

Second consecutive month of subdued price growth

- House prices rise 0.2% during September as annual rate of house price inflation slows to 17.8%
- New regional affordability indices show the North and the North West to be most stretched
- Trading up hardest for more than 10 years

Monthly index - Headlines	September 2004	August 2004
Monthly index (seasonally adjusted) Q1 '93 = 100	305.4	304.7
Monthly change (seasonally adjusted)	0.2%	0.1%
Annual change	17.8%	18.9%
Average price (non-seasonally adjusted)	£153,727	£153,743

Commenting on the figures Alex Bannister, Nationwide's Group Economist said:

“House price growth remained subdued in September, with the price of an average property up just 0.2% on a seasonally adjusted basis. This followed a rise of 0.1% during August. The average property price is now 17.8% higher than a year ago at £153,727. Property price inflation over the last 3 months, on an annualised basis, slowed to 10.1% down from a peak of 28% in April 2004.

“Bank of England data confirmed that the level of housing market activity was subdued in August, with the number of house purchase mortgages approved (seasonally adjusted) falling to 96,000 from around 125,000 per month over the spring period. Activity is set to remain at lower levels over coming months as home purchasers continue to adopt a cautious approach. However, activity is still higher than during much of the 1990s and in our view remains consistent with further modest house price growth.

“The regional house price growth picture remains broadly unchanged from last quarter, with prices rising fastest in Wales (up 34% on a year ago), the North (30%) and the North West (28%). Annual house price growth was once again lowest in London (11%) and the Outer Metropolitan area (10%). Over the last two years, average property prices have increased £40,000 in London compared with rises of more than £50,000 in the North, North West, Wales and Yorkshire & Humberside. At a more local level, the areas that have seen prices rise the fastest include Sedgfield, South Ayrshire, the Ribble Valley and Bolton. Prices have risen slowest in Newham, Crewe & Nantwich, Rushcliffe and Chichester.

“It is often commented that the London and the South East housing markets are the most stretched in the country. This view is based on the fact that the average price of a property is around 6.75 times the average level of earnings in London compared with, for example, 5.78 in the North West. However, this is a little misleading since London has always been the least affordable region in the UK, with the house price to earnings ratio averaging 4.64 over the last 20 years compared with 3.45 in the North West.

“A more useful guide is to compare current property valuations with prior peaks – particularly that of the late eighties which heralded the onset of the last housing slump. In addition, there are a number of reasons why a higher level of house prices relative to earnings is now possible compared with the past including: supply shortages, higher levels of discretionary cash to be spent on housing, a desire to use increased wealth/income to consume more housing and an increased investment motive (perhaps as a substitute for private pensions). However, current low levels of interest rates do justify a higher valuation relative to earnings, so we have calculated new regional affordability indices (published in full in table 3, page 6) which take account of the level of interest rates.

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“On this basis, affordability looks significantly better than at the peak of the last boom in most regions. However, it is clear that London and the South East look considerably more affordable relative to the eighties peak than the North, North West and Wales. In our view these three regions, where rapid price growth has been in evidence over the last few years, are the most stretched and, therefore, the most vulnerable to a significant slowdown.

“In percentage terms cheaper properties such as terraced have ‘outperformed’ more expensive properties over the last three years. For example, average terraced property price inflation in the West Midlands over this period has been 22% compared with inflation for detached properties of 16%. However, for existing homeowners looking to trade up what matters is the change in the price of their property compared with the change in price of the property they are hoping to buy. During the current upturn the price of detached properties (in absolute money terms) has risen faster than the prices of other property types. Consequently, trading up is now at its hardest for more than 10 years. Currently in the West Midlands, someone trading up from a semi-detached to a detached property has to find an extra c.£70,000. In mid-1999 they would have needed c.£40,000 (in today’s money) to trade up. A table showing how the trade-up gap varies in relation to different levels of house price inflation is included on page 4.

“Our forecast for annual house price inflation in December 2004 remains at 15%. Prices have risen 12.5% so far this year and our forecast implies rises of 0.8% (seasonally adjusted) per month over the remaining three months of the year. If prices were to continue rising at the pace seen in the last two months, annual price inflation in December would be 13%. Going into 2005, we expect continued subdued price growth with the faster growing regions, such as the North and Wales seeing the sharpest slowdown in price growth. However, given the positive outlook for the economy and the jobs market in particular, we expect the market to tread water, involving subdued price growth, rather than experience a sustained widespread slump in prices.”

UK Review

Quarterly index – Headlines	Q3 2004	Q2 2004	Q1 2004	Q4 2003
UK All Properties Index (Q1 1993 =100, sa)	306.4	297.1	282.3	268.4
Quarterly change (seasonally adjusted)	3.1%	5.3%	5.2%	4.5%
Annual change	19.3%	19.4%	16.9%	15.5%
Average price in quarter	£154,805	£149,742	£140,225	£133,903

Housing turnover down

The latest Bank of England data confirmed that housing market activity slowed markedly over the summer months. On a seasonally adjusted basis the number of approvals for house purchase fell to 96,000 in August, down from around 125,000 per month over the spring period. Anecdotal and survey evidence suggest that September approvals could also be in the region of 96,000. However, although considerably down on the peak of late 2003 and early 2004, activity remains above the level seen during most of the nineties. Instead of viewing the current state of the market as exceptionally weak, it may make more sense to think of the early 2002 and late 2003/early 2004 periods as exceptionally strong.

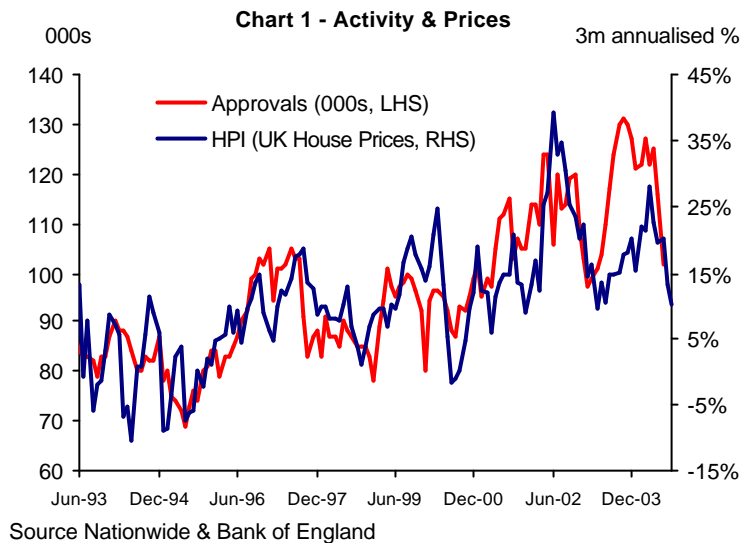
Activity and price move broadly in line

As can be seen, from chart 1, there appears to be a reasonably close relationship between the level of activity and the level of house price inflation. The exceptions being late 1999 when activity slowed at a time when prices continued to rise by around 15% per annum and in early to mid 2004 when activity reached record levels. In contrast to the views of some commentators, the level of approvals does not appear to be a leading indicator of house price inflation.

