

Nationwide HOUSE PRICE INDEX



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October 2016

Annual house price growth slowed in October

- House prices were unchanged month on month in October
- Annual house price growth slowed to 4.6%, from 5.3% in September

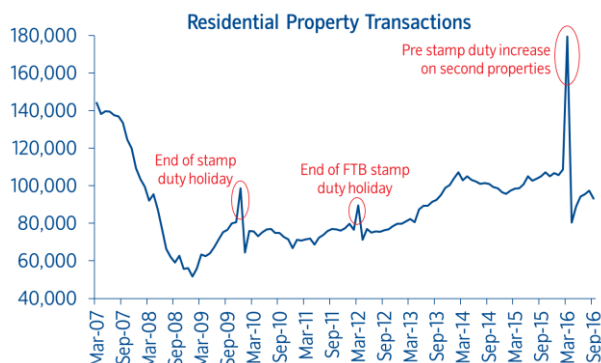
Headlines	Oct-16	Sep-16
Monthly Index*	410.3	410.3
Monthly Change*	0.0%	0.3%
Annual Change	4.6%	5.3%
Average Price (not seasonally adjusted)	£205,904	£206,015

* 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:

"After fifteen successive monthly increases UK house prices were unchanged in October (after taking account of seasonal factors). As a result, the annual rate of house price growth slowed to 4.6%, from 5.3% in September, though this is still in line with the growth rates prevailing since early 2015.

"Measures of housing market activity remain fairly subdued, with the number of residential property transactions c10% below the levels recorded in the same period of 2015 in recent months. However, this weakness may still in part reflect the after-effects of the introduction stamp duty on second homes introduced in April, where buyers brought forward transactions to Q1 to avoid additional stamp duty liabilities (see chart below). Policy changes impacting the Buy to Let market may also be playing a role in dampening activity.



Source: HMRC (seasonally adjusted)

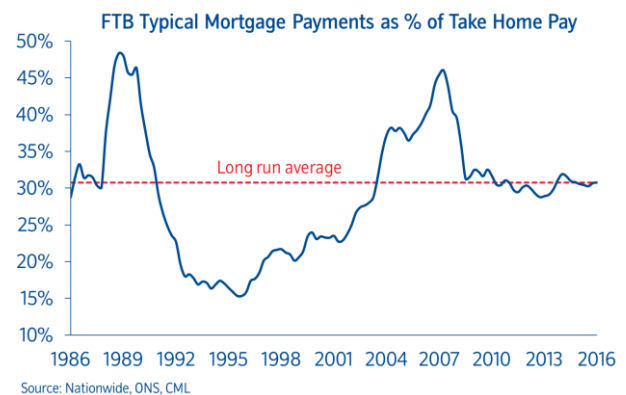
"Data releases point to fairly stable demand conditions in the near term. Mortgage approvals edged up modestly in September, though they remain weak by historic standards. Surveyors report that new buyer enquiries have increased modestly in recent months.

"While the economic outlook is uncertain, solid labour market conditions and historically low borrowing costs should provide support to buyer confidence. Moreover, the relatively low number of homes on the market and modest rates of housing construction are likely to keep the demand/supply balance fairly tight, even if economic conditions weaken in the quarters ahead, as most forecasters expect.

Affordability – mixed messages

"UK house price growth has been remarkably stable over the past eighteen months, averaging c5%. While this is relatively modest by UK standards, it is still well in excess of average wage growth. Indeed, over the past three years, house prices increased by c20% while wages have risen by c6%. As a result, the typical house now costs six times average earnings, up from 5.3 times earnings in 2013.

"However, the steady decline in borrowing costs over the same period has helped to lessen the impact on affordability for home buyers. Indeed, the typical mortgage payment expressed as a share of average take home pay is little changed over the period and is still in line with the long-run average (see chart below).

