

Nationwide HOUSE PRICE INDEX



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December 2015

House price growth picks up as 2015 draws to a close

- UK annual house price growth increased to 4.5% in December
- London house price growth increased to 12.2% in Q4

UK Headlines	Dec-15	Nov-15
Monthly Index*	395.7	392.6
Monthly Change*	0.8%	0.1%
Annual Change	4.5%	3.7%
Average Price (not seasonally adjusted)	£196,999	£196,305

* 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:

"UK house prices increased by 0.8% in December, with the annual pace of house price growth picking up to 4.5%, from 3.7% in November.

"After moderating during the first six months of 2015, house price growth remained in a narrow range between 3% and 4.5% in the second half of the year. This is broadly in line with earnings growth and close to the pace we would expect to prevail over the longer term.

"However, as we look ahead to 2016, the risks are skewed towards a modest acceleration in house price growth, at least at the national level, despite the likelihood of interest rate increases from the middle of next year.

"Further healthy gains in employment and rising wages are likely to bolster buyer sentiment, while borrowing costs are expected to rise only gradually. However, the main concern is that construction activity will lag behind strengthening demand, putting upward pressure on house prices and eventually reducing affordability.

"Overall, we expect UK house prices to rise by 3-6% over the next twelve months.

"It remains an open question whether the striking divergence in regional house price performance evident in recent years will be maintained in 2016.

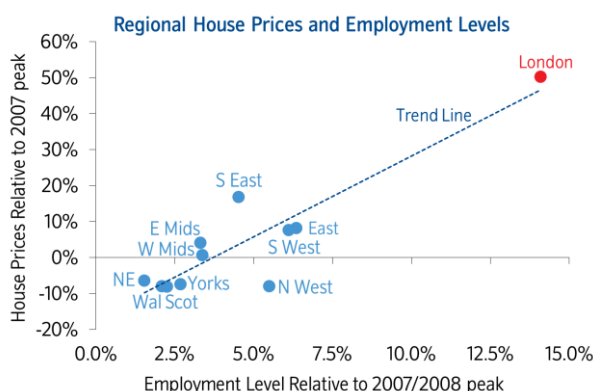
"Prices in the South of England, and especially in London, have been outpacing the rest of the UK by a wide margin. Indeed, prices in the South of England are now well above their pre-crisis levels while they remain below in Scotland, Wales and large parts of the North of England.

"With affordability metrics in the Capital stretched by historic standards, another year of above-average price gains appears unlikely.

Few signs of regional convergence

"Regional house price performance was mixed again in Q4. Five UK regions recorded a slowdown in the annual rate of growth, while seven saw acceleration. Most parts of the country continued to see annual house price gains - the exception was Scotland which recorded a small decline.

