

# Nationwide HOUSE PRICE INDEX



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## UK house prices rise by 0.5% in January

- Price of a typical home rose by 0.5% in January, but was unchanged compared with January 2012
- The typical UK home is now worth £162,245

Headlines	Jan-13	Dec-12
Monthly Index*	329.1	327.5
Monthly Change*	0.5%	0.0%
Annual Change	0.0%	-1.0%
Average Price (not seasonally adjusted)	£162,245	£162,262

\* 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 0.5% in January, though prices were unchanged compared with January 2012. While activity in the housing market remains muted by historic standards, there have been tentative signs of a pick up in activity in recent months. The Funding for Lending Scheme has achieved some success in bringing down mortgage rates, with some signs of a pick up in lending activity.

"Hopefully, the momentum will continue to build in the months ahead, though much will depend on whether the wider economic environment improves. Progress is likely to be relatively slow on that front if recent trends are any guide, with the UK economy shrinking for the fourth time in five quarters in Q4 2012."

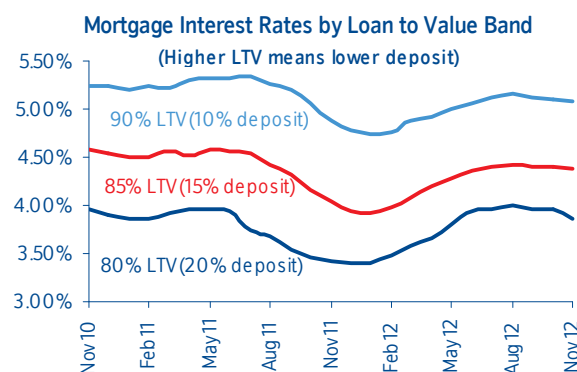
### How have conditions changed for First Time Buyers?

First time buyers are the lifeblood of the housing market. As well as accounting for a significant proportion of housing transactions (currently around 40%), they also play an important role in the wider market, for example in helping to complete chains, enabling those that already own a property to move.

For this reason, the sharp decline in first time buyer numbers, from an average of 32,000 a month before the financial crisis to 20,000 currently, has remained a cause for concern. While economic and financial conditions remain difficult, there are encouraging signs that in a number of key respects conditions for first time buyers are improving.

### Still tougher than pre-crisis conditions?

The most obvious area where conditions have become more difficult since the financial crisis is that credit is less readily available - especially for those with smaller deposits. Higher loan to value (LTV) mortgages are still available, but the interest rate differential relative to those with a large deposit has increased significantly (see chart).



Source: CML Regulated Mortgage Survey/Mortgage Clarity

As a result, there is a strong incentive for first time buyers to save for longer before stepping into the housing market. Indeed, the median first time buyer now puts down a deposit of 20% compared to 10% before the financial crisis.

### Some evidence of improved affordability

At present the typical first time buyer home costs 4.4 times average earnings. While this is above the 20 year average of 3.6 times earnings, it is well below the highs of 5.4 recorded in 2007.

Media enquiries to: Robert Gardner, Chief Economist, [robert.gardner@nationwide.co.uk](mailto:robert.gardner@nationwide.co.uk)  
Lindsay McAloon, 01793 655195, [lindsay.mcaloon@nationwide.co.uk](mailto:lindsay.mcaloon@nationwide.co.uk)



Moreover, thanks to the decline in interest rates, lower house prices (currently 11% below their 2007 peak) and a small increase in nominal earnings, the typical mortgage now accounts for around 20% of average monthly earnings, below the 24% recorded before the financial crisis and slightly below the long term average.

There is less scope for buyers to reduce monthly payments by opting for an interest only mortgage, as these products are less readily available (interest only accounted for 2% of new lending to first time buyers in November, down from a peak of 37% in September 2007).

There is a trend towards borrowers lengthening the term of their mortgage, with 53% of mortgages currently over 25 years, up from 40% in 2007. This may in part be to lower monthly repayments, though the shift may also reflect that people are living and working for longer.

