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August 2024

Annual house price growth edged higher in August

- UK house prices fell 0.2% month on month in August
- Annual growth rate picked up to 2.4%, from 2.1% in July
- Fastest pace of annual growth since December 2022
- Energy efficiency becoming more important in influencing what buyers will pay for a home

Headlines	Aug-24	Jul-24
Monthly Index*	525.4	526.4
Monthly Change*	-0.2%	0.3%
Annual Change	2.4%	2.1%
Average Price (not seasonally adjusted)	£265,375	£266,334

* 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:

"UK house prices fell by 0.2% month on month in August, after taking account of seasonal effects, but the annual rate of house price growth continued to edge higher. Average prices were up 2.4% year on year, a slight pickup from the 2.1% recorded in July and the fastest pace since December 2022 (2.8%). However, prices are still around 3% below the all-time highs recorded in the summer of 2022.

"While house price growth and activity remain subdued by historic standards, they nevertheless present a picture of resilience in the context of the higher interest rate environment and where house prices remain high relative to average earnings (which makes raising a deposit more challenging).

"Providing the economy continues to recover steadily, as we expect, housing market activity is likely to strengthen gradually as affordability constraints ease through a combination of modestly lower interest rates and earnings outpacing house price growth.

Price premium for energy efficient properties

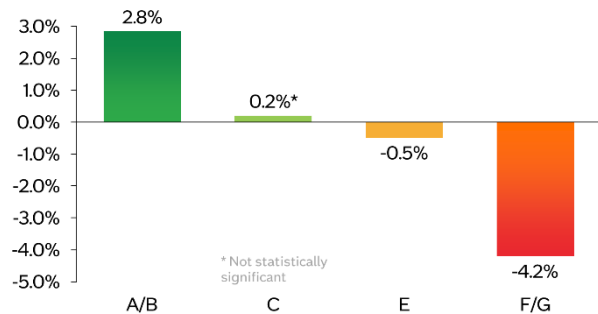
"Decarbonising and adapting the UK's housing stock remains critical if the UK is to meet its 2050 emissions targets, especially given that emissions from residential buildings account for 15% of the country's greenhouse gas emissions. With this in mind, we've used our house price data to examine the extent to which owner occupiers pay a premium or discount for a home due to its energy performance rating.

"To do this, we included energy efficiency ratings from energy performance certificates (EPCs) alongside the usual property characteristics we use in our index. This allows us to control for other factors that can influence the value of a house or flat, such as the number of bedrooms, location and whether it is newly built.

"Our analysis suggests that a more energy efficient property, rated A or B, attracts a modest premium of

2.8% compared to a similar property rated 'D' (the most commonly occurring rating). There is little difference for properties rated C or E compared with D, as shown in the chart below.

Owner occupier price premia relative to energy efficiency rating D



Source: Nationwide analysis based on England & Wales data (12m to Jun-24)
Note: Controls for other factors, such as new build

"There is a noticeable discount for properties rated F or G - the lowest energy efficiency ratings. Indeed, an F or G rated home is valued 4.2% lower than a similar D rated property.

"Our research suggests while energy efficiency impacts remain relatively modest, they have increased relative to pre-pandemic levels, with A/B properties now attracting a larger premium compared with 2019 and F/G properties seeing a larger discount, as shown in the chart below.

Owner occupier price premia relative to energy efficiency rating D

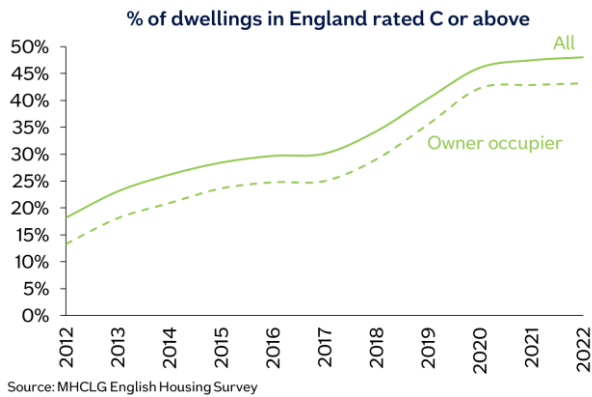


Source: Nationwide analysis based on England & Wales
Note: Controls for other factors, such as new build

"The value that people attach to energy efficiency is likely to continue to evolve, especially if the government takes measures to incentivise greater energy efficiency to help ensure the UK meets its climate change obligations.

