

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

February 2014

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House prices continued to rise in February

- UK house prices increased by 0.6% in February and were 9.4% higher than February 2013
- Prices are around 3% below 2007 peak

Headlines	Feb-14	Jan-14
Monthly Index*	358.8	356.5
Monthly Change*	0.6%	0.8%
Annual Change	9.4%	8.8%
Average Price (not seasonally adjusted)	£177,846	£176,491

* 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:

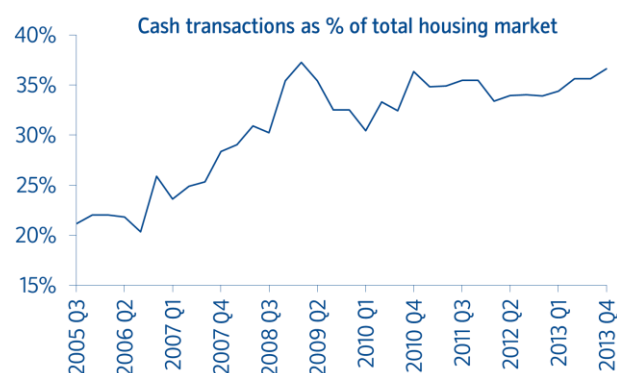
"House prices recorded their fourteenth successive monthly increase in February, rising by 0.6%. The price of a typical home was 9.4% higher than February 2013. Demand continues to be supported by record low interest rates, improved credit availability and rising consumer confidence thanks to the healthy gains in employment recorded in recent quarters.

"Price growth is being supported by the fact that the supply of housing remains constrained, with housing completions still well below their pre-crisis levels, which was already insufficient to keep up with the pace of household formation. For example, in England around 109,500 new homes were built in 2013, this is 38% below the level recorded in 2007 and around half the projected number of households that are expected to form each year in the years ahead.

How important is the role of cash buyers?

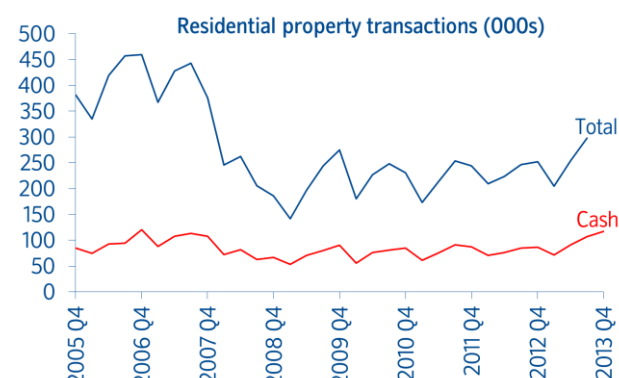
"There has been speculation that cash buyers have been an important driver behind housing market dynamics since the financial crisis. Though the data¹ only extends back to 2005,

they suggest that the share of cash transactions increased significantly from around 20% in 2005/06 to around 35% in the wake of the financial crisis, although the proportion has remained fairly constant since 2008 (see chart).



Source: HMRC, CML

"However, the increased share since 2008 appears to be a function of the fact that mortgage transactions declined sharply, rather than the amount of cash transactions increasing over time (see chart below). This reflects the impact of adverse labour market conditions and the tightening of credit conditions after 2008, which limited the number of people able to buy with a mortgage, while fewer such constraints would have applied to cash purchasers.

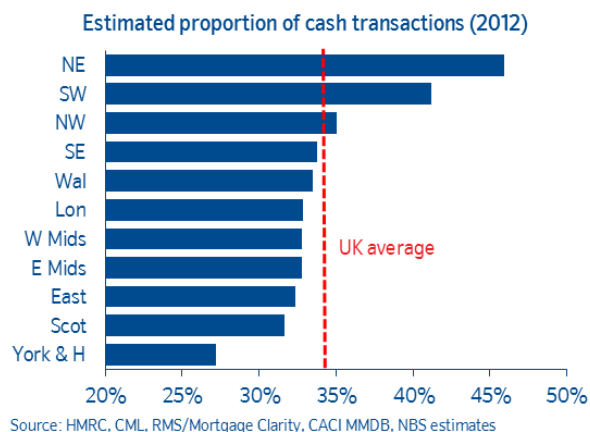


Source: HMRC, CML

¹ We have estimated the number of cash transactions by subtracting the number of mortgage transactions (owner occupier and buy to let) from the total number of residential property transactions reported by HMRC.

Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
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“Moreover, the low interest rate environment at home and abroad in recent years would have supported the flow of cash into other asset classes, including UK residential property. These trends may therefore reverse, or at least moderate, in the years ahead if mortgage activity continues to pick up on the back of improving credit availability and labour market conditions.



“Interestingly, the data suggests that the share of cash purchases in London is not out of line with the rest of the UK. On the surface, this may seem surprising, given the greater involvement of investors (domestic and overseas) in the London property market. The fact that house prices in the capital are almost double the level prevailing in the rest of the UK (£345,186 versus £174,444 in Q4 on our measure) presumably acts as a limiting factor.”

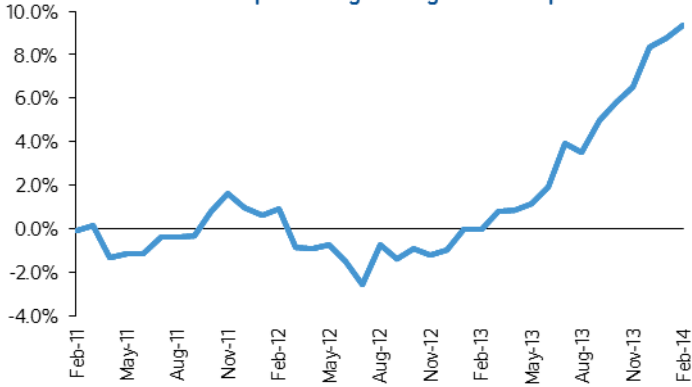
Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jun-12	-0.4	-0.3	-1.5	165,738
Jul-12	-0.8	-0.5	-2.6	164,389
Aug-12	1.1	-0.4	-0.7	164,729
Sep-12	-0.5	-0.4	-1.4	163,964
Oct-12	0.4	0.3	-0.9	164,153
Nov-12	0.0	0.3	-1.2	163,853
Dec-12	-0.3	0.4	-1.0	162,262
Jan-13	0.4	0.1	0.0	162,245
Feb-13	0.1	0.2	0.0	162,638
Mar-13	0.3	0.4	0.8	164,630
Apr-13	0.2	0.6	0.9	165,586
May-13	0.6	0.8	1.1	167,912
Jun-13	0.4	0.9	1.9	168,941
Jul-13	1.1	1.4	3.9	170,825
Aug-13	0.7	1.9	3.5	170,514
Sep-13	1.0	2.4	5.0	172,127
Oct-13	1.1	2.6	5.8	173,678
Nov-13	0.7	2.8	6.5	174,566
Dec-13	1.4	2.9	8.4	175,826
Jan-14	0.8	3.0	8.8	176,491
Feb-14	0.6	3.0	9.4	177,846

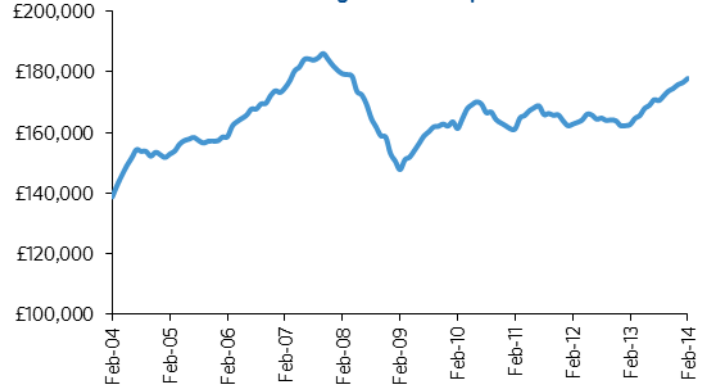
Note: Historical figures including index levels can be viewed using the following link: www.nationwide.co.uk/hpi/datadownload

