

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

December 2021

UK house prices end the year at a record high, with annual price growth in double digits

- Annual house price growth increased to 10.4%, from 10.0% in November
- 2021 was the strongest calendar year for house price growth since 2006
- Price of a typical UK home hit record high of £254,822, up nearly £24,000 over the year
- Wales was the strongest performing region in 2021, London the weakest

Headlines	Dec-21	Nov-21
Monthly Index*	508.6	503.5
Monthly Change*	1.0%	0.9%
Annual Change	10.4%	10.0%
Average Price (not seasonally adjusted)	£254,822	£252,687

* 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 in double digits in December at 10.4%, making 2021 the strongest calendar year performance since 2006. Prices rose by 1% month-on-month, after taking account of seasonal effects.

"The price of a typical UK home is now at a record high of £254,822, up £23,902 over the year - the largest rise we've seen in a single year in cash terms. Prices are now 16% higher than before the pandemic struck in early 2020.

"Demand has remained strong in recent months, despite the end of the stamp duty holiday at the end of September. Mortgage approvals for house purchase have continued to run above pre-pandemic levels, despite the surge in activity seen earlier in the year. Indeed, in the first 11 months of 2021 the total number of property transactions was almost 30% higher than over the same period of 2019.

"At the same time, the stock of homes on the market has remained extremely low throughout the year, which has contributed to the robust pace of price growth.

Will the market cool in 2022?

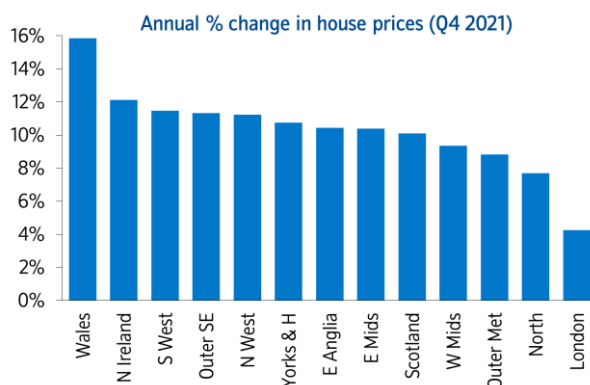
"It appears likely that the housing market will slow next year, since the stamp duty holiday encouraged many to bring forward their house purchase in order to avoid additional tax. The Omicron variant could reinforce the slowdown if it leads to a weaker labour market. Even if wider economic conditions remain resilient, higher interest rates are likely to exert a cooling influence. Indeed, house price growth has outpaced income growth by a significant margin over the past 18 months and, as a result, housing affordability is already less favourable than before the pandemic struck.

"However, the outlook remains extremely uncertain. The strength of the market surprised in 2021 and could do so again in the year ahead. The market still has significant momentum and shifts in housing preferences as a result of the pandemic could continue to support activity and price growth. Indeed, the Omicron variant could serve to reinforce the shift in preferences in the near term.

Mixed picture across regions, but Wales top performing region over the year

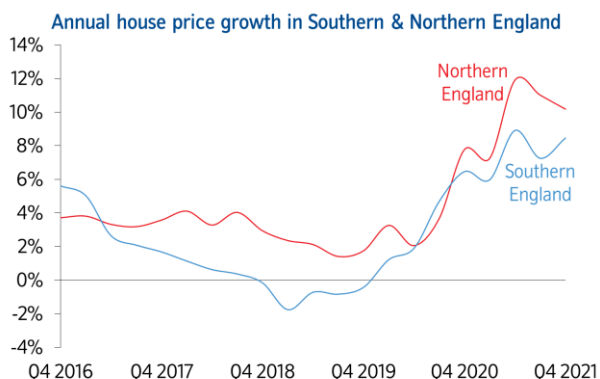
"Our regional house price indices are produced quarterly, with data for Q4 (the three months to December) continuing to show a mixed picture across the country.

"Wales ended the year as the strongest performing region, with house prices up 15.8% year-on-year. This is the first time in the history of our regional series (which begin in 1973) that Wales has ended the year as the top performing region. Price growth remained elevated in Northern Ireland at 12.1%, the strongest end to the year for the region since 2007. Annual house price growth in Scotland was 10.1%, in line with the wider UK outturn (on a quarterly basis).



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“England saw a slight increase in annual price growth to 9.0%, from 8.5% in the third quarter. While there was a slowing in northern England (North, North West, Yorkshire & Humberside, East Midlands and West Midlands), annual price growth continued to exceed that in southern England (London, Outer Metropolitan, Outer South East, East Anglia and South West).



