

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

September 2016

Annual house price growth softened in September

- House prices increased by 0.3% in September
- Annual house price growth slowed to 5.3%, from 5.6% in August

Headlines	Sep-16	Aug-16
Monthly Index*	410.5	409.1
Monthly Change*	0.3%	0.6%
Annual Change	5.3%	5.6%
Average Price (not seasonally adjusted)	£206,015	£206,145

* 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 pace of annual house price growth slowed to 5.3% in September, from 5.6% in August, though it remained within the narrow range of 3% to 6% that has prevailed since early 2015.

"The relative stability in the rate of house price growth suggests that the softening in housing demand evident in recent months has been broadly matched on the supply side of the market. Survey data indicates that, while new buyer enquiries have remained fairly subdued, the number of homes on the market has remained close to all-time lows, in part due to low rates of construction activity (discussed in more detail opposite).

"Regional price trends were also little changed. Regions in the south east of England continued to record the strongest gains even though price growth slowed noticeably in the Outer Metropolitan region (from 12.4% in Q2 to 9.6% in Q3) and in London (from 9.9% in Q2 to 7.1% in Q3).

"House price growth remained subdued in Scotland (+2%) and Northern Ireland (+2.4%) and small price declines were recorded in Wales (-0.5%) and the North of England (-0.2%), all relative to Q3 last year (see page 3 for more commentary on regional house price trends).

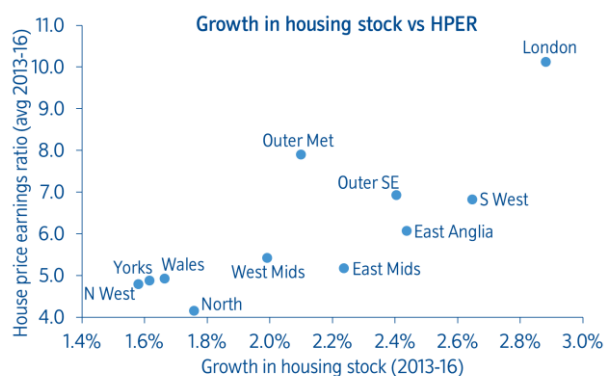
Housing supply rising.....but only gradually

"The number of new homes built in England has picked up, but is still not sufficient to keep up with the expected increase in the population. In the four quarters to Q2 2016, 139,000 new houses were completed, 30% higher than the low point seen in 2010. However, this is still around 15% below the average rate of building in the five years before the financial crisis and 38% below the 225,000 new households projected to form each year over the coming decade.

"With interest rates expected to remain low and schemes, such as Help to Buy, helping to provide those with smaller deposits access to finance, housebuilders should have confidence that there will be sufficient demand from buyers if more homes are built. The major housebuilders appear to have capacity to expand output, with most reporting land banks that could support around five years' worth of construction at current rates of building activity. However, there is a risk that the uncertain economic outlook may weigh on activity in the period ahead.

Are regional housebuilding trends more sensitive to price signals?

"While construction has not kept pace with household formation at the UK level, there are signs that more houses are being built in regions where affordability is more stretched (and where it is likely to be needed the most).

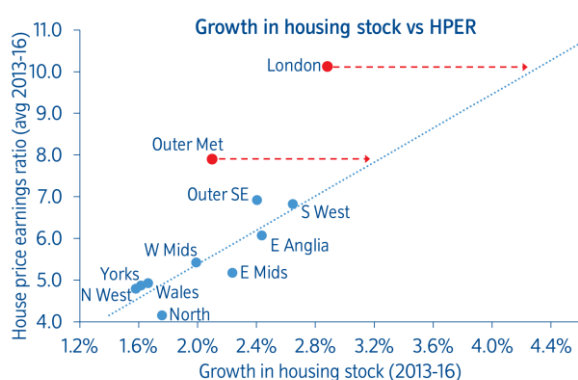


"The chart above shows the relationship between the increase in housing stock and the level of house prices relative to local earnings over the 2013-2016 period.

“Regions that are more affordable, such as the North West and Yorkshire & Humberside, have seen the smallest increases in housing stock (with a rise of 1.6% over the 2013 to 2016 period, below the increase of 2.2% recorded in England and Wales as a whole).

“By contrast, areas such as the Outer South East and the South West, where house prices were relatively expensive, have seen the housing stock rise much more quickly - by 2.4% and 2.6% respectively, over the same period.

