

# Nationwide HOUSE PRICE INDEX



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December 2022

## Annual house price growth continued to slow sharply as 2022 drew to a close

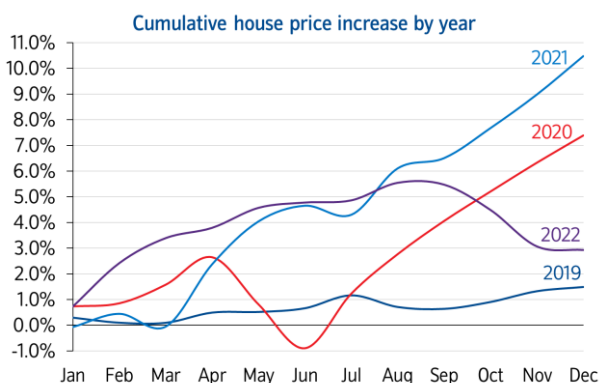
- Fourth consecutive monthly decline drives annual house price growth down to 2.8% in December
- All regions record a slowdown in annual price growth in the final quarter of the year
- East Anglia the strongest performing region in 2022, while Scotland was weakest

Headlines	Dec-22	Nov-22
Monthly Index*	527.5	528.3
Monthly Change*	-0.1%	-1.4%
Annual Change	2.8%	4.4%
Average Price (not seasonally adjusted)	£262,068	£263,788

\* 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:

"December saw a further sharp slowdown in annual house price growth to 2.8%, from 4.4% in November. Prices fell by 0.1% month-on-month – a much smaller decline than in the previous couple of months. However, December also marked the fourth consecutive monthly price fall - the worst run since 2008, which left prices 2.5% lower than their August peak (after taking account of seasonal effects).



"While financial market conditions have settled, mortgage rates are taking longer to normalise and activity in the housing market has shown few signs of recovery.

"It will be hard for the market to regain much momentum in the near term as economic headwinds strengthen, with real earnings set to fall further and the labour market widely projected to weaken as the economy shrinks.

### Can we achieve a soft landing in 2023?

"The recent weakness in mortgage applications may, in part, represent an early seasonal slowdown. With the chaotic backdrop and elevated mortgage rates in recent months, it wouldn't be surprising if potential buyers have opted to wait until the New Year to see how mortgage rates evolve before deciding to step into the market.

"Longer-term interest rates, which underpin mortgage pricing, have returned towards the levels prevailing before the mini-Budget. If sustained, this should feed through to mortgage rates and help improve the affordability position for potential buyers, as will solid rates of income growth (with wage growth currently running at a c.7% pace in the private sector), especially if combined with weak or negative house price growth.

"But the main factor that would help achieve a relatively soft landing (especially for house prices) is if forced selling can be avoided, and there are good reasons to be optimistic on that front. Most forecasters expect the unemployment rate to rise towards 5% in the years ahead – a significant increase, but this would still be low by historic standards.

"Moreover, household balance sheets remain in good shape with significant protection from higher borrowing costs, at least for a period, with around 85% of mortgage balances on fixed interest rates. Affordability testing has been central to mortgage lending since the financial crisis and typically stress tested at an interest rate above those prevailing at the moment. This means that, while it will be difficult, the vast majority of those refinancing should be able to cope.

"The fact that the housing market remained buoyant in the first three quarters of 2022, despite weak consumer confidence on the back of a stagnant economy, falling real incomes and a near tripling of mortgage rates, provides some reassurance that there will be a pickup in activity in the

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

New Year, although it is likely to remain tepid until the broader economic outlook improves.

“Similarly, while house prices are likely to see a modest decline in 2023 (perhaps of c.5%), a significant deterioration in the labour market or more elevated mortgage rates would probably be required to generate the double-digit declines suggested by some forecasters. While the risks are skewed in that direction, it doesn’t appear to be the most likely outcome.

## House price growth slowed in all UK regions

“Our regional house price indices are produced quarterly with data for Q4 (the three months to December) showing a marked slowdown in annual house price growth in all regions (see full table on page 4).