“The South West was the strongest performing English region, with annual price growth of 11.5%, the largest calendar year increase in the region since 2004.

“This was closely followed by the Outer South East, which saw annual price growth increase to 11.3%, from 9.8% the previous quarter. The Outer South East, which includes cities such as Brighton, Southampton and Oxford, was also one of the strongest English regions in 2021.

“London was again the weakest performer, with annual growth remaining at 4.2%. London was the only UK region to see lower annual price growth in 2021 than in 2020, as shown in the table below.

“The North West saw the strongest growth of the regions in northern England, with annual price growth of 11.2%, similar to the previous quarter.

Region	Average Price (Q4 2021)	2021 Annual £ rise	2021 Annual % rise	2020 Annual % rise
Wales	£196,759	£26,913	15.8%	6.6%
N Ireland	£167,479	£18,096	12.1%	5.9%
South West	£294,845	£30,333	11.5%	6.6%
Outer S East	£329,869	£33,579	11.3%	8.0%
North West	£196,806	£19,882	11.2%	8.0%
Yorks & H	£190,855	£18,530	10.8%	7.7%
East Anglia	£268,146	£25,342	10.4%	6.4%
East Mids	£221,813	£20,861	10.4%	8.6%
Scotland	£172,605	£15,836	10.1%	3.2%
West Mids	£227,031	£19,428	9.4%	7.5%
Outer Met	£410,992	£33,316	8.8%	5.6%
North	£148,105	£10,574	7.7%	6.5%
London	£507,230	£20,668	4.2%	6.2%
UK	£253,113	£23,294	10.1%	6.4%

Affordability becoming more stretched

“Housing affordability still varies enormously across the UK. To explore how this is impacting potential buyers we used regional income data to calculate where in the income distribution a prospective purchaser would sit if they were purchasing the typical first-time buyer property in each region, with a 20% deposit and borrowing four times their income. If the typical buyer is located higher in the income distribution it suggests affordability is more stretched, with more people priced out of the market.

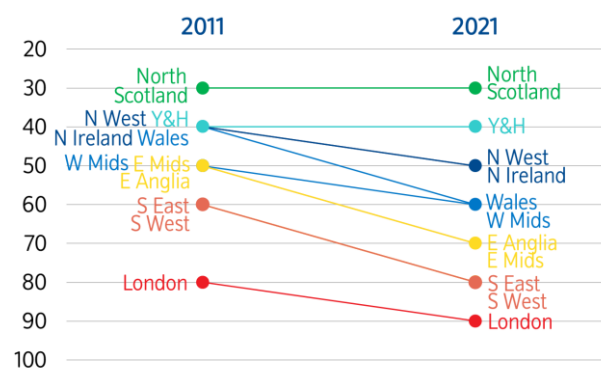
“In broad terms, the picture that emerges is that this hypothetical typical buyer is located further up the income spectrum as you go from the north to south of the country. For example, in Scotland and the North of England, this typical buyer would be in the 30th income percentile, while in the South West and South East they would be in the 80th percentile, and above the 90th percentile in London.

Where in the income distribution would a typical buyer sit? (Earnings percentiles, 2021)



Source: Nationwide, ONS ASHE

“The gap in affordability across regions has widened over the past decade, as shown in the chart below. In Scotland, the North and Yorkshire & Humberside, the typical buyer is located in the same income percentile as in 2011. But in all other regions, affordability has become more stretched. In East Anglia and the East Midlands the typical buyer has moved from the 50th percentile to the 70th percentile.



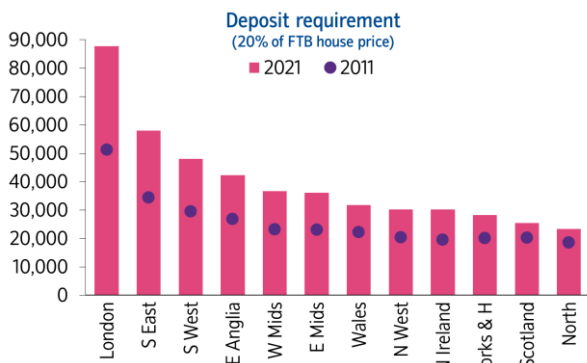
Source: Nationwide, ONS ASHE

“Meanwhile in London, the South East and South West, affordability is even more challenging, with the typical buyer now located in the 80th income percentile rather than the 60th percentile as was the case ten years ago, signalling an even larger proportion of people priced out of the market or needing to borrow a greater multiple of their income in order

