

Nationwide HOUSE PRICE INDEX



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August 2015

Annual house price growth softens in August

- UK house prices increased by 0.3% in August
- Annual house price growth slowed to 3.2%

Headlines	Aug-15	Jul-15
Monthly Index*	387.4	386.1
Monthly Change*	0.3%	0.4%
Annual Change	3.2%	3.5%
Average Price (not seasonally adjusted)	£195,279	£195,621

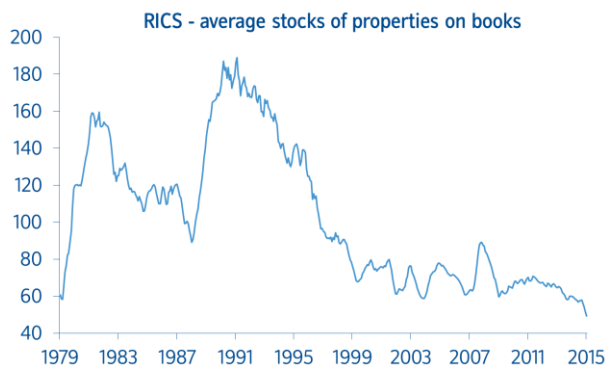
* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

"UK house prices increased by 0.3% in August, though the annual pace of house price growth edged down to 3.2% from 3.5% in July. The annual rate of price growth was the weakest since June 2013; this partly reflects the high base for comparison, since prices increased at a particularly strong rate in August 2014.

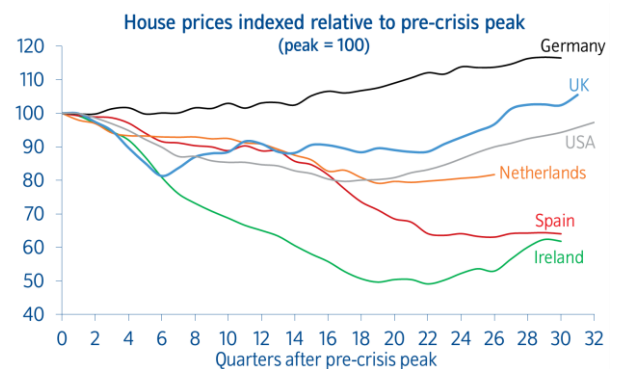
"This month's data provides further evidence that annual house price growth may be stabilising close to the pace of earnings growth, which has historically been around 4%.

"However, survey evidence cautions that this trend may not be maintained unless construction activity accelerates. Surveyors reported the lowest ever number of properties on their books in July (on data extending back to the late 1970s – see chart below) whilst new buyer enquiries picked up.

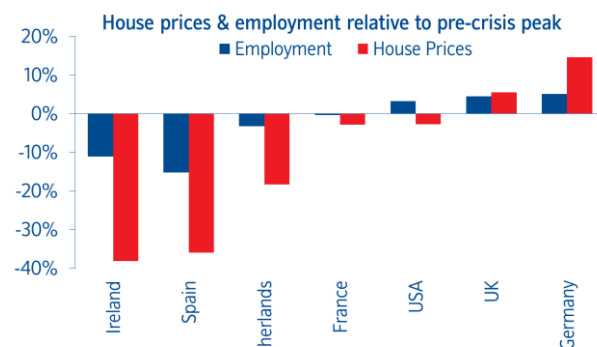


Why have UK house prices been more resilient?

"UK house prices have proved remarkably resilient in recent years, certainly compared with many other developed economies, as the chart below demonstrates.



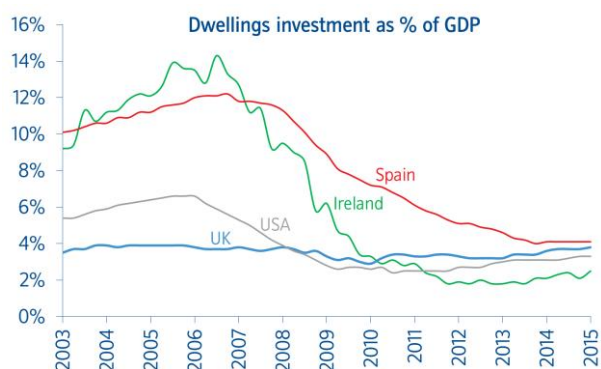
"UK house prices didn't fall as far during the financial crisis, and even where they declined by a similar magnitude, UK prices generally recovered their pre-crisis levels more quickly. UK house prices are currently around 5% above their pre-crisis levels, while prices are still well below their pre-crisis peaks in Ireland (-38%), Spain (-36%) and the Netherlands (-18%).



"Clearly house price trends are determined by a wide range of factors, but labour market developments are amongst the most important. The strength of the UK labour market in recent years is a key reason why house prices have recovered more quickly. Indeed, there is a strong correlation between

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employment and house price growth since the financial crisis across the major developed economies. As the chart on the previous page illustrates, house prices remain further below their pre-crisis peaks in countries where employment is also well below pre-crisis levels.



Source: Eurostat, BEA

“Supply side developments also play an important role in explaining the divergence in house price performance. The UK experienced a much smaller increase in building activity in the run up to the financial crisis (see chart above). As a result, there was much less of an overhang of unsold properties to be worked off in recent years.

“However, with UK house building running well below the expected rate of household formation in recent years and with demand for homes rising, a significant increase in construction activity is required if affordability is not to become stretched in the years ahead.”

