

# Nationwide HOUSE PRICE INDEX



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

March 2012

Embargoed until 0700 29 March 2012

## UK house prices fell by 1% in March

- The price of a typical UK house declined by 1% in March
- Prices are 0.9% lower than one year ago
- Price of a typical home is now £163,327

Headlines	Mar-12	Feb-12
Monthly Index*	327.4	330.8
Monthly Change*	-1.0%	0.4%
Annual Change	-0.9%	0.9%
Average Price (not seasonally adjusted)	£163,327	£162,712

\* 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:

"The price of a typical UK home fell by 1% in March, pushing the year on year rate of house price growth into negative territory for the first time in six months. House prices were 0.9% lower than March 2011.

"A slowdown was to be expected, given the imminent expiry of the stamp duty holiday, which had provided a temporary boost to house prices in early 2012 as buyers brought forward purchases that would otherwise have taken place later in the year<sup>1</sup>.

"This dampening effect on housing market activity and prices may fade over the course of the summer, especially if the wider economic outlook begins to improve and other policy measures, such as the Government's NewBuy scheme are successful in supporting buyer demand.

"However, in our view the challenging economic backdrop is likely to continue to act as a drag, with house prices moving sideways or modestly lower over the next twelve months."

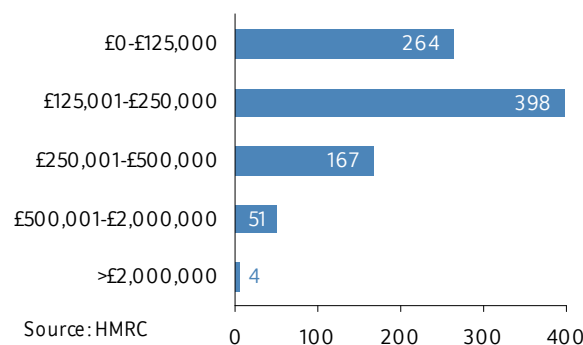
<sup>1</sup> Our house price index is based on mortgage approvals. Anticipation of the end of the stamp duty holiday is unlikely to have provided much of a boost to activity this month, as mortgages approved in March would be unlikely to complete before stamp duty was re-introduced towards the end of the month.

### Weakness in March most likely reflects the end of the stamp duty holiday

The removal of the stamp duty holiday for first time buyers purchasing a property up to the value of £250,000 was confirmed in the Budget. Around 180,000 first time buyers have benefited from the stamp duty holiday since its introduction in March 2010. However, it is difficult to assess the extent to which the policy provided a boost to the housing market, as we do not know how many purchases would not otherwise have taken place.

Nevertheless, the reintroduction of stamp duty is likely to pose a further headwind to housing market activity in an already challenging environment. Based on our estimates, around 65% of first time buyers will pay stamp duty in the coming fiscal year, generating nearly £600m of tax revenue. In 2012-13, we estimate that around 100,000 first time buyers will pay stamp duty on properties between £125,000 and £250,000, adding an average of around £1,800 to purchase costs relative to the last fiscal year.

000s of transactions in each stamp duty band (2010)



The introduction of a 7% stamp duty threshold on properties purchased for over £2 million is also likely to have a dampening effect on activity, albeit a modest one, given the relatively small number of transactions involving properties over £2 million. In 2010 there were 4,000 such transactions, accounting for just 0.5% of total residential property transactions in the UK.

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Assuming a similar level of transactions in the years ahead implies that the 7% threshold will raise an extra £160m in tax revenue (assuming an average property price of £2m) and probably nearer £240m (assuming an average price of £3m). This is equivalent to 5% of the revenue raised in stamp duty last year, though this was depressed by the stamp duty holiday.

## Policy needs to strike a delicate balance, supporting demand and housing supply

The Government's NewBuy scheme aims to boost demand for new build properties by reducing the deposit requirement<sup>2</sup>. This offers the potential to boost housing demand, especially if implemented against the backdrop of an improving economic environment.