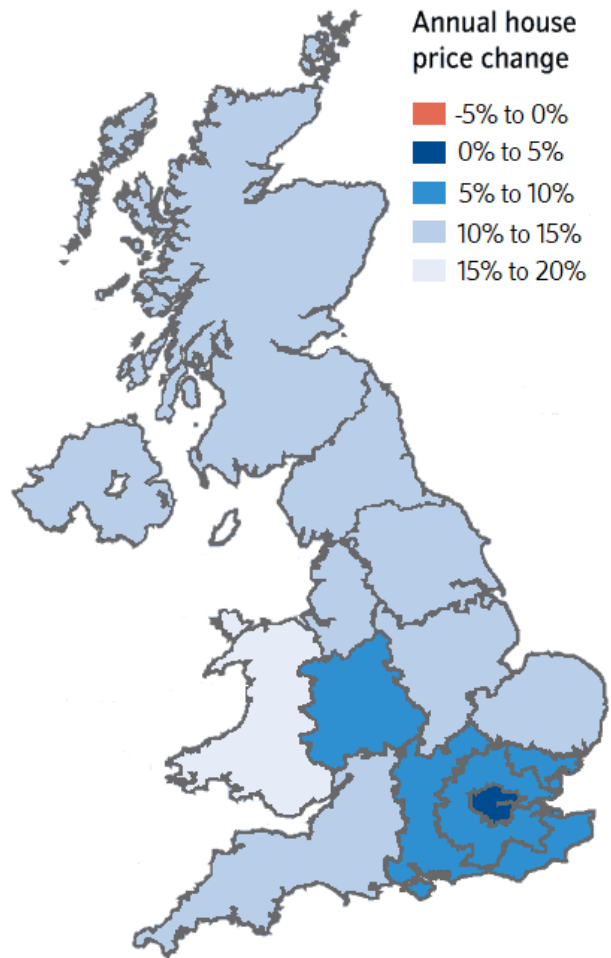
to buy a home. Conditions remain most stretched in the capital. In 2011 the typical London buyer was already located in the 80th income percentile but is now above the 90th.

“As we highlighted in our recent [affordability special report](#), raising a deposit is still the biggest hurdle for most prospective buyers. As the chart below illustrates, a 20% deposit in London is now nearly £88,000 (based on the average first time buyer house price), which is 183% of average annual gross income in the capital, up from 130% of income in 2011. In cash terms this is around £36,000 higher than a decade ago.

“While all regions have seen an increase in their deposit requirements, the rises are much more pronounced for the South and Midlands.”