“There is a fairly close linear relationship between increasing affordability pressures and increases in housing stock, at least when London and the Outer Metropolitan regions are excluded (see chart below). This suggests that supply has been less responsive to rising affordability pressures than we might have expected in the capital and the surrounding area.



Source: VOA, ONS, Nationwide

“Even though London saw the largest percentage increase in its housing stock over the period (2.9%), we would have expected a rise of 4.3% given the elevated house price to earnings ratio and the experience of other regions.

“Similarly, given the elevated house price to income ratio in the Outer Metropolitan region, we would have expected the housing stock to rise by 3.2% rather than the 2.1% recorded over the same period.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Sep-14	-0.1	1.6	9.4	188,374
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	1.3	3.7	196,305
Dec-15	0.8	1.4	4.5	196,999
Jan-16	0.4	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	0.3	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

Quarterly Regional House Price Statistics

Q3 2016

Please note that these figures are for the three months to September, therefore will show a different UK average price and annual percentage change to our *monthly* house price statistics.

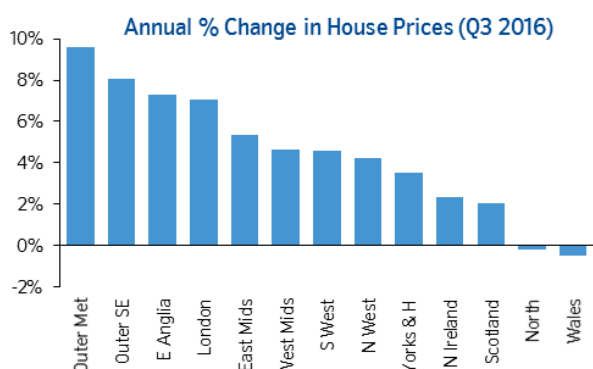
Regions over the last 12 months

Region	Average Price (Q3 2016)	Annual % change this quarter	Annual % change last quarter
Outer Met	£358,153	9.6%	12.4%
Outer S East	£267,151	8.0%	8.8%
East Anglia	£213,831	7.3%	5.5%
London	£474,736	7.1%	9.9%
East Midlands	£169,137	5.4%	4.0%
West Midlands	£174,934	4.6%	5.1%
South West	£229,907	4.6%	5.6%
North West	£151,985	4.2%	1.8%
Yorks & H'side	£150,823	3.5%	0.8%
N Ireland	£130,581	2.4%	1.6%
Scotland	£143,275	2.0%	0.5%
North	£124,074	-0.2%	-1.0%
Wales	£146,172	-0.5%	0.9%
UK	£206,346	5.4%	5.1%

Outer Metropolitan leads house price growth in Q3 2016

Despite a noticeable slowing in annual price growth in the third quarter, the Outer Metropolitan region continued to top the house price growth table, with average prices up 9.6% year-on-year. London saw a further moderation in the annual rate of price growth to 7.1% (from 9.9% in Q2), resulting in the capital being outside of the top three regions in terms of price growth for the first time in seven years. Wales was the weakest performing region, with a 0.5% year-on-year decline.

House price growth in Northern Ireland picked up slightly to 2.4%. Scotland recorded a small annual increase, with prices up 2.0% compared with Q3 2015.



England: Signs of convergence

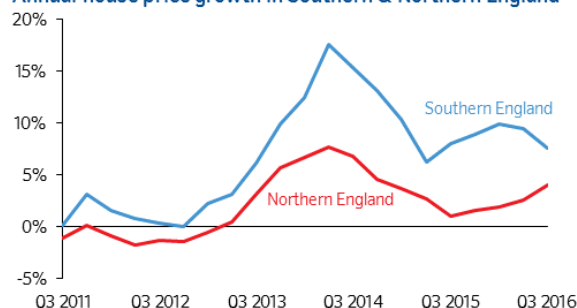
England (Q3 2016)	
Average house price	£255,646
Annual percentage change	6.6%
Quarterly change*	1.1%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Outer Metropolitan
Weakest annual price change	North

* Seasonally adjusted

Average house prices in England increased by 1.1% in the third quarter of 2016, although the annual rate of growth slowed to 6.6%, from 7.6% in Q2.

