

Nationwide HOUSE PRICE INDEX



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May 2018

Modest slowing in annual house price growth during May

- Annual house price growth slowed to 2.4%
- Prices fell 0.2% month-on-month
- Shift in housing stock towards private renting and flats

Headlines	May-18	Apr-18
Monthly Index*	423.4	424.1
Monthly Change*	-0.2%	0.1%
Annual Change	2.4%	2.6%
Average Price (not seasonally adjusted)	£213,618	£213,000

* 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:

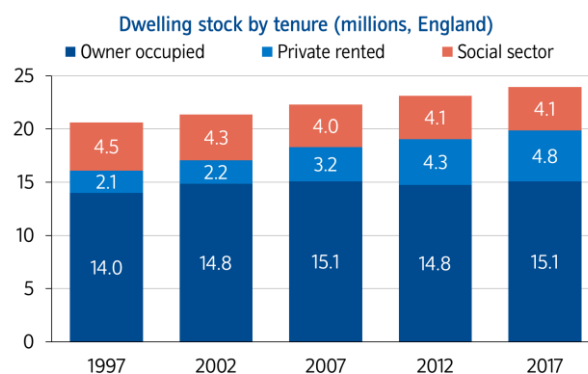
"UK annual house price growth slowed modestly in May to 2.4%, from 2.6% in April. House prices fell by 0.2% over the month, after taking account of seasonal factors. Annual house price growth has been confined to a fairly narrow range of c2-3% over the past 12 months, suggesting little change in the balance between demand and supply in the market over that period. There are few signs of an imminent change. Surveyors continue to report subdued levels of new buyer enquiries, while the supply of properties on the market remains more of a trickle than a torrent.

"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 has the housing stock changed?

"Data from the Ministry of Housing, Communities and Local Government shows that, over the last 20 years, the total housing stock in England has increased from 20.6 million to 24 million dwellings, a rise of 16%. There have been significant shifts in the ownership of the stock, which in turn has influenced trends in property type over time.

"The most striking shift has been in the proportion of the stock owned by private landlords. While last year's data showed a small decline in the stock of privately rented dwellings, they still account for 20% of the total stock, double the proportion in 1997. The counterpart of this shift has been a decline in the proportion of homeowners (from 68% to 63%) and social landlords (from 22% to 17%).

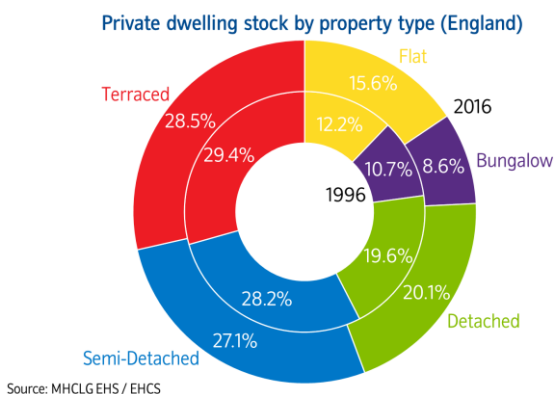


Source: MHCLG

"As illustrated in the chart above, the most rapid period of growth in the private rental sector has been over the last 10 years, where the number of privately rented dwellings increased by 50%. Meanwhile over the same period, the number of owner occupied dwellings was broadly unchanged at 15.1 million, while social sector (local authority plus housing association) dwellings increased by 2%.

Property mix - flats up, bungalows down

"A number of factors influence the mix of properties that are built over time, such as planning policy and the move to higher density construction in many cities. However, the increase in demand from investors is also likely to have played a role.

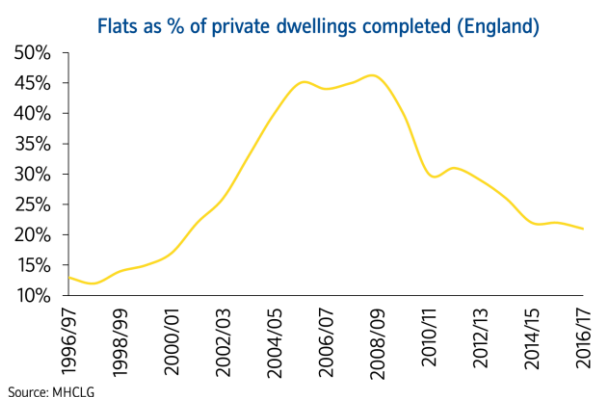


Source: MHCLG EHS / EHCS

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“Data from the English Housing Survey provides some interesting insights into how the mix of properties in the housing stock has changed. The most eye-catching development is the increase in the proportion of flats, which are popular with investors (c60% of flats are privately rented versus 18% of other property types in the privately-owned stock). Since 1996, flats have increased from 12.2% to 15.6% of the privately-owned stock.

“Flats accounted for a relatively high share of newly constructed dwellings. During the period 2005 to 2008 nearly half of new completions in England were flats. While construction has shifted back towards houses in recent years, flats still accounted for c20% of new units last year, above their share of the stock.



