

Nationwide HOUSE PRICE INDEX



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September 2017

London house prices fall for first time in 8 years

- London weakest performing region for first time since 2005, with house prices down 0.6% year-on-year
- UK annual house price growth stable at 2.0% in September

Headlines	Sep-17	Aug-17
Monthly Index*	418.6	417.8
Monthly Change*	0.2%	-0.1%
Annual Change	2.0%	2.1%
Average Price (not seasonally adjusted)	£210,116	£210,495

* 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 remained broadly stable in September at 2.0%, compared with 2.1% in August.

"Housing market activity, as measured by the number of housing transactions and mortgage approvals, has strengthened a little in recent months, though remains relatively subdued by historic standards.

"Low mortgage rates and healthy rates of employment growth are providing some support for demand, but this is being partly offset by pressure on household incomes, which appear to be weighing on confidence. The lack of homes on the market is providing ongoing support to prices.

"House price growth rates across the UK have converged in recent quarters. Annual growth rates in the south of England have moderated towards those prevailing in the rest of the country. London has seen a particularly marked slowdown, with prices falling in annual terms for the first time in eight years, albeit by a modest 0.6%. Consequently, London was the weakest performing region for the first time since 2005.

Near-term rate hike is becoming more likely

"At its September meeting, the Bank of England's Monetary Policy Committee (MPC) signalled that, if the economy evolves broadly in line with its expectations, an interest rate

increase is likely in the months ahead. This would be the first increase in the Bank Rate since July 2007.

"Clearly, much will depend on how the economy evolves, but most economists and financial market pricing suggest that a small rise of 0.25% is likely at the MPC's next meeting in November, which would take Bank Rate to 0.5%.

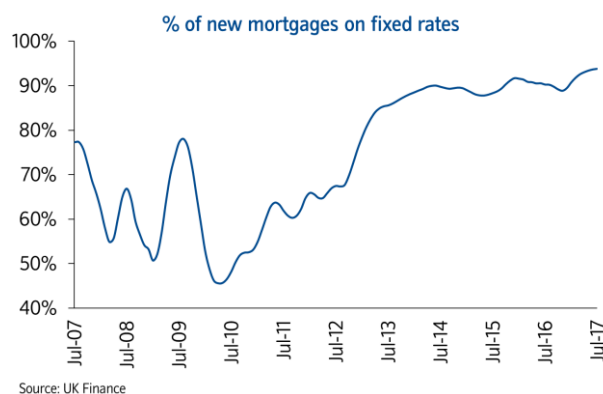
"We would expect a modest rise in Bank Rate, by itself, to have only a modest impact on economic activity. Indeed, if rates are raised to 0.5%, monetary policy settings will still be a little more supportive than they were before Bank Rate was lowered to 0.25% in August 2016.

"This is because the MPC is unlikely to reverse the other measures it put in place last year to support credit availability in the wider economy (such as the additional purchases of government and corporate bonds, which have helped to keep longer term borrowing costs low). Moreover, the MPC has signalled that it expects any increase in interest rates to be gradual and limited. Indeed, financial market pricing suggests that Bank Rate is only likely to rise by around one percentage point (to 1.25%) over the next five years.

How much of a squeeze would an increase in rates exert on households?

"Providing the economy does not weaken further, the impact of a small rise in interest rates on UK households is likely to be modest.

"This is partly because the proportion of borrowers directly impacted will be smaller than in the past. In recent years the vast majority of new mortgages have been extended on fixed interest rates (see chart below).



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“The share of outstanding mortgages on variable interest rates (and which are therefore likely to see an increase in payments if Bank Rate is increased) has fallen to its lowest level on record, at c40%, down from a peak of 70% in 2001.

“Moreover, a 0.25% increase in rates is likely to have a modest impact on most borrowers who are on variable rates. For example, on the average mortgage, an increase of 0.25% would increase monthly payments by £15 to £665 (equivalent to £180 per year).

“That’s not to say that the rise will be welcome news for many borrowers. Household budgets are already under pressure from the fact that wages have not been rising as fast as the cost of living. Indeed, in real terms (i.e. after adjusting for inflation) wage rates are still at levels prevailing in 2005.

“Moreover, some households already have a relatively high debt service burden. For example, the English Housing Survey suggests that around 12% of households already spend over 30% of their gross income on their mortgage each month¹. For these households, some of which will be on variable rates, the rise will be a struggle, even though the impact on the wider economy and most households is likely to be modest.

