

Nationwide HOUSE PRICE INDEX



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November 2017

Annual house price growth steady in November

- Annual house price growth stable at 2.5%
- Modest 0.1% month-on-month increase
- Limited impact from stamp duty changes

Headlines	Nov-17	Oct-17
Monthly Index*	420.8	420.4
Monthly Change*	0.1%	0.2%
Annual Change	2.5%	2.5%
Average Price (not seasonally adjusted)	£209,988	£211,085

* 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 annual rate of house price growth remained stable in November at 2.5%. Nevertheless, annual growth remains within the 2-4% range that has prevailed since March. Low mortgage rates and healthy rates of employment growth are providing support for demand, but this is being partly offset by pressure on household incomes, which appears to be weighing on confidence. The lack of homes on the market is providing support to house prices.

"The decision in the Budget to abolish stamp duty (SDLT) for first time buyers purchasing a property up to £300,000 (with relief for those purchasing a property up to £500,000) is likely to have only a modest impact on overall demand. In many regions, first time buyers already paid little or no stamp duty as the price of the typical first time buyer property was below the previous threshold of £125,000.

Region	% FTBs paying SDLT		Average SDLT payable	
	Pre Budget	Post Budget	Pre Budget	Post Budget
London	100%	81%	13,102	9,778
S East	98%	35%	5,166	2,166
S West	93%	11%	2,399	531
E Anglia	92%	13%	2,488	744
W Mids	76%	5%	1,352	279
E Mids	74%	4%	1,172	178
N West	62%	4%	1,038	234
Yorks & H	57%	3%	854	154
Wales	55%	2%	750	93
North	47%	2%	639	100

Source: Nationwide analysis of UK Finance RMS data via Mortgage Clarity
Scotland excluded as stamp duty devolved matter & LBTT system applies

"The potential savings are more substantial for borrowers where house prices are higher, especially in London and the South East. However, as the Office for Budget Responsibility noted, some of the benefit is likely to be passed on to existing home owners through higher house prices, though overall impact on prices is likely to be very modest (the OBR estimate they may be increased by c.0.3%, mostly in 2018).

Housing supply – encouraging signs

"The focus on boosting housebuilding in the Budget is important, as a shortage of homes is a key reason why affordability is so stretched in large parts of the country. A wide range of measures were announced to deliver an additional 300,000 homes per year by the mid-2020s.

"The long timeframe reflects the scale of the challenge ahead, although there have been some encouraging signs that the number of homes has been rising faster than previously thought in recent years.

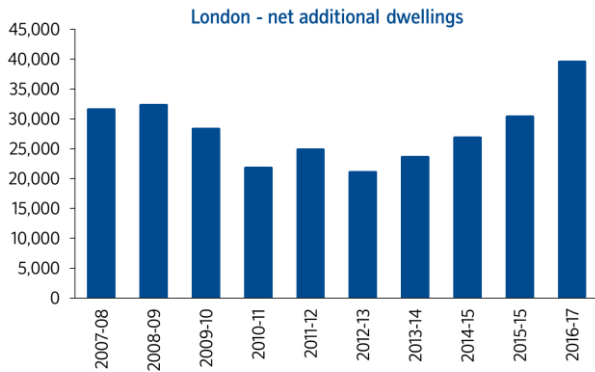
"Construction of new build properties is still too low – with completions in England over the past 12 months c13% below 2007 levels. But, the picture improves significantly if we add in new dwellings that have been created by converting larger homes into more units and those created by 'change of use', such as offices transformed into flats. Indeed, on this broader measure, the number of dwellings being created each year is now only 3% lower than the levels recorded in 2007 (even after accounting for demolitions).

"Interestingly, it is 'change of use' of buildings – i.e. from shops, offices and other commercial purposes, to homes – which is providing the biggest boost, driven by a shift in government policy. From 2014, automatic permitted development rights were granted to convert offices into residential properties. Since then, so called 'change of use' additions to housing have nearly doubled, from c20,000 in 2006/07 to 37,000 in 2016/17. Of these, about 18,000 were granted under the new permitted development rights.

Where is 'change of use' making the most significant contribution?

"This policy change has provided a particularly strong boost to housing supply in London, where the increase in dwellings each year is now 22% higher than at the 2007/08 peak (see chart on the next page).

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Source: DCLG

“In London, homes created by ‘change of use’ accounted over a fifth of new dwellings added in the capital in 2016/17, well above the 16% recorded in the rest of England (i.e. excluding London).

“While across the UK the price of housing and residential land is higher than the price of commercial property and commercial land, in London the gap is sufficiently large to dwarf conversion costs and make the developments very profitable.

“Other cities with expensive housing and limited supply also appear to be benefitting from the policy change. For example, in Bristol, net change of use accounted for the majority of new housing supply in 2016/17, with 1,040 additions from ‘change of use’ versus 900 new builds.