First Time Buyers	2007 Q3	2012 Q3
Number of loans	97,600	57,000
% of total house purchase	35%	39%
Median age	29	29
Median income	£35,500	£34,500
Median LTV	90%	80%
Interest rate	6.0%	4.4%
Median income multiple	3.38	3.25
Mortgage payments % of income	24%	20%

Source: CML

### Getting better... gradually

We expect first time buyer numbers to gradually rise in the quarters ahead. Affordability has already improved modestly, and policies such as the Funding for Lending Scheme should provide further support for the market, by keeping down the cost and boosting the availability of credit.

However, the most decisive factor in achieving a sustained increase in first time buyer numbers is likely to be the performance of the wider economy - especially the labour market. We, along with most forecasters, expect the UK economy to pick up the pace in the quarters ahead, though progress is likely to be gradual.

## Monthly UK House Price Statistics

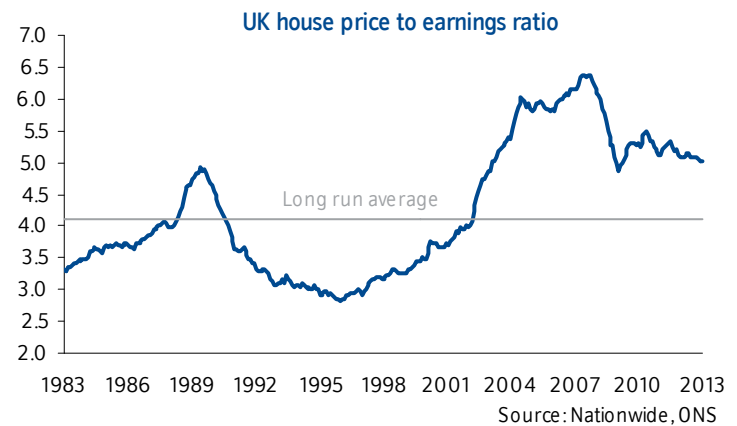
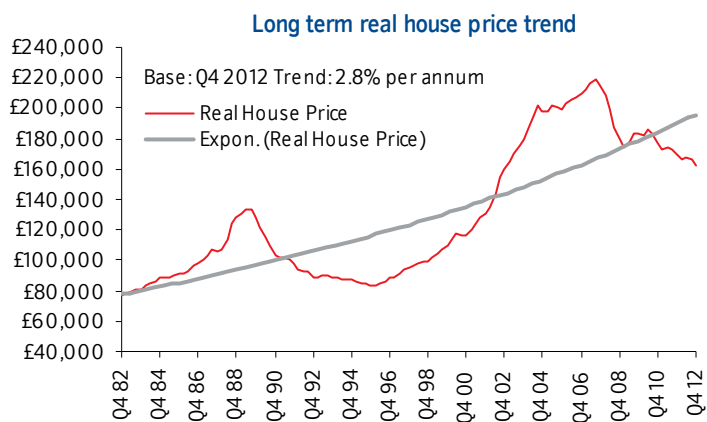
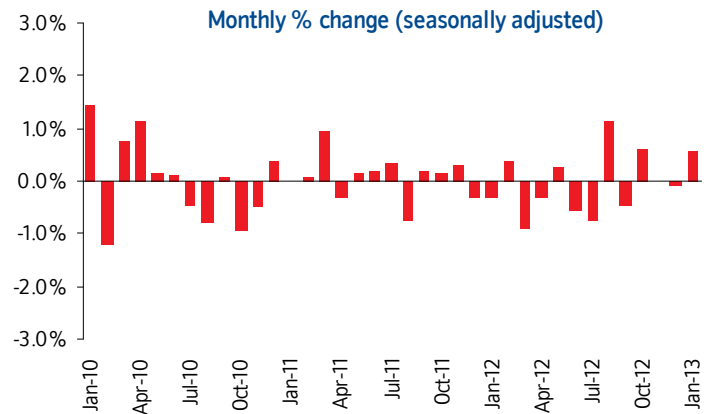
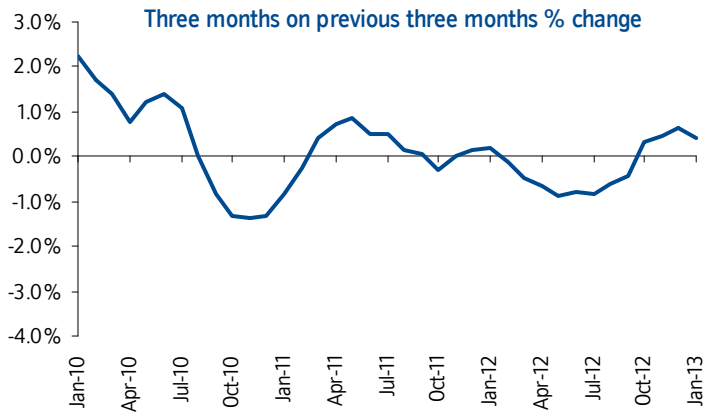
