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October 2024

Annual house price growth slows in October

- UK house prices rose 0.1% month on month in October
- Annual growth rate slowed to 2.4%, from 3.2% in September

Headlines	Oct-24	Sep-24
Monthly Index*	529.6	529.0
Monthly Change*	0.1%	0.6%
Annual Change	2.4%	3.2%
Average Price (not seasonally adjusted)	£265,738	£266,094

* 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 price of a typical UK home increased by 2.4% year on year in October, though this represented a modest slowdown from the 3.2% pace recorded the previous month. House prices rose by 0.1% month on month in October, after taking account of seasonal effects.

"Housing market activity has remained relatively resilient in recent months, with the number of mortgage approvals approaching the levels seen pre-pandemic, despite the significantly higher interest rate environment.

"Solid labour market conditions, with low levels of unemployment and strong income gains, even after taking account of inflation, have helped underpin a steady rise in activity and house prices since the start of the year.

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

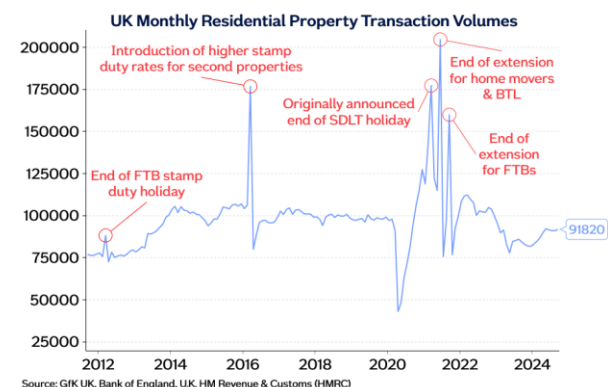
How much of an impact will the expiry of the stamp duty holiday have on activity levels?

"The Chancellor confirmed that the temporary increase in the nil rate stamp duty thresholds (in England & Northern Ireland) would expire on 31 March 2025 and revert back to their previous levels, as had originally been set out by the previous government.

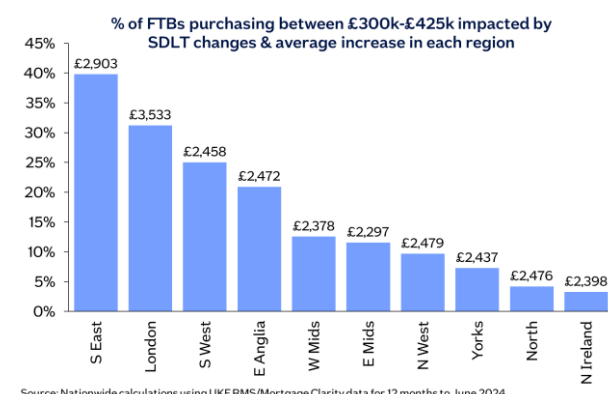
"From that point, for first time buyers purchasing a property of under £500,000, the nil rate band threshold will fall to £300,000 from £425,000 at present, while for other residential buyers, the nil rate band threshold will decline to £125,000, from £250,000.

¹ Our analysis focuses on FTBs purchasing properties between £300,000 & £425,000 as they currently pay no SDLT. Those purchasing properties over £425,000 will also pay more SDLT.

"The main impact of the stamp duty changes is likely to be on the timing of property transactions, as purchasers aim to ensure their house purchases complete before the tax change takes effect. This will lead to a jump in transactions in the first three months of 2025 (especially March), and a corresponding period of weakness in the following three to six months, as occurred in the wake of previous stamp duty changes (see chart below).



"However, the swings in activity are likely to be somewhat less pronounced, in this instance, given that the stamp duty reduction has been in place for some time and its planned expiry was well known. Affordability is also still relatively stretched at present as a result of the higher interest rate environment, which is acting to dampen housing market activity more generally. Nevertheless, determining the underlying strength of the market will become more challenging until this period of volatility passes.



"Data for the year to June 2024 suggests that the stamp duty change will affect around one in five first time buyers¹, though the impact will vary significantly across the country, largely as a result of the difference in house prices across the UK (see chart above).

