

Nationwide HOUSE PRICE INDEX



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December 2019

Annual house price growth of 1.4% in 2019

- Prices rose 0.1% in December, after taking account of seasonal factors
- Annual price declines persist in London and the Outer South East (see p2 for more detail)
- Raising a deposit remains key challenge for prospective first time buyers

Headlines	Dec-19	Nov-19
Monthly Index*	431.9	431.3
Monthly Change*	0.1%	0.5%
Annual Change	1.4%	0.8%
Average Price (not seasonally adjusted)	£215,282	£215,734

* 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:

"Annual UK house price growth edged up as 2019 drew to a close, with prices 1.4% higher than December 2018, the first time it been above 1% for 12 months.

"Indicators of UK economic activity were fairly volatile for much of 2019, but the underlying pace of growth appeared to slow through the year as a result of weaker global growth and an intensification of Brexit uncertainty.

"The underlying pace of housing market activity remained broadly stable, with the number of mortgages approved for house purchase continuing within the fairly narrow range prevailing over the past two years. Healthy labour market conditions and low borrowing costs appear to have offset the drag from the uncertain economic outlook.

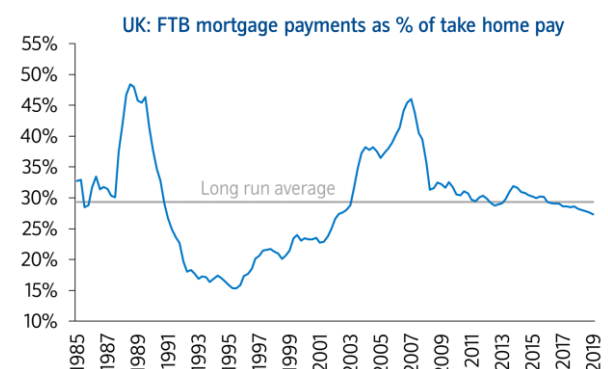
"Looking ahead, economic developments will remain the key driver of housing market trends and house prices. Much will continue to depend on how quickly uncertainty about the UK's future trading relationships lifts as well as the outlook for global growth.

"Overall, we expect the economy to continue to expand at a modest pace in 2020, with house prices remaining broadly flat over the next twelve months.

Deposit the barrier for many potential buyers

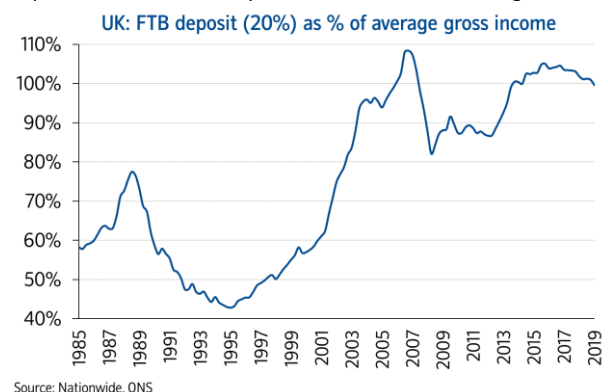
"First time buyer numbers have continued their steady recovery reaching 354,400 in the twelve months to October – this is more than double the 155,000 recorded in 2009 and 12% below the 2006 peak.

"The trend is partly due to robust labour market conditions, with employment rising at a healthy rate in recent years, and earnings growth slowly regaining momentum. Low borrowing costs have also provided important support. Even though house prices remain high, relative to average incomes, the cost of servicing the typical mortgage as a share of take-home pay has remained close to or below long run averages in most parts of the country.



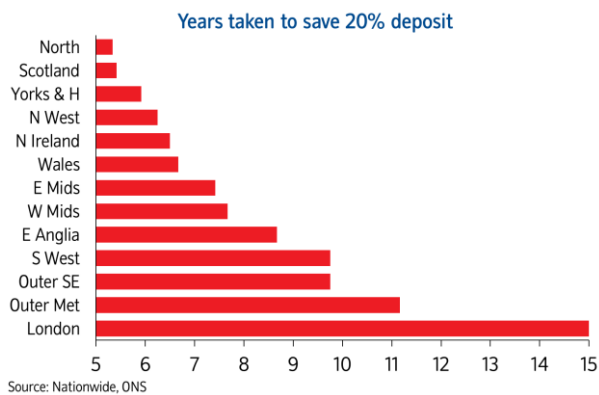
"The main exception is in London, where a period of rapid house price growth in the three years to 2015 means that monthly mortgage payments would also be unaffordable for a large proportion of the local population.

"But outside of London and the South East, raising a deposit appears to be the main challenge for prospective first time buyers. The chart below illustrates that a 20% deposit is equivalent to the entire pre-tax income of an average earner.



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“The chart below shows the average time it would take someone earning the typical wage in each region to save a 20% deposit to buy the typical first time buyer property, assuming they set aside 15% of their take home pay each month.

