

# Nationwide HOUSE PRICE INDEX



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

August 2012

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## UK house prices rebound in August

- The price of a typical UK house increased by 1.3% in August
- Prices 0.7% lower than one year ago
- Price of a typical home is £164,729

Headlines	Aug-12	Jul-12
Monthly Index*	327.4	323.2
Monthly Change*	1.3%	-0.8%
Annual Change	-0.7%	-2.6%
Average Price (not seasonally adjusted)	£164,729	£164,389

\* 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 rose by 1.3% in August, the largest monthly increase since January 2010, reversing the declines recorded in the previous two months. Given the difficult economic backdrop, the extent of the rebound in August is a little surprising. However, we should never read too much into one month's data, especially since monthly price changes have been impacted by a number of one-off factors this year, such as the ending of the stamp duty holiday for first time buyers. These are factors that cannot be controlled by the usual process of seasonal adjustment.

"Nevertheless, the fact that the annual pace of house price decline moderated to -0.7% in August from -2.6% the previous month provides evidence that conditions remain fairly stable. This may be explained by the surprising resilience evident in the UK labour market, with further increases in employment in recent months, even though the UK economy has remained in recession.

### How much have the housing and mortgage markets changed since the financial crisis?

"L P Hartley famously said that, "the past is a foreign country, they do things differently there". In many respects these

sentiments apply to the UK housing market, with a marked difference between current conditions and those prevailing between 2005 and 2007, as illustrated in the tables below.

	2005-07 average	Latest*
Mortgage approvals (per month)	107,700	50,500
First Time Buyers (per month)	32,400	16,700
First Time Buyer (FTB) share	37%	39%
Average deposit (FTB)	10%	20%

Sources: Bank of England, CML. \* Average Jan-Jun 2012. FTB = First Time Buyer

"Perhaps the most dramatic change is in the level of activity. For example, the average number of mortgage approvals is currently running at around 50,000 per month, around half the level prevailing over the 2005-2007 period. Interestingly, the *share* of mortgages taken up by first time buyers has actually increased slightly to 39% of the total, up from the 37% prevailing in the pre-crisis period. The more cautious approach of borrowers and lenders is evident in the increase in the average deposit from 10% to 20%.

	2005-07 average	Latest
House price	£167,860	£164,729
House price to earnings ratio	6.06	5.11
Average fixed rate mortgage	5.4%	4.2%
Average variable rate mortgage	5.4%	3.1%
Typical mortgage payment as % of take home pay (FTB)	40%	29%
Average mortgage term (FTB)	25	28

Sources: Nationwide, CML, ONS. FTB = First Time Buyer.

"Affordability has improved on a number of metrics. Interest rates on both fixed and variable rate mortgages have declined. Together with a modest decline in house prices and a steady rise in average earnings, the monthly repayments for a typical first time buyer with a 20% deposit have declined to around 29% of take home pay, down from 40% before the crisis.

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“In practice the decline is slightly more pronounced than this. Borrowers, especially first time buyers, have been increasing the term of their mortgage in recent years. The average term for first time buyers is currently 28 years up from 25 years over the 2005 to 2007 period. While this increases the total amount repaid over the term of the loan, it lowers the monthly repayments.

### Will we return to the pre-crisis pattern?

“The evolution of housing market conditions in future is likely to be closely tied to the trajectory of the wider economy. The number of housing transactions should pick up as the UK recovery gathers pace in the years ahead, though this is likely to be a gradual process.

“Policy measures aimed at supporting the availability of credit and lowering the cost of borrowing, such as NewBuy<sup>1</sup>, and the Funding for Lending<sup>2</sup> scheme, should help to provide support. However, much will depend on developments in the labour market. Increased job security, lower unemployment and stronger earnings growth will be needed to generate a sustained upturn in activity.

“Though uncertain, a modest further improvement in affordability is likely. Interest rates will not remain at current lows forever, but rate hikes still appear some way off. Further asset purchases by the Bank of England should also help to keep down longer-term interest rates. In addition, house prices are expected to remain fairly stable over the next two years, while incomes are likely to continue to rise gradually, which will also help to support affordability.”

