

Nationwide HOUSE PRICE INDEX



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May 2015

Annual house price growth slows in May

- UK house prices rose by 0.3% in May
- Annual house price growth moderated to 4.6% from 5.2% in April

Headlines	May-15	Apr-15
Monthly Index*	385.6	384.6
Monthly Change*	0.3%	1.0%
Annual Change	4.6%	5.2%
Average Price (not seasonally adjusted)	£195,166	£193,048

* 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 annual pace of house price growth slowed to 4.6% in May. This resumes the gradual downward trend that had been in evidence since the summer of 2014, which was briefly interrupted in April when price growth edged up to 5.2% from 5.1% in March. Annual house price growth is now running at less than half the pace prevailing in mid-2014.

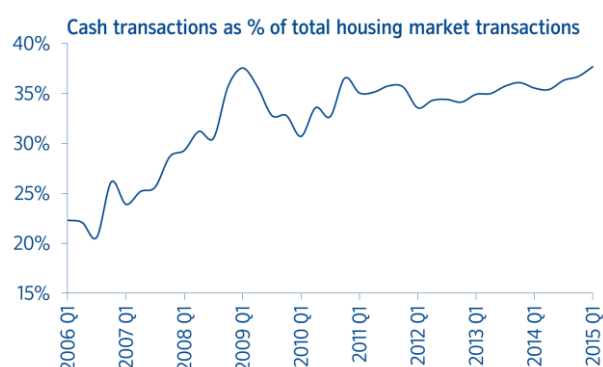
"Over the longer term we would expect house price growth to converge with earnings growth, which has typically been around 4% per annum. However, much will depend on supply side developments - in recent years the rate of building activity has remained well below that required to keep up with population growth.

Cash transactions remain relatively high

"We estimate that the share of cash purchases in the housing market reached an all-time high of 38% in Q1 2015. Continued healthy demand from cash buyers has helped to support transaction levels in recent quarters, since mortgage lending has remained relatively subdued. For example, in Q1 2015 overall housing transactions were down by around 5% compared with Q1 2014, while mortgage completions were around 11% lower.

"Though the 38% share was a record, it was only modestly above the average of 36% prevailing in 2014. The significant rise in the share of cash transactions occurred in the wake of the financial crisis (see chart on right), where a tightening in

credit conditions and a deterioration in the labour market limited the number of people able to buy with a mortgage (developments which would have had much less of an impact on cash buyers).

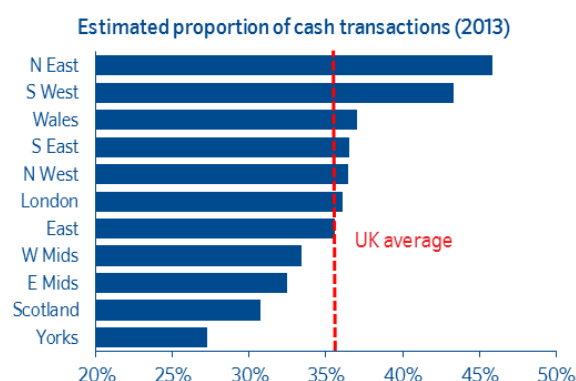


Source: HMRC, CML

"The low interest rate environment is likely to have supported the flow of cash into other asset classes in recent years, including UK residential property.

London - not the pattern you might expect

"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.



Source: HMRC, CML, RMS/Mortgage Clarity, CACI MMDb, NBS estimates

"A limiting factor may be that house prices in the capital are over twice as high as the rest of the UK (£408,780 versus £188,566 in Q1 2015 on our measure)."

