

Nationwide HOUSE PRICE INDEX



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July 2014

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House price growth moderated in July

- UK house prices increased by 0.1% in July, slowest pace since April 2013
- Annual house price growth remains in double digits, but slows to 10.6% from 11.8% in June

Headlines	Jul-14	Jun-14
Monthly Index*	372.2	372.0
Monthly Change*	0.1%	1.0%
Annual Change	10.6%	11.8%
Average Price (not seasonally adjusted)	£188,949	£188,903

* 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:

"Although UK house prices recorded their fifteenth successive monthly increase in July, the pace of growth slowed. The price of a typical home increased by just 0.1% over the month, while the annual rate of price growth moderated to 10.6% from 11.8% in June.

"The slowdown was not entirely unexpected, given mounting evidence of a moderation in activity in recent months. Mortgage approvals declined by almost 20% between January and May, and there has also been some softening in forward looking indicators, such as new buyer enquiries.

"At least part of the slowdown in activity relates to the introduction of Mortgage Market Review measures. The modest rebound in mortgage approvals in June adds weight to the notion that the slowdown will prove temporary, though the underlying pace of demand remains unclear. With the labour market strengthening, mortgage rates expected to remain low and consumer confidence rising, activity is likely to recover in the months ahead.

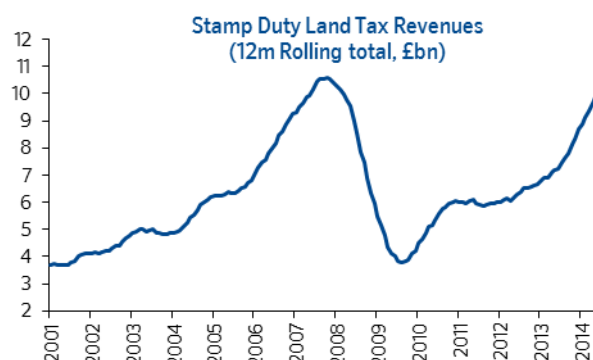
"Over the longer term, the trajectory of house prices will remain crucially dependant on supply side developments. While there have been some encouraging signs that construction activity is picking up, the pace of home building continues to run far below most estimates of what would be

required to keep up with household formation in the years ahead.

Housing market upturn helps drive a significant recovery in stamp duty revenue

"A modest recovery in the number of housing transactions, a pick-up in house price growth and the introduction of higher stamp duty rates on more expensive properties have all contributed to a sharp increase in stamp duty revenues in recent quarters, the majority of which is paid on residential property transactions.

"Indeed, stamp duty revenues are near the all-time highs recorded in 2007/08, reaching over £10 billion in the twelve months to June 2014 (see chart below).



Source: Macrobond

"Variation in house prices have a strong impact on how much stamp duty is paid across different regions of the UK, with some regions contributing a much greater share of the total stamp duty revenues than their share of housing transactions might suggest.

"We estimate that London contributed around 42% of the total stamp duty paid on residential properties in 2013/14, even though the capital only accounted for c.15% of house purchase transactions¹. This largely reflects the substantial

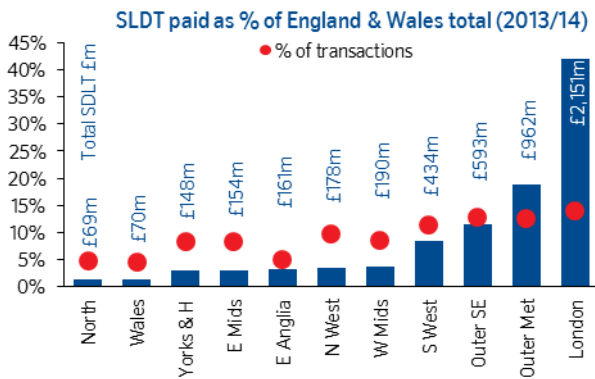
¹ Based on analysis of Land Registry price paid data for England & Wales (<http://www.landregistry.gov.uk/market-trend-data/public-data/price-paid-data>), certain sales are excluded, see <http://www.landregistry.gov.uk/market-trend-data/house-price-data-exclusions> for details

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(and growing) gap between house prices in the capital and the rest of the UK, where the typical London home now costs more than twice the national average².

“By contrast, the North West, where the price of a typical house is well below the national average, accounted for 3% of the total stamp duty paid, markedly less than its 10% share of property transactions”.



