

# Nationwide HOUSE PRICE INDEX



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

October 2018

## Annual house price growth lowest since May 2013

- Annual house price growth in October slows to 1.6%
- Prices flat month-on-month after accounting for seasonal effects
- While overall housing market activity still relatively subdued, recent years have seen a recovery in first time buyer numbers

Headlines	Oct-18	Sep-18
Monthly Index*	427.7	427.7
Monthly Change*	0.0%	0.2%
Annual Change	1.6%	2.0%
Average Price (not seasonally adjusted)	£214,534	£214,922

\* 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:

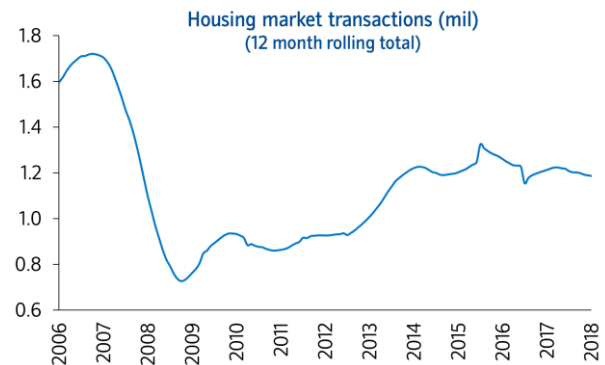
"October saw a slowdown in annual house price growth to 1.6% from 2.0% in September. As a result, annual house price growth moved below the narrow range of c2-3% prevailing over the previous 12 months.

"However, this was broadly in line with our expectations, as the squeeze on household budgets and the uncertain economic outlook is likely to have dampened demand, even though borrowing costs remain low by historic standards and unemployment is at 40-year lows. We continue to expect house prices to rise by around 1% over the course of 2018.

"Looking further ahead, much will depend on how broader economic conditions evolve. If the uncertainty lifts in the months ahead, there is scope for activity to pick-up throughout next year. The squeeze on household incomes is already moderating and policymakers have signalled that interest rates are only expected to raise at a modest pace and to a limited extent in the years ahead.

### Housing market activity still relatively soft

"Housing market transactions remain relatively subdued, with little change in activity in recent years. There were 1.2 million transactions in the 12 months to September 2018, still 30% lower than the levels seen in the same period in 2007.

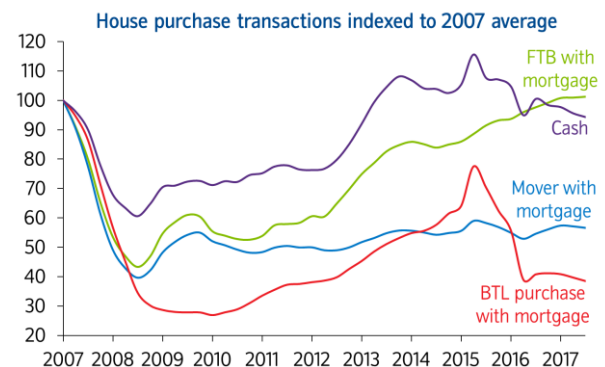


Source: HMRC

"There has, however, been a significant change in the pattern of housing transactions over the past decade, as illustrated in the chart below.

"In the immediate aftermath of the financial crisis, cash transactions proved more resilient. This is because cash buyers were less impacted by the tightening in credit conditions and the deterioration in labour market conditions, which reduced the number of people able to buy with a mortgage.

"Cash purchases have remained buoyant during the recovery period. This is partly due to the growth of the private rental sector, where the majority of transactions are in cash. Demographic trends also partly explain this trend, where an increasing proportion of people own their homes outright and therefore transact in cash when they move.



Source: HMRC, UK Finance

"Recent years have seen a recovery in first time buyer transactions, which are now broadly in line with pre-crisis

