	2.9	211,671
Aug-17	-0.1	0.9	2.1	210,495
Sep-17	0.4	0.9	2.3	210,801
Oct-17	0.2	0.7	2.5	211,085
Nov-17	0.1	0.6	2.5	209,988
Dec-17	0.5	0.7	2.6	211,156
Jan-18	0.8	1.0	3.2	211,756
Feb-18	-0.4	1.0	2.2	210,402
Mar-18	-0.2	0.8	2.1	211,625
Apr-18	0.1	0.2	2.6	213,000
May-18	-0.3	-0.2	2.4	213,618
Jun-18	0.7	-0.1	2.0	215,444
Jul-18	0.6	0.4	2.5	217,010

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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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