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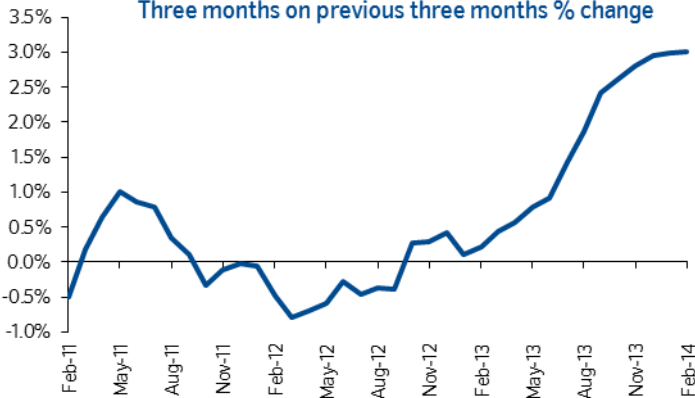
Annual percentage change in house prices



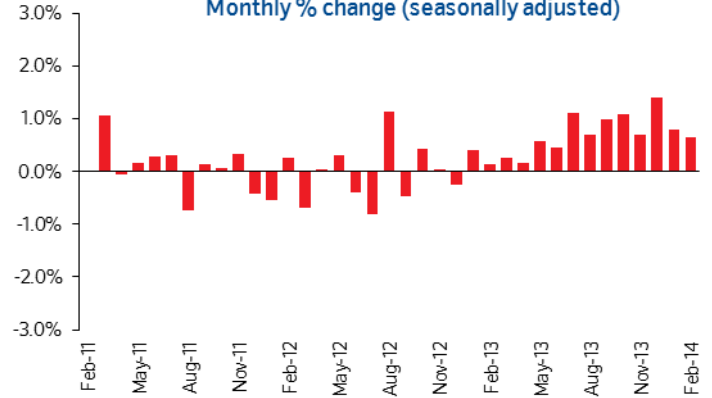
Average UK house price



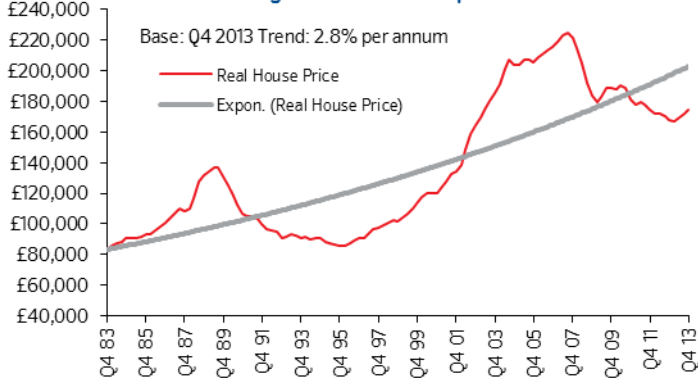
Three months on previous three months % change



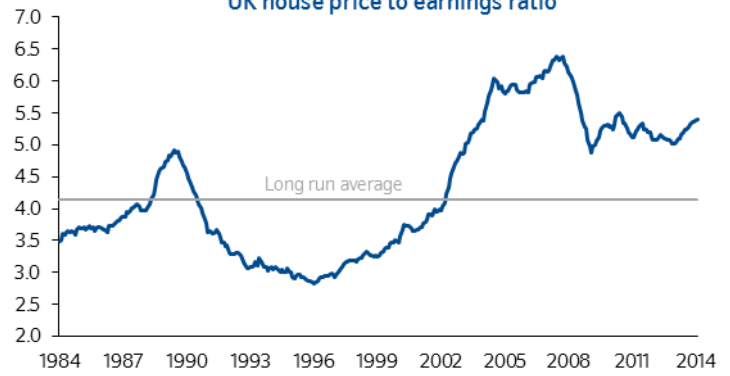
Monthly % change (seasonally adjusted)



Long term real house price trend



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.

The Nationwide Monthly House Price Index is prepared from information which we believe is collated with care, but no representation is made as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the whole or any part of the Index at any time, for regulatory or other reasons. Persons seeking to place reliance on the Index for their own or third party commercial purposes do so entirely at their own risk. All changes are nominal and do not allow for inflation.

More information on the house price index methodology along with time series data and archives of housing research can be found at www.nationwide.co.uk/hpi

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