

Nationwide HOUSE PRICE INDEX



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July 2019

UK house price growth remained subdued in July

- Slight slowing in the rate of annual house price growth to 0.3%
- Modest 0.3% month-on-month rise, after taking account of seasonal factors

| Headlines | Jul-19 | Jun-19 |
|--|----------|----------|
| Monthly Index* | 429.5 | 428.2 |
| Monthly Change* | 0.3% | 0.1% |
| Annual Change | 0.3% | 0.5% |
| Average Price (not seasonally adjusted) | £217,663 | £216,515 |

* 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 remained below 1% for the eighth month in a row in July, at 0.3%. While house price growth has remained fairly stable, there have been mixed signals from the property market in recent months.

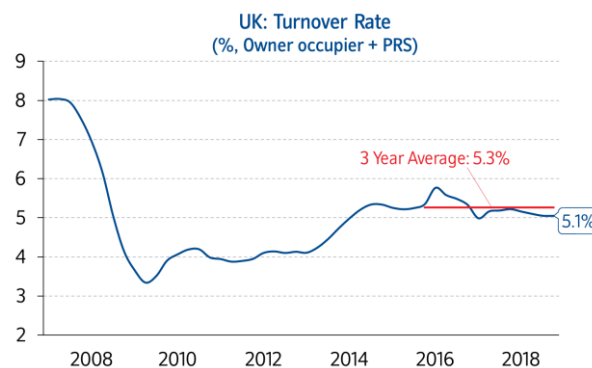
"Surveyors report that new buyer enquiries have increased a little, though key consumer confidence indicators remain subdued. Data on the number of property transactions points to a slowdown in activity, though the number of mortgages approved for house purchase has remained broadly stable.

"Housing market trends will remain heavily dependent on developments in the broader economy. In the near term, healthy labour market conditions and low borrowing costs will provide underlying support, though uncertainty is likely to continue to exert a drag on sentiment and activity.

Low turnover - why aren't people moving?

"Taking a longer-term view, housing market activity has been broadly stable in recent years, with the number of properties changing hands equal to around 5% of the total number of homes in the UK.

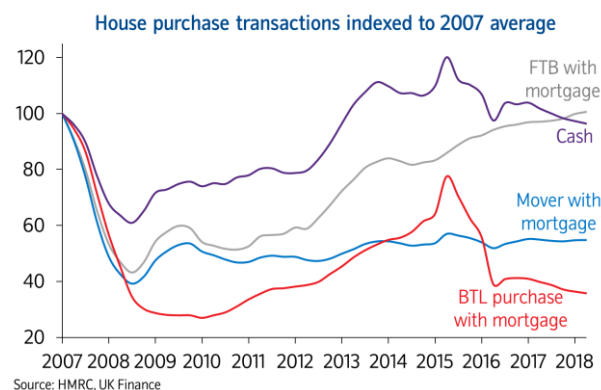
"This turnover rate (of around 5%) is significantly higher than the lows seen in 2009, but is still well below the rates of 8% seen pre-crisis, as shown in the chart above right.



Source: HMRC, MHCLG, NISRA, Nationwide estimates

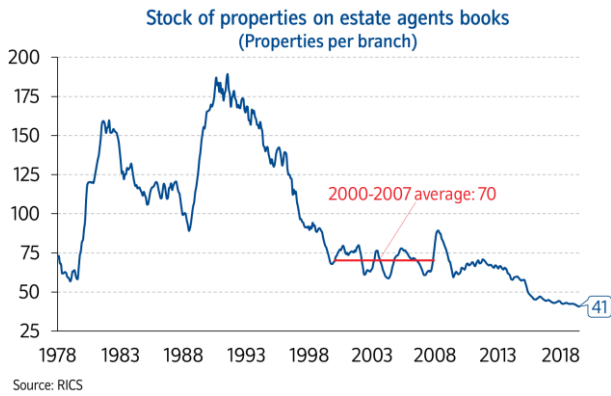
"One of the key factors behind the low turnover rate is the continued weakness in home mover activity, which is still less than half the levels prevailing in 2007 (see chart below).

"By contrast, first time buyer transaction numbers have now almost recovered to pre-crisis norms. This reflects the steady improvement in labour market conditions in recent years, together with historically low mortgage interest rates, and an improvement in credit availability (including the introduction of schemes such as Help to Buy).

