

Nationwide HOUSE PRICE INDEX



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October 2020

Annual house price growth reaches five-year high in October

- Annual house price growth rises to 5.8% in October, the highest rate since Jan 2015
- Prices up 0.8% month-on-month, after taking account of seasonal factors

Headlines	Oct-20	Sep-20
Monthly Index*	453.3	449.7
Monthly Change*	0.8%	0.9%
Annual Change	5.8%	5.0%
Average Price (not seasonally adjusted)	£227,826	£226,129

* 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 rose to 5.8% in October – its highest level since January 2015. UK house prices rose 0.8% month-on-month in October after taking account of seasonal effects, following a 0.9% rise in September.

"Data suggests that the economic recovery has lost momentum in recent months with economic growth slowing sharply to 2.1% in August, down from 6.4% in July, despite a strong boost to the hospitality sector from the Eat Out to Help Out scheme, which has since expired.

"Labour market conditions also weakened with the unemployment rate rising to 4.5% in the three months to August – still low by historic standards, but up from an average of 3.8% in 2019.

"Nevertheless, housing market activity has remained robust. Mortgage approvals for house purchase climbed to 91,500 in September – the highest level since 2007.

"The outlook remains highly uncertain and will depend heavily on how the pandemic and the measures to contain it evolve as well as the efficacy of policy measures implemented to limit the damage to the wider economy. Behavioural shifts as a result of Covid-19 may provide support for housing

market activity, while the stamp duty holiday will continue to provide a near term boost by bringing purchases forward.

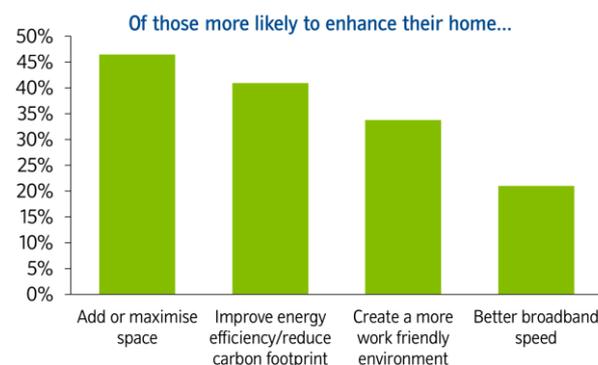
"However, activity is likely to slow in the coming quarters, perhaps sharply, if the labour market weakens as most analysts expect, especially once the stamp duty holiday expires at the end of March.

Many looking to move rather than improve, with green enhancements high up the agenda

"As we explored in [last month's report](#), behavioural shifts appear to be boosting housing market activity as people reassess their housing needs and preferences. Indeed, our poll in September suggested that 10% of those surveyed were in the process of moving as a result of the pandemic, with a further 18% considering a move for the same reason.

"But many others are looking to improve their property rather than move, with around a third (35%) considering enhancing their home as a result of the pandemic. Nearly half (47%) of those wanted to add or maximise space (see chart below).

"Interestingly, 41% wanted to improve energy efficiency and reduce their carbon footprint – almost as many as those looking to add or maximise space – which may reflect increased public awareness of the climate crisis.

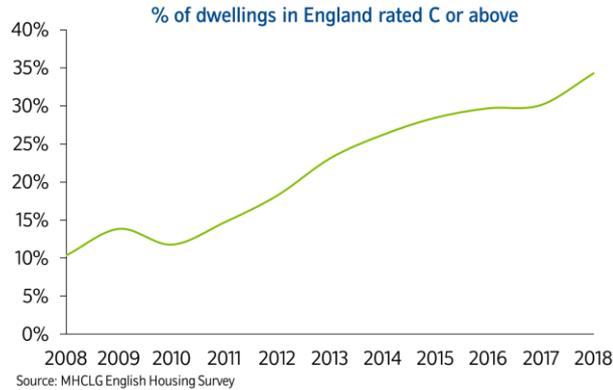


"Decarbonising and adapting the UK's housing stock is critical if the UK is to meet its 2050 emissions targets. The Government aims to update as many homes to EPC (energy

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performance certificate) grade C by 2035 'where practical, cost-effective and affordable'. It also aims for all fuel poor households, and as many rented homes as possible, to reach the same standard by 2030.

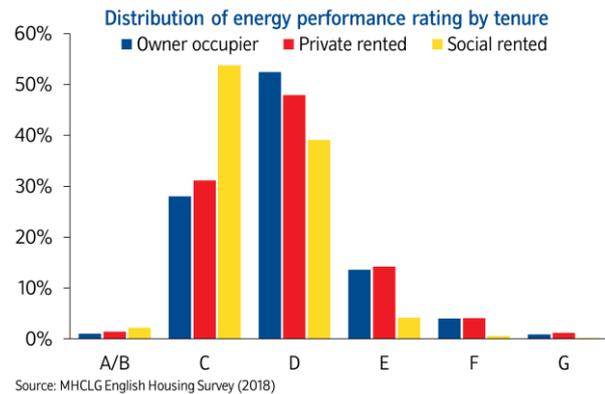
“Over the past ten years energy efficiency has improved significantly as many properties have carried out some energy improvements, such as loft and cavity wall insulation. The latest data (from 2018) shows 34% of the stock is rated C or higher, up from 10% in 2008.