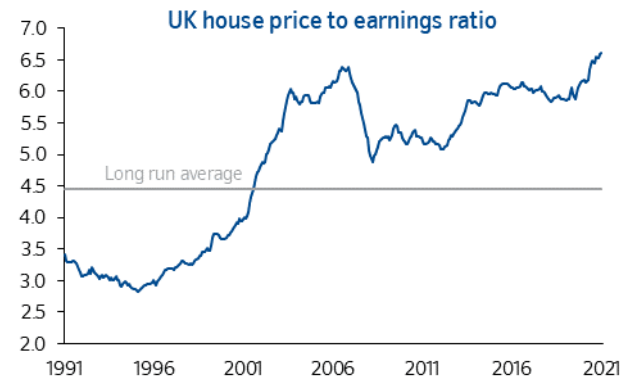
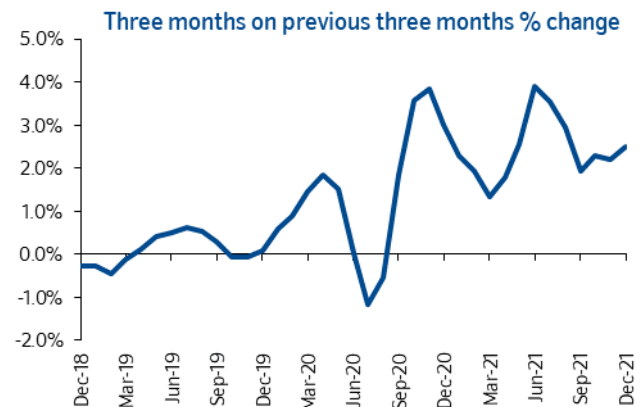
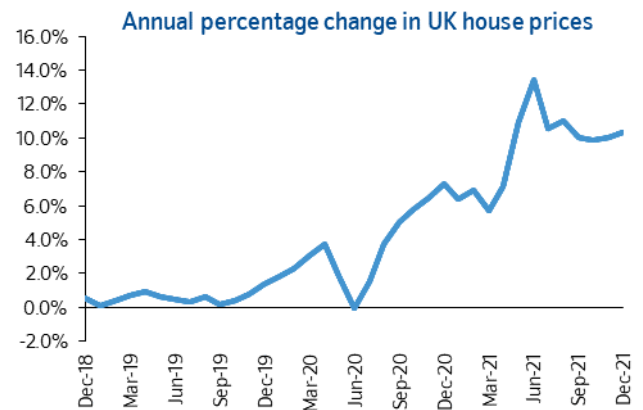
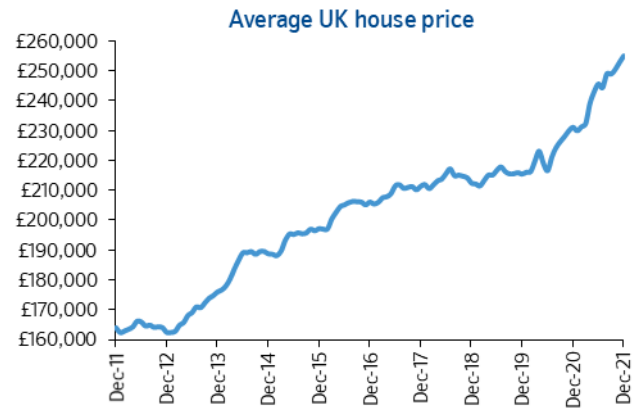


Source: Nationwide



Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Dec-19	0.0	0.1	1.4	215,282
Jan-20	0.8	0.6	1.9	215,897
Feb-20	0.3	0.9	2.3	216,092
Mar-20	0.9	1.4	3.0	219,583
Apr-20	0.9	1.8	3.7	222,915
May-20	-1.7	1.5	1.8	218,902
Jun-20	-1.6	0.0	-0.1	216,403
Jul-20	2.0	-1.2	1.5	220,936
Aug-20	1.7	-0.6	3.7	224,123
Sep-20	1.1	1.9	5.0	226,129
Oct-20	0.8	3.6	5.8	227,826
Nov-20	0.8	3.8	6.5	229,721
Dec-20	0.8	3.0	7.3	230,920
Jan-21	0.0	2.3	6.4	229,748
Feb-21	0.9	1.9	6.9	231,068
Mar-21	-0.2	1.3	5.7	232,134
Apr-21	2.3	1.8	7.1	238,831
May-21	1.8	2.5	10.9	242,832
Jun-21	0.6	3.9	13.4	245,432
Jul-21	-0.6	3.5	10.5	244,229
Aug-21	2.1	2.9	11.0	248,857
Sep-21	0.2	1.9	10.0	248,742
Oct-21	0.7	2.3	9.9	250,311
Nov-21	0.9	2.2	10.0	252,687
Dec-21	1.0	2.5	10.4	254,822



Source: Nationwide, ONS

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Building Society

Quarterly Regional House Price Statistics

Q4 2021

Please note that these figures are for the three months to December, 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 (Q4 2021)	Annual % change this quarter	Annual % change last quarter
Wales	£196,759	15.8%	15.3%
N Ireland	£167,479	12.1%	14.3%
South West	£294,845	11.5%	9.9%
Outer S East	£329,869	11.3%	9.8%
North West	£196,806	11.2%	11.4%
Yorks & H'side	£190,855	10.8%	12.3%
East Anglia	£268,146	10.4%	8.9%
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North	£148,105	7.7%	10.9%
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UK	£253,113	10.1%	10.3%