“A first increase in interest rates for ten years will be welcomed by savers, though it is likely to provide limited relief. An increase in Bank Rate will not be passed on to all savings accounts (for example, we estimate that around 15% of balances are on fixed rates) and, even where the rise is passed on in full, rates will remain low by historic standards.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Sep-15	0.6	0.8	3.8	195,585
Oct-15	0.6	1.1	3.9	196,807
Nov-15	0.2	1.4	3.7	196,305
Dec-15	0.7	1.5	4.5	196,999
Jan-16	0.4	1.4	4.4	196,829
Feb-16	0.4	1.4	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	1.4	4.7	204,368
Jun-16	0.2	1.2	5.1	204,968
Jul-16	0.4	1.0	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	0.0	0.9	4.4	204,947
Dec-16	0.7	0.7	4.5	205,898
Jan-17	0.1	0.6	4.3	205,240
Feb-17	0.6	1.0	4.5	205,846
Mar-17	-0.3	0.9	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699
May-17	-0.2	-0.2	2.1	208,711
Jun-17	1.1	-0.2	3.1	211,301
Jul-17	0.2	0.2	2.9	211,671
Aug-17	-0.1	1.0	2.1	210,495
Sep-17	0.2	0.9	2.0	210,116

¹ DCLG English Housing Survey 2016, Table AT3.4

Quarterly Regional House Price Statistics

Q3 2017

Please note that these figures are for the three months to September, therefore will show a different UK average price and annual percentage change to our *monthly* house price statistics.

Regions over the last 12 months

Region	Average Price (Q3 2017)	Annual % change this quarter	Annual % change last quarter
East Midlands	£177,825	5.1%	4.1%
South West	£240,832	4.8%	4.4%
West Midlands	£183,018	4.6%	3.6%
Outer SE	£277,519	3.9%	3.5%
East Anglia	£222,080	3.9%	5.0%
North West	£156,193	2.8%	4.1%
Wales	£149,970	2.6%	1.4%
North	£127,213	2.5%	1.1%
N Ireland	£133,659	2.4%	3.8%
Outer Met	£365,584	2.1%	2.1%
Scotland	£146,022	1.9%	1.7%
Yorks & H	£151,482	0.4%	2.3%
London	£471,761	-0.6%	1.2%
UK	£210,982	2.2%	2.8%

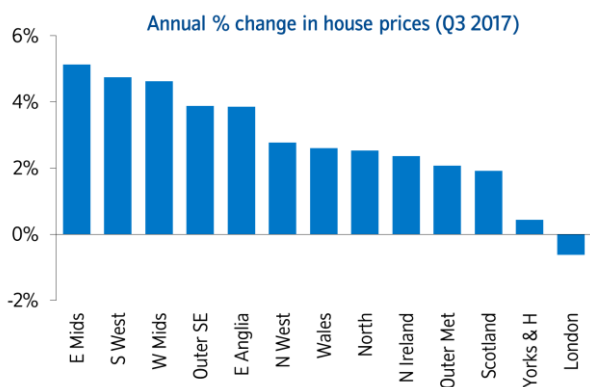
East Midlands top performing region in Q3

Annual house price growth rates across the UK regions remained within a fairly narrow range once again in the third quarter.

East Midlands was the strongest performing region, with prices up 5.1% year-on-year in Q3. This is the first time since 2002 that the East Midlands has taken the top spot.

London was the only region to see a year-on-year price decline, with a 0.6% fall. This is the first time since Q3 2009 that London house prices have fallen on an annual basis.

Northern Ireland saw a softening in annual growth to 2.4%, from 3.8% last quarter, while Wales saw a slight pick-up, to 2.6%. Annual price growth in Scotland was similar to last quarter at 1.9%.



