

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

July 2015

Annual house price growth edges up in July

- UK house prices increased by 0.4% in July
- Annual house price growth edged up to 3.5%

Headlines	Jul-15	Jun-15
Monthly Index*	385.9	384.5
Monthly Change*	0.4%	-0.2%
Annual Change	3.5%	3.3%
Average Price (not seasonally adjusted)	£195,621	£195,055

* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

Changes to methodology

Please note that from this month onwards we are using a revised methodology to calculate the house price index. Further details on these changes can be found [here](#).

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

"UK house prices increased by 0.4% in July, and as a result the annual pace of house price growth edged up to 3.5% from 3.3% in June.

"After moderating over the past twelve months, there are tentative signs that annual house price growth may be stabilising close to the pace of earnings growth, which has historically been around 4%.

"This would bode well for a sustainable increase in housing market activity, though whether this will be maintained will depend on whether building activity can keep pace with increasing demand.

"The outlook on the demand side remains encouraging. Employment growth has remained relatively robust in recent quarters, and, after a prolonged period of subdued growth, wage growth is also edging up. With consumer confidence buoyant and mortgage rates still close to all-time lows, demand for housing is likely to firm up in the quarters ahead.

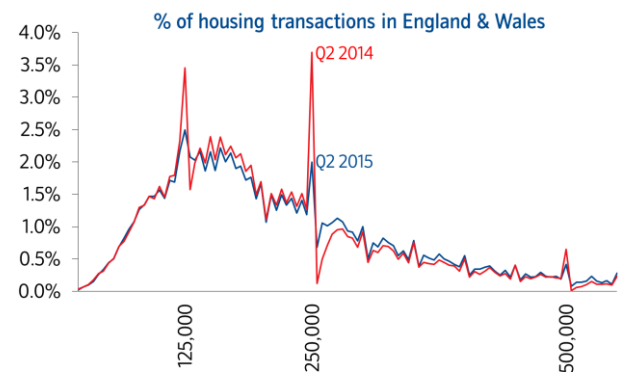
"It remains unclear whether activity on the supply side will catch up with demand. The number of new homes under construction has started to pick up, albeit from historically low levels, and further increases are required if a sustainable

recovery in the housing market is to be maintained over the longer term.

Stamp duty changes have reduced "bunching" at key price points

"Significant changes to Stamp Duty Land Tax (SDLT) were introduced in the Autumn Statement in December last year. In particular, there was a shift to purchasers paying the marginal tax rate on the relevant elements of the purchase price as the old 'slab structure' was abolished.

"The slab structure used to result in significant distortions with a clustering of transactions at the tax thresholds. Under that system, paying £1 more would result in significant additional stamp duty being due (for example, paying £1 over the £250,000 or the £500,000 threshold used to trigger an additional £5,000 of SDLT).



"Even though the change to SDLT only came into effect six months ago, the impact on the pattern of transactions is already evident, with much less bunching of transactions around the £125,000, £500,000 and in particular the £250,000 price points (see chart above).

"Moreover, based on the first six months of transactions data from the Land Registry, nearly 235,000 purchasers in England and Wales have paid less tax under the new regime, with an average benefit of c£1,800.

"The benefits are greatest in the South of England where average house prices are higher. We estimate that around

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85% of transactions in London, the South West and South East have benefited from the changes, compared with around 55% in the North, Yorkshire and Humberside, and the North West of England.

“However, we estimate that around 5,000 (2%) of purchasers paid more (two thirds of whom were in London), with an average of £28,000 more tax being paid compared with the old system.

“On balance (considering the net effect of those paying more and those paying less), we estimate that the changes have resulted in around £275m less tax being paid than would have been the case under the old stamp duty regime.”