Source: Nationwide analysis of Land Registry data

Monthly UK House Price Statistics

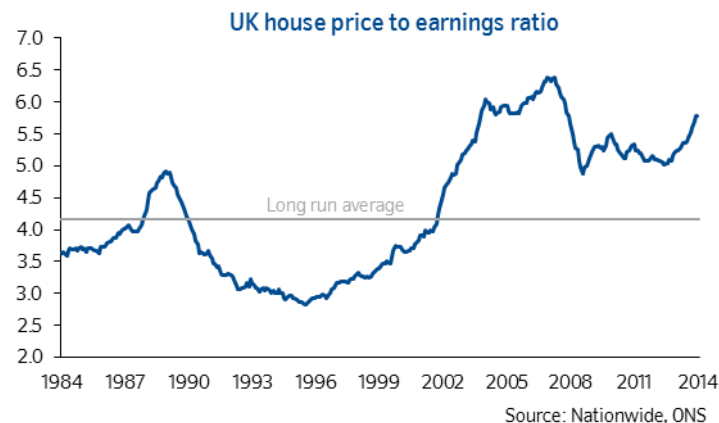
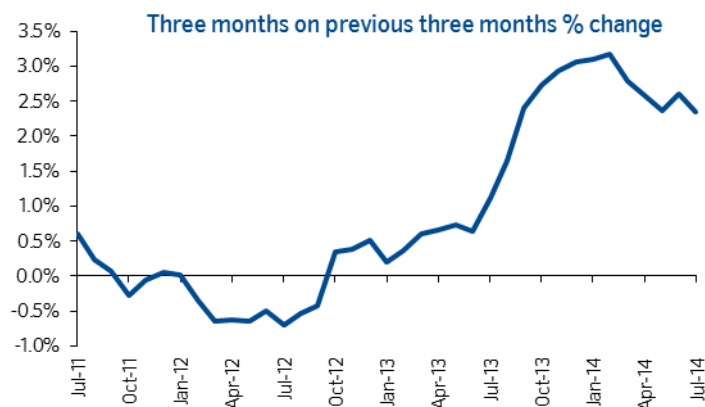
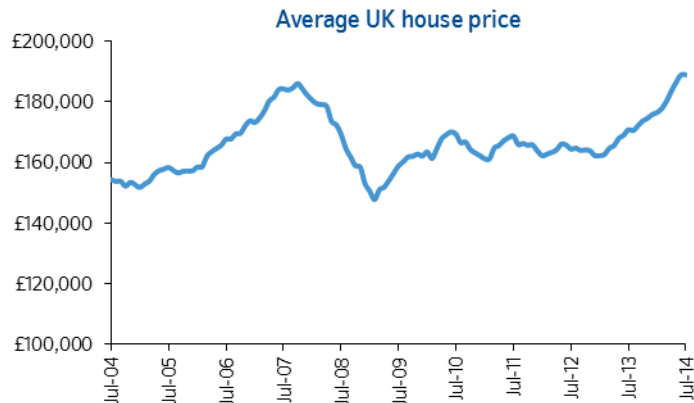
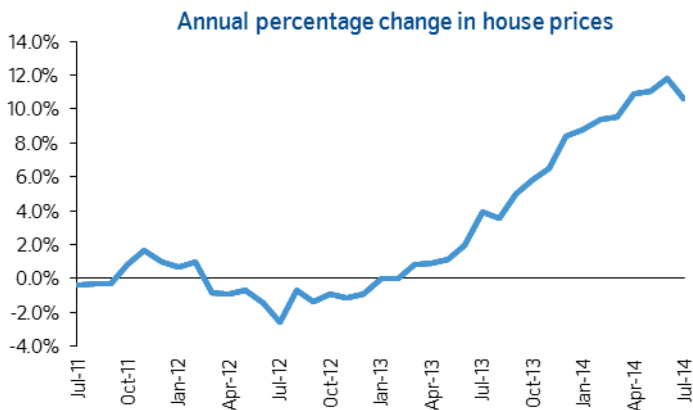
	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Nov-12	0.1	0.4	-1.2	163,853
Dec-12	-0.2	0.5	-1.0	162,262
Jan-13	0.5	0.2	0.0	162,245
Feb-13	0.2	0.4	0.0	162,638
Mar-13	0.3	0.6	0.8	164,630
Apr-13	-0.1	0.7	0.9	165,586
May-13	0.5	0.7	1.1	167,912
Jun-13	0.3	0.6	1.9	168,941
Jul-13	1.2	1.1	3.9	170,825
Aug-13	0.8	1.6	3.5	170,514
Sep-13	1.0	2.4	5.0	172,127
Oct-13	1.1	2.7	5.8	173,678
Nov-13	0.7	2.9	6.5	174,566
Dec-13	1.4	3.1	8.4	175,826
Jan-14	0.9	3.1	8.8	176,491
Feb-14	0.8	3.2	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	0.1	2.3	10.6	188,949

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

² This is based on the figures reported in our Q2 Regional House Price report. The price of a typical London property in Q2 was £400,404, while the UK aggregate figure was £186,544 and £144,851 in the North West.

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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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