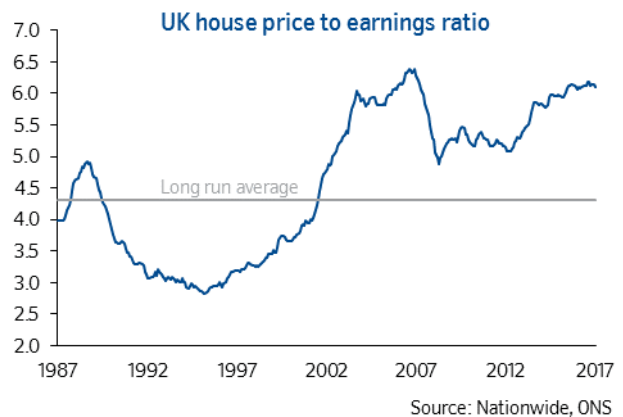
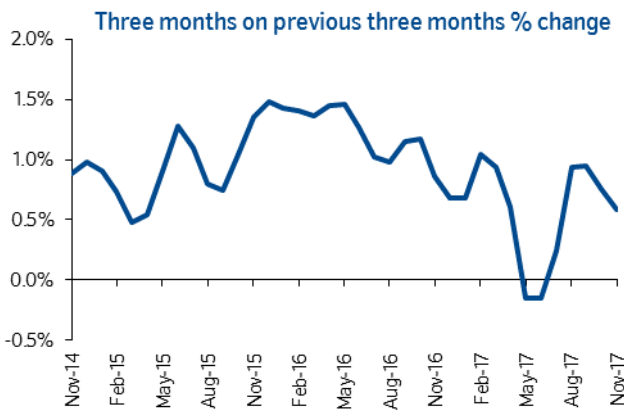
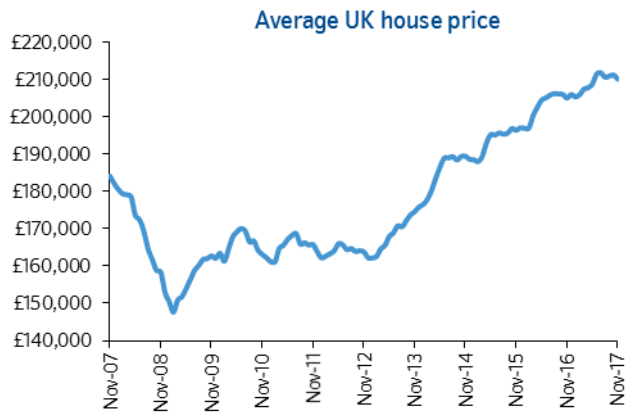
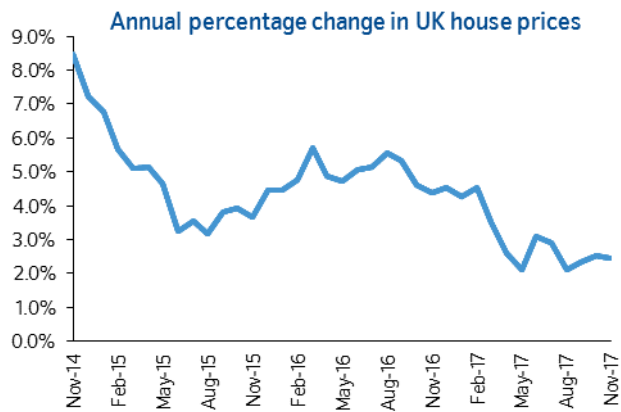
Is this the answer to the UK’s housing problem?

“While this is an encouraging development, we shouldn’t overstate its significance. The growth in ‘change of use’ may well slow in future years, as developers have probably converted the easiest sites and the stock of suitable commercial property will reduce. The quality and long-term suitability of some of these changes of use remains to be seen.

“Therefore, while the recent data is encouraging, there is still a lot that remains to be done in tackling the UK’s housing supply issues. For this reason, the focus in the Budget on increasing supply of homes in the year ahead was encouraging.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Nov-15	0.3	1.3	3.7	196,305
Dec-15	0.6	1.5	4.5	196,999
Jan-16	0.4	1.4	4.4	196,829
Feb-16	0.3	1.4	4.8	196,930
Mar-16	0.7	1.4	5.7	200,251
Apr-16	0.5	1.4	4.9	202,436
May-16	0.2	1.5	4.7	204,368
Jun-16	0.2	1.3	5.1	204,968
Jul-16	0.4	1.0	5.2	205,715
Aug-16	0.7	1.0	5.6	206,145
Sep-16	0.2	1.1	5.3	206,015
Oct-16	0.0	1.2	4.6	205,904
Nov-16	0.1	0.9	4.4	204,947
Dec-16	0.7	0.7	4.5	205,898
Jan-17	0.1	0.7	4.3	205,240
Feb-17	0.6	1.0	4.5	205,846
Mar-17	-0.3	0.9	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699
May-17	-0.2	-0.2	2.1	208,711
Jun-17	1.1	-0.2	3.1	211,301
Jul-17	0.2	0.2	2.9	211,671
Aug-17	-0.1	0.9	2.1	210,495
Sep-17	0.4	0.9	2.3	210,801
Oct-17	0.2	0.8	2.5	211,085
Nov-17	0.1	0.6	2.5	209,988



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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