Although, chart 1 shows an apparent relationship between activity levels and price growth, it is not entirely clear whether the number of people trading has an impact on price or whether rising prices encourage people to trade. One possibility is that at times of higher activity properties tend to sell more quickly and viewings are more frequent. As a result, buyers may feel under pressure to pay more to secure their desired property. If the level of activity is related to the level of price growth, then the mix of buyers (between first-time buyers and existing homeowners) may also be important. First-time buyers represent net new demand and, other things being equal, periods of higher first-time buyer activity may be associated with higher price growth.

Trading up hardest for more than 10 years

Given the current lack of first-time buyers, the role of existing homeowners in the housing market is extremely important. A key consideration for many existing homeowners is whether it is a good time to be trading up. In essence, the answer to this question depends on what is happening to relative property prices.



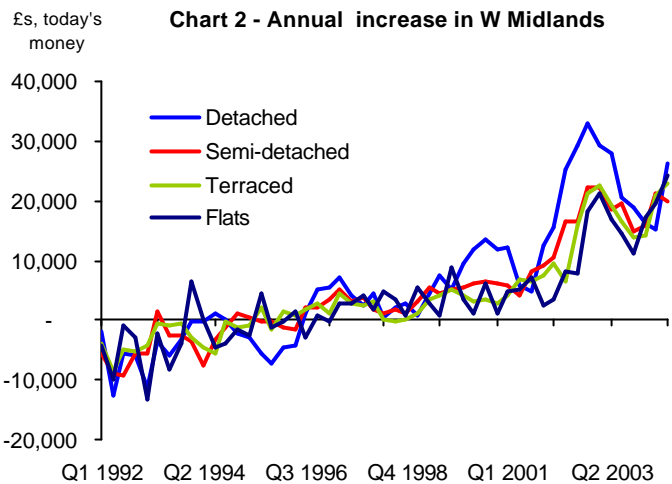
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Although in percentage terms, the price of cheaper properties has tended to rise faster than the price of more expensive properties, it is the relative change in price in money terms that matters for homeowners looking to trade up. In the current cycle, despite lower increases in percentage terms, it is the more expensive properties, such as detached houses, that have seen prices increase fastest in money terms. Chart 2 plots the change in price (in today's money) for different property types in the West Midlands. In contrast to the current upswing, when prices were falling in the early 1990s it was the prices of more expensive properties that tended to fall by most in money terms.

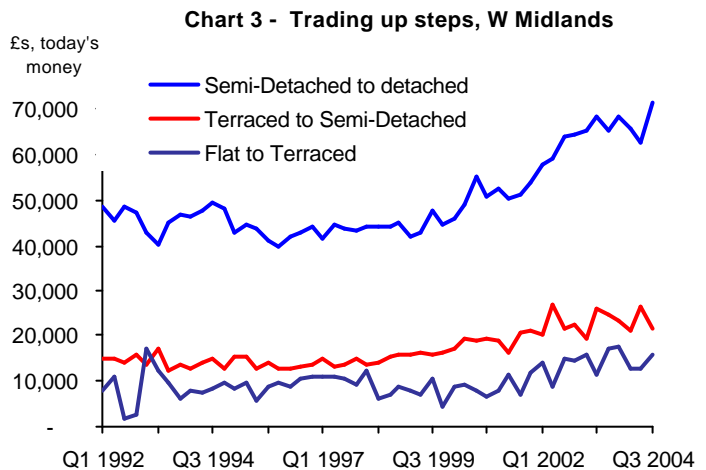
Consequently, the jump that those looking to trade up needed to make to move from, for example, a semi-detached to a detached property narrowed during the early to mid 1990s before widening by around £30,000 since mid 1999 (see chart 3 for trading up steps other property types). As a result, trading up is now at its hardest for more than 10 years.

The pattern in other regions is much the same, although the point when the gap between the price of more expensive and less expensive properties started to widen does vary considerably from region to region.

Table 1 shows for a typical semi-detached and detached property, the combinations of house price inflation on each type of property that make trading up harder or easier. For example, for someone experiencing house price inflation of 5% on their property, it only requires price inflation of 4% on the more expensive property for the price gap to widen and for trading up to become more difficult.



Source Nationwide



Source Nationwide

Table 1: Trading up calculator

		House price growth on £220,000 property you want to buy					
		1%	2%	3%	4%	5%	10%
House price growth on £150,000 property you currently own	1%	70,700	72,900	75,100	77,300	79,500	90,500
	2%	69,200	71,400	73,600	75,800	78,000	89,000
	3%	67,700	69,900	72,100	74,300	76,500	87,500
	4%	66,200	68,400	70,600	72,800	75,000	86,000
	5%	64,700	66,900	69,100	71,300	73,500	84,500
	10%	57,200	59,400	61,600	63,800	66,000	77,000

Table above shows how the difference between the price of the property you want to buy and the price of your current property changes for different levels of house price inflation on the desired and current properties. The example shown uses property prices of £220,000 on the desired property and £150,000 on the current property. These prices are close to the current UK detached and semi-detached prices respectively. Price growth combinations that make trading up harder are shown in bold.

Regional Review

Prices continue to rise strongly in Wales and the North...

The picture across the UK looks broadly similar to last quarter with regions such as Wales, the North and the North West continuing to experience the strongest annual house price growth. However, there has been significant moderation in quarterly price growth in most regions, in particular Yorkshire & Humberside and Scotland.

While rents have been relatively stable over the past 2 years, RICs data shows them rising most strongly in the North West and Wales this quarter, perhaps reflecting high demand for rental properties in these areas. However, rental yields have continued to decline in all areas, and we expect this to dampen demand for buy-to-let in coming quarters.

...but are prices in these regions now overstretched?

To answer the question of whether house prices are overstretched many commentators turn to house price to earnings ratios (HPERs). Given that, over the long run, earnings growth is a major determinant of house price growth, the ratio of one to the other should not diverge significantly over time. Currently, the regions with the highest HPERs are London, the South East and the South West (see table 3 below), which some take to mean that prices are most overstretched in these regions. The region with the lowest HPER is Scotland. However, HPERs have always tended to be higher in London, the South East and the South West. Rather than comparing across regions it may make more sense to consider the HPER in any given region over time. On this basis the North West and the North look the most stretched.

New affordability indices better guide to sustainability

Importantly, with the exception of East Anglia, the Outer Metropolitan and Outer South East regions, HPERs in all regions are now higher than at the peak of the last cycle. Does this mean that the majority of regions are in danger of experiencing sharp price falls? Over time people have tended to spend less on staple goods, freeing up income to spend on items such as housing. This could result in there being a justified upward trend in HPERs over time. Additionally, with the move to a more stable, low inflation environment, interest rates have fallen (in both nominal and real terms) and again this might be expected to result in a permanent upward shift in HPERs. Thus the fact that the HPER in a region is now above the peak seen during the last cycle may not necessarily mean that prices are overstretched.