However, if the aim is to support homeownership, it is important that policy efforts are effective in boosting housing supply as well – especially given current population trends. For example, official projections point to the number of new households in England rising to around 240,000 a year over the 2013 to 2023 period.

Current rates of building activity are below what would be necessary to meet housing demand, if these population projections prove accurate. For example, 109,000 new dwellings were completed in England in 2011, less than half the volume required under this scenario.

Similarly, even returning to the rate of building seen in the 10 years before the financial crisis, around 150,000 units a year, would still be below the required rate of construction. Hopefully the NewBuy scheme, along with other measures, such as a simplification of the planning system, will be successful in helping to boost the supply of housing in the years ahead.

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Mar-10	0.6	1.4	9.0	164,519
Apr-10	1.2	0.7	10.5	167,802
May-10	0.2	1.2	9.8	169,162
Jun-10	0.0	1.4	8.7	170,111
Jul-10	-0.6	1.0	6.6	179,347
Aug-10	-0.6	0.0	3.9	166,507
Sep-10	0.0	-0.9	3.1	166,757
Oct-10	-0.8	-1.3	1.4	164,279
Nov-10	-0.5	-1.3	0.2	163,133
Dec-10	0.4	-1.2	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	0.8	0.4	0.1	164,751
Apr-11	-0.2	0.7	-1.3	165,609
May-11	0.3	0.8	-1.2	167,208
Jun-11	0.0	0.5	-1.1	168,205
Jul-11	0.2	0.5	-0.4	168,731
Aug-11	-0.5	0.1	-0.4	165,914
Sep-11	0.0	-0.1	-0.3	166,256
Oct-11	0.4	-0.3	0.8	165,650
Nov-11	0.3	0.1	1.6	165,798
Dec-11	-0.3	0.3	1.0	163,822
Jan-12	-0.3	0.3	0.6	162,228
Feb-12	0.4	-0.1	0.9	162,712
Mar-12	-1.0	-0.5	-0.9	163,327

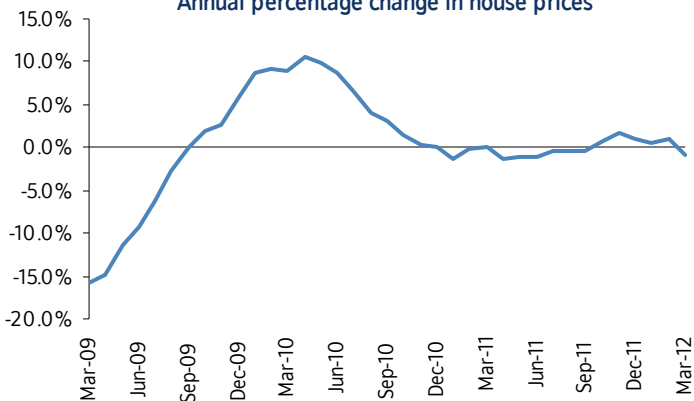
Note: Historical figures including index levels can be viewed using the following link:

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

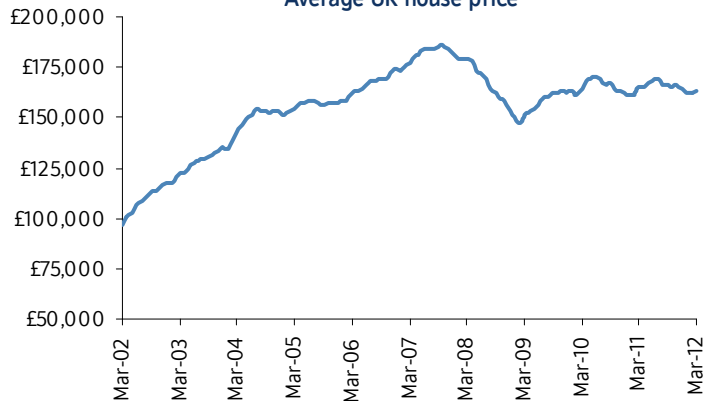
<sup>2</sup> NewBuy is available in England on all the properties offered by home builders participating in the scheme up to and including a sale price of £500,000. Separate schemes are under consideration in Scotland and Wales.

