

Nationwide HOUSE PRICE INDEX



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February 2015

Annual house price growth continues to soften

- Annual house price growth slowed to 5.7% in February from 6.8% in January
- Annual house price growth slowed for the sixth month in a row
- UK house prices fell by 0.1% in February

Headlines	Feb-15	Jan-15
Monthly Index*	380.1	380.5
Monthly Change*	-0.1%	0.3%
Annual Change	5.7%	6.8%
Average Price (not seasonally adjusted)	£187,964	£188,446

* 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:

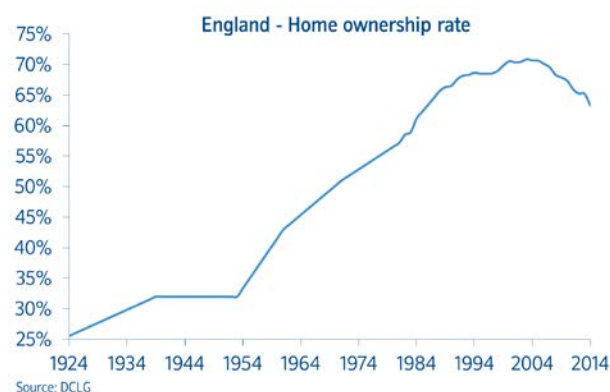
"February saw a further softening in annual house price growth to 5.7%, from 6.8% in January. This is the sixth month in a row in which annual growth has moderated, with house prices declining by 0.1% month on month.

"The broader economic backdrop has remained supportive of housing market activity. Mortgage rates remain close to all-time lows and consumer confidence remains buoyant thanks to a further steady improvement in labour market conditions. Indeed, the unemployment rate has continued to decline and earnings growth has picked up, particularly in inflation-adjusted terms, thanks in part to the sharp decline in energy prices.

"Nevertheless, the pace of housing market activity remains fairly subdued. There was a small increase in the number of mortgages approved for house purchase in December, up 2% from 59,000 in November to 60,300 in December, though it remains too early to determine whether this marks a turning point in activity.

Home ownership rate continues to trend down

"After rising almost continuously over the course of the twentieth century, the rate of home ownership in England has been declining steadily since 2003 (see chart below).



"The downward trend was maintained in 2013/14, with a further drop in the home ownership rate to 63.3% down from 65.2% the previous year. Home ownership is now at its lowest rate for almost thirty years and is eight percentage points below the all-time high of 70.9% in 2003. Moreover, among owner occupiers, the proportion of people owning their home outright also overtook the proportion owning with a mortgage in 2013/14.

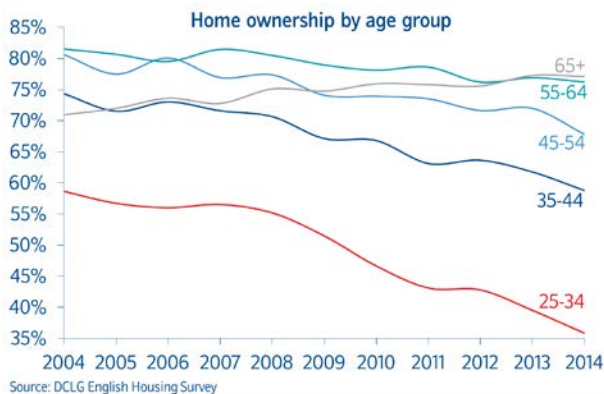
Sharp decline in proportion of younger owner occupiers

"If we look at the shift in tenure patterns by age over the past decade we see a marked decline in home ownership rates amongst the younger age groups (see next page). In particular, among 25-34 year olds, traditionally the segment containing most first time buyers, the proportion of households owning their own home fell from 59% to 36% between 2004 and 2014.

"Over the same period, the proportion renting (either privately or through a local authority or housing association) increased from 41% to 64%. For 16-24 year olds, the proportion renting increased from 76% to 91% over the same period.

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“The increase has occurred in the private rental sector, which currently houses 19% of total households - the highest share since the 1960s. Over the past ten years, the number of privately rented households has nearly doubled to 4.4 million, while the percentage of households in social rental properties has declined from 18% to 17%.