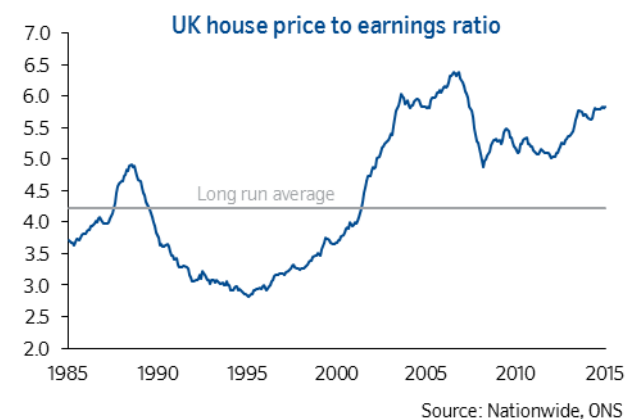
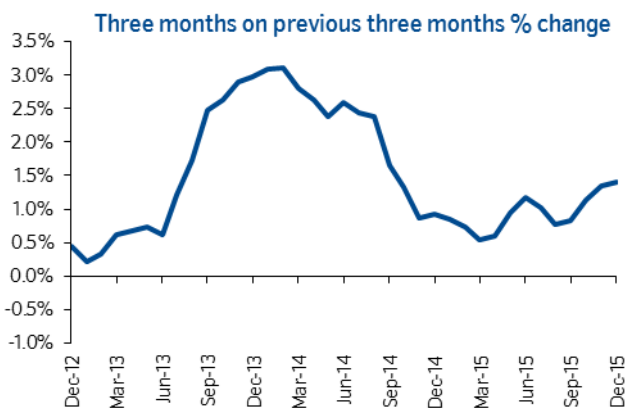
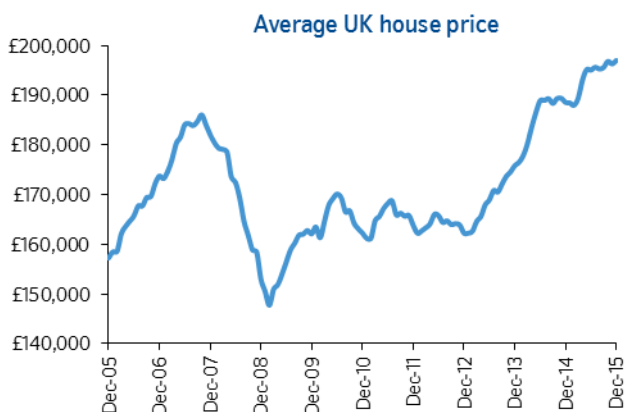
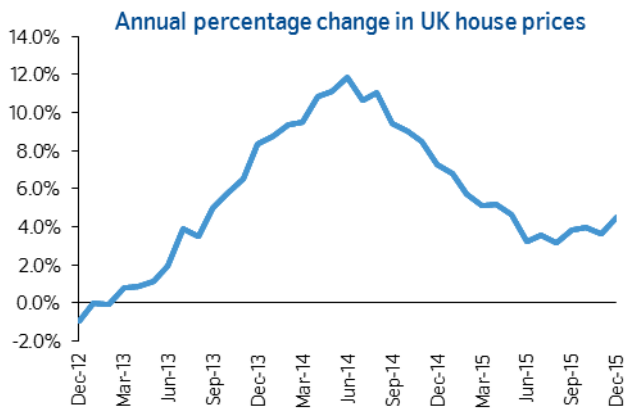
"The pattern of regional price growth in Q4 is largely a continuation of the trends prevailing over the past two years, where the pace of price growth generally moderates as you move from the South to the North of the country. A large part of the difference is likely to relate to variations in labour market conditions. Indeed, there is a strong relationship between employment growth since the financial crisis and the rate of house price growth, as shown below.



"Regions with higher rates of employment growth have seen significantly stronger rates of house price appreciation. The gain in employment in London is particularly striking, with the number of people in employment up 14% compared to the pre-crisis period."

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Charts



Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Dec-13	1.4	3.0	8.4	175,826
Jan-14	0.8	3.1	8.8	176,491
Feb-14	0.9	3.1	9.4	177,846
Mar-14	0.6	2.8	9.5	180,264
Apr-14	1.0	2.6	10.9	183,577
May-14	0.7	2.4	11.1	186,512
Jun-14	1.2	2.6	11.8	188,903
Jul-14	0.2	2.4	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	1.3	9.0	189,333
Nov-14	0.4	0.9	8.5	189,388
Dec-14	0.1	0.9	7.2	188,559
Jan-15	0.4	0.8	6.8	188,446
Feb-15	-0.1	0.7	5.7	187,964
Mar-15	0.1	0.5	5.1	189,454
Apr-15	1.0	0.6	5.2	193,048
May-15	0.3	0.9	4.6	195,166
Jun-15	-0.2	1.2	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	0.8	3.8	195,585
Oct-15	0.6	1.1	3.9	196,807
Nov-15	0.1	1.3	3.7	196,305
Dec-15	0.8	1.4	4.5	196,999

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

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Quarterly Regional House Price Statistics