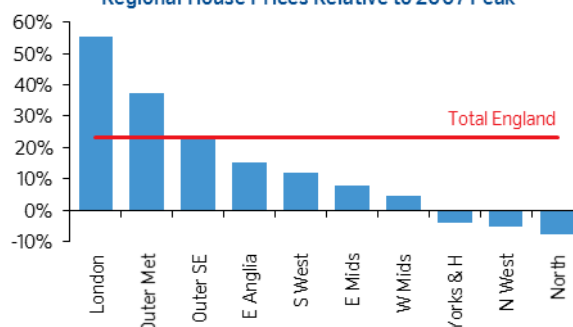
There were tentative signs of a convergence in house price growth amongst the English regions. Most southern regions saw a slowing in annual price growth compared with Q2, while a number of northern regions, such as the North West, saw a pick-up in growth. Overall, prices in Southern England (South West, Outer South East, Outer Metropolitan, London and East Anglia) were up 7.5% year-on-year, whilst in Northern England (West Midlands, East Midlands, Yorkshire & Humberside, North West and North) prices rose by 4.0%.

Annual house price growth in Southern & Northern England



Nevertheless, it remains the case that prices in Southern England are well above pre-crisis levels, while those in the North, North West and Yorkshire & Humberside are still below their 2007 peaks (see chart below).

Regional House Prices Relative to 2007 Peak



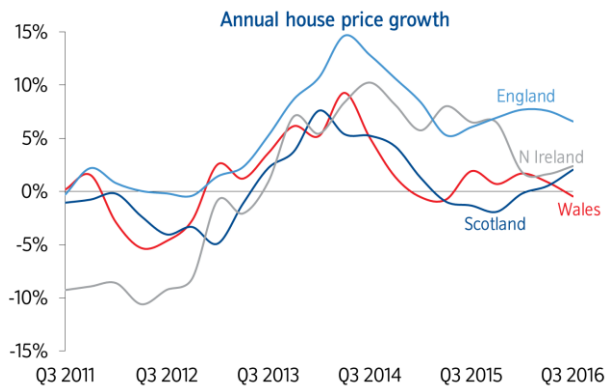
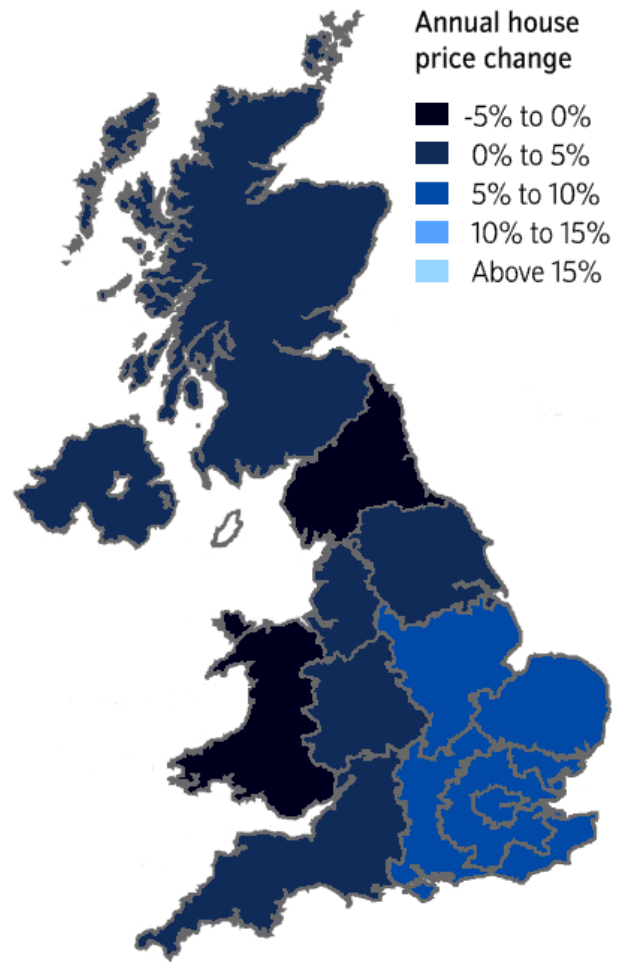
UK Fact File (Q3 2016)	
Quarterly average UK house price	£206,346
Annual percentage change	5.4%
Quarterly change*	1.3%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Outer Metropolitan
Weakest annual price change	Wales

