

Nationwide HOUSE PRICE INDEX



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May 2019

UK house price growth slows in May

- Annual house price growth slowed to 0.6%
- Prices fall 0.2% month-on-month, after taking account of seasonal factors

Headlines	May-19	Apr-19
Monthly Index*	427.3	428.2
Monthly Change*	-0.2%	0.3%
Annual Change	0.6%	0.9%
Average Price (not seasonally adjusted)	£214,946	£214,920

* 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 sixth month in a row in May, at 0.6%.

"Survey data suggests that new buyer enquiries and consumer confidence have remained subdued in recent months. Nevertheless, indicators of housing market activity, such as the number of property transactions and the number of mortgages approved for house purchase, have remained broadly stable.

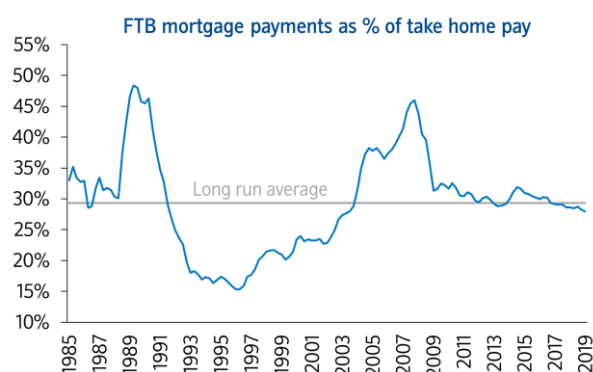
"Housing market trends are likely to continue to mirror developments in the broader economy. While healthy labour market conditions and low borrowing costs will provide underlying support, uncertainty is likely to continue to act as a drag on sentiment and activity, with price growth and transaction levels remaining close to current levels over the coming months.

Deposit barrier key for many potential buyers

"First time buyer numbers have continued their steady recovery in recent quarters, reaching 359,000 in the twelve months to March, just 10% below 2006 peaks. The trend is partly due to robust labour market conditions, with employment rising at a healthy rate, and earnings growth slowly gathering momentum.

"Low borrowing costs have also provided important ongoing support. Even though house prices remain high relative to average incomes, the cost of servicing the typical mortgage

as a share of take home pay has remained close to or below long run averages in most parts of the country.



"The main exception is in London, where a period of rapid house price growth in the three years to 2015 means that monthly mortgage payments would also be unaffordable for a large proportion of the local population.

"Outside of London and the South East, raising a deposit appears to be the main challenge for most prospective first time buyers. The chart below shows the average time it would take someone earning the typical wage in each region setting aside 15% of their take home pay each month to save a 20% deposit to buy the typical first time buyer property.



"Even in Scotland and the North, where property appears most affordable, it would still take someone earning the average wage and saving 15% of their take home pay each month more than five years to save a 20% deposit. In Wales and Northern Ireland, it would take prospective buyers nearly

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seven years, and almost eight for people living in the Midlands.

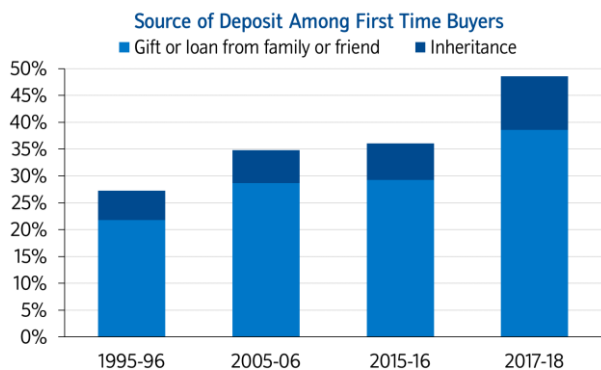
“Reflecting the trend in overall house prices, the deposit challenge is most daunting in the South of England, where it would take an average earner a decade or more to amass a 20% deposit.