“Despite the increase in the proportion of the population renting a home in recent years, the aspiration to eventually become a homeowner remains undiminished. The most recent English Housing Survey suggests that 25% of people in social housing and 61% of those in the private rental sector expect to be able to buy their own home in future. However, this remains a longer term aspiration, with around half of renters expecting it to take five years or more to take their first steps into the housing market.”

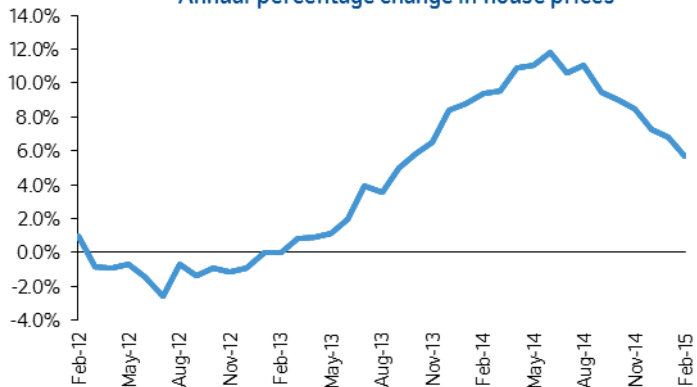
Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Feb-13	0.3	0.4	0.0	162,638
Mar-13	0.3	0.6	0.8	164,630
Apr-13	-0.1	0.7	0.9	165,586
May-13	0.5	0.8	1.1	167,912
Jun-13	0.3	0.7	1.9	168,941
Jul-13	1.3	1.2	3.9	170,825
Aug-13	0.5	1.6	3.5	170,514
Sep-13	1.2	2.4	5.0	172,127
Oct-13	1.0	2.6	5.8	173,678
Nov-13	0.8	2.9	6.5	174,566
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	0.5	2.8	9.5	180,264
Apr-14	1.2	2.7	10.9	183,577
May-14	0.7	2.4	11.1	186,512
Jun-14	1.0	2.6	11.8	188,903
Jul-14	0.2	2.4	10.6	188,949
Aug-14	0.8	2.2	11.0	189,306
Sep-14	-0.1	1.5	9.4	188,374
Oct-14	0.5	1.3	9.0	189,333
Nov-14	0.3	0.9	8.5	189,388
Dec-14	0.2	1.0	7.2	188,559
Jan-15	0.3	0.9	6.8	188,446
Feb-15	-0.1	0.8	5.7	187,964

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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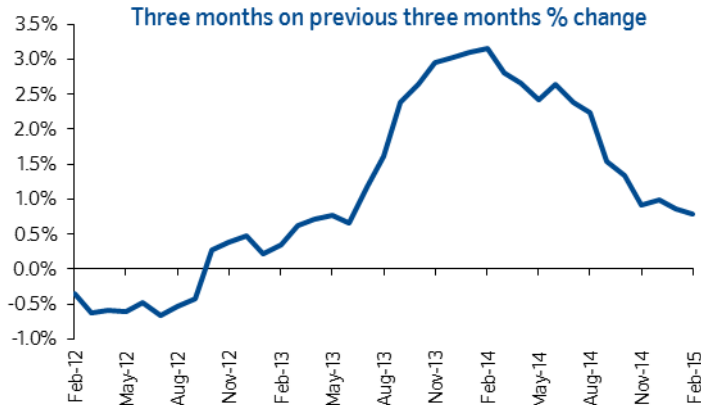
Annual percentage change in house prices



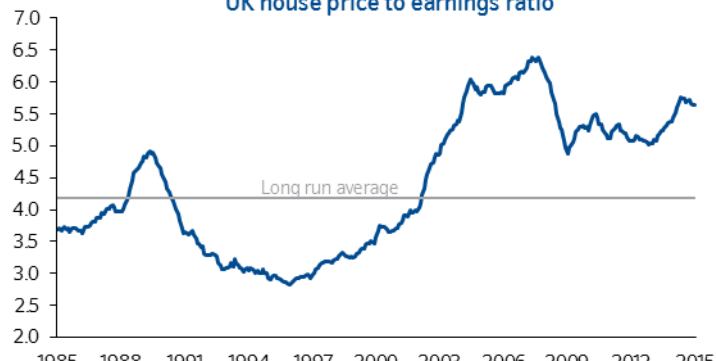
Average UK house price



Three months on previous three months % change



UK house price to earnings ratio



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/>

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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