Q4 2015

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

Regions over the last 12 months

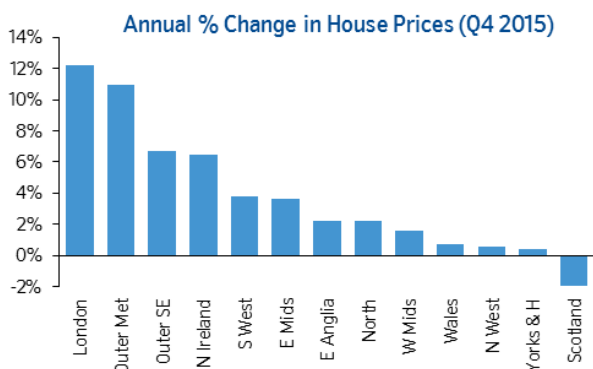
Region	Average Price (Q4 2015)	Annual % change this quarter	Annual % change last quarter
London	£456,229	12.2%	10.6%
Outer Met	£334,532	10.9%	9.5%
Outer SE	£251,296	6.7%	5.5%
N Ireland	£128,481	6.5%	6.5%
South West	£218,905	3.8%	5.1%
East Midlands	£161,398	3.6%	2.1%
East Anglia	£198,512	2.2%	2.4%
North	£124,167	2.2%	1.9%
West Midlands	£166,988	1.6%	1.9%
Wales	£142,622	0.7%	1.9%
North West	£146,086	0.6%	-0.6%
Yorks & H	£143,390	0.4%	0.3%
Scotland	£139,801	-1.9%	-1.3%
UK	£197,044	4.3%	3.7%

London top performing region in 2015

All regions except Scotland saw increases in house prices in 2015, though all recorded slower rates of annual price growth than in 2014.

London was the strongest performing region for the fifth year running, with average prices up 12% year-on-year. Average prices in the capital are now 50% above their pre-crisis peak in 2007, while in the UK overall prices are around 7% higher. The neighbouring Outer Metropolitan region took second place, with prices up almost 11% compared with Q4 2015. Yorkshire and Humberside was the weakest performing English region, with prices up 0.4% year-on-year.

House prices continue to recover in Northern Ireland, with annual growth of 6.5% in Q4 (the same as Q3), although average prices are still 44% below their pre-crisis peak. Wales saw a 0.7% year-on-year increase in average prices, similar to the 1.4% increase recorded in 2014. Scotland was the only region to see prices fall over the year, with prices down 1.9% compared with Q4 2014.



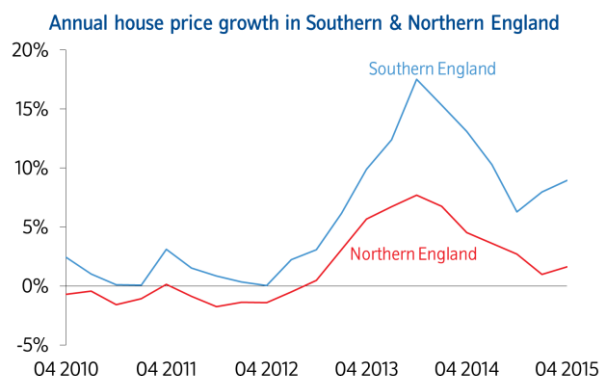
England: North/South divide widens further

England (Q4 2015)	
Average house price	£242,975
Annual percentage change	6.9%
Quarterly change*	2.2%
Most expensive region	London
Least expensive region	North
Strongest annual price change	London
Weakest annual price change	Yorks & H'side

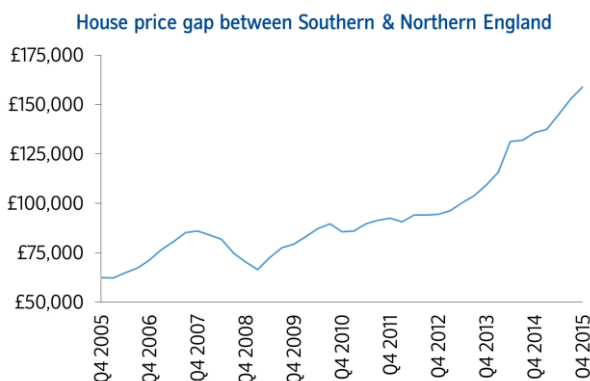
* Seasonally adjusted

Average house prices in England increased by 2.2% in Q4, and were up 6.9% year-on-year.

