

# Nationwide HOUSE PRICE INDEX



[www.nationwidehousepriceindex.co.uk](http://www.nationwidehousepriceindex.co.uk)

July 2021

## Annual house price growth cooled in July, but remained in double digits

- Annual house price growth remained in double digits, but fell back to 10.5%
- Prices down 0.5% month-on-month
- Stamp duty changes impacting market dynamics

Headlines	Jul-21	Jun-21
Monthly Index*	484.2	486.5
Monthly Change*	-0.5%	0.7%
Annual Change	10.5%	13.4%
Average Price (not seasonally adjusted)	£244,229	£245,432

\* 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 house price growth slowed to 10.5% in July, from the 17-year high of 13.4% recorded the previous month. In month-on-month terms, house prices fell by 0.5%, after taking account of seasonal effects, following a 0.7% rise in June.

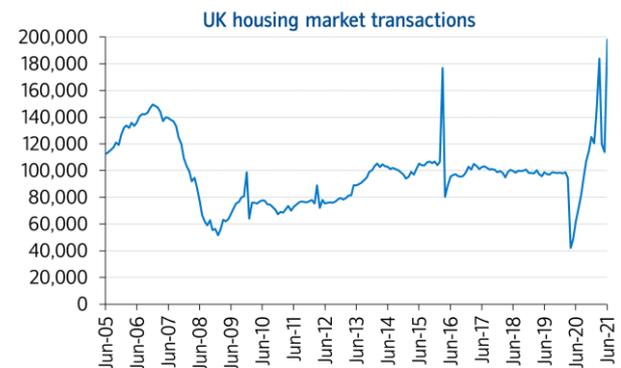
“The modest fallback in July was unsurprising given the significant gains recorded in recent months. Indeed, house prices increased by an average of 1.6% a month over the April to June period – more than six times the average monthly gain recorded in the five years before the pandemic.

“The tapering of stamp duty relief in England is also likely to have taken some of the heat out of the market. The nil rate band threshold decreased from £500,000 to £250,000 at the end of June (it will revert to £125,000 at the end of September<sup>1</sup>). This provided a strong incentive to complete house purchases before the end of June, especially for higher priced properties. For those purchasing a property above £250,000, the maximum stamp duty saving reduced from £15,000 to £2,500 after the end of June.

<sup>1</sup> Note first time buyers paying £300,000 or less will continue to pay no stamp duty

### Stamp duty impacting the timing of transactions

“The stamp duty changes drove the number of housing market transactions to a record high of almost 200,000 in June as home buyers rushed to beat the deadline. This was around twice the number of transactions recorded in a typical month before the pandemic and 8% above the previous peak seen in March (see chart).

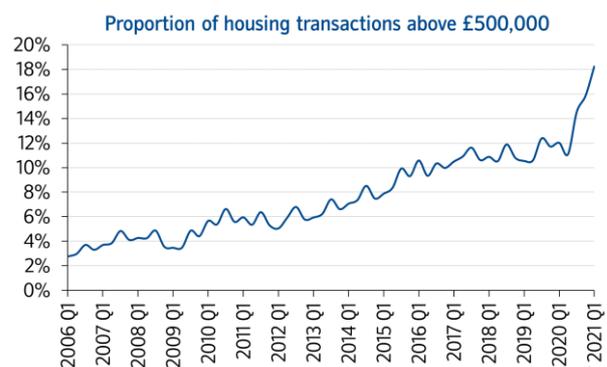


Source: HMRC

### The pattern of transactions has also shifted....

“Land Registry data indicates that higher priced properties have been driving the increase in housing market activity since the pandemic struck.

“For example, the number of transactions involving properties bought for £500,000 or higher increased by 37% over the 12 months to March 2021, compared to a rise of 2% for all properties. As a result, between Q1 2020 and Q1 2021 the share of transactions involving a property valued at £500,000 or above has increased from 12% to 18%, as shown in the chart below.



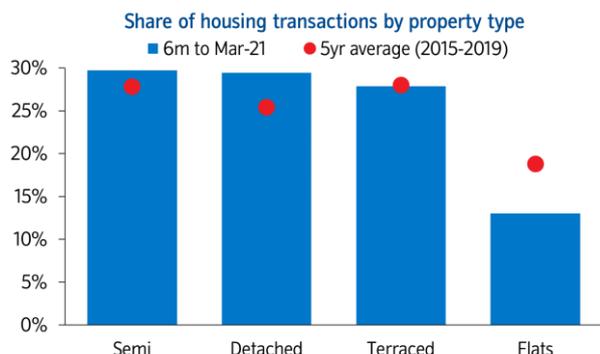
Source: Nationwide analysis of Land Registry data (England & Wales). Note: Provisional data for 2021 Q1

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“There has also been a shift in the composition of property types that have been transacting. Over the past six months the proportion of sales involving detached and semi-detached properties has increased, while the proportion involving flats has declined significantly, as shown in the chart below.



Source: Nationwide analysis of Land Registry data (England & Wales). Note: Provisional data for 2021 Q1

### Stamp duty not the only factor at play...

“While tax changes have been important in determining the timing of transactions and the trends noted above, they have not been the main factor prompting people to move in the first place. Amongst homeowners surveyed at the end of April that were either moving home or considering a move, three quarters said this would have been the case even if the stamp duty holiday had not been extended beyond the original March 2021 deadline<sup>2</sup>.