“This was most pronounced in the South West, the strongest performing region last quarter, which saw annual house price growth slow from 12.5% to 4.3%. East Anglia was the strongest performing region over the year, with average prices increasing by 6.6%. Meanwhile, Scotland was the weakest performing region, with annual growth of 3.3%.

“Wales saw a significant slowdown in growth in the final quarter of 2022, with annual growth slowing from 12.1% in Q3 to 4.5% in Q4. Northern Ireland saw prices increase by 5.5% during 2022, much weaker than the 12.1% rise recorded in 2021.

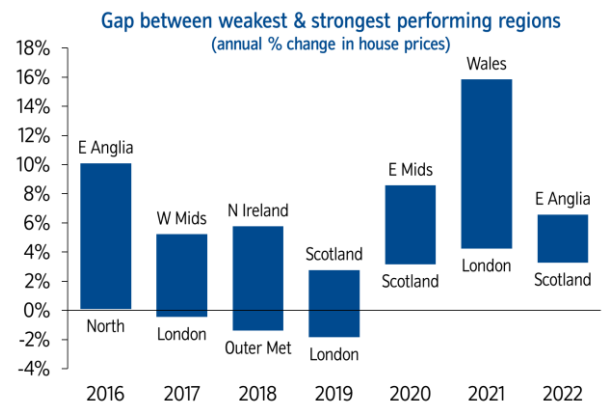
“England saw a further slowing in annual house price growth to 4.8%, from 9.9% in Q3. While East Anglia was the strongest performing region, southern England continued to see weaker growth overall than northern England.

“Within northern England (which comprises North, North West, Yorkshire & The Humber, East Midlands and West Midlands), the West Midlands was the strongest performing region with prices increasing by 6.1% over the year.

“London remained the weakest performing English region, with annual price growth slowing to 4.1%, from 6.7% in Q3. The surrounding Outer Metropolitan and Outer South East regions saw very similar annual growth in 2022, with prices increasing by 4.2% and 4.3% respectively.

“Recent quarters have seen significant narrowing in the gap between the weakest and strongest performing regions in terms of annual growth, with Q4 2022 seeing the smallest difference - 3.3 percentage points (pp) - in the history of our regional indices, which stretch back to 1974. The largest gap recorded was back in Q1 1989 when annual house price growth in the strongest region (East Midlands at 54.4%) was 53.3pp higher than the weakest (Northern Ireland at 1.1%).

“As shown on the chart above right, last year the gap between the best performing region (Wales) and worst performing region (London) was 11.6pp, whilst this year it was just 3.3pp (between East Anglia and Scotland).



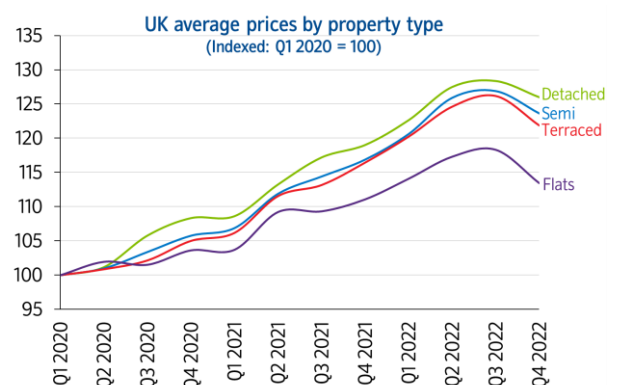
“While recent years have seen relatively weak house price growth in London, looking back since the turn of the century it remains the top performing region, with average house prices having increased by 304% since 2000 (by comparison UK average earnings have increased by around 85% over the same period). It has also been the strongest performing region in six out of the last 23 years.

“Meanwhile, the weakest performing region over the same period has been Northern Ireland, which has finished bottom seven times. Nonetheless, average house prices there have still risen by 185% since 2000.

## Flats continued to see slower price growth

“While the shifts in housing preferences as a result of the pandemic are now fading, we have continued to see differences in price trends between property types. Detached properties have performed most strongly since the onset of the pandemic, whilst flats have been the weakest.