Please see page 6 for definitions of English regions

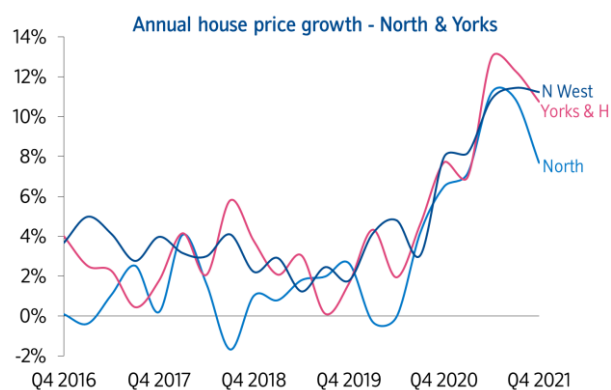
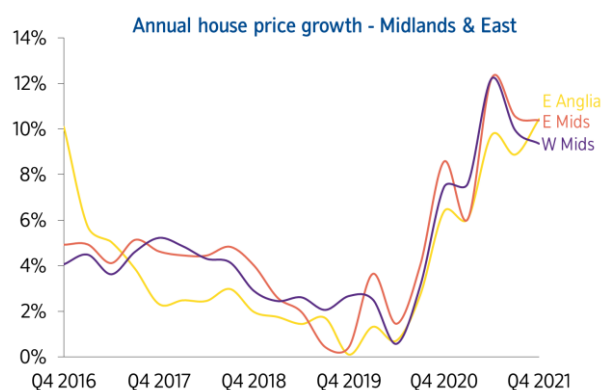
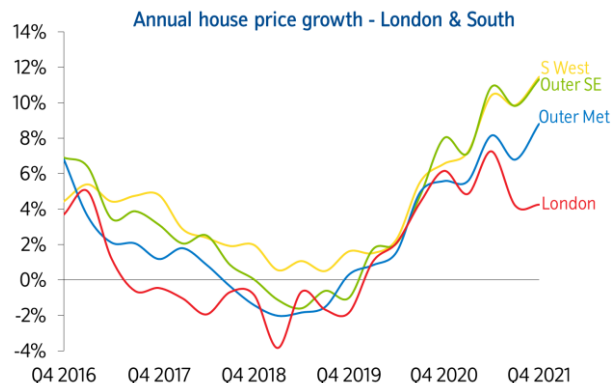
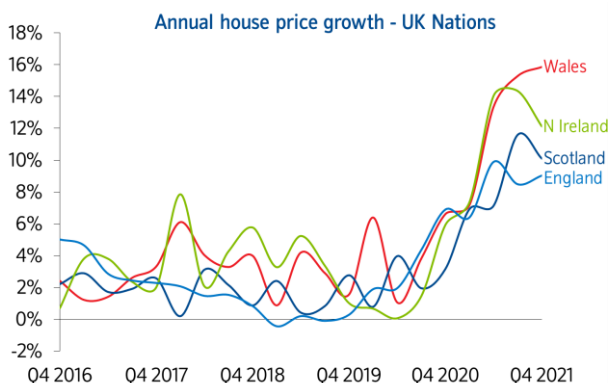
UK Fact File (Q4 2021)	
Quarterly average UK house price	£253,113
Annual percentage change	10.1%
Quarterly change*	2.7%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Wales
Weakest annual price change	London

* Seasonally adjusted

Nations – annual & quarterly price change

Nation	Average Price (Q4 2021)	Annual % change this quarter	Quarterly % change*
Wales	£196,759	15.8%	3.2%
N Ireland	£167,479	12.1%	1.4%
Scotland	£172,605	10.1%	1.0%
England	£290,034	9.0%	2.7%

* Seasonally adjusted



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English Region Definitions

East Anglia: Cambridgeshire (Cambridge, East Cambridgeshire, Fenland, Huntingdonshire, South Cambridgeshire), Norfolk (Breckland, Broadland, Great Yarmouth, King's Lynn & West Norfolk, North Norfolk, Norwich, South Norfolk), Peterborough, Suffolk (Babergh, East Suffolk, Ipswich, Mid Suffolk, West Suffolk)

East Midlands: Derby, Derbyshire (Amber Valley, Bolsover, Chesterfield, Derbyshire Dales, Erewash, High Peak, North East Derbyshire, South Derbyshire), Leicester, Leicestershire (Blaby, Charnwood, Harborough, Hinckley & Bosworth, Melton, North West Leicestershire, Oadby & Wigston), Lincolnshire (Boston, East Lindsey, Lincoln, North Kesteven, South Holland, South Kesteven, West Lindsey), Northamptonshire (North Northamptonshire, West Northamptonshire), Nottingham, Nottinghamshire (Ashfield, Bassetlaw, Broxtowe, Gedling, Mansfield, Newark & Sherwood, Rushcliffe), Rutland