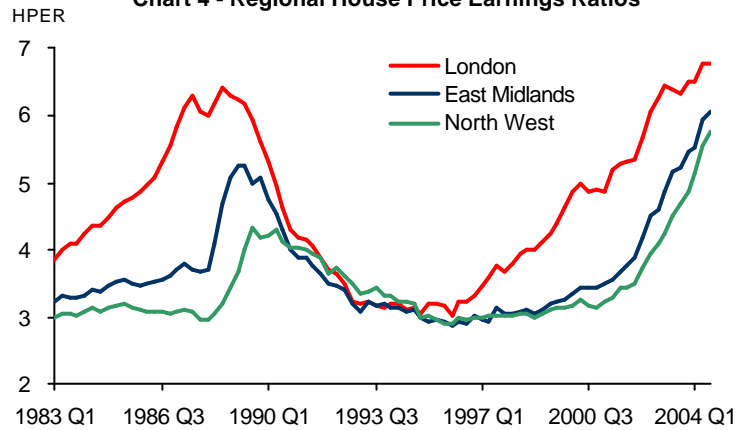
We have constructed a set of regional affordability indices which adjust the HPER for changes in the level of taxation and interest rates (see chart 5).

Table 2: Annual house price inflation

Region	Q204	Q304
Wales	33%	34%
North	33%	30%
North West	28%	28%
Yorks & H'side	28%	26%
Scotland	24%	24%
East Midlands	19%	20%
UK	19%	19%
West Midlands	20%	19%
South West	17%	18%
East Anglia	14%	16%
N Ireland	14%	16%
Outer S East	13%	14%
London	11%	11%
Outer Metropolitan	9%	10%

Source: Nationwide

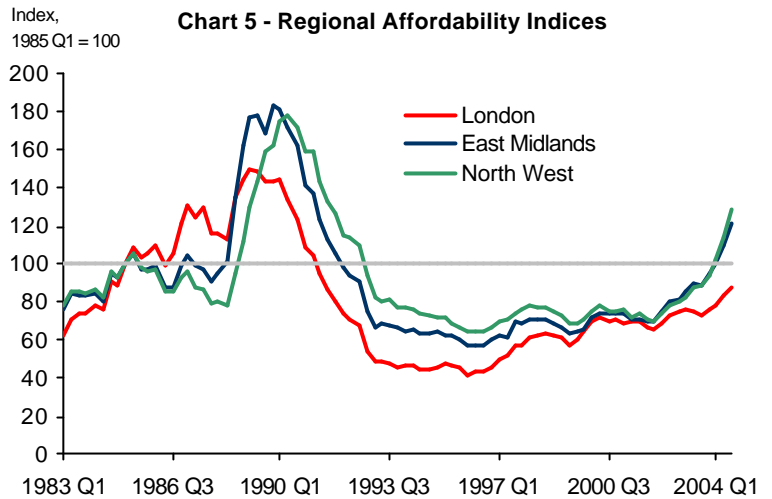
Chart 4 - Regional House Price Earnings Ratios



Source: Nationwide & ONS

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Although the conclusion based on regional HPERs doesn't change (the North, the North West and Wales still appear most stretched), affordability remains good compared with the peak of the last cycle. Although Northern Ireland also looks unaffordable, the region has gone through major structural change. Consequently, the region didn't experience the same cycle that the rest of the UK went through in the late eighties, but since then, as a result of the peace dividend and the booming Republic of Ireland economy, prices have risen rapidly.



Source: Nationwide & ONS

Table 3: Regional Affordability Indices

Region	House price to gross earnings ratio		Affordability of Mortgage Payments	
	Q304	Q304 vs last peak	Q304 Index	Q304 vs last peak
Northern Ireland	5.08	76%	112.2	25%
North	5.40	34%	117.4	-24%
North West	5.78	33%	125.7	-29%
UK	5.90	18%	107.2	-32%
Wales	5.97	24%	117.2	-32%
South West	7.36	14%	118.2	-34%
West Midlands	6.25	19%	123.0	-35%
East Midlands	6.05	15%	118.6	-35%
Scotland	4.57	14%	81.5	-36%
Yorks & Humber	5.75	3%	102.9	-42%
London	6.75	6%	86.3	-42%
Outer SE	6.65	0%	106.4	-44%
Outer Met	7.82	0%	94.5	-45%
East Anglia	6.12	-9%	99.0	-47%

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Economic Outlook

US concerns and oil price rises fail to dent UK outlook

A dip in US growth in Q2 2004 and rising oil prices have raised concerns about whether the global recovery remains on track. However, it is our view that the world economy remains in fairly good health. On the back of this,

the UK economy continues to grow strongly. Manufacturers have arrested the falls in output seen over recent years, business investment is picking up and consumer spending continues to grow.

Employment growth stalls...

The tightness in the labour market that had been building in recent months appears to have got no worse with employment growth stalling in recent months. In fact the labour market may have eased modestly, with the recent trend towards higher full time employment and lower part time employment starting to reverse.

...and real take home pay growth remains subdued

These developments have kept a lid on average earnings growth at a time when inflation (as measured by the 'old' retail price inflation index) has been picking up. Add in the impact of higher taxation and real take-home pay growth remains subdued, up just 0.4% on a year earlier.

Market comes round to view that interest rates are nearing their peak

In addition to the slightly 'softer' economic data, MPC comments over the summer period led to the market lowering its expectation of future interest rates. As chart 7 shows, back in June, the market was pricing in rates of 5.75% by September 2005. Currently, they are pricing in rates of between 5 and 5.25%. We believe that rates will rise just once more in the current cycle – in November – meaning the base rate peaks at just 5%. The economy is likely to grow 3% this year and 2.4% next year.

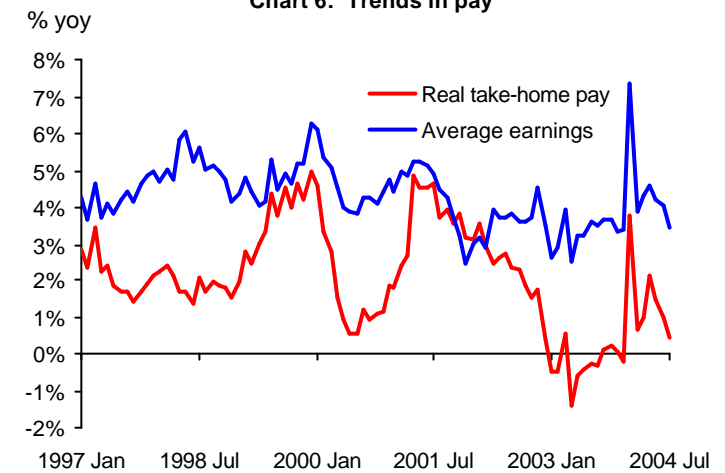
Consumer activity will moderate, rather than slump, in coming months as the impact of subdued real take-home pay growth and rising interest rates is offset by continued high levels of employment.

