

Nationwide HOUSE PRICE INDEX



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January 2018

Unexpected pickup in annual price growth in January

- Annual house price growth accelerates to 3.2%
- Month-on-month pace of increase steady at 0.6%

Headlines	Jan-18	Dec-17
Monthly Index*	426.3	423.7
Monthly Change*	0.6%	0.6%
Annual Change	3.2%	2.6%
Average Price (not seasonally adjusted)	£211,756	£211,156

* 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 rate of house price growth picked up to 3.2% at the start of 2018, compared with 2.6% at the end of 2017. House prices increased by 0.6% over the month, after taking account of seasonal factors, the same increase as December.

"The acceleration in annual house price growth is a little surprising, given signs of softening in the household sector in recent months. Retail sales were relatively soft over the Christmas period, as were key measures of consumer confidence, as the squeeze on household incomes continued to take its toll.

"Similarly, mortgage approvals declined to their weakest level for three years in December, at just 61,000. Activity around the year end can often be volatile, but the weak reading comes off the back of subdued activity in October and November (monthly approvals were around 65,000 per month compared to an average of 67,000 over the previous twelve months). There are few signs of an imminent pickup, as surveyors report that new buyer enquiries have remained soft in recent months.

"But activity has been subdued on both the demand and supply side of the market. The flow of properties coming onto estate agents' books has been more of trickle than a torrent for some time now and the lack of supply is likely to be the key factor providing support to house prices.

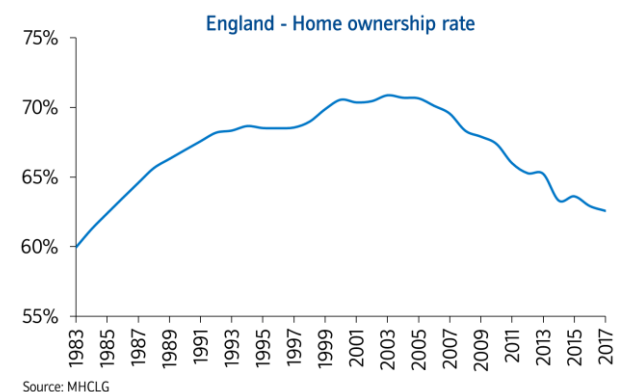
"How the housing market performs in the year ahead will be determined in large part by developments in the wider economy. Brexit developments will remain important, though these remain hard to foresee.

"We continue to expect the UK economy to grow at modest pace, with annual growth of 1% to 1.5% in 2018 and 2019. Subdued economic activity and the ongoing squeeze on household budgets is likely to exert a modest drag on housing market activity and house price growth.

"Nevertheless, housing market activity is expected to slow only modestly, since unemployment and mortgage interest rates are expected to remain low by historic standards. Similarly, the subdued pace of building activity evident in recent years and the shortage of properties on the market are likely to provide ongoing support for house prices.

Is the home ownership rate stabilising?

"The latest English Housing Survey from the Ministry of Housing, Communities & Local Government (MHCLG) revealed that the home ownership rate remained broadly stable in 2017 at 62.6% (compared with 62.9% in 2016). Nonetheless, this is similar to the rate seen in the mid-1980s and down from a peak of 70.9% in 2003.

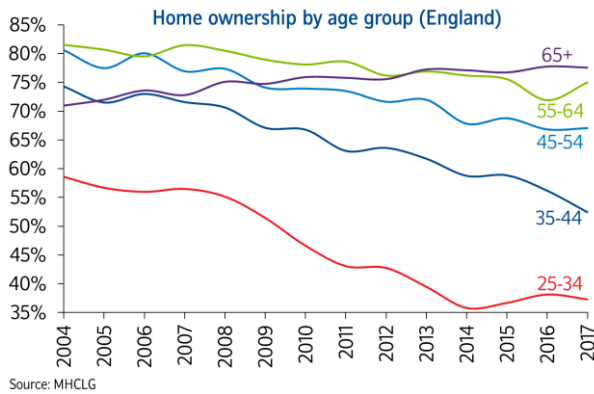


"Over the past decade, there has been a particularly marked decline in the home ownership rate amongst young adults (those aged 25-34) - traditionally the segment containing most first time buyers - with just 37% owning their own home (see chart on the next page).

Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
Mike Pitcher, Media Relations Manager, mike.pitcher@nationwide.co.uk



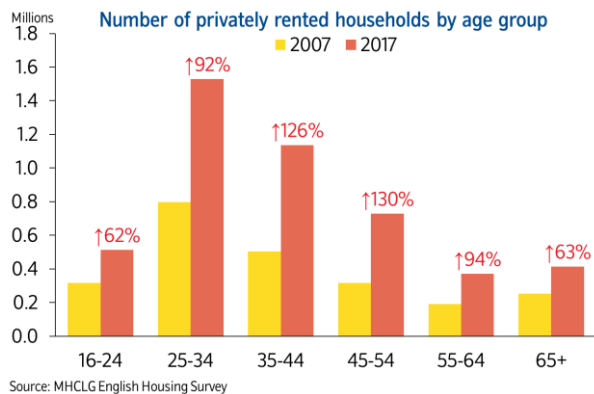
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“The fall in home ownership rate amongst those aged 35-44 has been particularly pronounced in recent years, suggesting that rather than just buying later, some would-be first time buyers are not buying at all, perhaps because of growing affordability pressures.

“Consequently, the private rental sector has continued to absorb growth in households, with the number of privately rented households reaching a record high of 4.7 million, an increase of around 75% over the past decade. 20% of households in England are now privately rented, up from 13% in 2007.