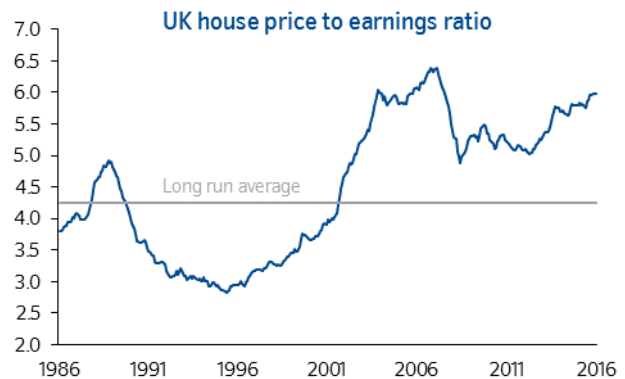
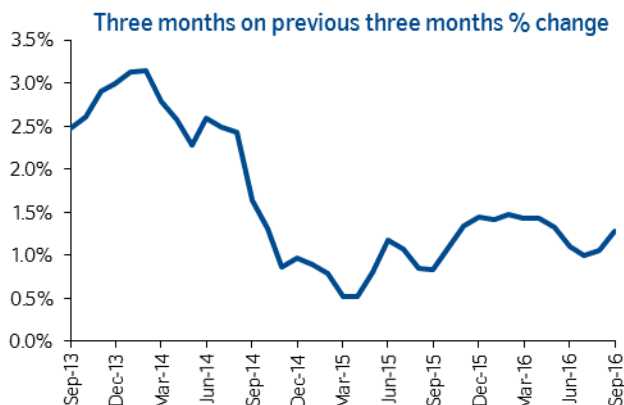
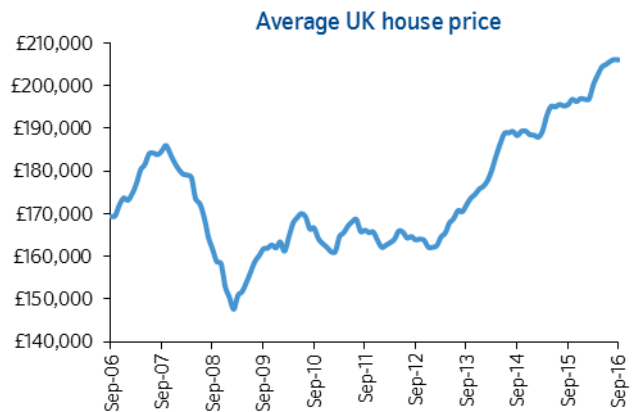
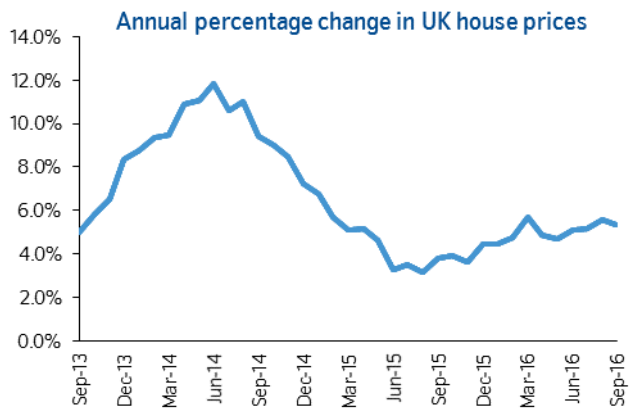
* Seasonally adjusted

Nations – annual & quarterly price change

Nation	Average Price (Q3 2016)	Annual % change this quarter	Quarterly % change*
England	£255,646	6.6%	1.1%
N Ireland	£130,581	2.4%	1.4%
Scotland	£143,275	2.0%	1.4%
Wales	£146,172	-0.5%	0.2%

* Seasonally adjusted





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. Quarterly series are seasonally adjusted using data since 1973; the seasonal adjustment is recalculated quarterly and may lead to revisions.

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>

Legal Information

The Nationwide House Price Indices are prepared from information that we believe is collated with care, but no representation is made as to their accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the indices at any time, for regulatory or other reasons.

Persons seeking to place reliance on the Indices for any purpose whatsoever do so at their own risk and should be aware that various factors, including external factors beyond Nationwide Building Society's control might necessitate material changes to the Indices.

The Nationwide House Price Indices may not be used for commercial purposes including as a reference for: 1) determining the interest payable, or other sums due, under loan agreements or other contracts relating to investments 2) determining the price at which investments may be bought or sold or the value of investments or 3) measuring the performance of investments.

Nationwide Building Society is the owner of the trade mark "Nationwide" and all copyright and other rights in the Nationwide House Price Indices.

The application of the IOSCO Principles on financial benchmarks to the NHPI is more fully set out in our [statement regarding IOSCO Principles](#). Nationwide considers that its arrangements for administration of the NHPI comply with the IOSCO Principles in a proportionate manner having regard to the nature of the index.