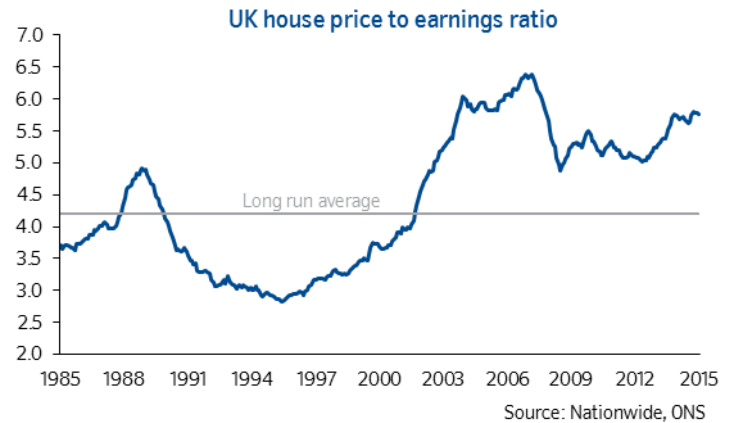
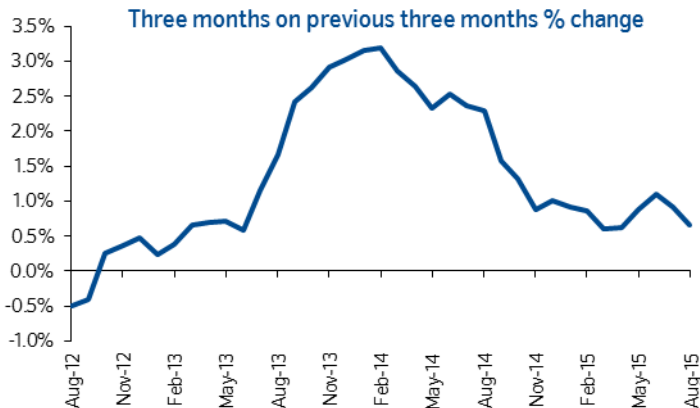
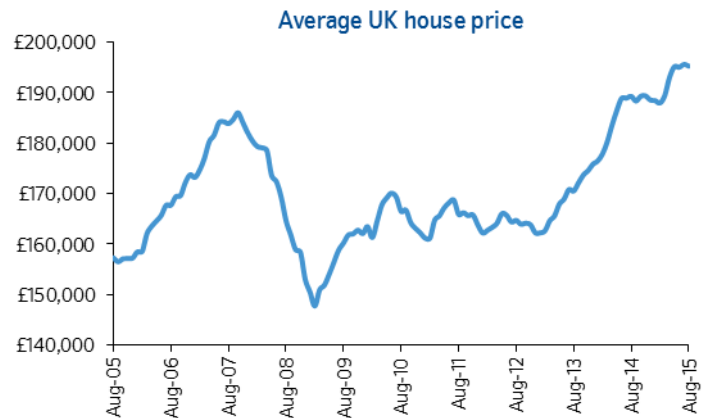
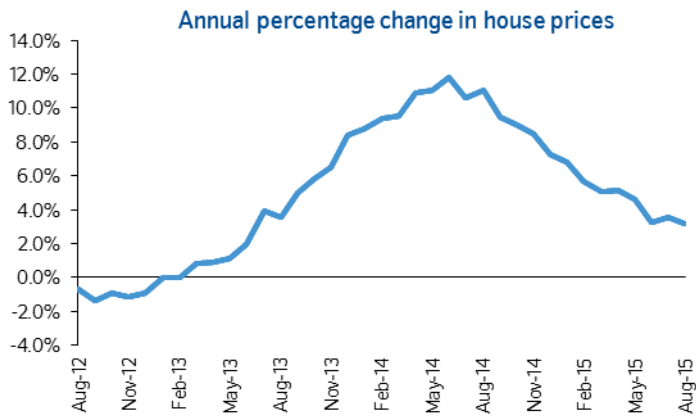
Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Aug-13	0.5	1.7	3.5	170,514
Sep-13	1.2	2.4	5.0	172,127
Oct-13	1.0	2.6	5.8	173,678
Nov-13	0.8	2.9	6.5	174,566
Dec-13	1.5	3.0	8.4	175,826
Jan-14	0.8	3.1	8.8	176,491
Feb-14	0.9	3.2	9.4	177,846
Mar-14	0.5	2.9	9.5	180,264
Apr-14	1.0	2.6	10.9	183,577
May-14	0.7	2.3	11.1	186,512
Jun-14	1.1	2.5	11.8	188,903
Jul-14	0.1	2.4	10.6	188,949
Aug-14	0.8	2.3	11.0	189,306
Sep-14	-0.1	1.6	9.4	188,374
Oct-14	0.6	1.3	9.0	189,333
Nov-14	0.3	0.9	8.5	189,388
Dec-14	0.2	1.0	7.2	188,559
Jan-15	0.4	0.9	6.8	188,446
Feb-15	-0.1	0.9	5.7	187,964
Mar-15	0.1	0.6	5.1	189,454
Apr-15	1.0	0.6	5.2	193,048
May-15	0.2	0.9	4.6	195,166
Jun-15	-0.2	1.1	3.3	195,055
Jul-15	0.4	0.9	3.5	195,621
Aug-15	0.3	0.7	3.2	195,279

Note: Historical figures including index levels can be viewed using the following link: <http://www.nationwide.co.uk/about/house-price-index/download-data>

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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/>

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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