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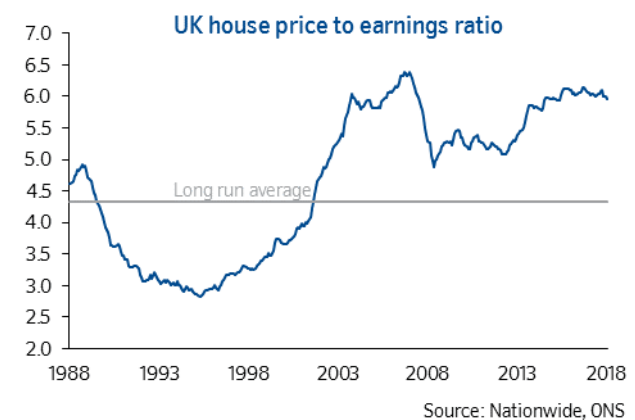
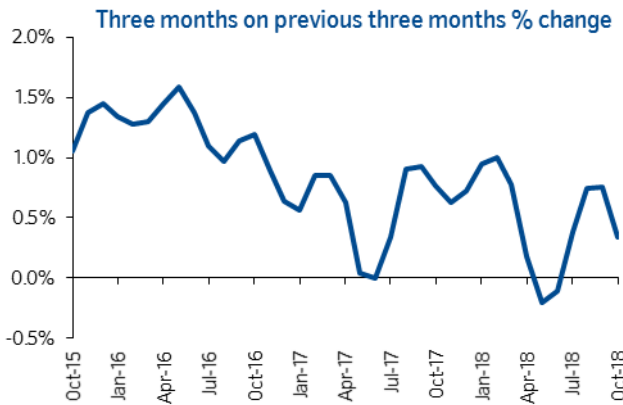
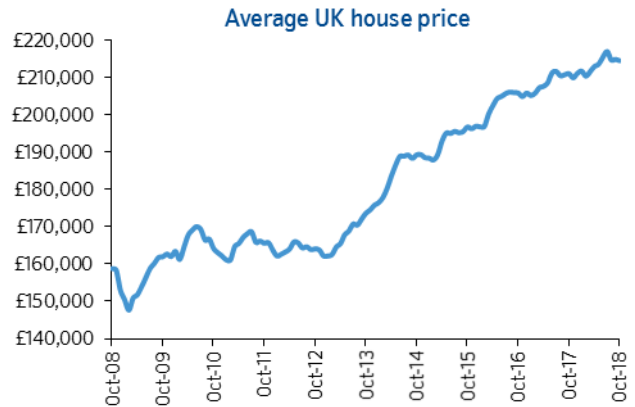
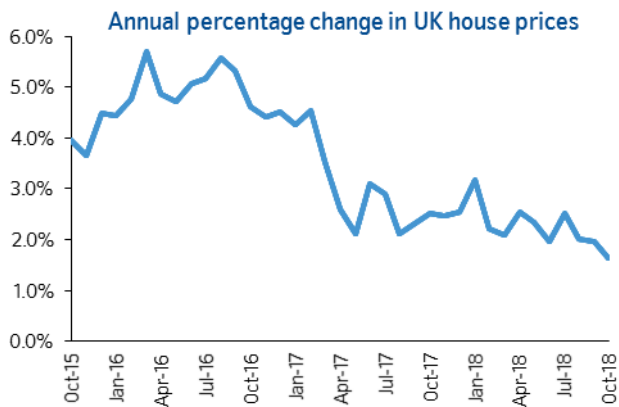
levels. The improvement in credit availability (including the introduction of schemes such as Help To Buy), historically low interest rates (in particular fixed rate deals), together with a steady improvement in labour market conditions in recent years have all helped boost activity.

“Meanwhile, mortgaged home mover activity has remained relatively subdued. This may in part relate to the demographic trends noted above, where more people moving transact in cash.

“There has been a significant reduction in the number of buy to let purchases involving a mortgage in recent years, which reflects a softening in demand following tax changes and changes in underwriting standards.”

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Oct-16	0.0	1.2	4.6	205,904
Nov-16	0.1	0.9	4.4	204,947
Dec-16	0.5	0.6	4.5	205,898
Jan-17	0.1	0.6	4.3	205,240
Feb-17	0.6	0.9	4.5	205,846
Mar-17	-0.1	0.8	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699
May-17	-0.1	0.0	2.1	208,711
Jun-17	1.0	0.0	3.1	211,301
Jul-17	0.2	0.3	2.9	211,671
Aug-17	0.0	0.9	2.1	210,495
Sep-17	0.4	0.9	2.3	210,801
Oct-17	0.3	0.8	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	0.7	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	-0.2	-0.2	2.4	213,618
Jun-18	0.5	-0.1	2.0	215,444
Jul-18	0.7	0.4	2.5	217,010
Aug-18	-0.5	0.7	2.0	214,745
Sep-18	0.2	0.8	2.0	214,922
Oct-18	0.0	0.3	1.6	214,534



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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