

Nationwide HOUSE PRICE INDEX



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December 2011

Embargoed until 0700 30 December 2011

UK house prices edged up by 1% over the course of 2011

- House prices declined by 0.2% in December, but increased by 1% in 2011 as a whole
- Price of a typical home is now £163,822
- London sees strongest growth in 2011, but less regional variation in house prices compared with previous years

Headlines	Dec-11	Nov-11
Monthly Index*	331.2	332.0
Monthly Change*	-0.2%	0.4%
Annual Change	1.0%	1.6%
Average Price (not seasonally adjusted)	£163,822	£165,798

* 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 1% rise in house prices recorded over the past twelve months could hardly be described as a strong performance, but against a backdrop of anaemic economic growth and a deteriorating labour market, UK house prices were surprisingly resilient in 2011.

"Resilience was less evident in other areas of housing market activity in 2011. For example, the number of mortgage approvals remained low, at just over half the long-term average.

Demand and supply weak, but well matched

"Although high rates of unemployment, falling real wages and the uncertain economic outlook kept many potential homebuyers on the sidelines, the supply side of the market was similarly squeezed. Thanks to continued low interest rates, the number of forced sales remained low. Together with a dearth of building activity in recent years, this prevented a glut of unsold homes from accumulating on the market. This meant that although demand and supply were both weak, they remained relatively well matched, providing little impetus for prices to move strongly in either direction.

Looking ahead – more of the same?

"2012 isn't shaping up to be much better than 2011, for the UK economy or the housing market. There is no sign of an end to the Eurozone crisis and, since the single currency area is the UK's largest trade partner, this will continue to weigh on our export performance at a time when the UK is unusually reliant on international trade to drive its recovery.

"Deteriorating labour market conditions and elevated inflation are already holding back household spending, while austerity measures are restraining public expenditure. Against this backdrop the UK economy is likely to expand by less than 1% again in 2012 – far below the 3% growth rates that were the norm before the onset of the financial crisis.

A slight shift in favour of buyers?

"With the UK economy struggling to gain momentum, labour market conditions are likely to remain challenging in 2012, deterring buyers from entering the housing market. This may tip the demand/supply balance in favour of buyers. However, there are few indications that a flood of properties is about to hit the market, so tight supply conditions will continue to provide some support for prices.

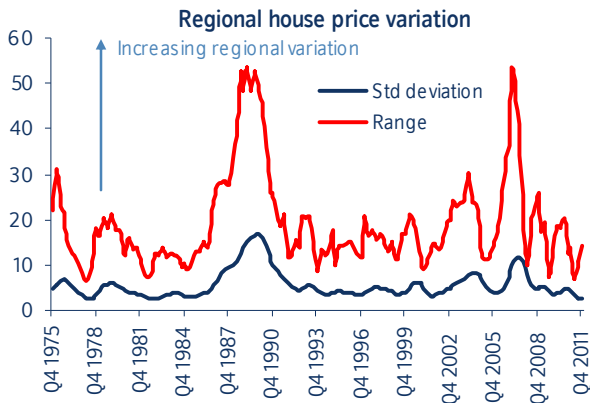
"The outlook is very uncertain, and will depend crucially on how the wider UK economy performs. Nevertheless, as things stand, the housing market in 2012 looks likely to be characterised by low levels of activity once again, with prices moving sideways or modestly lower over the course of the year.

The regional dimension – less variation.....

"There has been less variation than usual in house price movements across the UK regions in recent quarters. Annual price changes in 10 of the 13 regions were clustered in a fairly narrow band between +2% and -2% in Q4. This trend is also evident in the two measures of regional house price variation shown below – the range (the highest rate of annual house price inflation recorded in a region during the quarter, compared to the weakest rate) and the standard deviation (which is a measure of how far price movements in all the regions deviate from the average).