Energy efficiency of the housing stock is gradually improving

"Over the past ten years, energy efficiency has improved significantly, thanks in part to the higher energy rating of newly built properties. However, the rate of improvement has slowed markedly in recent years. The latest data (2022) shows 48% of the housing stock is now rated C or higher, up from 18% in 2012.

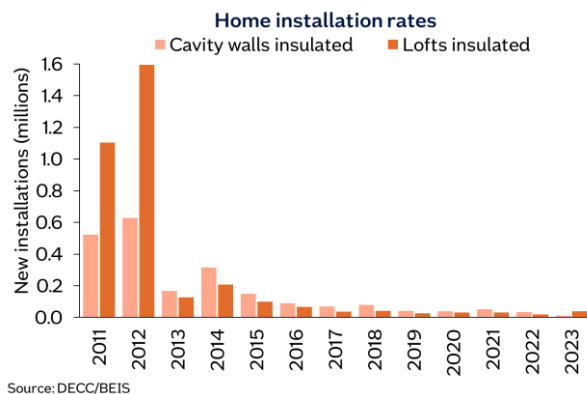


“As noted above, newly built properties typically have a much higher rating (97% are rated C or above), although the stock increases very slowly (typically by c.1% per annum). However, it is important to note that while these homes are energy efficient once built, a significant proportion of new homes’ carbon footprint (between 25% and 50%) relates to its construction.

“Government analysis based on the latest English Housing Survey suggests that if all applicable energy improvement measures were applied to all dwellings rated below C, 96% of those would shift into bands A to C, while 4% of dwellings could not be improved beyond a D rating.

“The average cost to improve dwellings to band C was c.£7,400, with an overall estimated total cost for upgrading the entire housing stock of between £91bn and £94bn¹. As expected, dwellings with a rating E to G have a higher average cost to improve than D rated homes (£13,500 vs £6,200).

“The Government’s current aspiration is to upgrade as many homes as possible to band C by 2035. However, the current pace of energy efficiency improvements is relatively slow, given the scale of the challenge. For example, the rate of insulation installs is a fraction of the 2012 peak (see chart below), the last year of the Carbon Emissions Reduction Target and the Community Energy Savings Programme. This suggests a need for further incentives to help decarbonise homes.”

