Annual house price growth continues to soften as 2014 draws to a close

- UK house prices rose by 0.2% in December
- Annual house price growth slowed for the fourth month in a row to 7.2% from 8.5% in November
- House prices increased by 7.2% over the course of 2014, after rising by 8.4% in 2013

### Headlines

<table>
<thead>
<tr>
<th>Monthly Index*</th>
<th>Dec-14</th>
<th>Nov-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Change*</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Annual Change</td>
<td>7.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Average Price (not seasonally adjusted)</td>
<td>£188,559</td>
<td>£189,388</td>
</tr>
</tbody>
</table>

* 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 continued to soften as 2014 drew to a close, slowing from 8.5% in November to 7.2% in December. This marks the fourth consecutive month in which annual growth has moderated, despite house prices increasing by 0.2% month on month in December. The 7.2% increase recorded over the year as a whole, is modestly lower than the 8.4% gain recorded in 2013.

“While cooling in the London market is a part of the story, this is not the main explanation for the slowdown evident in the UK figures in recent months. Indeed, annual price growth in the capital continued to outpace every other region in the UK, at 17.8% in Q4 (see chart). Overall, 12 of the 13 UK regions saw the pace of annual price growth slow.

“In many respects the regional pattern prevailing in 2013 remains in evidence, with the South of England recording significantly stronger rates of house price growth than Wales, Scotland and the North of England.

For more details on regional house price developments in Q4 please click here.

Outlook for 2015

“While the pace of house price growth has moderated in recent months, activity has slowed more sharply, with the number of mortgages approved for house purchase falling to their lowest level for 16 months in October (and 22% below the level prevailing at the start of the year).

“The slowdown in housing market activity is surprising given further steady gains in employment, a pickup in wage growth (albeit from low levels) and the continued low level of mortgage rates. Moreover, surveys suggest consumers remain in high spirits – a view reinforced by robust retail spending growth in November, which was at its highest for over a decade.

“If the economic backdrop continues to improve as we and most forecasters expect, activity in the housing market is likely to regain momentum in the months ahead. Supply side developments will be crucial in determining the trajectory for prices. There are encouraging signs that construction is starting to pick up. Hopefully, this will set the stage for house price growth gradually converging with income growth in the quarters ahead.

“Recent changes to stamp duty may also have a modest positive effect on demand, especially in the South of England and Scotland.

Stamp duty changes may provide a modest lift

“The changes to Stamp Duty Land Tax (SDLT) announced in the Autumn Statement may help stimulate housing market
activity. The slab structure was completely abolished, with purchasers paying the marginal tax rate on the relevant elements of the purchase price. 98% of buyers will pay the same or less tax - only those purchasing homes costing more than £937,500 are set to pay more (see chart below).

“The new marginal SDLT should help to remove the distortions caused by the slab structure, which led to a clustering of transactions. The greatest impact is likely to be for homeowners looking to buy property just above £250,000, who could save around £5,000 in tax (or 2% of the purchase price).

“Based on 2013/14 transactions data from the Land Registry, nearly 590,000 purchasers in England and Wales would benefit under the new regime, with an average benefit of £1,600. The benefits will be greatest in the South of England where average house prices are higher. We estimate that around 85% of transactions in London, the South West and South East would benefit from the changes, compared with around 50% in the North, Yorkshire and Humberside, and the North West of England (see chart below).

“Around 12,500 would pay more as a result of the changes, with an average increase of £30,900 in duty to be paid. Two thirds of those paying more are in London, which has a significantly larger proportion of high value transactions than other regions.

“In Scotland an alternative structure is due to be introduced in April 2015 (the Land & Buildings Transaction Tax, LBTT). Under the LBTT purchasers paying less than £325,000 will still pay less than under the old Stamp Duty regime. However, as a result of the changes in the Autumn Statement, those in Scotland purchasing properties above £254,000 before the LBTT comes into effect could make a substantial saving (we estimate around £5,900 on average), which may encourage prospective buyers to bring forward their purchases.”
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/](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](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](http://www.nationwide.co.uk/about/house-price-index/). 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.