“Nevertheless, this means that two thirds of the total housing stock in England is still rated D or below.

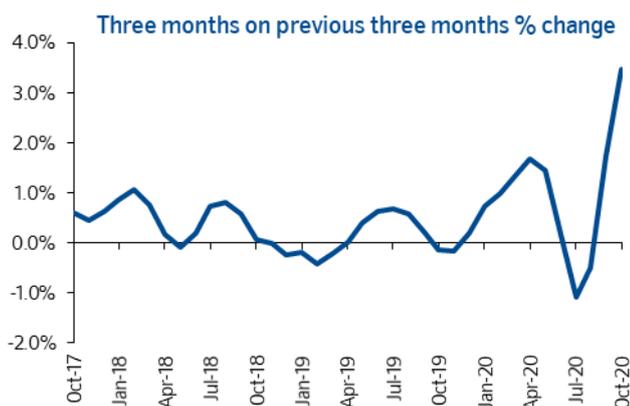
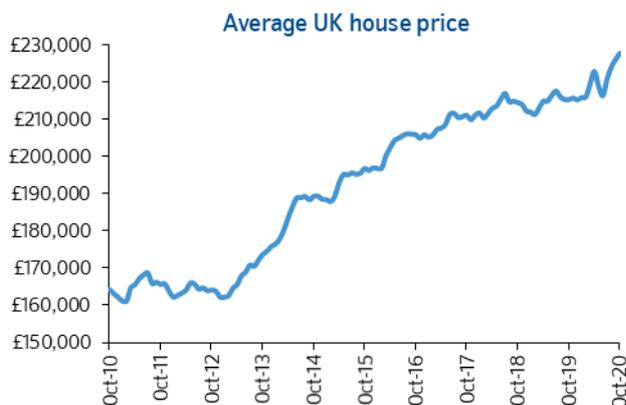
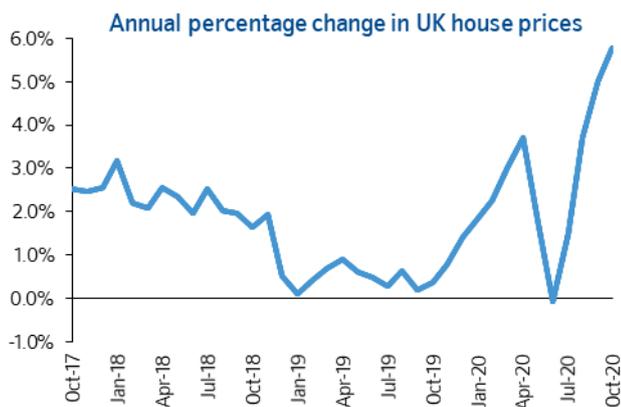
“Newly built properties typically have a much higher EPC rating (94% are rated C or above), although the stock increases very slowly (1% per annum). While energy efficient once built, a significant proportion of new homes’ carbon footprint relates to its construction (between 25% and 50%).

“As shown on the chart below, energy efficiency is better among social rented stock (properties owned by local authorities or housing associations), due to tighter regulation.”



Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Oct-18	-0.1	0.1	1.6	214,534
Nov-18	0.1	0.0	1.9	214,044
Dec-18	-0.5	-0.2	0.5	212,281
Jan-19	0.1	-0.2	0.1	211,966
Feb-19	-0.1	-0.4	0.4	211,304
Mar-19	0.1	-0.2	0.7	213,102
Apr-19	0.4	0.0	0.9	214,920
May-19	0.1	0.4	0.6	214,946
Jun-19	0.3	0.6	0.5	216,515
Jul-19	0.2	0.7	0.3	217,663
Aug-19	-0.2	0.6	0.6	216,096
Sep-19	-0.3	0.2	0.2	215,352
Oct-19	0.1	-0.1	0.4	215,368
Nov-19	0.5	-0.2	0.8	215,734
Dec-19	0.2	0.2	1.4	215,282
Jan-20	0.5	0.7	1.9	215,897
Feb-20	0.3	1.0	2.3	216,092
Mar-20	0.9	1.3	3.0	219,583
Apr-20	1.1	1.7	3.7	222,915
May-20	-1.6	1.4	1.8	218,902
Jun-20	-1.6	0.2	-0.1	216,403
Jul-20	1.7	-1.1	1.5	220,936
Aug-20	2.0	-0.5	3.7	224,123
Sep-20	0.9	1.7	5.0	226,129
Oct-20	0.8	3.5	5.8	227,826



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/headlines>

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

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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