“Within the 35-44 age group, the number of households renting has increased by 126% over the past ten years to 1.1 million. There has also been a significant increase in the number of privately rented households in the 45-54 age group (see chart below).

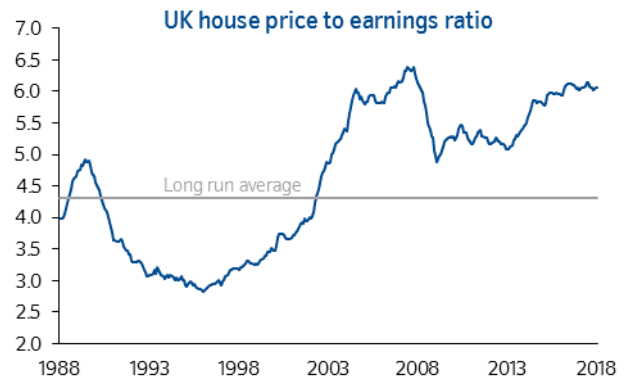
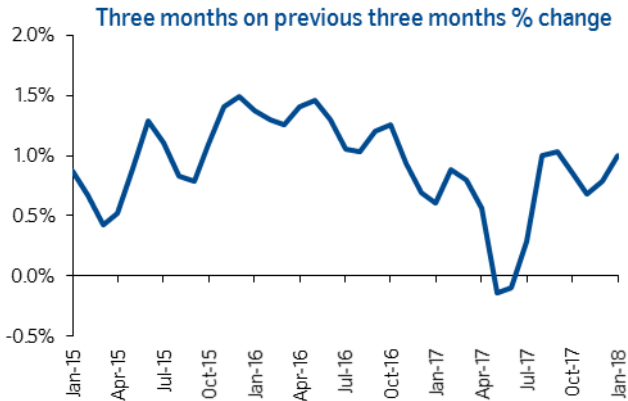
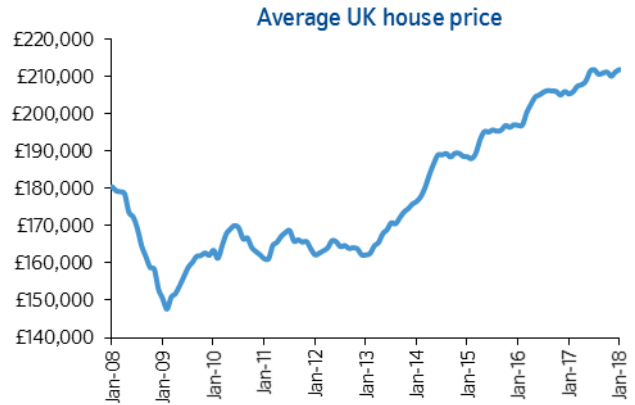
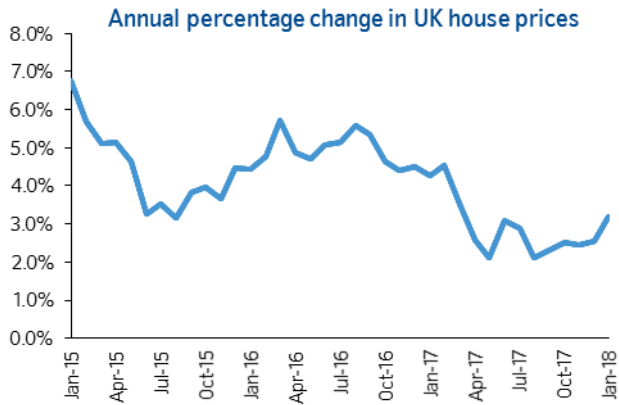


“It is interesting to note that the private rental market has continued to show steady growth despite a significant slowing in buy to let mortgage lending, suggesting a shift amongst landlords towards cash purchases. Changes to the tax system, limiting deductibility of mortgage interest, may be one of the factors behind this.

“Within the owner occupier sector, we’ve also seen a further uptick in the number owning outright, which stands at a record high of 7.9 million. This is an increase of 1.4 million over the past decade, nearly all of which has been amongst homeowners aged 65 or above.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Jan-16	0.3	1.4	4.4	196,829
Feb-16	0.4	1.3	4.8	196,930
Mar-16	0.7	1.3	5.7	200,251
Apr-16	0.5	1.4	4.9	202,436
May-16	0.2	1.5	4.7	204,368
Jun-16	0.2	1.3	5.1	204,968
Jul-16	0.4	1.1	5.2	205,715
Aug-16	0.7	1.0	5.6	206,145
Sep-16	0.3	1.2	5.3	206,015
Oct-16	0.0	1.3	4.6	205,904
Nov-16	0.1	0.9	4.4	204,947
Dec-16	0.5	0.7	4.5	205,898
Jan-17	0.0	0.6	4.3	205,240
Feb-17	0.7	0.9	4.5	205,846
Mar-17	-0.3	0.8	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699
May-17	-0.2	-0.1	2.1	208,711
Jun-17	1.1	-0.1	3.1	211,301
Jul-17	0.2	0.3	2.9	211,671
Aug-17	-0.1	1.0	2.1	210,495
Sep-17	0.4	1.0	2.3	210,801
Oct-17	0.3	0.8	2.5	211,085
Nov-17	0.1	0.7	2.5	209,988
Dec-17	0.6	0.8	2.6	211,156
Jan-18	0.6	1.0	3.2	211,756



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/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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Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
Mike Pitcher, Media Relations Manager, mike.pitcher@nationwide.co.uk



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