

# Nationwide HOUSE PRICE INDEX



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April 2016

## Annual pace of house price growth moderates in April

- House prices increased by 0.2% in April
- Annual house price growth slows to 4.9%

Headlines	Apr-16	Mar-16
Monthly Index*	402.5	401.5
Monthly Change*	0.2%	0.7%
Annual Change	4.9%	5.7%
Average Price (not seasonally adjusted)	£202,436	£200,251

\* 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:

"While UK house prices edged up 0.2% during the month of April, the annual rate of house price growth moderated to 4.9% from 5.7% in March.

"This slowdown returns the annual pace of house price growth to the fairly narrow range between 3% and 5% that had been prevailing since the summer of 2015.

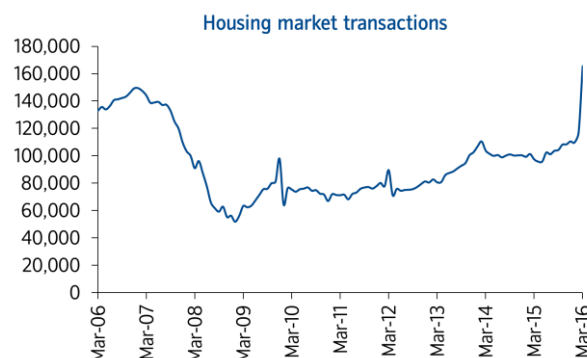
"It may be that the surge in house purchase activity resulting from the increase in stamp duty on second homes from 1 April provided a temporary boost to prices in March.

"However, it is possible that the recent pattern of strong employment growth, rising real earnings, low borrowing costs and constrained supply will tilt the demand/supply balance in favour of sellers and exert upward pressure on price growth once again in the quarters ahead.

### Recent surge in housing market activity driven by tax changes

"There was a surge in the number of residential property transactions in March (which includes mortgaged and cash purchases) ahead of the introduction of the additional stamp duty levy on second properties from 1 April 2016.

"There were 165,400 transactions in March, an all-time high, some c11% higher than the previous peak of c149,000 recorded in January 2007 (see chart on right).



Source: HMRC (seasonally adjusted residential transactions)

"Estimates from the Council of Mortgage Lenders suggests that mortgage lending also rose sharply, to almost £26bn in March, up 43% from the £18bn recorded in February. If confirmed by Bank of England data later this week, this would suggest a strong outcome, up nearly 60% year-on-year and also well above recent highs of c£22bn per month recorded in early 2015, though still well below the all-time high of £34.9bn recorded in June 2007.

"The increase in mortgage lending is likely to have been driven by a sharp increase in Buy to Let (BTL) investors bringing forward their purchases before the stamp duty changes took effect. BTL has accounted for an unusually high share of lending in recent months, at c19% of lending in the three months to February, but the strength of activity suggests its share could surpass 25% in March.

"Viewing the transactions and mortgage lending data together suggests that, while BTL lending is likely to have risen strongly in March, a large proportion of the boost to house purchase activity came from cash buyers.

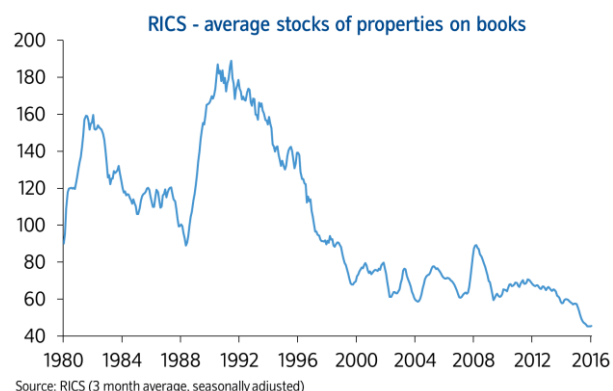
"Cash purchasers have become a more significant part of the market since the financial crisis, accounting for around c35% of all transactions since 2008 (compared with around 25% in 2006/7). Cash investors would have also been better placed to buy properties in the relatively short period of time between the stamp duty announcement at the November Autumn Statement and the implementation on 1 April.

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“House purchase activity is likely to fall in the months ahead given the number of purchasers that brought forward transactions. The recovery thereafter may also be fairly gradual, especially in the BTL sector, where a wealth of other policy changes, such as the reduction in tax relief for landlords from 2017 are likely to exert an ongoing drag.

“Moreover, there is a risk that the surge in house purchases in recent months will exacerbate the shortage of homes on the market – according to RICS the number of properties on estate agents’ books was already close to all-time lows on data extending back to the late 1970s.”