Table 4: Economic forecasts

	2002	2003	2004*
GDP % year	1.8	2.2	3.0
Average earnings, % year	3.6	3.4	4.2
Real disposable wages and salaries, % year	3.9	1.0	2.2
Unemployment, m, Q4	0.94	0.91	0.85
Base rates, %, Q4	4.0	3.7	4.9

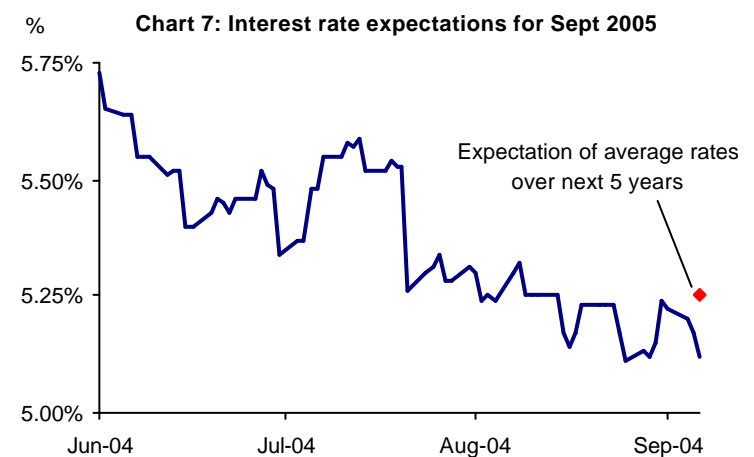
* forecast. Source Nationwide.

Chart 6: Trends in pay



Source: ONS and Nationwide

Chart 7: Interest rate expectations for Sept 2005



Source Financial Times

Housing Forecasts

UK forecast remains at 15%

As expected the housing market is now showing signs of cooling in response to continued low real take home pay growth, five base rate increases in the last 11 months and a moderation in buyers' expectations of future house price growth. Prices have risen 12.5% so far this year. Our forecast for house price growth during the whole of 2004 remains at 15%, implying price increases of 0.8% per month for the last three months of the year. Beyond this year price growth is likely to remain muted for some time as the market adjusts following four years of double digit house price inflation.

Table 5: Housing and mortgage market forecasts

	2002	2003	2004*
House Price Index (Dec on Dec % changes)	25.3	15.6	15.0
Mortgage payments (% take-home pay), Q4	23	25	29
House price to earnings ratio, Q4	4.7	5.3	5.9
First-time Buyers, % of house sales	38	30	29
Sales, England & Wales, m	1.59	1.34	1.50
Total Gross Mortgage Lending, £bn	218	275	296
External Remortgaging, £bn	81	123	124
Total Net Mortgage lending, £bn	78	99	99

* forecast. Source Nationwide.

Activity to slow more significantly than price

Housing market activity has slowed markedly over recent months. Our expectation is that the slowdown in activity will be more marked than the slowdown in price growth with market mortgage approvals (seasonally adjusted) remaining at around 96,000 until the end of the year. However, given the lag between approval and completion, transaction levels are likely to remain strong for a number of months meaning total sales in 2004 of 1.5m.

Regional forecast little changed

Our regional house price forecast is little changed from last quarter, with price growth expected to remain strongest in Northern regions, Scotland and Wales. Prices in these areas are expected to end the year up by around 25%. However, this implies prices in many regions will show little growth during the last quarter – price growth of between 0-0.5% between now and December is expected to be typical

Table 6: Regional forecasts

% year			Forecast	Previous
Region	Q403	Q304	Q4 04	Forecast
NORTH	30%	30%	24%	24%
WALES	26%	34%	23%	23%
NORTH WEST	22%	28%	24%	23%
YORKS & HSIDE	21%	26%	21%	22%
N IRELAND	10%	16%	15%	16%
SCOTLAND	17%	24%	20%	21%
UK	15%	19%	16%	15%
EAST MIDS	22%	20%	15%	15%
EAST ANGLIA	11%	16%	15%	14%
WEST MIDS	17%	19%	16%	15%
OUTER S EAST	10%	14%	12%	13%
SOUTH WEST	13%	18%	15%	13%
OUTER MET	6%	10%	9%	10%
LONDON	7%	11%	9%	10%

Source: Nationwide

North to see marked slowdown in 2005

Price growth across the UK is set to become more uniform in coming quarters as those regions that have seen prices rising fastest experience the sharpest slowdown. These are also the regions that, on the basis of our regional affordability indices, are looking more stretched relative to the peak in the last cycle.

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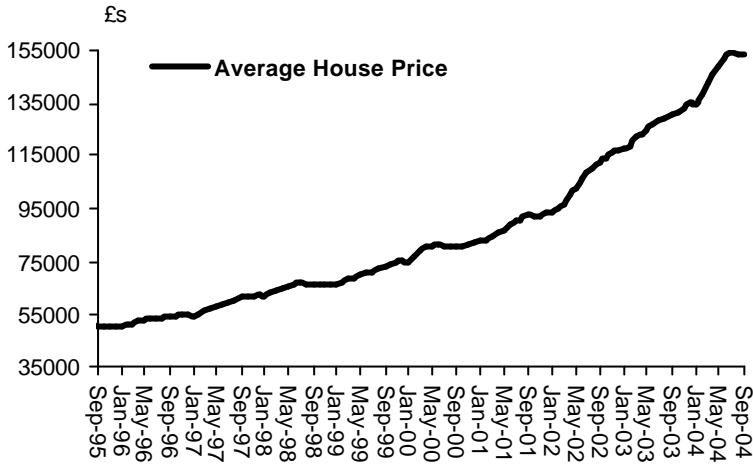
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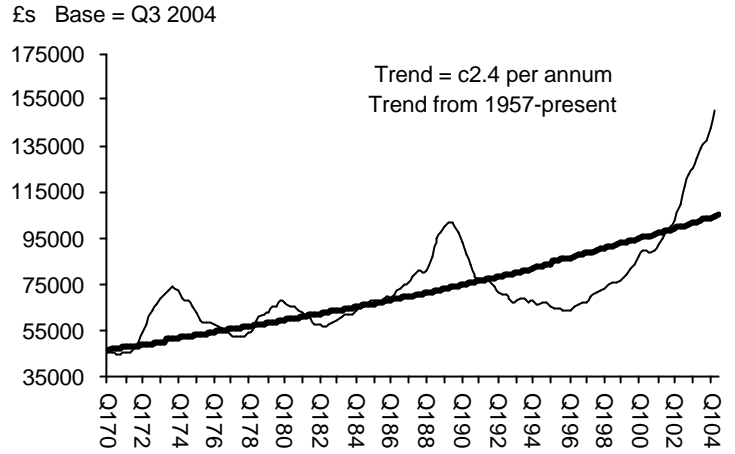
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Monthly House Price Indices