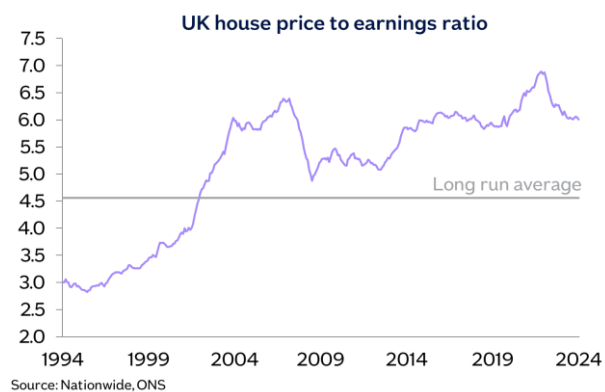
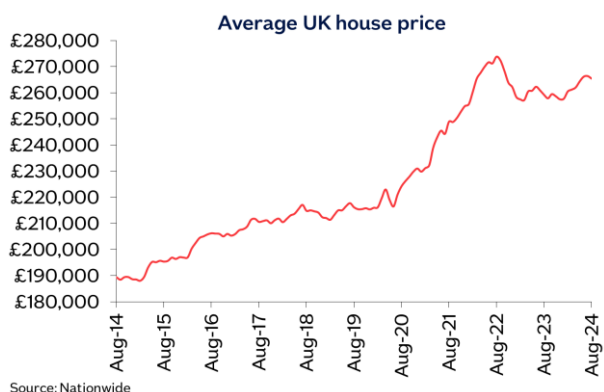
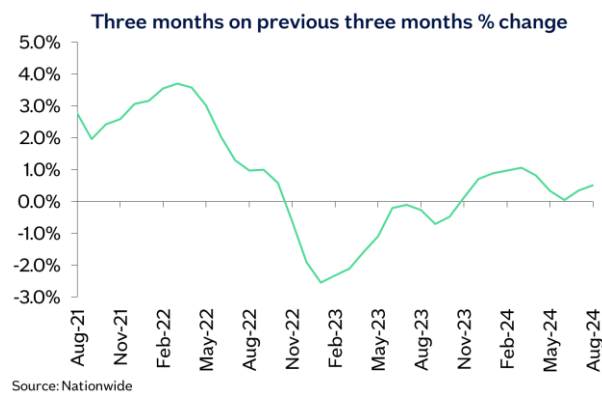
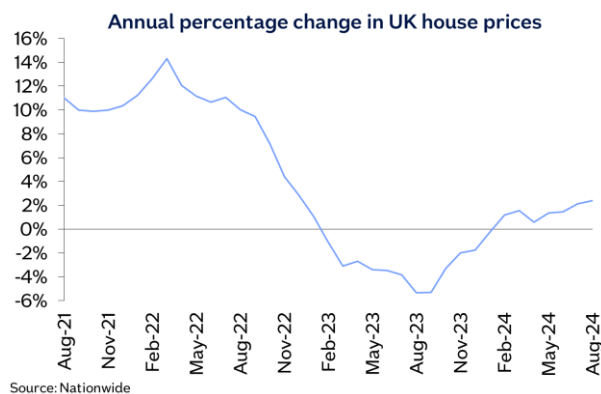


¹ Ministry of Housing Communities & Local Government - English Housing Survey Energy Report 2022-23

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % Change	Annual % Change	Average Price
Aug-22	0.9	1.0	10.0	273,751
Sep-22	-0.0	1.0	9.5	272,259
Oct-22	-1.3	0.6	7.2	268,282
Nov-22	-1.2	-0.6	4.4	263,788
Dec-22	-0.3	-1.9	2.8	262,068
Jan-23	-0.8	-2.6	1.1	258,297
Feb-23	-0.7	-2.3	-1.1	257,406
Mar-23	-0.7	-2.1	-3.1	257,122
Apr-23	0.6	-1.6	-2.7	260,441
May-23	-0.3	-1.1	-3.4	260,736
Jun-23	0.1	-0.2	-3.5	262,239
Jul-23	-0.3	-0.1	-3.8	260,828
Aug-23	-0.6	-0.3	-5.3	259,153
Sep-23	0.0	-0.7	-5.3	257,808
Oct-23	0.8	-0.5	-3.3	259,423
Nov-23	0.2	0.1	-2.0	258,557
Dec-23	-0.1	0.7	-1.8	257,443
Jan-24	0.7	0.9	-0.2	257,656
Feb-24	0.7	1.0	1.2	260,420
Mar-24	-0.2	1.1	1.6	261,142
Apr-24	-0.4	0.8	0.6	261,962
May-24	0.4	0.3	1.3	264,249
Jun-24	0.2	0.0	1.5	266,064
Jul-24	0.3	0.3	2.1	266,334
Aug-24	-0.2	0.5	2.4	265,375

Note that monthly % changes are revised when seasonal adjustment factors are re-estimated.



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.

Energy efficiency analysis based on data for the period July 2023 to June 2024 for England & Wales. The methodology correlates the price paid for a property against the set of property characteristics (including the property type, age, number of bedrooms), locality (local neighbourhood as described by ACORN) and its energy efficiency rating. Only properties where an Energy Performance Certificate (EPC) was available were included. EPC data sourced from the Energy Performance of Buildings Register published by the Ministry of Housing, Communities & Local Government

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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