Annual House Price Growth Slowed in October

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- House prices were unchanged month on month in October
- Annual house price growth slowed to 4.6%, from 5.3% in September

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

“After fifteen successive monthly increases UK house prices were unchanged in October (after taking account of seasonal factors). As a result, the annual rate of house price growth slowed to 4.6%, from 5.3% in September, though this is still in line with the growth rates prevailing since early 2015.

“Measures of housing market activity remain fairly subdued, with the number of residential property transactions c10% below the levels recorded in the same period of 2015 in recent months. However, this weakness may still in part reflect the after-effects of the introduction stamp duty on second homes introduced in April, where buyers brought forward transactions to Q1 to avoid additional stamp duty liabilities. Policy changes impacting the Buy to Let market may also be playing a role in dampening activity.

“Data releases point to fairly stable demand conditions in the near term. Mortgage approvals edged up modestly in September, though they remain weak by historic standards. Surveyors report that new buyer enquiries have increased modestly in recent months.

“While the economic outlook is uncertain, solid labour market conditions and historically low borrowing costs should provide support to buyer confidence. Moreover, the relatively low number of homes on the market and modest rates of housing construction are likely to keep the demand/supply balance fairly tight, even if economic conditions weaken in the quarters ahead, as most forecasters expect.

Affordability – mixed messages

“UK house price growth has been remarkably stable over the past eighteen months, averaging c5%. While this is relatively modest by UK standards, it is still well in excess of average wage growth. Indeed, over the past three years, house prices increased by c20% while wages have risen by c6%. As a result, the typical house now costs six times average earnings, up from 5.3 times earnings in 2013.

“However, the steady decline in borrowing costs over the same period has helped to lessen the impact on affordability for home buyers. Indeed, the typical mortgage payment expressed as a share of average take home pay is little changed over the period and is still in line with the long-run average.

“It is important to note that there is significant variation across the regions in terms of affordability. Even though mortgage interest rates are close to all-time lows, the cost of servicing the typical mortgage as a share of take home pay is now above its 2007 peak in London and above its long run average in the Outer Metropolitan and Outer South East regions. By contrast, housing appears far more affordable in northern England, Wales and Scotland.”

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