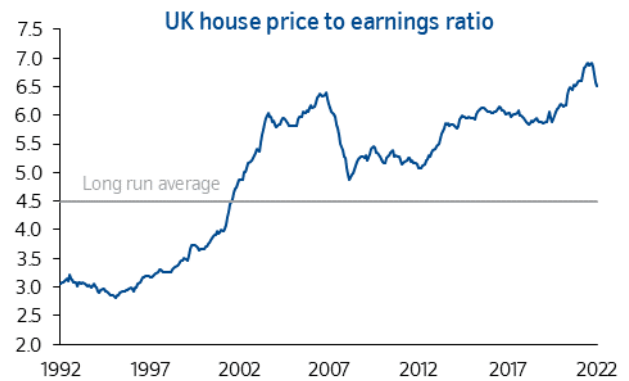
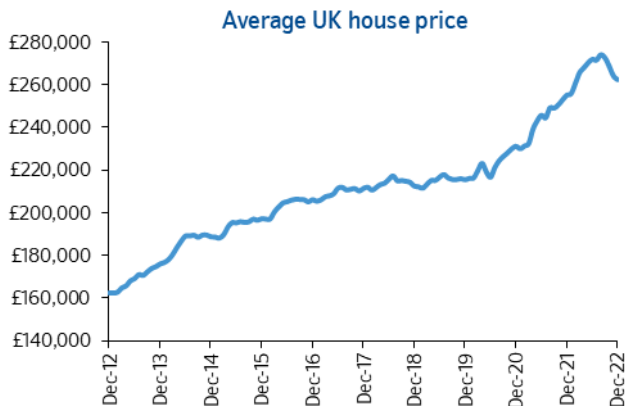
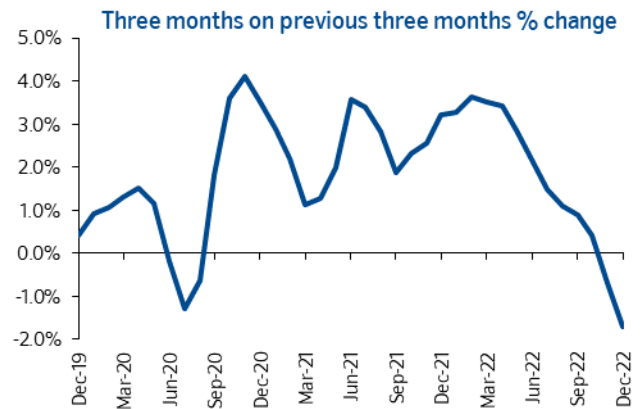
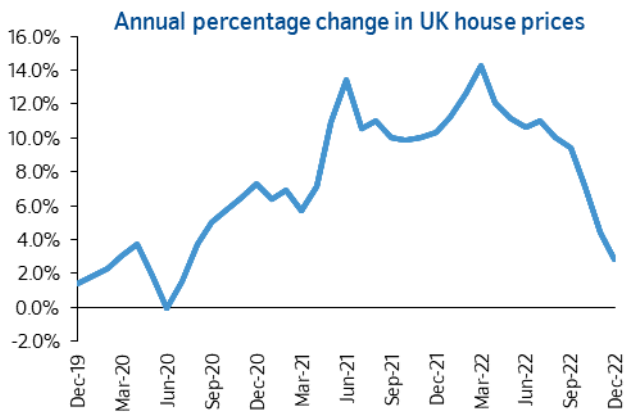
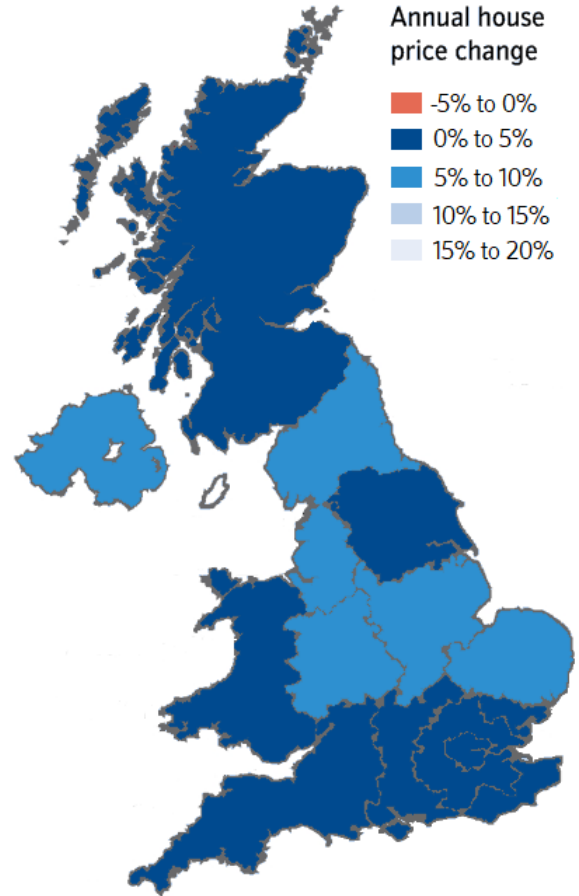
“Between Q1 2020 and Q4 2022, the average price of a detached property increased by 26.0% (nearly £78,000 in cash terms). Meanwhile, over the same period, flats only increased by 13.4% (around £23,000). The chart below illustrates how the prices of different property types have evolved in recent years.