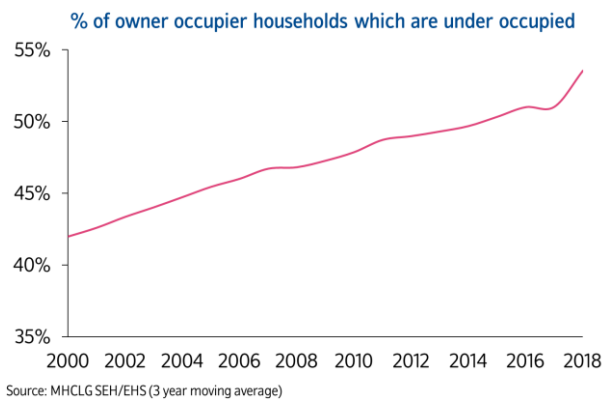


Source: HMRC, UK Finance

"It is less clear why home mover activity has remained so subdued. However, the lack of properties on the market (see the chart at the top of the next page) is likely to be a factor. This has led to a less liquid market, which may be deterring some potential home movers from trying to sell their own properties – a trend which becomes self-reinforcing.

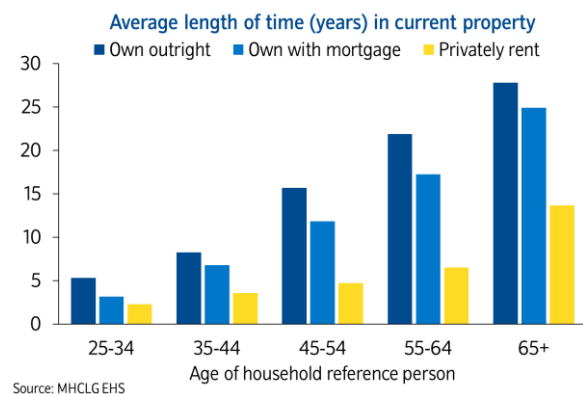


“A possible consequence of the low rate of churn is that the housing stock is not being utilised as effectively as it could be. Indeed, a noticeable trend over the past decade is the steady increase in the proportion of ‘under occupied’ properties, defined as those with two or more spare bedrooms. The latest data indicate that over half of owner occupied properties (54%) are now under occupied, compared with just 15% in the private rental sector.



“There is a demographic aspect to this. Alongside the rise in under occupation, there has been a marked decline in home ownership amongst younger age groups (in particular, those aged 25-34 and 35-44). Under occupation tends to be less prevalent amongst younger households, whereas around two thirds of properties owned by those aged 65 or over have two or more spare bedrooms.