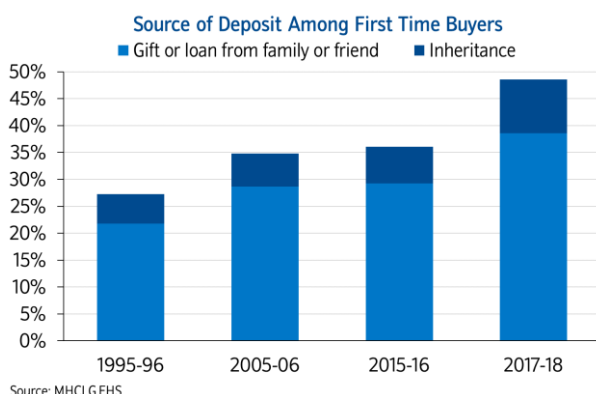


“Even in the North and Scotland, where property appears most affordable, it would still take someone earning the average wage and saving 15% of their take home pay each month more than five years to save a 20% deposit. In Wales and Northern Ireland, it would take prospective buyers nearly seven years, and almost eight years for people living in the West Midlands.

“Reflecting the trend in overall house prices, the deposit challenge is most daunting in the South of England, where it would take an average earner almost a decade to amass a 20% deposit. Again, the pressures are most acute in the capital, where someone earning an average income would need around 15 years to save a 20% deposit on the typical London property (this is even longer than was the case before the financial crisis, when it would have taken around ten and a half years).

Friends and family helping to ease deposit constraints

“In recent years, a growing proportion of first time buyers have been drawing on help from friends and family or an inheritance to help raise a deposit, as illustrated in the chart below. In 2017/18, almost half of first time buyers had some help raising a deposit, either in the form of a gift or loan from family or a friend or through inheritance, up from around a quarter in the mid-1990s and 35% of buyers in 2015/16.



Quarterly Regional House Price Statistics – Q4 2019

Please note that these figures are for the three months to December, therefore will show a different UK average price and annual percentage change to our *monthly* house price statistics.

Regions over the last 12 months

Region	Average Price (Q4 2019)	Annual % change this quarter	Annual % change last quarter
Scotland	£151,952	2.8%	0.8%
West Midlands	£193,203	2.7%	2.1%
North	£129,147	2.6%	2.0%
North West	£163,854	1.8%	2.5%
Yorks & H'side	£160,001	1.6%	0.1%
South West	£248,238	1.6%	0.5%
Wales	£159,322	1.5%	2.9%
N Ireland	£141,015	1.0%	3.4%
East Midlands	£185,090	0.4%	0.4%
Outer Met	£357,665	0.3%	-1.5%
East Anglia	£228,234	0.1%	1.7%
Outer S East	£274,316	-1.0%	-0.6%
London	£458,363	-1.8%	-1.7%
UK	£215,925	0.8%	0.3%

London the weakest performing region

“Scotland was the strongest performing home nation in 2019, with prices up 2.8% over the year. This is the first time since 2008 that Scotland has ended the year as the top performing region.

“Wales saw a further slowing in its annual rate of house price growth to 1.5%, from 2.9% in the third quarter. Price growth also continued to moderate in Northern Ireland, with average prices up 1% over the year, down from 3.4% in Q3. England remained the weakest performing home nation, with prices up just 0.2% compared with a year ago.

“London ended the year as the weakest performing region, with an annual price decline of 1.8%. While this marks the tenth quarter in row that prices have fallen in the capital, they are still only around 5% below the all-time highs recorded in Q1 2017 and c50% above their 2007 levels (UK prices are only around 17% higher than their 2007 peak).

“By contrast, house price growth returned to positive territory in the neighbouring Outer Metropolitan region (which includes places such as Slough, Guildford, Crawley and Chelmsford) after five consecutive quarters of falls, with a modest 0.3% gain. However, the surrounding Outer South East region (which includes cities such as Brighton, Southampton and Oxford) saw a 1% annual decline.

“The West Midlands was the best performing English region, with prices increasing by 2.7% over 2019. This was closely followed by the North, where prices were up 2.6%. Overall however, the annual rate of change amongst the English regions remained within a fairly narrow range of -2% to 3%.”