“Annual house price growth slowed markedly across all property types in the final quarter of 2022 but detached were the strongest performing over the year as a whole, with average prices up 5.9%. Meanwhile, the average price of flats increased by just 2.1%.”

# Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Dec-20	1.0	3.5	7.3	230,920
Jan-21	-0.1	2.9	6.4	229,748
Feb-21	0.5	2.2	6.9	231,068
Mar-21	-0.5	1.1	5.7	232,134
Apr-21	2.4	1.3	7.1	238,831
May-21	1.6	2.0	10.9	242,832
Jun-21	0.6	3.6	13.4	245,432
Jul-21	-0.3	3.4	10.5	244,229
Aug-21	1.7	2.8	11.0	248,857
Sep-21	0.4	1.9	10.0	248,742
Oct-21	1.1	2.3	9.9	250,311
Nov-21	1.2	2.6	10.0	252,687
Dec-21	1.4	3.2	10.4	254,822
Jan-22	0.7	3.3	11.2	255,556
Feb-22	1.7	3.6	12.6	260,230
Mar-22	1.0	3.5	14.3	265,312
Apr-22	0.4	3.4	12.1	267,620
May-22	0.8	2.8	11.2	269,914
Jun-22	0.2	2.2	10.7	271,613
Jul-22	0.1	1.5	11.0	271,209
Aug-22	0.7	1.1	10.0	273,751
Sep-22	-0.1	0.9	9.5	272,259
Oct-22	-0.9	0.4	7.2	268,282
Nov-22	-1.4	-0.7	4.4	263,788
Dec-22	-0.1	-1.7	2.8	262,068



Source: Nationwide, ONS

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

# Quarterly Regional House Price Statistics

Q4 2022

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 2022)	Annual % change this quarter	Annual % change last quarter
East Anglia	£285,776	6.6%	11.2%
West Midlands	£240,975	6.1%	12.0%
North West	£208,600	6.0%	11.3%
North	£156,892	5.9%	8.1%
N Ireland	£176,637	5.5%	10.1%
East Midlands	£233,459	5.3%	12.3%
Yorks & H	£199,615	4.6%	11.0%
Wales	£205,666	4.5%	12.1%
South West	£307,588	4.3%	12.5%
Outer S East	£344,027	4.3%	10.4%
Outer Met	£428,201	4.2%	8.3%
London	£528,000	4.1%	6.7%
Scotland	£178,269	3.3%	7.8%
UK	£265,195	4.8%	10.3%