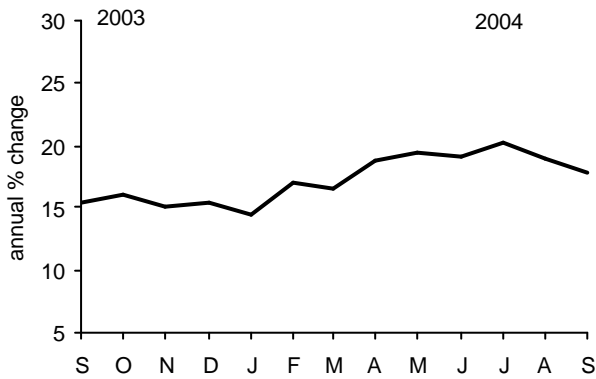
Average UK House Price



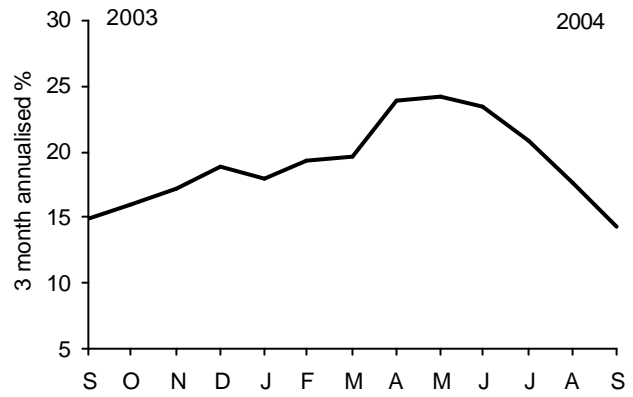
Long Term Real House Price Trend



Annual % Change in House Prices



Trend in House Price Inflation (1)



Historical Data (2)

Month	Monthly Index Q1 93 = 100 seasonally adjusted	Monthly Change %	Monthly Index Q1 93 = 100 not seasonally adjusted	Annual Change %	Average Price £
2003 Sep	259.2	1.2	260.3	15.5	130,473
Oct	263.7	1.8	263.2	16.1	131,947
Nov	267.1	1.3	266.1	15.2	133,388
Dec	271.5	1.6	270.2	15.6	135,444
Jan	273.3	0.7	268.9	14.3	134,806
Feb	280.8	2.7	276.8	17.1	138,730
Mar	285.1	1.5	284.4	16.7	142,584
Apr	290.7	2.0	291.1	18.9	145,918
May	295.6	1.7	297.3	19.5	149,020
Jun	298.1	0.9	302.3	19.1	151,524
Jul	304.5	2.1	307.8	20.3	154,299
Aug	304.7	0.1	306.7	18.9	153,743
2004 Sep	305.4	0.2	306.7	17.8	153,727

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Quarterly House Price Indices

REGIONAL HOUSE PRICE CHANGES						
Region	Annual % change		Average price, £		Average	Average
			All Properties		FTB price, £*	FOO price, £**
	2004Q3-2003Q3	2004Q2-2003Q2	2004Q3	2004Q2	2004Q3	2004Q3
North	30.0	33.0	121,378	115,790	90,169	140,775
Yorkshire & H'side	25.9	28.2	133,494	129,018	102,017	152,826
North West	27.9	28.3	139,407	132,046	103,867	162,829
East Midlands	20.0	19.4	141,625	137,684	112,569	158,817
West Midlands	18.8	20.3	150,770	143,950	118,583	172,198
East Anglia	16.0	14.4	159,466	154,494	124,430	178,499
Outer South East	14.3	12.5	186,295	180,702	147,131	209,711
Outer Metropolitan	10.2	9.3	219,065	214,531	167,317	252,955
London	11.4	10.5	237,818	233,164	208,066	274,556
South West	18.3	16.9	176,181	169,435	138,466	198,597
Wales	33.5	33.0	135,206	128,267	108,267	153,423
Scotland	24.0	24.4	110,118	105,855	77,947	123,705
Northern Ireland	15.6	14.4	107,509	103,238	86,894	123,822
UK	19.3	19.4	154,805	149,742	124,214	178,293

*Average First time buyer price. **Average Former Owner Occupier

PROPERTY TYPE PRICE CHANGES					
	Price £	Index	Quarterly Change %	Annual % Change	
				2004Q3-2003Q3	2004Q2-2003Q2
All properties (SA)	-	306.3	3.1	-	-
All properties (NSA)	154,805	308.8	-	19.3	19.4
New properties (NSA)	162,816	264.2	-	19.7	15.9
Modern properties (NSA)	153,976	298.7	-	18.4	17.9
Older properties (NSA)	151,484	339.5	-	19.7	19.7
Detached properties (NSA)	218,194	275.9	-	15.7	13.9
Semi-detached properties (NSA)	153,054	306.4	-	21.0	20.5
Terraced properties (NSA)	127,919	335.9	-	20.0	20.8
Flats (NSA)	114,165	335.0	-	16.5	16.1
First time buyers (NSA)	124,214	315.2	-	19.6	21.7
Former owner occupiers (NSA)	178,293	305.5	-	18.1	17.0

HOUSE PRICE EARNINGS RATIO AND OTHER INDICATORS										
Period	Mortgage rate at end of period % ⁽¹⁾	Mix-adjusted house price indices ⁽²⁾				Retail price index ⁽³⁾	Average earnings index ⁽³⁾	All properties average price ⁽²⁾	Average gross earnings ⁽⁴⁾	House price/earnings ratio ⁽⁵⁾
		All properties	New properties	Secondhand properties						
				Modern	Older					
Q1 '01	6.49	167.5	155.2	161.6	180.8	171.8	132.5	£ 83,976	£ 22,852	3.67
Q2 '01	5.99	174.8	158.4	169.7	189.3	173.9	128.5	£ 87,638	£ 23,098	3.79
Q3 '01	5.74	181.6	164.4	175.9	196.2	174.0	128.1	£ 91,049	£ 23,313	3.91
Q4 '01	4.74	184.6	169.5	179.4	198.7	173.8	130.3	£ 92,533	£ 23,510	3.94
Q1 '02	4.74	190.2	173.2	186.0	204.9	173.9	136.4	£ 95,356	£ 23,778	4.01
Q2 '02	4.74	206.5	184.7	200.5	223.1	176.0	133.3	£ 103,501	£ 24,159	4.28
Q3 '02	4.74	221.1	193.9	215.2	239.8	176.6	132.8	£ 110,830	£ 24,357	4.55
Q4 '02	4.74	231.3	204.4	226.6	252.2	178.2	135.5	£ 115,940	£ 24,519	4.73
Q1 '03	4.64	239.3	212.1	235.3	261.5	179.2	141.2	£ 119,938	£ 24,753	4.85
Q2 '03	4.64	250.1	217.0	245.0	274.6	181.3	137.3	£ 125,382	£ 24,742	5.07
Q3 '03	4.54	258.9	220.7	252.4	283.7	181.8	137.9	£ 129,761	£ 25,100	5.17
Q4 '03	4.89	267.1	228.6	260.6	292.8	182.9	139.7	£ 133,903	£ 25,194	5.31
Q1 '04	5.14	279.7	239.2	271.7	306.4	183.8	148.7	£ 140,225	£ 25,878	5.42
Q2 '04	5.49	298.7	251.4	288.9	328.6	186.3	143.4	£ 149,742	£ 25,805	5.80
Q3 '04	5.99	308.8	264.2	298.7	339.5	187.4+	143.6+	£ 154,805	£ 26,079 +	5.94+

+ = Estimated.