England: House price growth continues to slow in the South

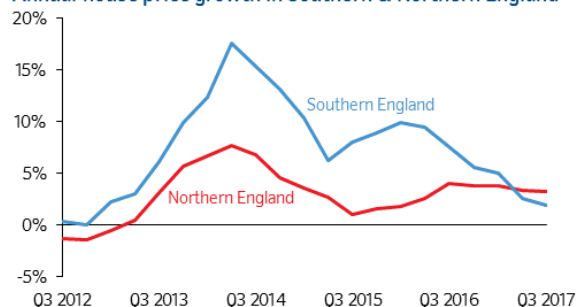
England (Q3 2017)	
Average house price	£261,456
Annual percentage change	2.3%
Quarterly change*	0.7%
Most expensive region	London
Least expensive region	North
Strongest annual price change	East Midlands
Weakest annual price change	London

* Seasonally adjusted

Average house prices in England increased by 0.7% during the third quarter and were up 2.3% over the last 12 months.

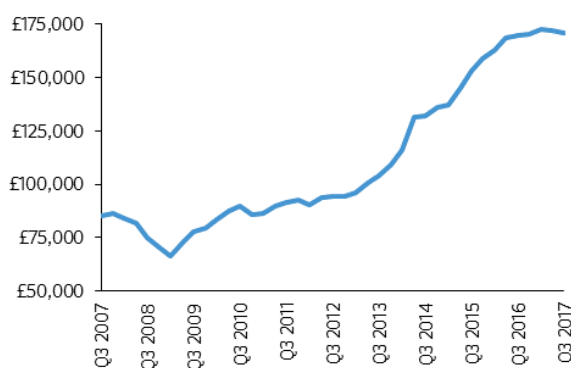
Continuing the pattern seen last quarter, price growth in Northern England (West Midlands, East Midlands, Yorkshire & Humberside, North West and North) exceeded that in Southern England (South West, Outer South East, Outer Metropolitan, London and East Anglia). Northern England saw a 3.2% year-on-year increase, while in the South prices were up 1.9%.

Annual house price growth in Southern & Northern England



While price growth in the South has slowed, the gap in cash terms between Southern and Northern England is still exceptionally high at £171,000, a figure which has doubled over the past decade.

House price gap between Southern & Northern England



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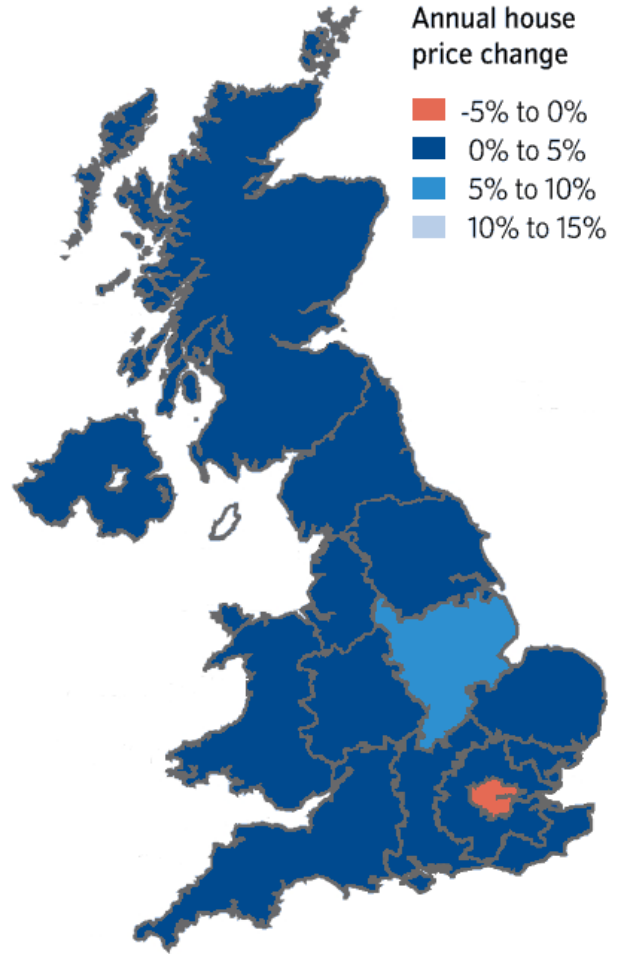
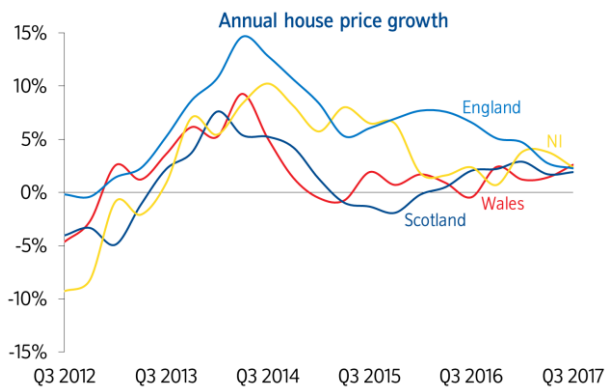
UK Fact File (Q3 2017)	
Quarterly average UK house price	£210,982
Annual percentage change	2.2%
Quarterly change*	0.7%
Most expensive region	London
Least expensive region	North
Strongest annual price change	East Midlands
Weakest annual price change	London