Monthly UK House Price Statistics

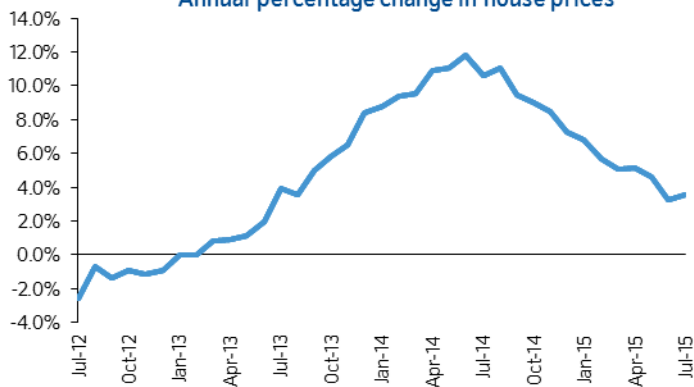
	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jul-13	1.2	1.1	3.9	170,825
Aug-13	0.5	1.7	3.5	170,514
Sep-13	1.2	2.4	5.0	172,127
Oct-13	1.0	2.6	5.8	173,678
Nov-13	0.8	2.9	6.5	174,566
Dec-13	1.5	3.0	8.4	175,826
Jan-14	0.8	3.1	8.8	176,491
Feb-14	0.9	3.2	9.4	177,846
Mar-14	0.5	2.9	9.5	180,264
Apr-14	1.0	2.6	10.9	183,577
May-14	0.7	2.3	11.1	186,512
Jun-14	1.1	2.5	11.8	188,903
Jul-14	0.1	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	1.3	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	0.4	0.9	6.8	188,446
Feb-15	-0.1	0.9	5.7	187,964
Mar-15	0.1	0.6	5.1	189,454
Apr-15	1.0	0.6	5.2	193,048
May-15	0.2	0.9	4.6	195,166
Jun-15	-0.2	1.1	3.3	195,055
Jul-15	0.4	0.9	3.5	195,621

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

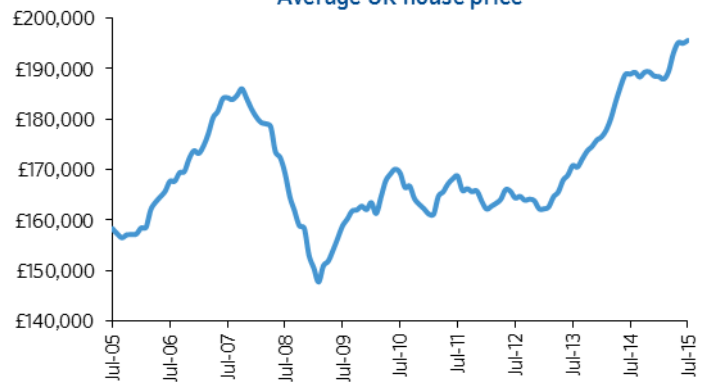
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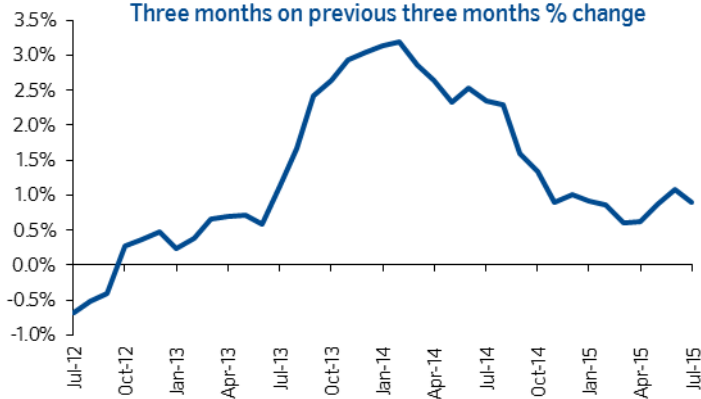
Annual percentage change in house prices



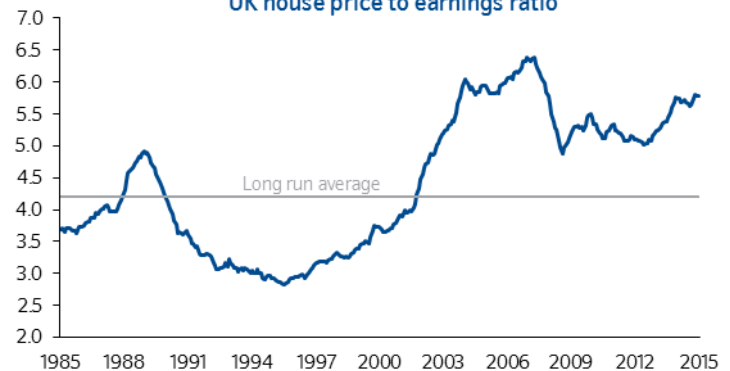
Average UK house price



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/>

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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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