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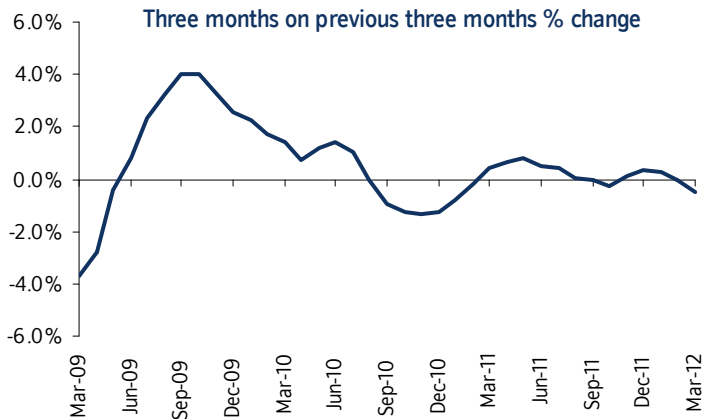
Annual percentage change in house prices



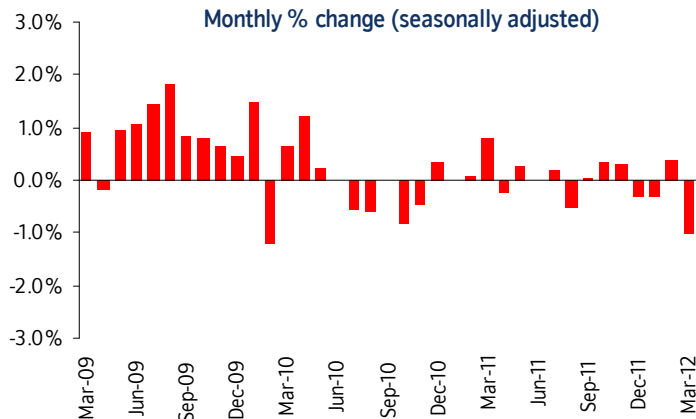
Average UK house price



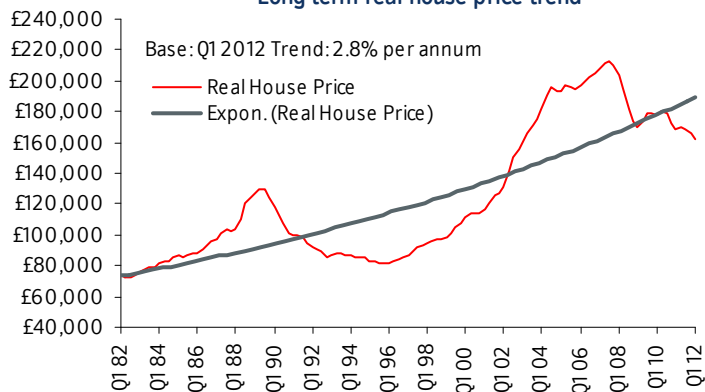
Three months on previous three months % change



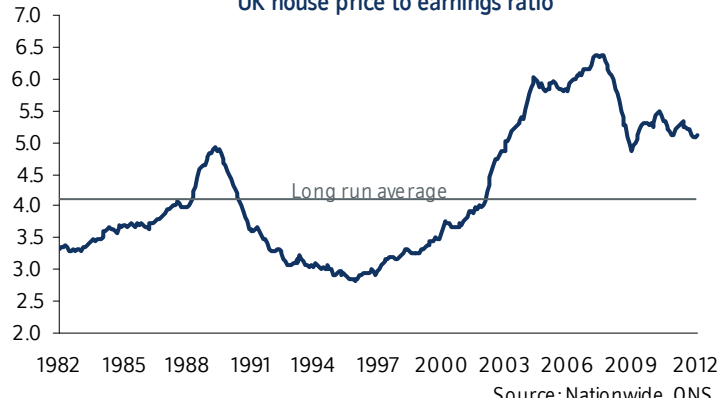
Monthly % change (seasonally adjusted)



Long term real house price trend



UK house price to earnings ratio



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 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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