Please see page 5 for definitions of English regions

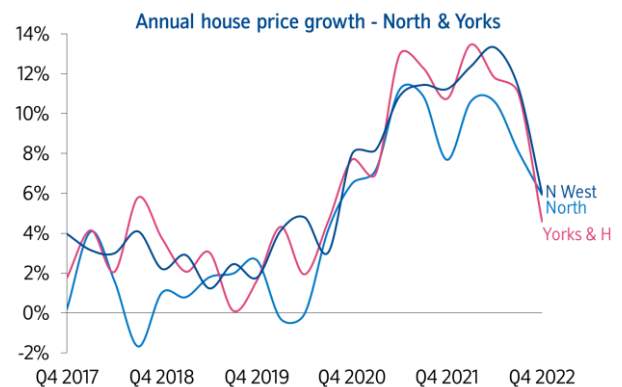
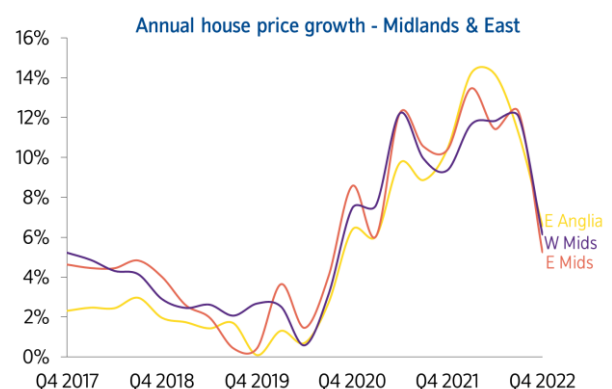
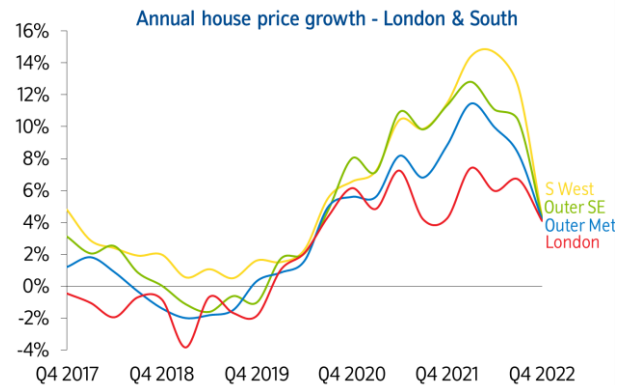
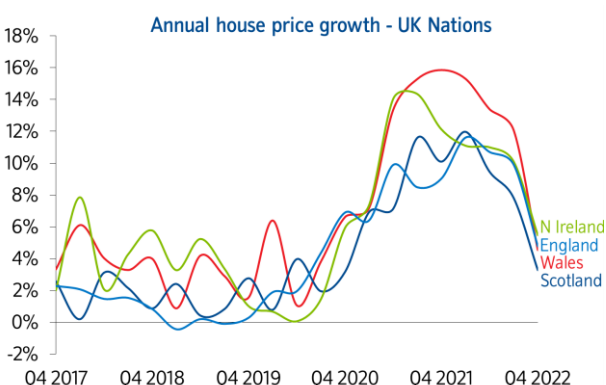
UK Fact File (Q4 2022)	
Quarterly average UK house price	£265,195
Annual percentage change	4.8%
Quarterly change*	-1.8%
Most expensive region	London
Least expensive region	North
Strongest annual price change	East Anglia
Weakest annual price change	Scotland

\* Seasonally adjusted

## Nations – annual & quarterly price change

Nation	Average Price (Q4 2022)	Annual % change this quarter	Quarterly % change*
N Ireland	£176,637	5.5%	-1.9%
England	£303,882	4.8%	-1.4%
Wales	£205,666	4.5%	-2.7%
Scotland	£178,269	3.3%	-1.9%

\* Seasonally adjusted



Media enquiries to: Robert Gardner, Chief Economist, [robert.gardner@nationwide.co.uk](mailto:robert.gardner@nationwide.co.uk)  
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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), North Northamptonshire, Nottingham, Nottinghamshire (Ashfield, Bassetlaw, Broxtowe, Gedling, Mansfield, Newark & Sherwood, Rushcliffe), Rutland, West Northamptonshire

**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 & The Humber:** 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](http://www.nationwidehousepriceindex.co.uk)

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