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Monthly UK House Price Statistics

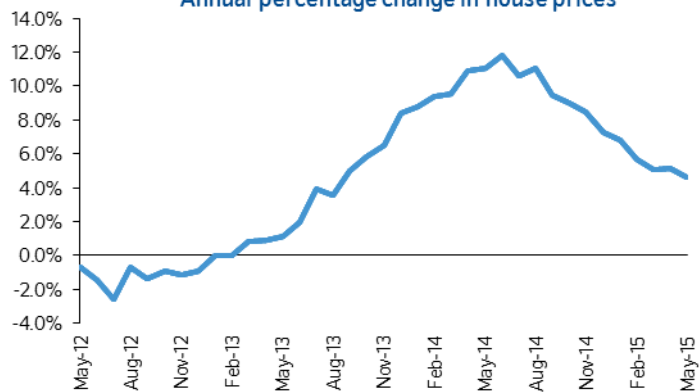
	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
May-13	0.5	0.7	1.1	167,912
Jun-13	0.3	0.6	1.9	168,941
Jul-13	1.2	1.1	3.9	170,825
Aug-13	0.6	1.6	3.5	170,514
Sep-13	1.2	2.4	5.0	172,127
Oct-13	1.0	2.7	5.8	173,678
Nov-13	0.8	3.0	6.5	174,566
Dec-13	1.5	3.1	8.4	175,826
Jan-14	0.8	3.2	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	2.7	10.9	183,577
May-14	0.7	2.4	11.1	186,512
Jun-14	1.0	2.5	11.8	188,903
Jul-14	0.1	2.3	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	0.6	1.4	9.0	189,333
Nov-14	0.3	0.9	8.5	189,388
Dec-14	0.3	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	0.7	5.2	193,048
May-15	0.3	0.9	4.6	195,166

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

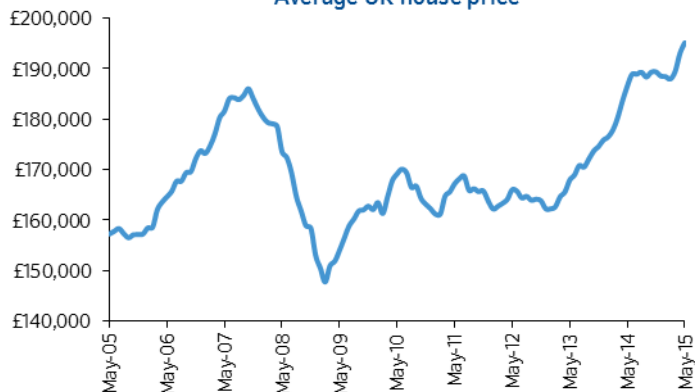
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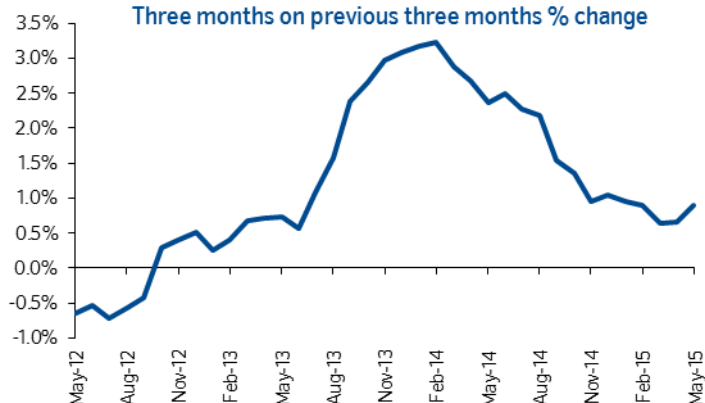
Annual percentage change in house prices



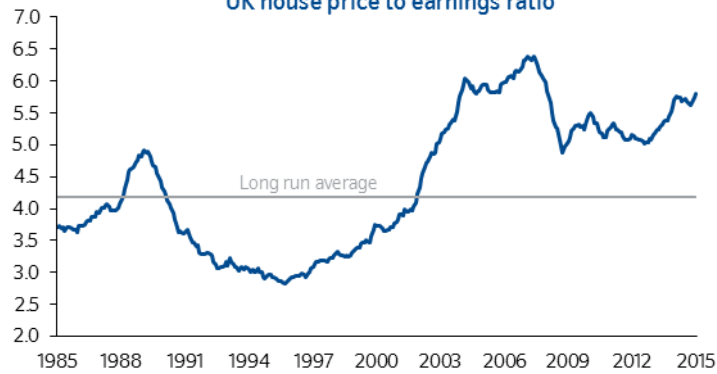
Average UK house price



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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