“Again, the pressures are most acute in the capital, where someone earning an average income would take more than 15 years to save a 20% deposit on the typical London property (even longer than was the case before the financial crisis when it would have taken over ten years).

Government schemes and family helping to ease deposit constraints

“In recent years a growing proportion of first time buyers have been drawing on help from friends and family or an inheritance to help raise a deposit, as illustrated in the chart below.

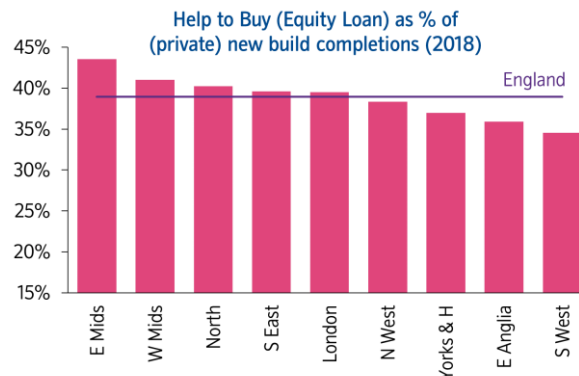
“In 2017/18 almost half of first time buyers had some help raising a deposit, either in the form of a gift or loan from family or a friend or through inheritance, up from around a quarter in the mid-1990s and 35% of buyers in 2015/16.



Source: MHCLGEHS

“The government’s Help to Buy equity loan scheme has also been an important source of support for first time buyers by easing deposit constraints¹.

“Those buying with Help to Buy accounted for 14% of first time buyer transactions in England in 2018 and almost 40% of private new build homes were bought under the scheme last year, although the proportion varies across the country, as shown in the chart above right.



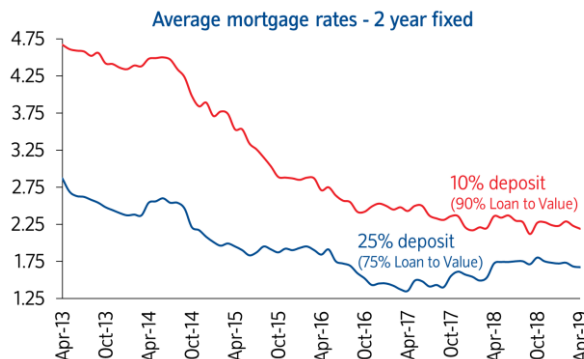
Source: MHCLG

“Help to Buy Wales accounted for over 40% of private new build completions in the principality in 2018. Meanwhile, Scotland saw c2,300 sales in 2017/18 through the Affordable New Build Scheme, approximately 17% of private new build completions, where the lower proportion largely reflects the narrower scope of the scheme.

Market trends also providing a tailwind

“The interest rates charged on mortgages where the borrower puts down a smaller deposit have also declined relative to those with larger deposits in recent quarters, as shown in the chart below.

“This trend is also likely to be allowing some borrowers to enter the market sooner, as there is less of a cost advantage to waiting to accrue a larger deposit.”