## Monthly UK House Price Statistics

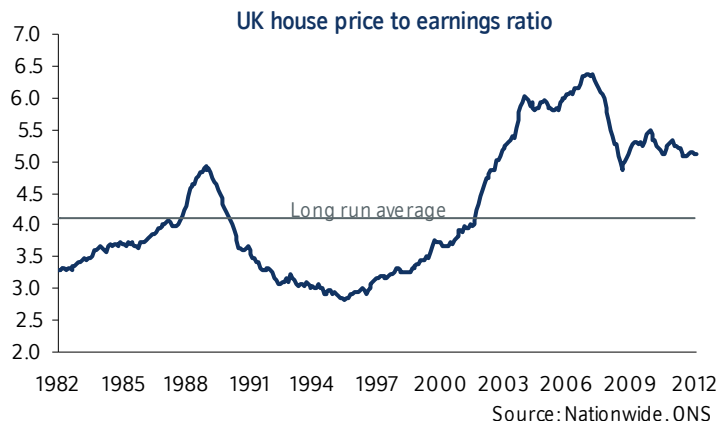
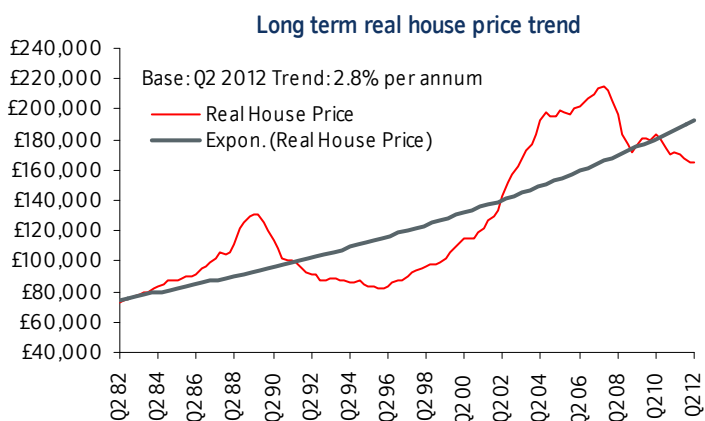
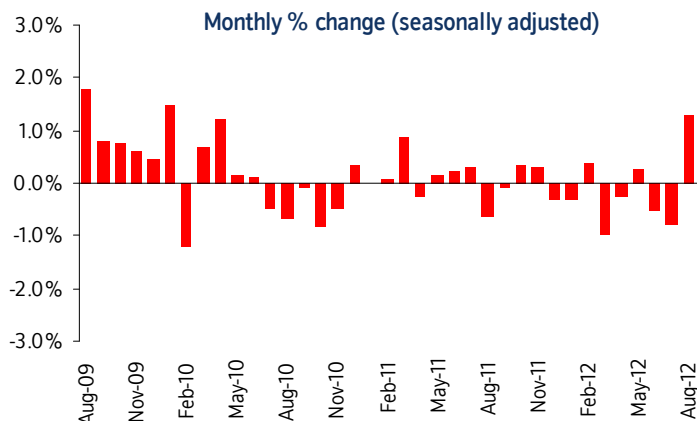
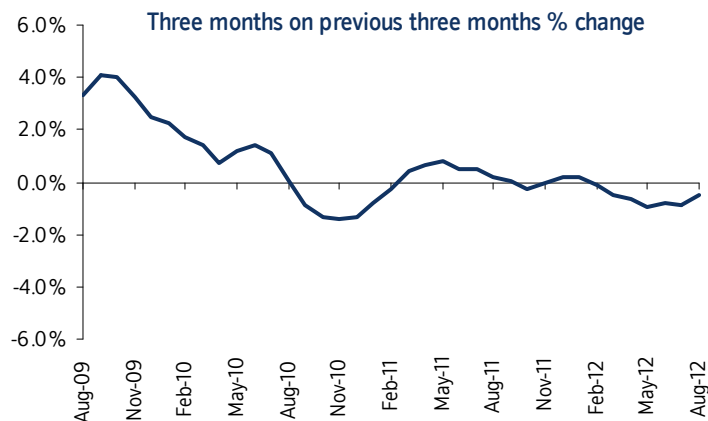
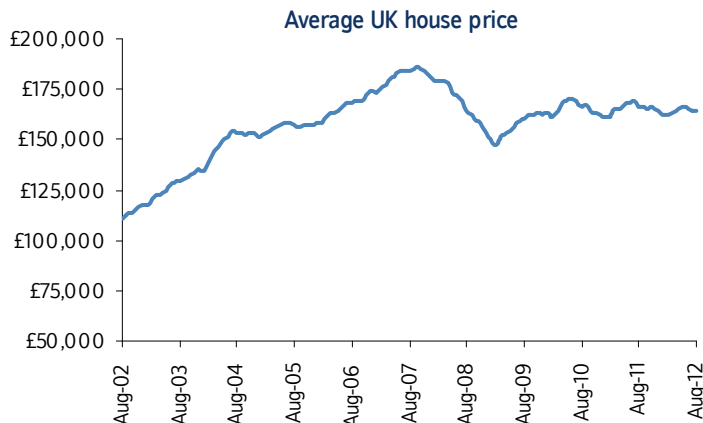
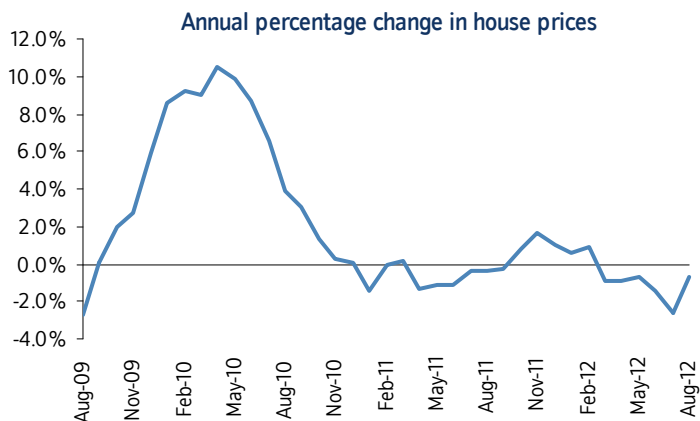
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Aug-10	-0.7	0.1	3.9	166,507
Sep-10	-0.1	-0.8	3.1	166,757
Oct-10	-0.8	-1.3	1.4	164,279
Nov-10	-0.5	-1.4	0.2	163,133
Dec-10	0.3	-1.3	0.1	162,249
Jan-11	0.0	-0.8	-1.4	161,211
Feb-11	0.1	-0.2	-0.1	161,183
Mar-11	0.9	0.4	0.1	164,751
Apr-11	-0.3	0.7	-1.3	165,609
May-11	0.2	0.8	-1.2	167,208
Jun-11	0.2	0.5	-1.1	168,205
Jul-11	0.3	0.5	-0.4	168,731
Aug-11	-0.6	0.2	-0.4	165,914
Sep-11	-0.1	0.1	-0.3	166,256
Oct-11	0.3	-0.3	0.8	165,650
Nov-11	0.3	-0.1	1.6	165,798
Dec-11	-0.3	0.2	1.0	163,822
Jan-12	-0.3	0.2	0.6	162,228
Feb-12	0.4	-0.1	0.9	162,712
Mar-12	-1.0	-0.5	-0.9	163,327
Apr-12	-0.3	-0.7	-0.9	164,134
May-12	0.3	-0.9	-0.7	166,022
Jun-12	-0.5	-0.8	-1.5	165,738
Jul-12	-0.8	-0.8	-2.6	164,389
Aug-12	1.3	-0.5	-0.7	164,729

Note: Historical figures including index levels can be viewed using the following link:

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

<sup>1</sup> The Government’s NewBuy scheme aims to boost the supply of higher loan to value mortgages (up to 95% of the value of the property) for the purchase of newly built homes. The scheme aims to help those with a smaller deposit to purchase a new build property.

<sup>2</sup> The Funding for Lending Scheme aims to boost the availability of credit to households and firms by guaranteeing the availability and lowering the cost of the funds that banks and building societies need to do business.



## 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 are 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.

The Nationwide Monthly House Price Index is prepared from information which we believe is collated with care, but no representation is made as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the whole or any part of the Index at any time, for regulatory or other reasons. Persons seeking to place reliance on the Index for their own or third party commercial purposes do so entirely at their own risk. All changes are nominal and do not allow for inflation.

More information on the house price index methodology along with time series data and archives of housing research can be found at [www.nationwide.co.uk/hpi](http://www.nationwide.co.uk/hpi)

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