

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

January 2015

Annual house price growth continued to moderate at the start of 2015

- Annual house price growth slowed to 6.8% in January from 7.2% in December
- Annual house price growth slowed for the fifth month in a row
- UK house prices rose by 0.3% in January

Headlines	Jan-15	Dec-14
Monthly Index*	380.7	379.4
Monthly Change*	0.3%	0.2%
Annual Change	6.8%	7.2%
Average Price (not seasonally adjusted)	£188,446	£188,559

* 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:

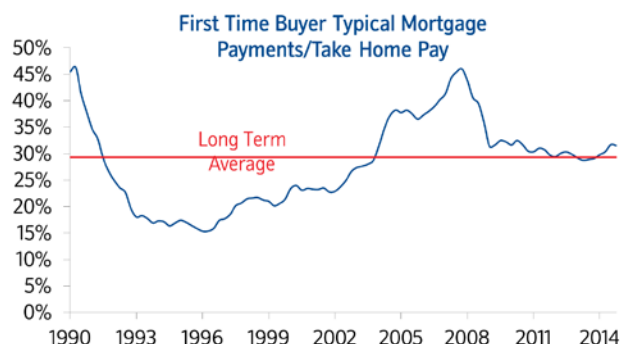
"Annual house price growth continued to soften at the start of 2015, slowing from 7.2% in December to 6.8% in January. This is the fifth month in a row in which annual growth has moderated, despite house prices increasing by 0.3% month on month in January. After taking account of seasonal factors, UK house prices are currently 2.4% above their pre-crisis peak.

"The further moderation in the pace of price growth is unsurprising, given the slowdown in housing market activity in recent months. The number of mortgages approved for house purchase has been around 20% below the level prevailing at the start of 2014 and surveyors continue to report subdued levels of new buyer enquiries.

"The reasons for the slowdown in activity remain unclear. Unemployment has continued to decline and wage growth has started to outstrip increases in the cost of living for the first time since the financial crisis. Surveys suggest that consumer confidence remains elevated – a view corroborated by healthy gains in retail sales over recent months.

"Although house price growth continues to outpace income growth by a significant margin, affordability does not appear

stretched at a national level. The cost of servicing a typical mortgage remains close to the long run average as a share of take home pay, in part thanks to the ultra-low level of mortgage rates.



Based on 80% LTV of FTB average house price. Initial mortgage payments for 25 year capital repayment mortgage at prevailing market rates. Take home pay estimate for mean earnings (Source: ONS ASHE).

"Supply side developments are crucial in determining the pace of price growth. Surveyors continue to report a dearth of new homes coming on to the market, which may help to explain why house price growth has remained fairly robust, despite a more noticeable decline in housing demand since the summer.

"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. It is encouraging that the number of new homes built in England was up 8% in the year to Q3 2014. However, this is still 34% below pre-crisis levels and little over half the expected rate of household formation in the years ahead."

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Monthly UK House Price Statistics

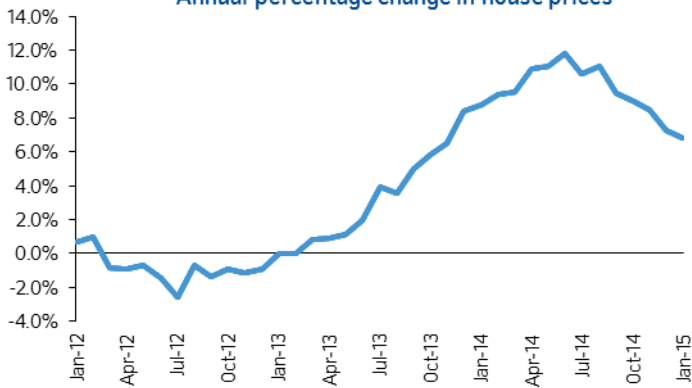
	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jan-13	0.5	0.2	0.0	162,245
Feb-13	0.2	0.3	0.0	162,638
Mar-13	0.3	0.6	0.8	164,630
Apr-13	-0.1	0.7	0.9	165,586
May-13	0.5	0.7	1.1	167,912
Jun-13	0.3	0.6	1.9	168,941
Jul-13	1.3	1.2	3.9	170,825
Aug-13	0.6	1.6	3.5	170,514
Sep-13	1.2	2.4	5.0	172,127
Oct-13	1.0	2.7	5.8	173,678
Nov-13	0.8	3.0	6.5	174,566
Dec-13	1.4	3.1	8.4	175,826
Jan-14	0.8	3.1	8.8	176,491
Feb-14	0.8	3.1	9.4	177,846
Mar-14	0.5	2.8	9.5	180,264
Apr-14	1.2	2.6	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	2.3	11.0	189,306
Sep-14	-0.1	1.6	9.4	188,374
Oct-14	0.6	1.4	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

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

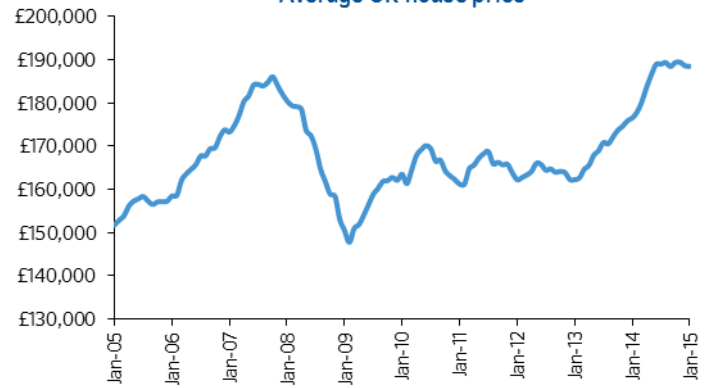
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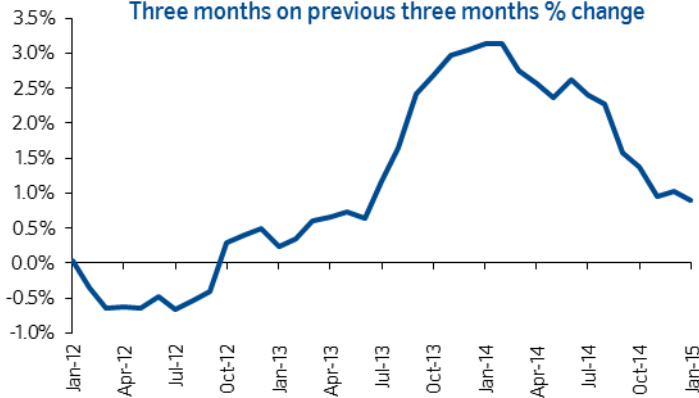
Annual percentage change in house prices



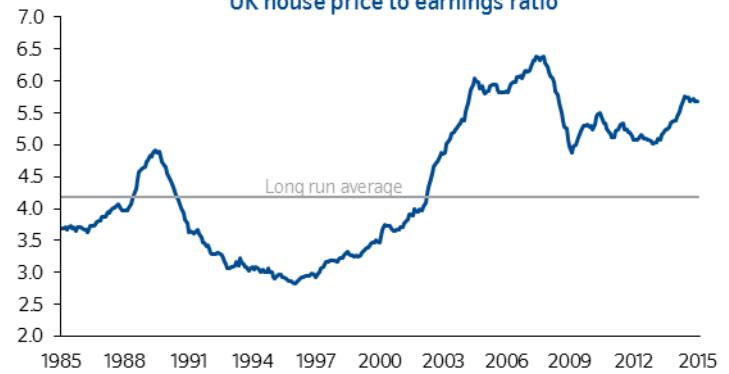
Average UK house price



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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