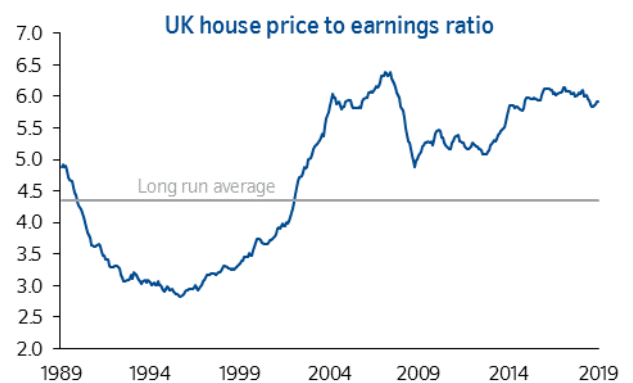
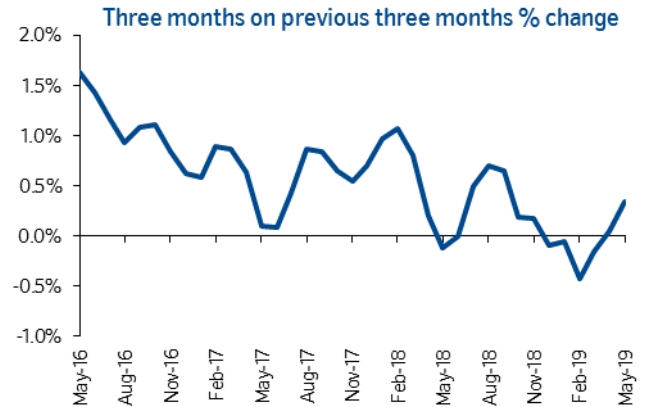
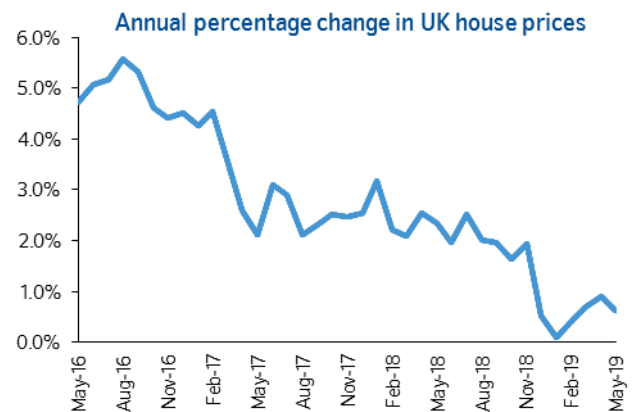
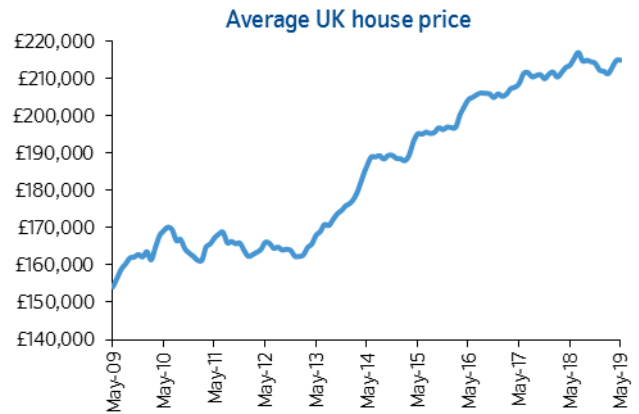


Source: Bank of England

¹ The Help To Buy equity loan scheme in England provides borrowers who have a 5% deposit and are buying a newly built home (up to £600,000) access to an equity loan of up to 20% (40% in London), which is interest free for the first five years. There is a similar scheme in Wales, up to a maximum purchase price of £300,000. In Scotland, the Affordable New Build Scheme offers a 15% equity loan on purchases up to £200,000.

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
May-17	0.1	0.1	2.1	208,711
Jun-17	0.8	0.1	3.1	211,301
Jul-17	0.2	0.4	2.9	211,671
Aug-17	0.0	0.9	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	0.5	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	-0.2	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	0.4	0.0	2.0	215,444
Jul-18	0.6	0.5	2.5	217,010
Aug-18	-0.5	0.7	2.0	214,745
Sep-18	0.2	0.6	2.0	214,922
Oct-18	0.0	0.2	1.6	214,534
Nov-18	0.3	0.2	1.9	214,044
Dec-18	-0.8	-0.1	0.5	212,281
Jan-19	0.2	-0.1	0.1	211,966
Feb-19	-0.1	-0.4	0.4	211,304
Mar-19	0.2	-0.2	0.7	213,102
Apr-19	0.3	0.0	0.9	214,920
May-19	-0.2	0.3	0.6	214,946



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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