

Nationwide HOUSE PRICE INDEX



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June 2014

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House price growth remained strong in June

- UK house prices increased by 1% in June and were 11.8% higher than June 2013
- Prices have surpassed their 2007 peak
- All regions saw annual price gains in Q2, South of England continues to outperform

Headlines	Jun-14	May-14
Monthly Index*	372.2	368.6
Monthly Change*	1.0%	0.7%
Annual Change	11.8%	11.1%
Average Price (not seasonally adjusted)	£188,903	£186,512

* 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:

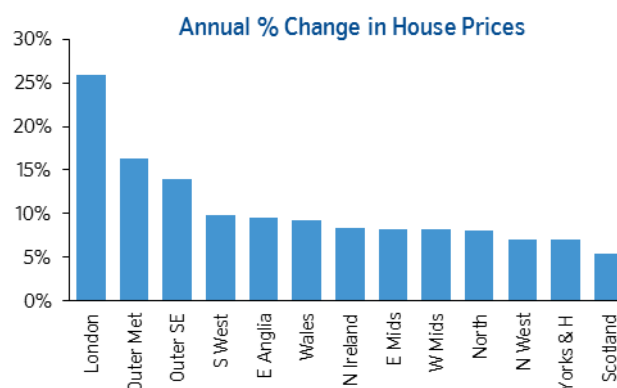
"House prices recorded their fourteenth successive monthly increase in June, rising by 1%. As a result, the annual pace of price growth picked up to 11.8% from 11.1% the previous month.

"In seasonally adjusted terms house prices reached their 2007 peak in Q2, just as UK economic output is likely to have surpassed the high water mark reached before the financial crisis.

"While all regions recorded annual price gains for the fourth quarter in a row, there is still significant variation across the UK, with the South of England continuing to record the strongest rates of growth. In particular, London continued to outperform, with prices up by almost 26% in Q2 compared to the same period of 2013.

"The price of a typical property in London reached the £400,000 mark for the first time, with prices in the capital now around 30% above their 2007 highs and more than twice the level prevailing in the rest of the UK when London is excluded. In the UK as a whole, prices are less than 1% above their pre-crisis peak. Excluding London they are 0.4% below peak.

"The annual pace of growth in the capital will probably start to slow in the quarters ahead, given the high base for comparison from Q3 2013 onwards and given anecdotal evidence from surveyors and estate agents that activity may be starting to moderate.



[For more information on regional house price developments, please read our Quarterly House Price Report](#)

Recent policy measures unlikely to have a significant impact in the near term

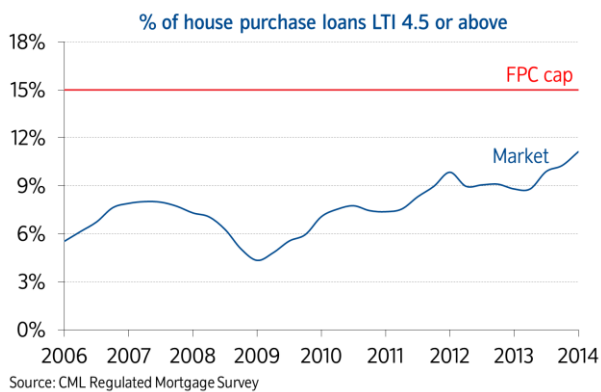
"The Financial Policy Committee's decisions to limit the proportion of lending at or above 4.5 times borrowers' income to no more than 15% of new loans¹ and to introduce a stress test to ensure that borrowers can afford a three percentage point increase in Bank Rate are unlikely to have a significant impact on housing transactions or the pace of price growth in the near term.

"Most major lenders are already using a stress rate in their affordability calculation that is broadly consistent with the new stress test. Similarly, the proportion of house purchase loans at or above 4.5 times borrowers' income is currently some way below the 15% cap (see chart on next page).

¹ Separately, HM Treasury announced that no new loans at or above 4.5 times borrowers' income can be included in the Help to Buy mortgage guarantee scheme.

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“However, these policy measures, along with previous actions, such as the introduction of Mortgage Market Review (MMR) measures, should help to limit the risk of house prices becoming detached from earnings without de-railing the recovery in the wider housing market.

“This is important, since lending activity has slowed markedly in recent months, with mortgage approvals in May around 19% below January’s high. The slowdown may partly be the result of the introduction of MMR measures, which may take a few months to bed down. However, the underlying pace of demand remains unclear, and transaction levels remain some way below historic averages.

Rising longer term interest rates may also dampen buyer demand

“Mounting expectations that interest rates may rise earlier than previously anticipated may also act to dampen housing market activity in the months ahead. As investors have become more confident that the Bank Rate will start to rise gradually from late 2014 or early 2015, so longer term interest rates have started to increase. If this is sustained, it is likely to feed through to mortgage rates, which would also help to prevent buyer demand rising too strongly.