(1) Nationwide's lowest Base Mortgage Rate (BMR) Q1 2001 onwards.

(2) Nationwide series (non-seasonally adjusted). Older properties are those built before 1945, modern are those built in 1945 or later but which are not new.

(3) Source: Office of National statistics (ONS). RPI 1987=100, AEI 1995=100.

(4) All adult full time employees whose pay is not affected by absence derived each year from the New Earnings Survey; the AEI is used for extrapolation (Seasonally adjusted).

(5) Ratio of the weighted 'All Properties' price to average gross earnings.

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Quarterly House Price Indices (continued)

Property Type, Percentage Change and Average Price Q3 2004						
Region	Detached		Semi-detached		Terraced	
	Av. Price £	Annual % Chg.	Av. Price £	Annual % Chg.	Av. Price £	Annual % Chg.
North	176,768	15.8	133,294	33.7	98,254	33.4
Yorkshire & H'side	202,243	23.7	130,134	24.3	102,140	30.2
North West	212,885	24.0	143,139	29.4	101,348	31.2
East Midlands	194,503	14.7	131,308	23.0	111,111	21.4
West Midlands	214,718	16.2	145,417	19.6	123,194	25.8
East Anglia	218,076	14.8	150,658	18.1	122,089	11.7
Outer South East	266,042	10.2	183,613	12.8	159,102	14.0
Outer Metropolitan	323,774	7.3	226,758	12.3	181,600	9.0
London	406,023	10.9	276,838	13.0	242,027	10.7
South West	246,432	14.0	170,729	15.5	151,502	22.4
Wales	190,521	28.1	133,572	38.0	109,583	32.5
Scotland	174,936	28.9	121,138	29.2	97,360	26.9
Northern Ireland	146,558	7.9	104,069	15.4	77,660	13.7
UK	218,194	15.7	153,054	21.0	127,919	20.0

Property Type, Percentage Change and Average Price Q3 2004				
Region	Flats		Bungalows	
	Av. Price £	Annual % Chg.	Av. Price £	Annual % Chg.
North	101,559	57.2	N/A	N/A
Yorkshire & H'side	124,524	32.9	155,211	21.4
North West	100,605	32.4	165,674	34.3
East Midlands	103,297	25.5	154,332	20.2
West Midlands	101,788	24.9	179,875	18.0
East Anglia	88,629	5.2	165,059	15.4
Outer South East	129,204	19.4	215,422	19.1
Outer Metropolitan	138,839	6.9	254,437	11.0
London	192,535	12.0	264,589	9.1
South West	116,979	15.8	205,518	17.1
Wales	107,760	-11.3	144,122	20.3
Scotland	81,884	25.9	146,425	30.7
Northern Ireland	88,016	-1.3	116,317	20.9
UK	114,165	16.5	165,115	21.5

Regional Top 10 ⁽⁵⁾		
Rank	Local Authority	Band
1	Sedgefield	> 35%
2	South Ayrshire	
3	Ribble Valley	
4	Bolton	
5	East Ayrshire	
6	Swansea	
7	Blackburn with Darwen	
8	Derwentside	
9	The Vale of Glamorgan	
10	West Lindsey	

Regional Bottom 10 ⁽⁵⁾		
Rank	Local Authority	Band
1	Newham	< 4%
2	Crewe and Nantwich	
3	Rushcliffe	
4	Chichester	
5	Bracknell Forest	
6	East Hertfordshire	
7	Thurrock	
8	Watford	
9	Fareham	
10	Harrow	

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Quarterly House Price Indices (continued)

London House Price Changes Q3 2004 ⁽⁵⁾		
Rank	Borough	Band
1	Islington	20% - 25%
2	Hounslow	
3	Merton	15% - 20%
4	Wandsworth	
5	Ealing	
6	Hammersmith and Fulham	
7	Lambeth	10% - 15%
8	Croydon	
9	Sutton	
10	Kingston upon Thames	
11	Tower Hamlets	
12	Haringey	
13	Southwark	
14	Waltham Forest	
15	Westminster	
16	Bexley	5% - 10%
17	Havering	
18	Barking and Dagenham	
19	Redbridge	
20	Richmond upon Thames	
21	Barnet	
22	Bromley	
23	Enfield	
24	Lewisham	
25	Greenwich	
26	Hillingdon	
27	Camden	0% - 5%
28	Brent	
29	Hackney	
30	Harrow	
31	Newham	< 0%

London House Price Changes Q3 2003 ⁽⁵⁾		
Rank	Borough	Band
1	Newham	15% - 20%
2	Hackney	
3	Greenwich	10% - 15%
4	Hounslow	
5	Harrow	
6	Brent	
7	Lewisham	
8	Barking and Dagenham	
9	Bromley	
10	Hillingdon	5% - 10%
11	Barnet	
12	Tower Hamlets	
13	Redbridge	
14	Havering	
15	Bexley	
16	Richmond upon Thames	
17	Waltham Forest	0% - 5%
18	Croydon	
19	Sutton	
20	Ealing	
21	Camden	
22	Lambeth	
23	Merton	
24	Westminster	
25	Haringey	
26	Hammersmith and Fulham	
27	Kingston upon Thames	< 0%
28	Wandsworth	
29	Southwark	
30	Enfield	
31	Islington	