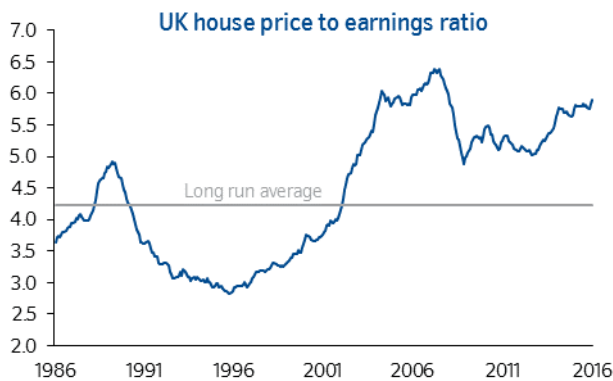
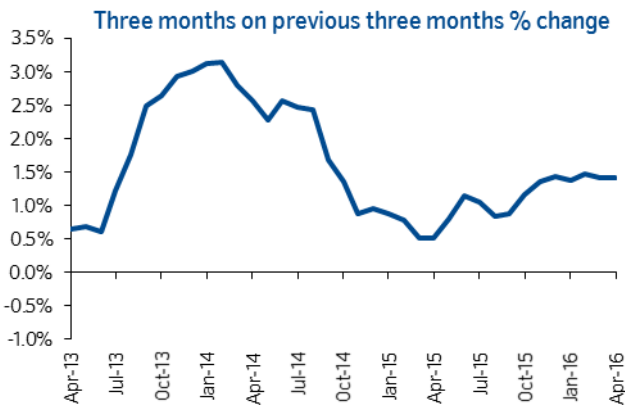
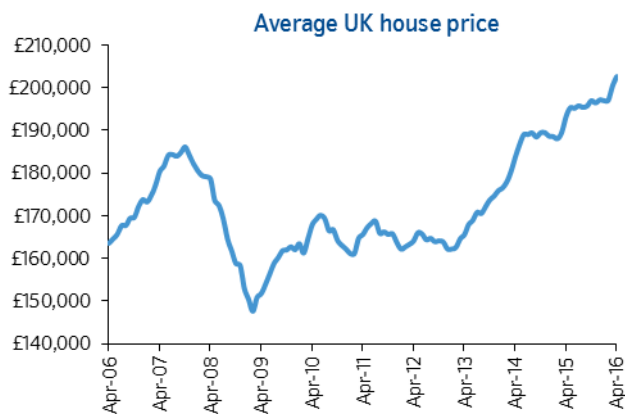
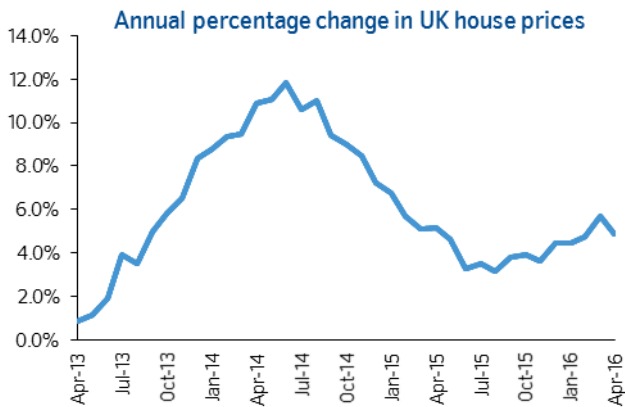


## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Apr-14	1.1	2.6	10.9	183,577
May-14	0.7	2.3	11.1	186,512
Jun-14	1.2	2.6	11.8	188,903
Jul-14	0.2	2.5	10.6	188,949
Aug-14	0.8	2.4	11.0	189,306
Sep-14	-0.2	1.7	9.4	188,374
Oct-14	0.5	1.4	9.0	189,333
Nov-14	0.4	0.9	8.5	189,388
Dec-14	0.1	1.0	7.2	188,559
Jan-15	0.4	0.9	6.8	188,446
Feb-15	0.0	0.8	5.7	187,964
Mar-15	-0.1	0.5	5.1	189,454
Apr-15	1.1	0.5	5.2	193,048
May-15	0.3	0.8	4.6	195,166
Jun-15	-0.1	1.1	3.3	195,055
Jul-15	0.4	1.0	3.5	195,621
Aug-15	0.4	0.8	3.2	195,279
Sep-15	0.5	0.9	3.8	195,585
Oct-15	0.6	1.2	3.9	196,807
Nov-15	0.2	1.4	3.7	196,305
Dec-15	0.8	1.4	4.5	196,999
Jan-16	0.3	1.4	4.4	196,829
Feb-16	0.3	1.5	4.8	196,930
Mar-16	0.7	1.4	5.7	200,251
Apr-16	0.2	1.4	4.9	202,436

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## Charts



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/>

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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