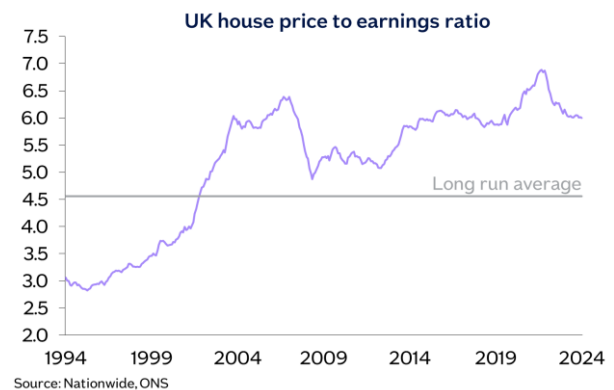
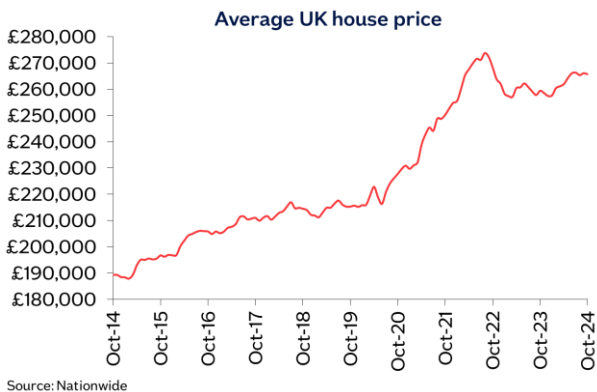
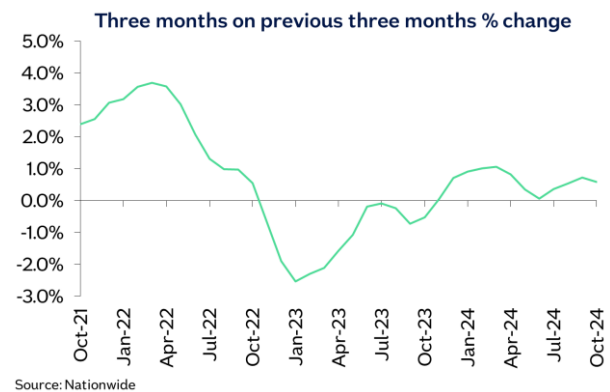
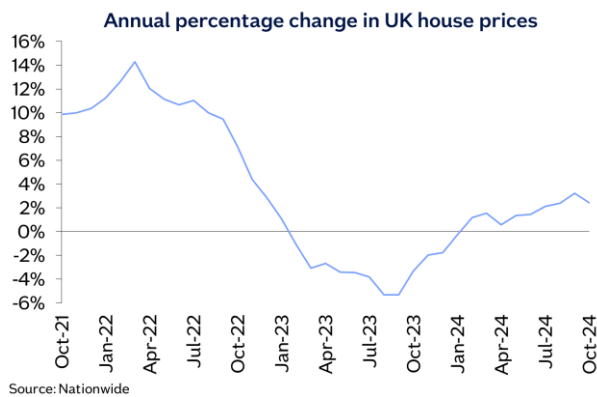
“The largest effects are likely to be in the South East of England, where 40% of first-time buyers paid between £300,000 and £425,000 for their homes, where the change will increase cost of moving for the affected first-time buyers by £2,900 on average. The areas least affected are Yorkshire & The Humber, the North of England and Northern Ireland, where less than 10% of first-time buyers paid between £325k and £425k for their homes. Moreover, as the chart shows, the additional tax paid by affected first time buyers in these regions will, on average, be lower than in London and the South East.

“The Chancellor also announced an increase in the higher rate of stamp duty for additional dwellings by 2 percentage points to 5%, which took effect on 31 October. Based on data for the year to June 2024, this would affect around 194,000 transactions, around one in five residential transactions in England & Northern Ireland. We estimate for a typical buy to let purchase, this would add approximately £4,000 to stamp duty costs. Consequently, this may dampen demand in this part of the housing market.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % Change	Annual % Change	Average Price
Oct-22	-1.2	0.6	7.2	268,282
Nov-22	-1.2	-0.7	4.4	263,788
Dec-22	-0.3	-1.9	2.8	262,068
Jan-23	-0.8	-2.5	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	0.7	-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	-0.2	-5.3	259,153
Sep-23	-0.1	-0.7	-5.3	257,808
Oct-23	0.9	-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	0.4	1.3	264,249
Jun-24	0.2	0.1	1.5	266,064
Jul-24	0.3	0.4	2.1	266,334
Aug-24	-0.2	0.5	2.4	265,375
Sep-24	0.6	0.7	3.2	266,094
Oct-24	0.1	0.6	2.4	265,738

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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