

Nationwide HOUSE PRICE INDEX



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May 2023

Annual house price growth slips back in May

- May saw a 0.1% month-on-month fall in house prices
- Annual rate of house price growth slipped back to -3.4%, from -2.7% in April

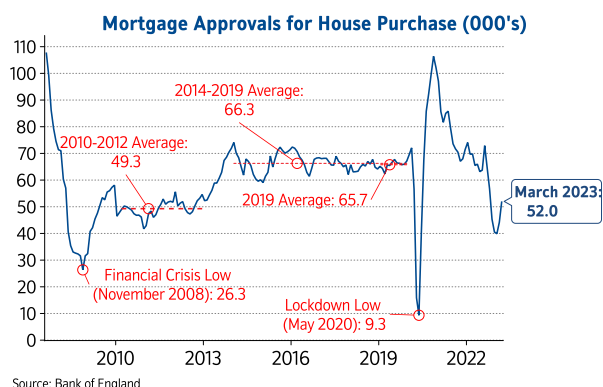
Headlines	May-23	Apr-23
Monthly Index*	517.5	518.2
Monthly Change*	-0.1%	0.4%
Annual Change	-3.4%	-2.7%
Average Price (not seasonally adjusted)	£260,736	£260,441

* 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:

"Following tentative signs of improvement in April, annual house price growth softened again in May, falling back to -3.4% (from -2.7% in April). However, this largely reflects base effects with prices broadly flat over the month after taking account of seasonal effects. Average prices remain 4% below their August 2022 peak.

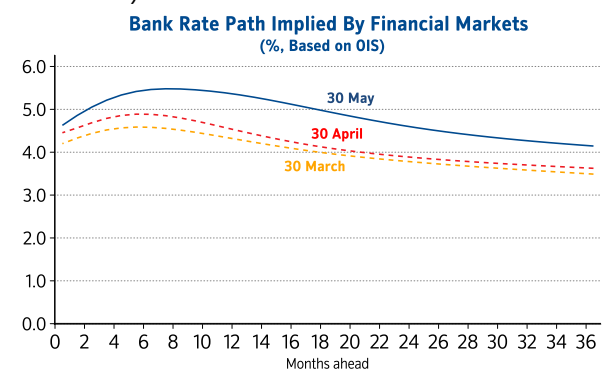
"Recent Bank of England data had shown some signs of recovery in housing market activity, although the number of mortgages approved for house purchase in March was still around 20% below pre-pandemic levels.



Source: Bank of England

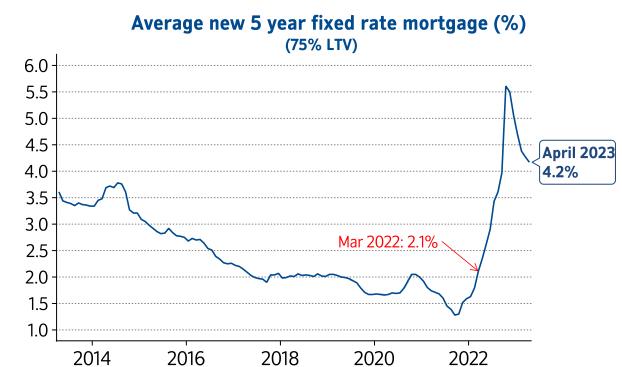
"Moreover, headwinds to the housing market look set to strengthen in the near term. While consumer price inflation did slow in April, it was a much smaller decline than most

analysts had expected. As a result, investors' expectations for the future path of Bank Rate increased noticeably in late May, suggesting it could peak at c5.5%, well above the c4.5% peak that was priced in around late March. Furthermore, rates are also projected to remain higher for longer (see chart below).



Source: BoE

"If maintained, this is likely to exert renewed upward pressure on mortgage rates, which had been trending down after spiking in the wake of the mini-Budget in September last year (see chart below).



Source: Bank of England

"Nevertheless, in our view a relatively soft landing remains the most likely outcome since labour market conditions remain solid and household balance sheets appear in relatively good shape.