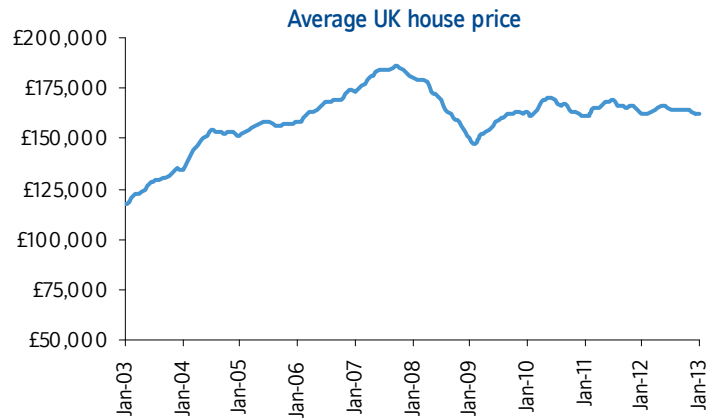
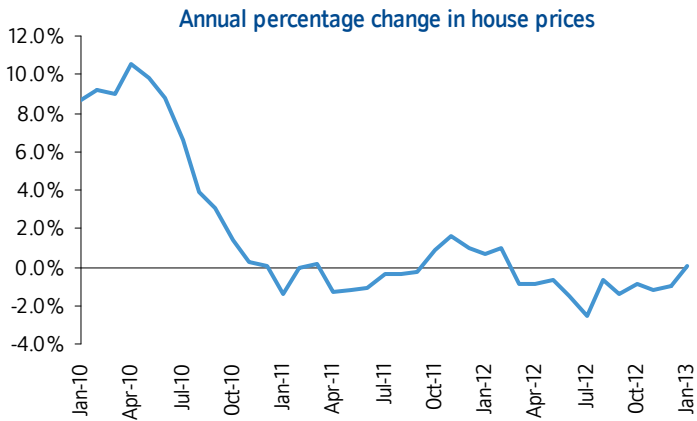
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Jan-11	-0.1	-0.9	-1.4	161,211
Feb-11	0.1	-0.3	-0.1	161,183
Mar-11	0.9	0.3	0.1	164,751
Apr-11	-0.2	0.7	-1.3	165,609
May-11	0.2	0.8	-1.2	167,208
Jun-11	0.2	0.6	-1.1	168,205
Jul-11	0.4	0.6	-0.4	168,731
Aug-11	-0.8	0.2	-0.4	165,914
Sep-11	0.2	0.1	-0.3	166,256
Oct-11	0.2	-0.3	0.8	165,650
Nov-11	0.3	0.0	1.6	165,798
Dec-11	-0.3	0.1	1.0	163,822
Jan-12	-0.5	0.2	0.6	162,228
Feb-12	0.4	-0.2	0.9	162,712
Mar-12	-0.9	-0.6	-0.9	163,327
Apr-12	-0.2	-0.7	-0.9	164,134
May-12	0.3	-0.9	-0.7	166,022
Jun-12	-0.5	-0.7	-1.5	165,738
Jul-12	-0.7	-0.8	-2.6	164,389
Aug-12	1.1	-0.5	-0.7	164,729
Sep-12	-0.4	-0.4	-1.4	163,964
Oct-12	0.6	0.4	-0.9	164,153
Nov-12	0.0	0.5	-1.2	163,853
Dec-12	0.0	0.7	-1.0	162,262
Jan-13	0.5	0.4	0.0	162,245

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)

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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 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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