Quarterly House Price Statistics

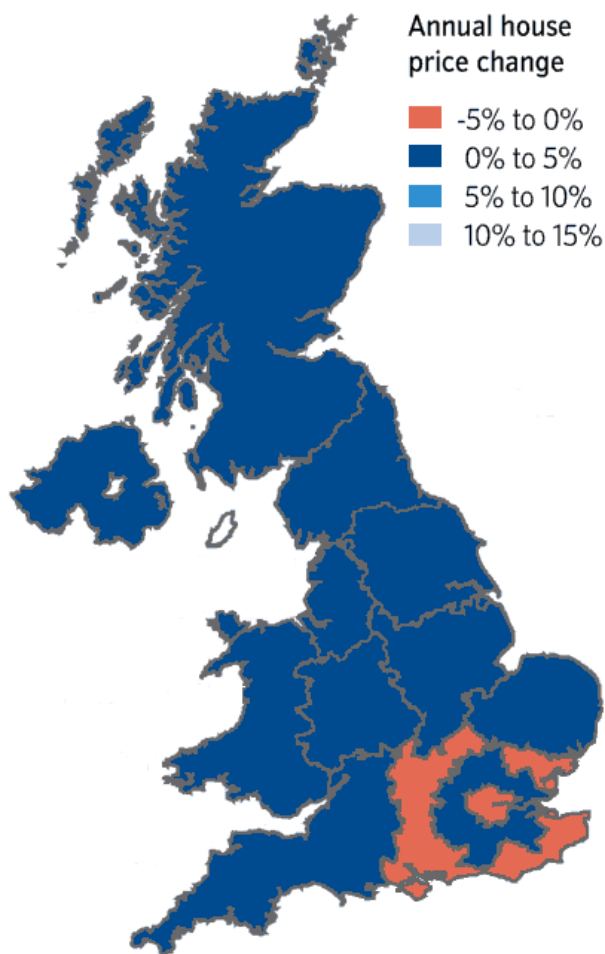
UK Fact File (Q4 2019)	
Quarterly average UK house price	£215,925
Annual percentage change	0.8%
Quarterly change*	0.4%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Scotland
Weakest annual price change	London

* Seasonally adjusted

Nations – annual & quarterly price change

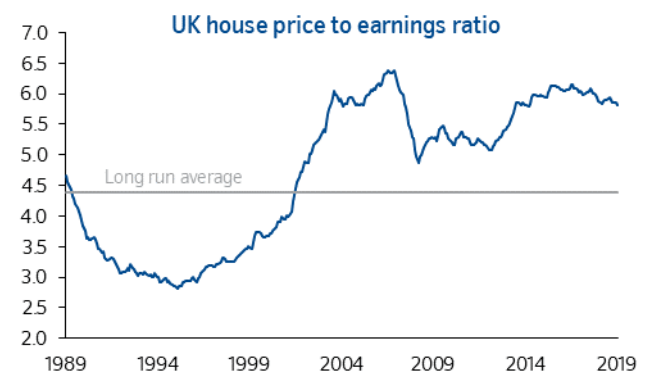
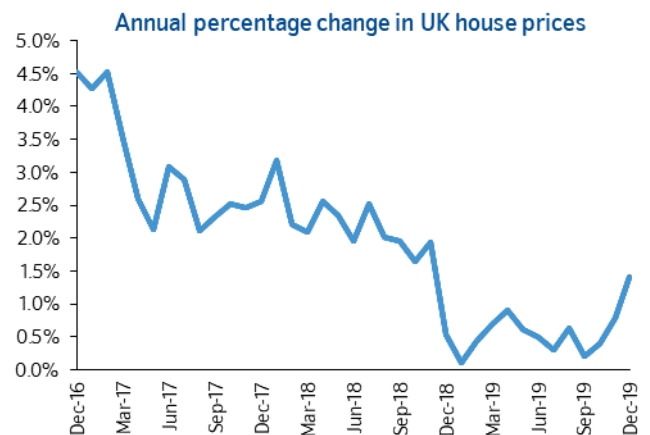
Nation	Average Price (Q4 2019)	Annual % change this quarter	Quarterly % change*
Scotland	£151,952	2.8%	1.4%
Wales	£159,322	1.5%	0.5%
N Ireland	£141,015	1.0%	-0.6%
England	£252,239	0.2%	0.3%

* Seasonally adjusted



Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Dec-17	0.8	0.7	2.6	211,156
Jan-18	0.7	0.9	3.2	211,756
Feb-18	-0.4	1.1	2.2	210,402
Mar-18	-0.2	0.9	2.1	211,625
Apr-18	0.1	0.2	2.6	213,000
May-18	0.0	-0.2	2.4	213,618
Jun-18	0.3	-0.1	2.0	215,444
Jul-18	0.5	0.4	2.5	217,010
Aug-18	-0.4	0.6	2.0	214,745
Sep-18	0.3	0.6	2.0	214,922
Oct-18	0.0	0.3	1.6	214,534
Nov-18	0.1	0.2	1.9	214,044
Dec-18	-0.6	-0.1	0.5	212,281
Jan-19	0.2	-0.1	0.1	211,966
Feb-19	-0.1	-0.4	0.4	211,304
Mar-19	0.1	-0.1	0.7	213,102
Apr-19	0.3	0.1	0.9	214,920
May-19	-0.2	0.3	0.6	214,946
Jun-19	0.1	0.3	0.5	216,515
Jul-19	0.3	0.2	0.3	217,663
Aug-19	0.0	0.3	0.6	216,096
Sep-19	-0.2	0.3	0.2	215,352
Oct-19	0.2	0.2	0.4	215,368
Nov-19	0.5	0.2	0.8	215,734
Dec-19	0.1	0.4	1.4	215,282



Source: Nationwide, ONS

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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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