“Nevertheless, it is important to note that the Financial Policy Committee does not have the tools to address the fundamental problem in the housing market – the lack of supply. While there are encouraging signs that the pace of construction has picked up, the pace of house building is still well below the expected pace of household formation.”

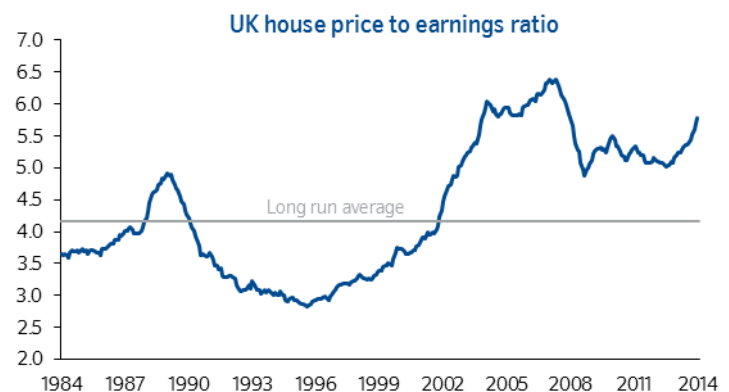
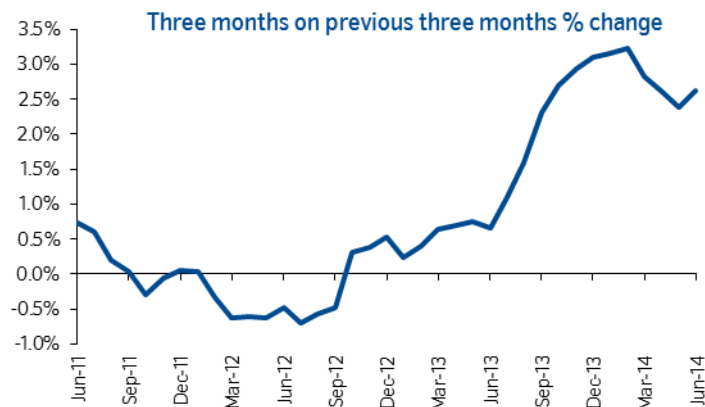
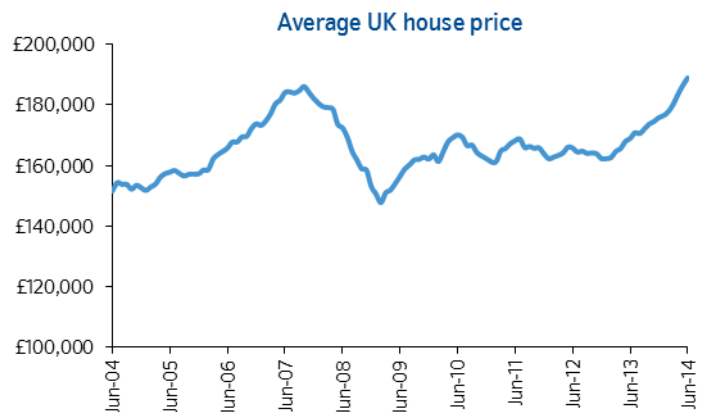
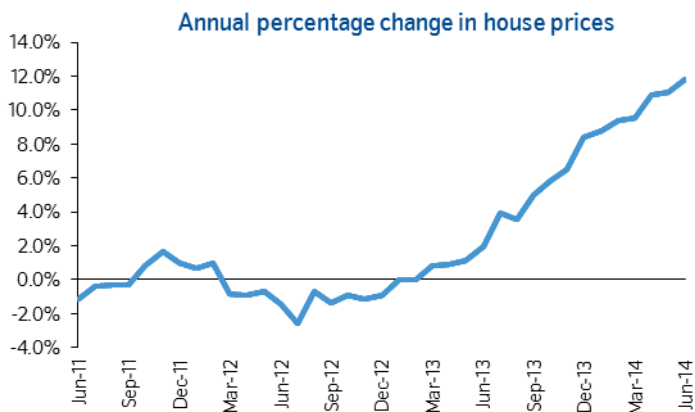
Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Oct-12	0.5	0.3	-0.9	164,153
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	0.3	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	0.8	1.1	167,912
Jun-13	0.3	0.7	1.9	168,941
Jul-13	1.0	1.1	3.9	170,825
Aug-13	0.8	1.6	3.5	170,514
Sep-13	1.0	2.3	5.0	172,127
Oct-13	1.1	2.7	5.8	173,678
Nov-13	0.8	2.9	6.5	174,566
Dec-13	1.5	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

Note: Historical figures including index levels can be viewed using the following link: www.nationwide.co.uk/hpi/datadownload

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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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