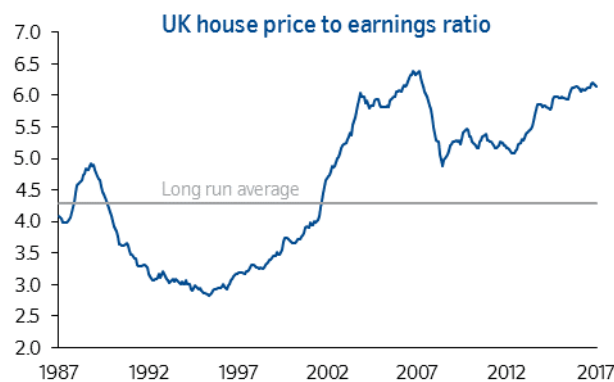
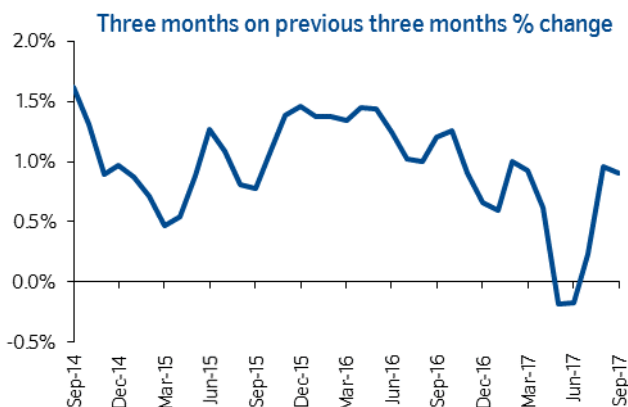
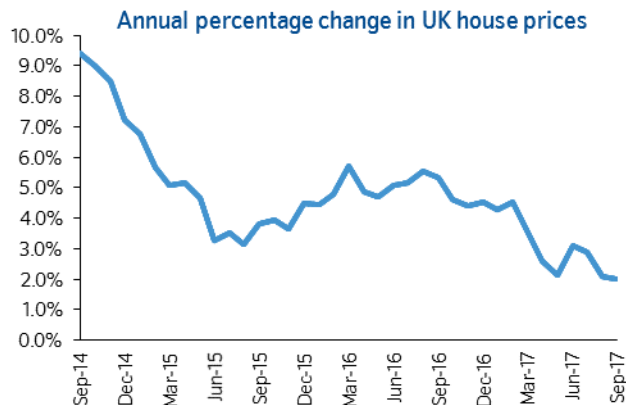
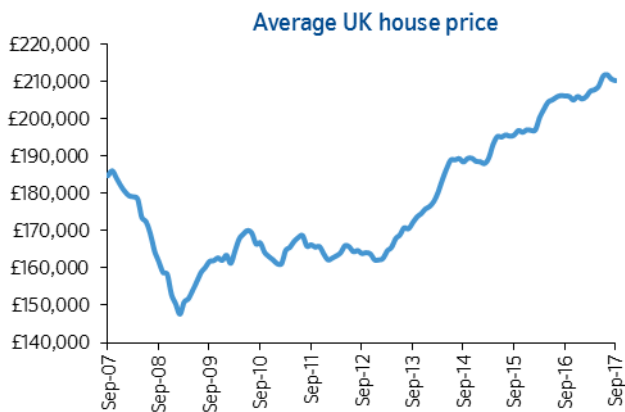
* Seasonally adjusted

Nations – annual & quarterly price change

Nation	Average Price (Q3 2017)	Annual % change this quarter	Quarterly % change*
Wales	£149,970	2.6%	1.2%
N Ireland	£133,659	2.4%	0.0%
England	£261,456	2.3%	0.7%
Scotland	£146,022	1.9%	1.3%

* Seasonally adjusted





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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