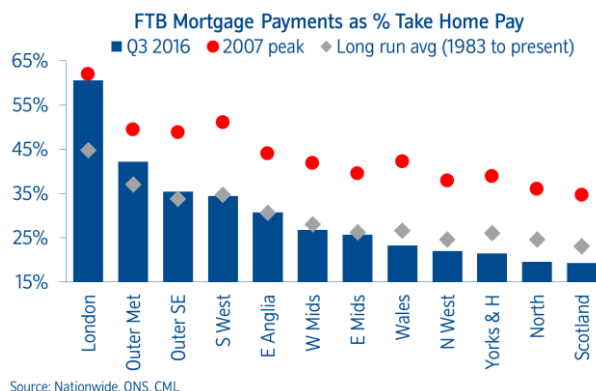


"It is important to note that there is significant variation across the regions in terms of affordability. Even though

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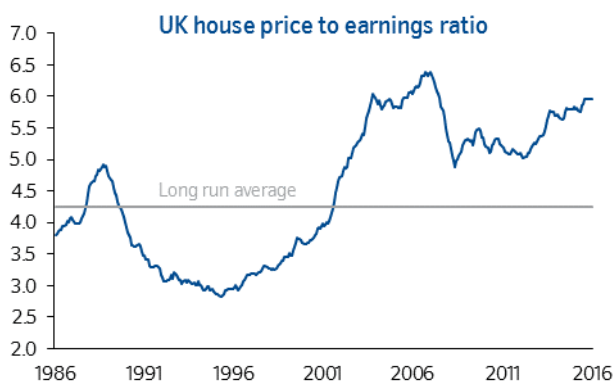
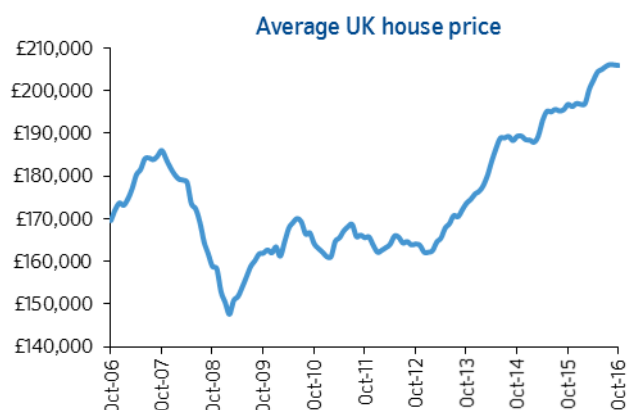
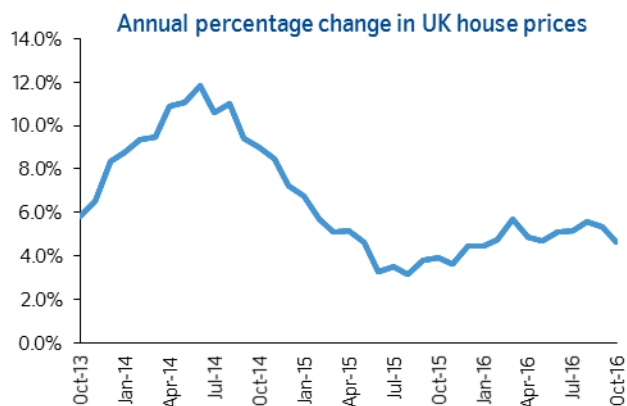
mortgage interest rates are close to all-time lows, the cost of servicing the typical mortgage as a share of take home pay is now above its 2007 peak in London and above its long run average in the Outer Metropolitan and Outer South East regions. By contrast, housing appears far more affordable in northern England, Wales and Scotland (see chart below).”



Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Oct-14	0.5	1.3	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	1.2	3.3	195,055
Jul-15	0.4	1.1	3.5	195,621
Aug-15	0.3	0.8	3.2	195,279
Sep-15	0.6	0.8	3.8	195,585
Oct-15	0.6	1.1	3.9	196,807
Nov-15	0.2	1.4	3.7	196,305
Dec-15	0.8	1.5	4.5	196,999
Jan-16	0.3	1.4	4.4	196,829
Feb-16	0.4	1.5	4.8	196,930
Mar-16	0.7	1.4	5.7	200,251
Apr-16	0.3	1.4	4.9	202,436
May-16	0.2	1.3	4.7	204,368
Jun-16	0.2	1.1	5.1	204,968
Jul-16	0.5	1.0	5.2	205,715
Aug-16	0.6	1.0	5.6	206,145
Sep-16	0.3	1.3	5.3	206,015
Oct-16	0.0	1.2	4.6	205,904

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/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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