“Shifting housing preferences appear to have been the more important factor in driving the increase in housing market activity, with people reassessing their housing needs in the wake of the pandemic. At the end of April, 25% of homeowners surveyed said they were either in the process of moving or considering a move as a result of the pandemic. Given that only c5% of the housing stock typically changes hands in a given year, it only requires a relatively small proportion of people to follow through on this to have a material impact.

“Interestingly, the ‘savings’ from the stamp duty holiday have been dwarfed by the impact of recent house price gains. For example, the price of the typical UK property increased by around £24,500 between July 2020 to the end of June this year, whereas the stamp duty saving on that property for a home mover (in England) was c£1,900. For a £500,000 property that saw the same average increase as the typical property over the same period, the comparable house price increase was c£57,000 against a stamp duty saving of £15,000.

### Outlook – still clouded

“Underlying demand is likely to remain solid in the near term. Consumer confidence has rebounded in recent months while borrowing costs remain low. This, combined with a lack of supply on the market, suggests continued support for

house prices. But, as we look toward the end of the year, the outlook is harder to foresee.

“Activity will almost inevitably soften for a period after the stamp duty holiday expires at the end of September, given the incentive for people to bring forward their purchases to avoid the additional tax.

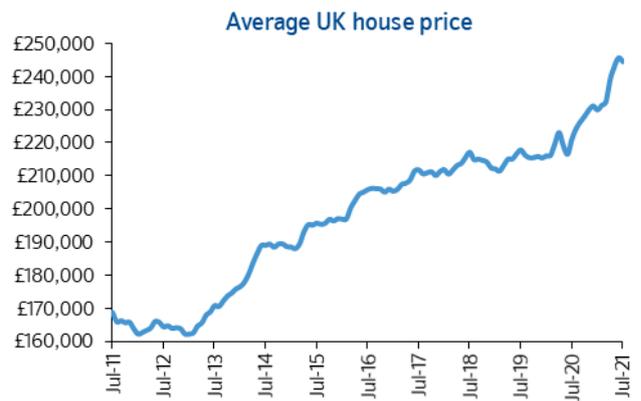
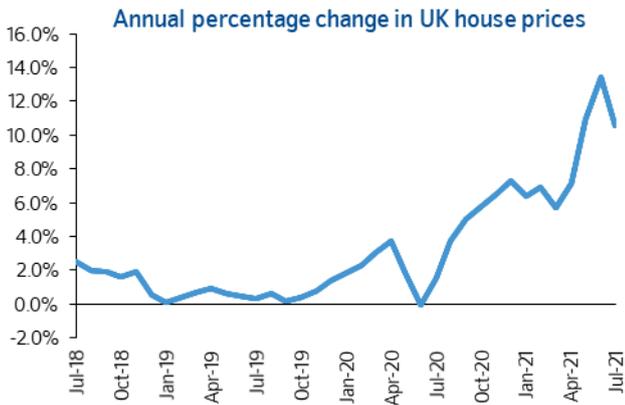
“Nevertheless, underlying demand is likely to soften around the turn of the year if unemployment rises, as most analysts expect, as government support schemes wind down. But even this is far from assured. Even if the labour market does weaken, there is also scope for shifts in housing preferences as a result of the pandemic to continue to support activity for some time yet.”

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jul-19	0.4	0.6	0.3	217,663
Aug-19	-0.1	0.6	0.6	216,096
Sep-19	-0.4	0.4	0.2	215,352
Oct-19	0.1	0.1	0.4	215,368
Nov-19	0.3	-0.1	0.8	215,734
Dec-19	0.1	0.1	1.4	215,282
Jan-20	0.7	0.6	1.9	215,897
Feb-20	0.3	1.0	2.3	216,092
Mar-20	0.8	1.4	3.0	219,583
Apr-20	0.9	1.7	3.7	222,915
May-20	-1.7	1.3	1.8	218,902
Jun-20	-1.6	-0.1	-0.1	216,403
Jul-20	2.0	-1.2	1.5	220,936
Aug-20	2.0	-0.4	3.7	224,123
Sep-20	0.8	2.0	5.0	226,129
Oct-20	0.9	3.7	5.8	227,826
Nov-20	0.9	3.8	6.5	229,721
Dec-20	0.9	3.1	7.3	230,920
Jan-21	-0.1	2.4	6.4	229,748
Feb-21	0.8	2.1	6.9	231,068
Mar-21	-0.3	1.2	5.7	232,134
Apr-21	2.3	1.6	7.1	238,831
May-21	1.8	2.3	10.9	242,832
Jun-21	0.7	3.8	13.4	245,432
Jul-21	-0.5	3.5	10.5	244,229

Please see our new website for full timeseries data: <https://www.nationwidehousepriceindex.co.uk/download/uk-monthly-index>

<sup>2</sup> Research conducted online by Censuswide, 23-27 April 2021, with a nationally representative 3,012 general consumers aged 18+ across the UK.



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 [www.nationwidehousepriceindex.co.uk](http://www.nationwidehousepriceindex.co.uk)

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