“It is interesting to note that since 1996, the proportion of rented flats within the stock has increased from 4.9% to 9.2% of private dwellings (equivalent to one million additional units). There has also been a substantial increase in both the number and proportion of privately rented terraced houses, which now represent 8.9% of the stock.

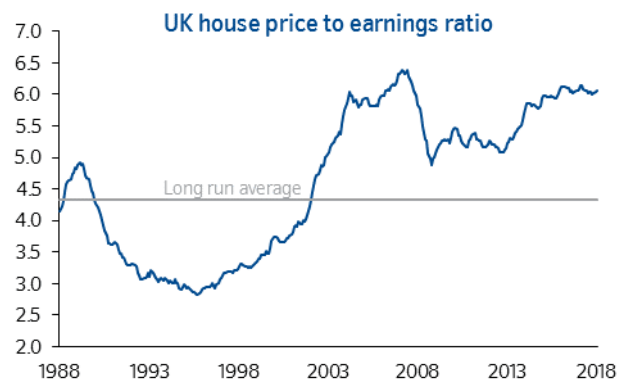
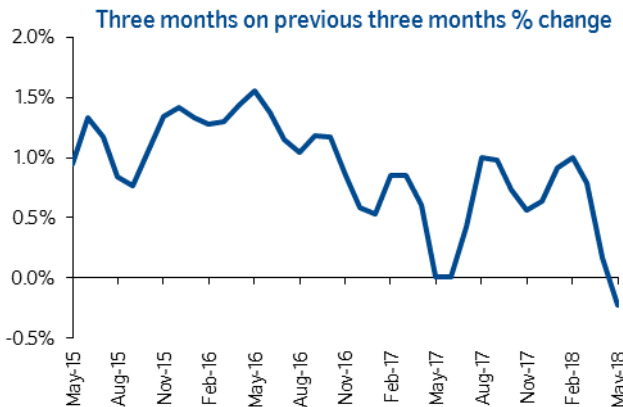
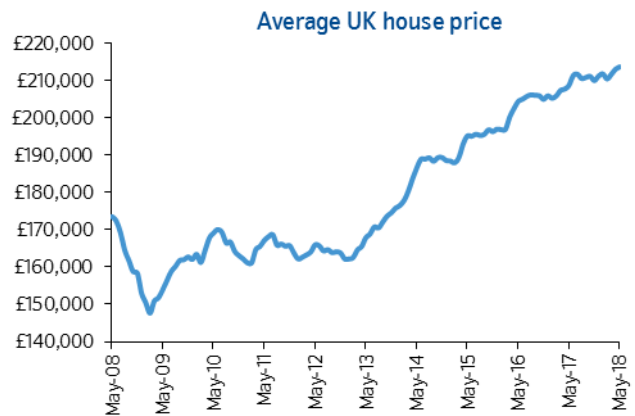
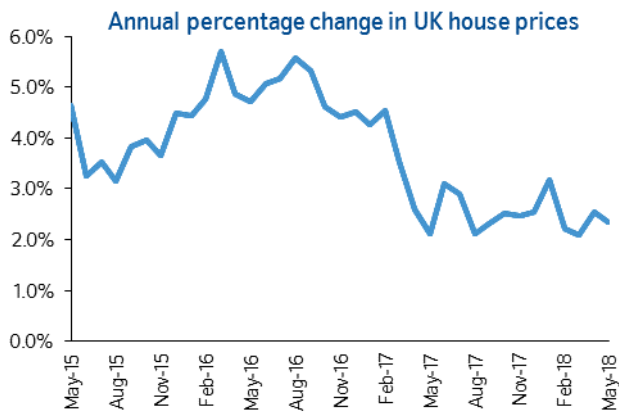
“Over the same period, the number of owner occupied terraces has actually fallen, suggesting some of these properties transferred across to the rental sector.

“The property type which has become much less prevalent is bungalows, which now make up 8.6% of the stock, down from 10.7% in 1996. This may be unexpected, given demographic trends and the popularity of this type of property amongst older people. A 2014 report¹ found that households where the eldest person was aged 65 or over were six times more likely to live in bungalows than other households (21% compared with 4%), while households with older people were less likely to live in flats (14% compared with 22%).”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
May-16	0.4	1.6	4.7	204,368
Jun-16	0.1	1.4	5.1	204,968
Jul-16	0.4	1.2	5.2	205,715
Aug-16	0.7	1.0	5.6	206,145
Sep-16	0.2	1.2	5.3	206,015
Oct-16	0.0	1.2	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	0.5	4.3	205,240
Feb-17	0.6	0.8	4.5	205,846
Mar-17	-0.1	0.9	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699
May-17	0.0	0.0	2.1	208,711
Jun-17	1.0	0.0	3.1	211,301
Jul-17	0.2	0.4	2.9	211,671
Aug-17	-0.1	1.0	2.1	210,495
Sep-17	0.4	1.0	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	0.6	2.6	211,156
Jan-18	0.8	0.9	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	-0.2	-0.2	2.4	213,618

¹ MHCLG English Housing Survey, Housing for Older People 2014-15



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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