Price growth in the South exceeded that in the North for the 27th consecutive quarter. Prices in Southern England (South West, Outer South East, Outer Metropolitan, London and East Anglia) were up 8.9% year-on-year, whilst in Northern England (West Midlands, East Midlands, Yorkshire & Humberside, North West and North) prices rose by just 1.6%.



In cash terms, the gap in average prices between the South and the North of England widened further and now stands at nearly £159,000, around £23,000 higher than a year ago.



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UK Fact File (Q4 2015)	
Average UK House Price	£197,044
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Least expensive region	North
Strongest annual price change	London
Weakest annual price change	Scotland

* Seasonally adjusted

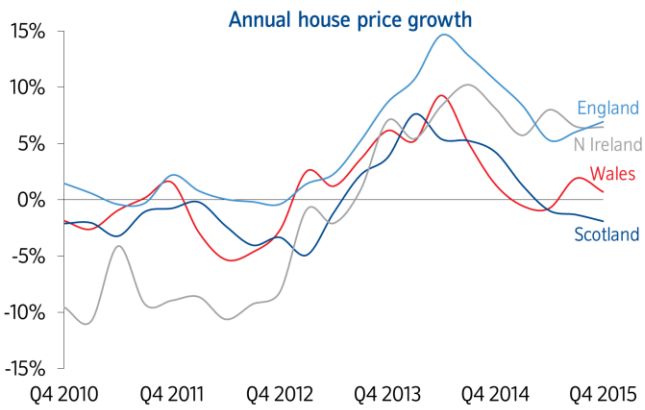
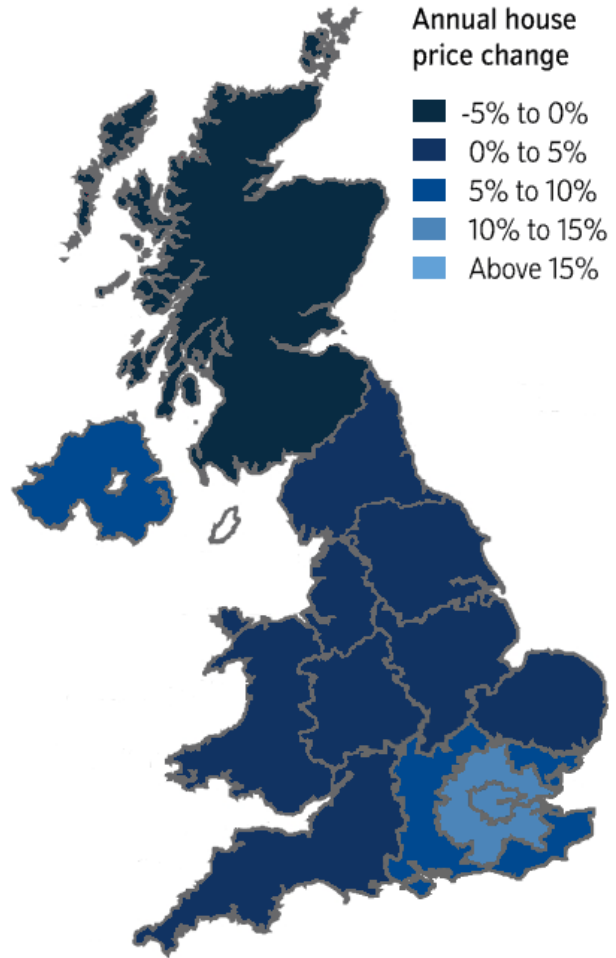
Nations – annual & quarterly price change

Nation	Average Price (Q4 2015)	Annual % change this quarter	Quarterly % change*
England	£242,975	6.9%	2.2%
N Ireland	£128,481	6.5%	1.4%
Wales	£142,622	0.7%	
Scotland	£139,801	-1.9%	-0.3%

* Seasonally adjusted

Annual house price change

- -5% to 0%
- 0% to 5%
- 5% to 10%
- 10% to 15%
- Above 15%



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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/>

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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