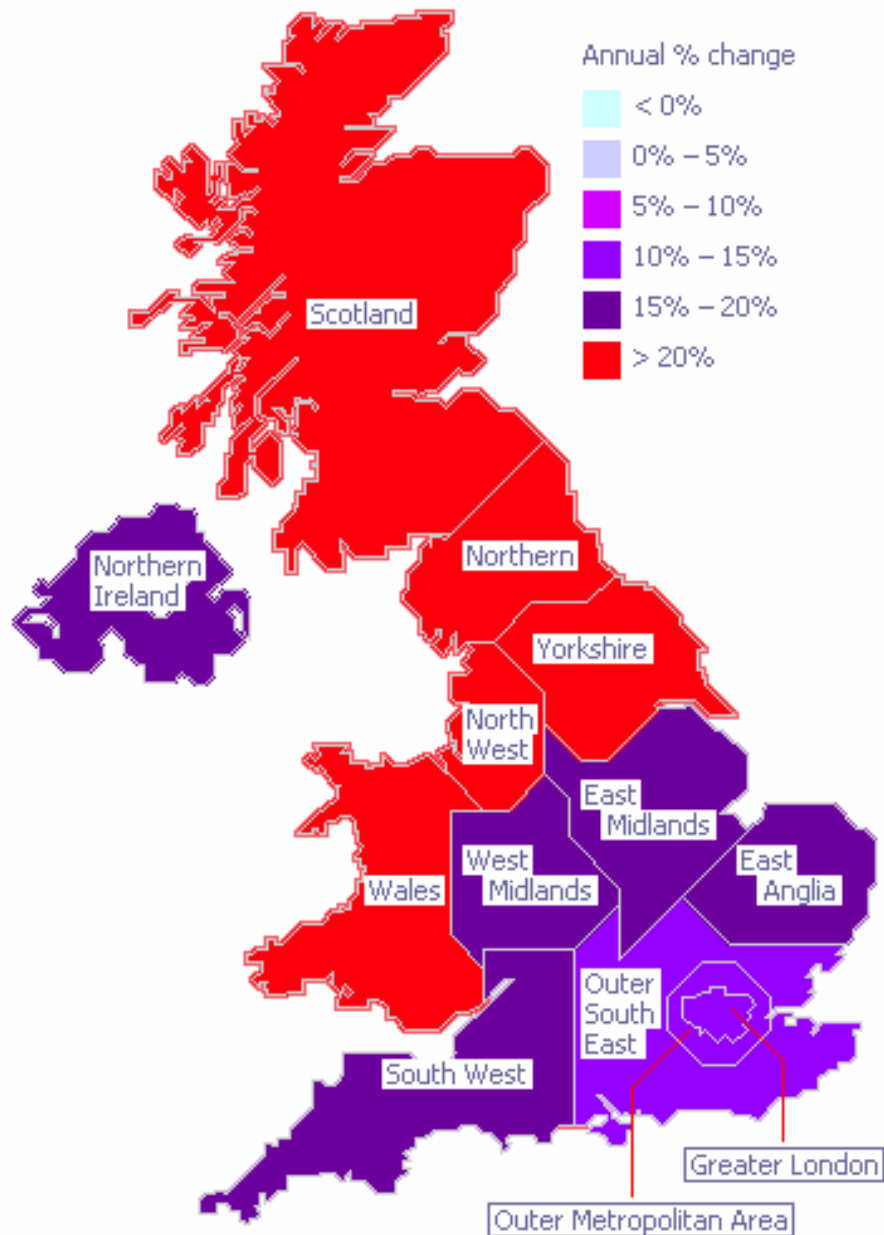
Please note there is insufficient data for Kensington & Chelsea, and City of London in both Q3 2004 and Q3 2003.

AFFORDABILITY INDEX														
(1985 Q1 = 100)	UK	Northern	Yorks & Humber	North West	East Midlands	West Midlands	East Anglia	Outer SE	Outer Met	London	South West	Wales	Scotland	Northern Ireland
2001 Q1	72.5	65.5	60.3	76.2	74.0	78.9	67.4	74.4	73.6	68.8	78.2	68.5	59.7	92.0
2001 Q2	69.6	59.4	57.3	71.8	70.3	74.5	64.7	71.8	72.5	69.6	74.6	64.9	55.5	88.7
2001 Q3	70.3	63.9	56.4	73.8	71.2	75.7	68.3	73.1	71.6	69.5	75.9	64.1	56.3	87.1
2001 Q4	67.3	60.0	54.7	70.5	69.6	72.5	63.6	70.6	68.4	66.6	73.2	62.0	52.7	79.6
2002 Q1	66.7	57.7	54.6	69.5	69.5	74.0	64.4	69.2	67.4	65.0	74.7	61.3	52.0	79.7
2002 Q2	71.0	62.6	58.4	73.7	74.5	77.7	68.8	74.3	71.3	68.3	79.2	64.9	53.5	85.4
2002 Q3	75.7	67.3	62.4	78.2	80.3	83.8	73.2	80.0	75.1	72.9	85.9	68.4	56.7	85.0
2002 Q4	78.3	71.3	68.3	80.7	82.0	88.9	75.8	84.0	80.0	74.9	88.8	73.1	56.6	85.7
2003 Q1	79.7	75.6	66.6	83.0	85.8	91.7	76.9	86.1	79.5	76.2	89.6	72.3	55.3	85.1
2003 Q2	82.4	80.4	72.6	87.7	90.4	92.6	78.9	87.5	80.8	75.2	90.7	78.3	59.6	86.9
2003 Q3	81.7	81.7	74.0	89.1	89.5	93.8	77.5	84.7	78.0	72.5	90.6	79.4	59.6	87.6
2003 Q4	85.7	87.9	78.5	93.6	94.9	98.4	79.6	88.0	80.5	76.0	94.8	87.3	62.6	89.5
2004 Q1	90.6	98.0	83.1	102.7	99.5	102.5	84.3	92.2	83.4	78.3	98.7	95.8	66.6	92.9
2004 Q2	99.8	108.4	94.4	114.1	109.5	113.0	91.5	99.8	89.5	84.1	107.6	105.6	75.2	100.8
2004 Q3 *	107.2	117.4	102.9	125.7	118.6	123.0	99.0	106.4	94.5	86.3	118.2	117.2	81.5	112.2

Source: Nationwide & ONS Higher index values indicate weaker affordability * = Estimated

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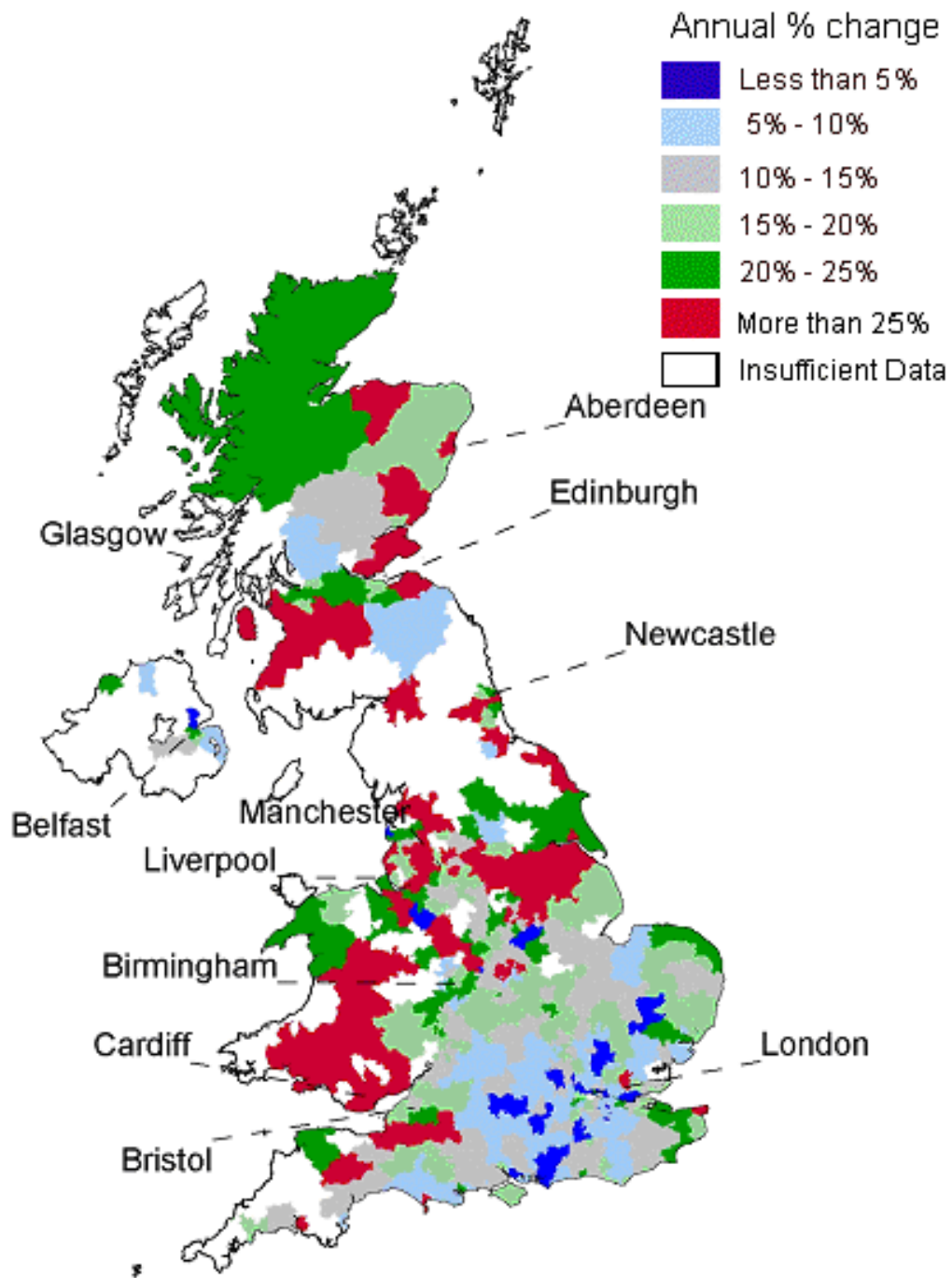
Regional House Price Changes Q3 2004 – Q3 2003