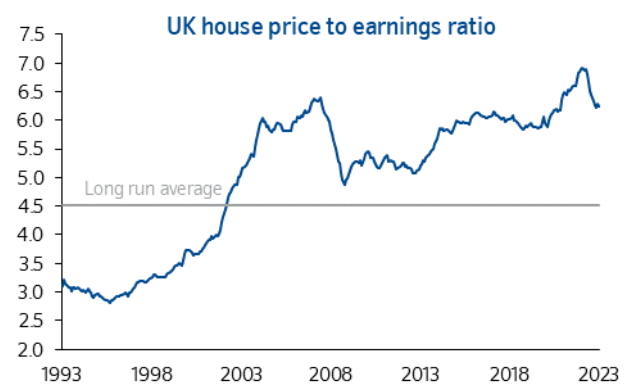
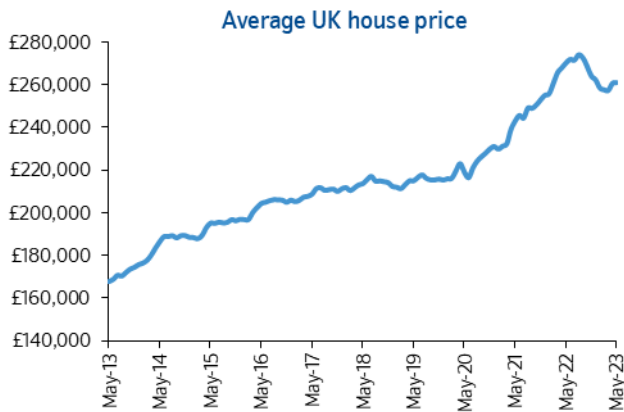
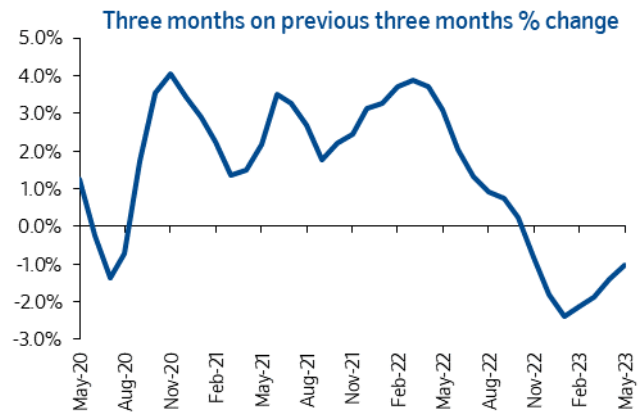
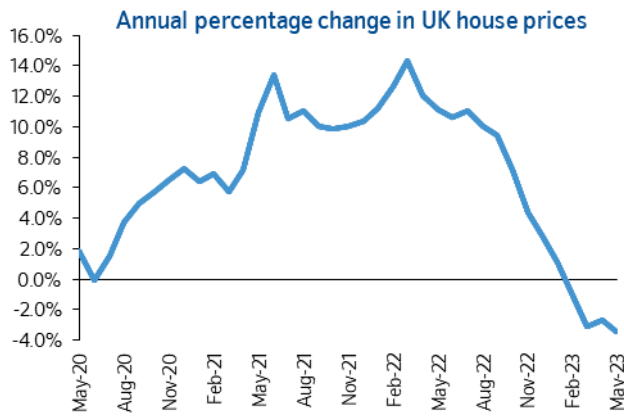
"While activity is likely to remain subdued in the near term, healthy rates of nominal income growth, together with modestly lower house prices, should help to improve housing affordability over time, especially if mortgage rates moderate once Bank Rate peaks."

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Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
May-21	1.6	2.2	10.9	242,832
Jun-21	0.6	3.5	13.4	245,432
Jul-21	-0.4	3.3	10.5	244,229
Aug-21	1.7	2.7	11.0	248,857
Sep-21	0.3	1.8	10.0	248,742
Oct-21	1.0	2.2	9.9	250,311
Nov-21	1.3	2.5	10.0	252,687
Dec-21	1.2	3.1	10.4	254,822
Jan-22	1.0	3.3	11.2	255,556
Feb-22	1.7	3.7	12.6	260,230
Mar-22	1.3	3.9	14.3	265,312
Apr-22	0.0	3.7	12.1	267,620
May-22	0.7	3.1	11.2	269,914
Jun-22	0.2	2.0	10.7	271,613
Jul-22	-0.0	1.3	11.0	271,209
Aug-22	0.6	0.9	10.0	273,751
Sep-22	-0.1	0.7	9.5	272,259
Oct-22	-1.0	0.2	7.2	268,282
Nov-22	-1.2	-0.8	4.4	263,788
Dec-22	-0.4	-1.8	2.8	262,068
Jan-23	-0.6	-2.4	1.1	258,297
Feb-23	-0.5	-2.1	-1.1	257,406
Mar-23	-0.7	-1.9	-3.1	257,122
Apr-23	0.4	-1.4	-2.7	260,441
May-23	-0.1	-1.0	-3.4	260,736

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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 www.nationwidehousepriceindex.co.uk

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