London: Barking & Dagenham, Barnet, Bexley, Brent, Bromley, Camden, City of London, Croydon, Ealing, Enfield, Greenwich, Hackney, Hammersmith & Fulham, Haringey, Harrow, Havering, Hillingdon, Hounslow, Islington, Kensington & Chelsea, Kingston upon Thames, Lambeth, Lewisham, Merton, Newham, Redbridge, Richmond upon Thames, Southwark, Sutton, Tower Hamlets, Waltham Forest, Wandsworth, Westminster

North: County Durham, Cumbria (Allerdale, Barrow-in-Furness, Carlisle, Copeland, Eden, South Lakeland), Darlington, Gateshead, Hartlepool, Middlesbrough, Newcastle upon Tyne, North Tyneside, Northumberland, Redcar & Cleveland, South Tyneside, Stockton-on-Tees, Sunderland

North West: Blackburn with Darwen, Blackpool, Bolton, Bury, Cheshire East, Chester West & Chester, Halton, Knowsley, Lancashire (Burnley, Chorley, Fylde, Hyndburn, Lancaster, Pendle, Preston, Ribble Valley, Rossendale, South Ribble, West Lancashire, Wyre), Liverpool, Manchester, Oldham, Rochdale, Salford, Sefton, St. Helens, Stockport, Tameside, Trafford, Warrington, Wigan, Wirral

Outer Metropolitan: Basildon, Bracknell Forest, Brentwood, Buckinghamshire, Castle Point, Chelmsford, Crawley, Dartford, Epping Forest, Gravesham, Harlow, Hart, Hertfordshire (Broxbourne, Dacorum, East Hertfordshire, Hertsmere, North Hertfordshire, St Albans, Stevenage, Three Rivers, Watford, Welwyn Hatfield), Horsham, Luton, Maidstone, Medway, Mid Sussex, Reading, Rochford, Rushmoor, Sevenoaks, Slough, Southend-on-Sea, Surrey (Elmbridge, Epsom & Ewell, Guildford, Mole Valley, Reigate & Banstead, Runnymede, Spelthorne, Surrey Heath, Tandridge, Waverley, Woking), Thurrock, Tonbridge & Malling, Tunbridge Wells, Windsor & Maidenhead, Wokingham

Outer South East: Adur, Arun, Ashford, Basingstoke & Deane, Bedford, Braintree, Brighton & Hove, Canterbury, Central Bedfordshire, Chichester, Colchester, Dover, East Hampshire, Eastleigh, East Sussex (Eastbourne, Hastings, Lewes, Rother, Wealden), Fareham, Folkestone & Hythe, Gosport, Havant, Isle of Wight, Maldon, Milton Keynes, New Forest, Oxfordshire (Cherwell, Oxford, South Oxfordshire, Vale of White Horse, West Oxfordshire), Portsmouth, Southampton, Swale, Tendring, Test Valley, Thanet, Uttlesford, West Berkshire, West Oxfordshire, Winchester, Wokingham

South West: Bath & North East Somerset, Bournemouth, Christchurch & Poole, Bristol, Cornwall, Dorset, Devon (East Devon, Exeter, Mid Devon, North Devon, South Hams, Teignbridge, Torridge, West Devon), Gloucestershire (Cheltenham, Cotswold, Forest of Dean, Gloucester, Stroud, Tewkesbury), Isles of Scilly, North Somerset, Plymouth, Somerset (Mendip, Sedgemoor, Somerset West & Taunton, South Somerset), South Gloucestershire, Swindon, Torbay, Wiltshire

West Midlands: Birmingham, Coventry, Dudley, Herefordshire, Sandwell, Shropshire, Solihull, Staffordshire (Cannock Chase, East Staffordshire, Lichfield, Newcastle-under-Lyme, South Staffordshire, Stafford, Staffordshire Moorlands, Tamworth), Stoke-on-Trent, Telford & Wrekin, Walsall, Warwickshire (North Warwickshire, Nuneaton & Bedworth, Rugby, Stratford-on-Avon, Warwick), Wolverhampton, Worcestershire (Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon, Wyre Forest)

Yorkshire & Humberside: Barnsley, Bradford, Calderdale, Doncaster, East Riding of Yorkshire, Kingston upon Hull, Kirklees, Leeds, North East Lincolnshire, North Lincolnshire, North Yorkshire (Craven, Hambleton, Harrogate, Richmondshire, Ryedale, Scarborough, Selby), Rotherham, Sheffield, Wakefield, York

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 www.nationwidehousepriceindex.co.uk

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