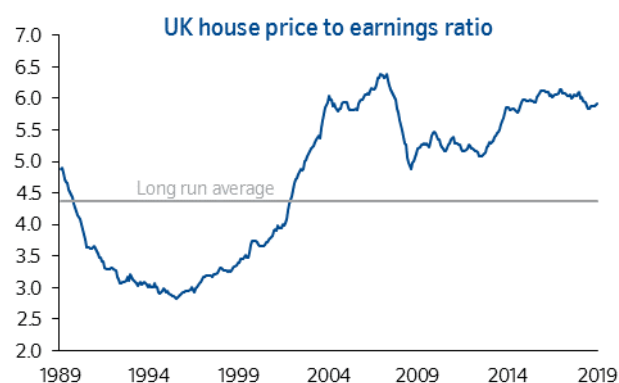
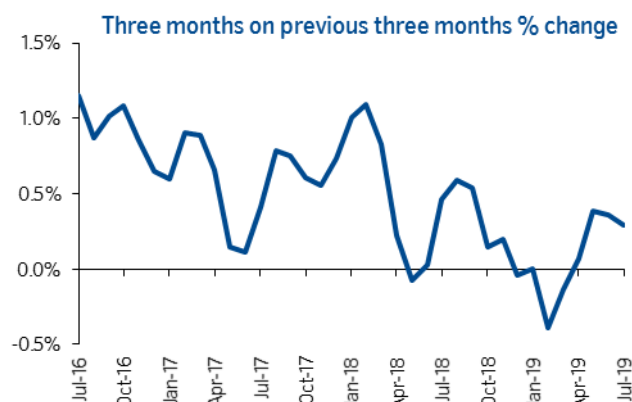
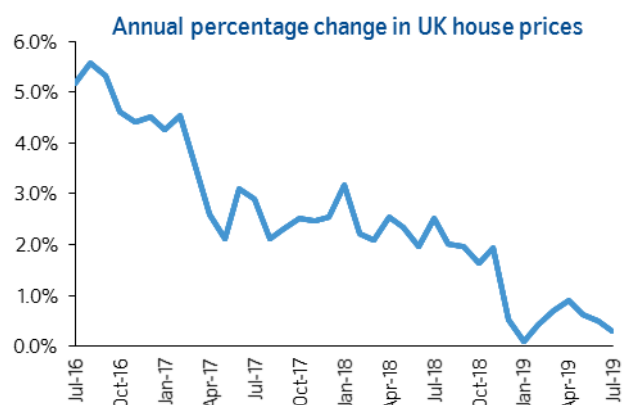
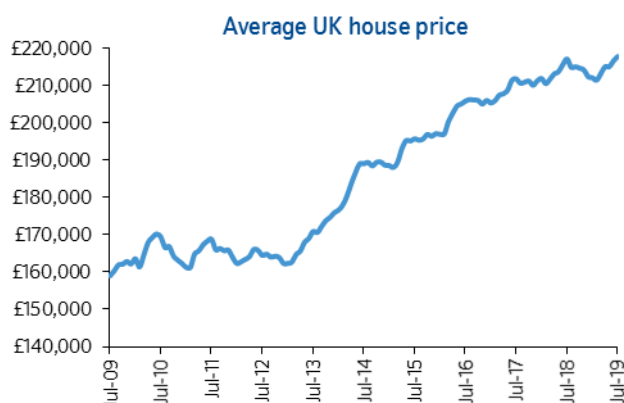
“The declining proportion of younger owner occupiers may also be impacting home mover activity, as younger households tend to move more frequently. For example, for those aged 35-44 owning with a mortgage, the average length of time in their current property is 6.8 years, while for those aged 55-64 it is 17.2 years.”



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Monthly UK House Price Statistics

| | Monthly % Change Seasonally Adjusted | 3 Month on 3 Month % Change | Annual % Change | Average Price |
|--------|--------------------------------------|-----------------------------|-----------------|---------------|
| Jul-17 | 0.1 | 0.4 | 2.9 | 211,671 |
| Aug-17 | 0.0 | 0.8 | 2.1 | 210,495 |
| Sep-17 | 0.3 | 0.8 | 2.3 | 210,801 |
| Oct-17 | 0.2 | 0.6 | 2.5 | 211,085 |
| Nov-17 | 0.1 | 0.6 | 2.5 | 209,988 |
| Dec-17 | 0.6 | 0.7 | 2.6 | 211,156 |
| Jan-18 | 0.7 | 1.0 | 3.2 | 211,756 |
| Feb-18 | -0.4 | 1.1 | 2.2 | 210,402 |
| Mar-18 | -0.1 | 0.8 | 2.1 | 211,625 |
| Apr-18 | 0.1 | 0.2 | 2.6 | 213,000 |
| May-18 | 0.0 | -0.1 | 2.4 | 213,618 |
| Jun-18 | 0.3 | 0.0 | 2.0 | 215,444 |
| Jul-18 | 0.6 | 0.5 | 2.5 | 217,010 |
| Aug-18 | -0.5 | 0.6 | 2.0 | 214,745 |
| Sep-18 | 0.2 | 0.5 | 2.0 | 214,922 |
| Oct-18 | 0.0 | 0.1 | 1.6 | 214,534 |
| Nov-18 | 0.4 | 0.2 | 1.9 | 214,044 |
| Dec-18 | -0.8 | 0.0 | 0.5 | 212,281 |
| Jan-19 | 0.2 | 0.0 | 0.1 | 211,966 |
| Feb-19 | -0.1 | -0.4 | 0.4 | 211,304 |
| Mar-19 | 0.2 | -0.1 | 0.7 | 213,102 |
| Apr-19 | 0.3 | 0.1 | 0.9 | 214,920 |
| May-19 | -0.2 | 0.4 | 0.6 | 214,946 |
| Jun-19 | 0.1 | 0.4 | 0.5 | 216,515 |
| Jul-19 | 0.3 | 0.3 | 0.3 | 217,663 |



Source: Nationwide, ONS

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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/headlines>

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

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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