- All % changes are annual and based on the Nationwide All Properties Index.
- All changes are nominal and do not allow for inflation.

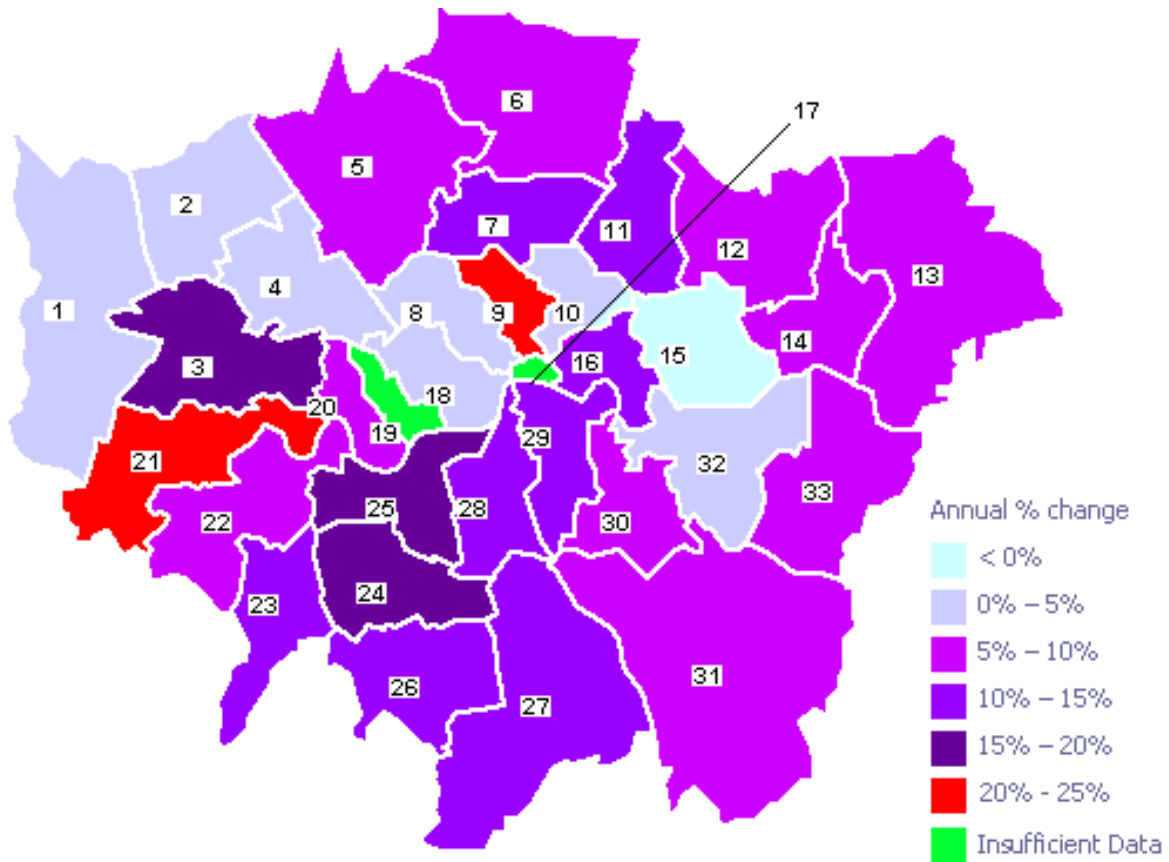
STRICTLY EMBARGOED UNTIL 7.00AM THURSDAY 30th SEPTEMBER 2004

Local Authority House Price Changes Q3 2004 – Q3 2003



STRICTLY EMBARGOED UNTIL 7.00AM THURSDAY 30th SEPTEMBER 2004

London House Price Changes Q3 2004 – Q3 2003



- | | | |
|-------------------|-------------------------|-------------------------|
| 1 Hillingdon | 12 Redbridge | 23 Kingston upon Thames |
| 2 Harrow | 13 Havering | 24 Merton |
| 3 Ealing | 14 Barking & Dagenham | 25 Wandsworth |
| 4 Brent | 15 Newham | 26 Sutton |
| 5 Barnet | 16 Tower Hamlets | 27 Croydon |
| 6 Enfield | 17 City of London | 28 Lambeth |
| 7 Haringey | 18 City of Westminster | 29 Southwark |
| 8 Camden | 19 Kensington & Chelsea | 30 Lewisham |
| 9 Islington | 20 Hammersmith & Fulham | 31 Bromley |
| 10 Hackney | 21 Hounslow | 32 Greenwich |
| 11 Waltham Forest | 22 Richmond upon Thames | 33 Bexley |

STRICTLY EMBARGOED UNTIL 7.00AM THURSDAY 30th SEPTEMBER 2004

Notes:

- 1) 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 revised methodology may be viewed through the main House Price menu*.
- 2) Price indices are seasonally adjusted using the US Bureau of the Census X11 method. Currently the calculations are based on monthly data starting from January 1991. Figures are recalculated at six month intervals, in June and December.
- 3) % change over previous month.
- 4) % change over same month last year.
- 5) The price changes in the above tables are based on the price per unit area of the properties in the sample. Samples are smaller than at a regional level and figures should not be relied upon for any critical application. Figures are not directly comparable with mix-adjusted indices.

The Nationwide House Price Index is prepared from information which we believe is collated with care, but no representation is made as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the whole or any part of the Index at any time, for regulatory or other reasons. Persons seeking to place reliance on the Index for their own or third party commercial purposes do so entirely at their own risk. All changes are nominal and do not allow for inflation.