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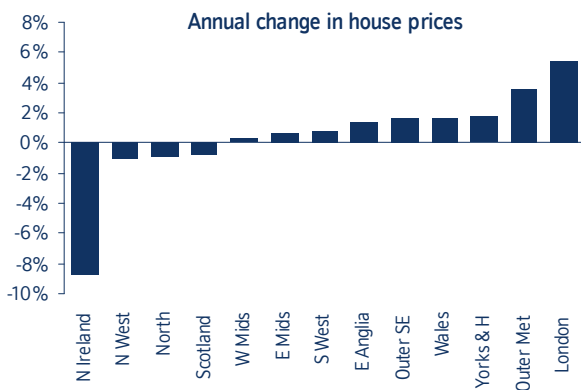
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...with a couple of notable exceptions

“However, two regions did stand out over the past 12 months. Northern Ireland was the main outlier, with house prices falling by 8.7% in 2011 – a marked contrast with the picture of relative stability seen in the UK market as a whole. Indeed, average house prices in Northern Ireland ended the year at half the level prevailing at their all time highs in late 2007.

“At the other end of the spectrum, the London market remained buoyant in 2011, with prices rising by 5.5% over the course of the year. This is the second time in three years that London has topped the regional house price performance table. Prices in the capital are now just 1.6% below their all time highs, while in the UK as a whole prices are still 10% below their peak.



You can find out more about regional house price movements in 2011 in our quarterly report (available by clicking [here](#)).”

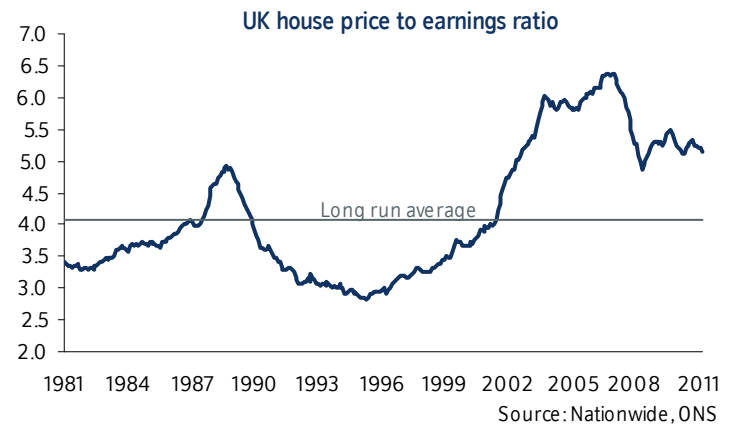
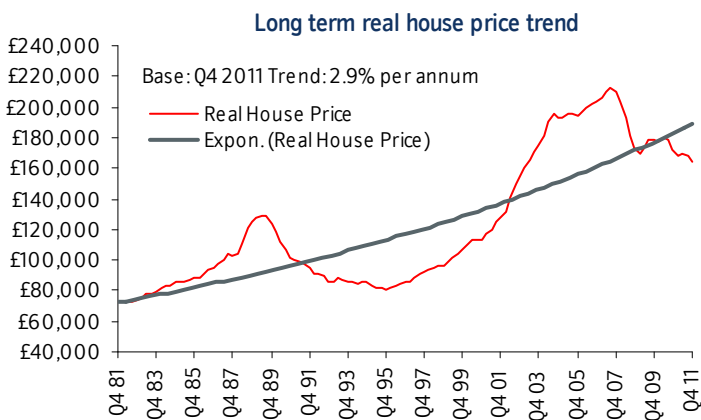
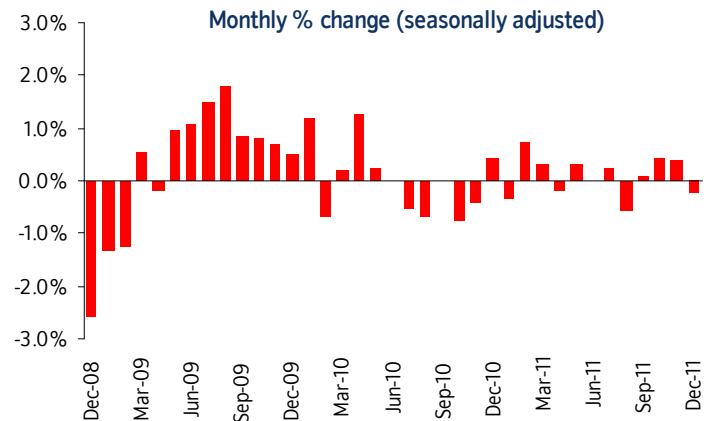
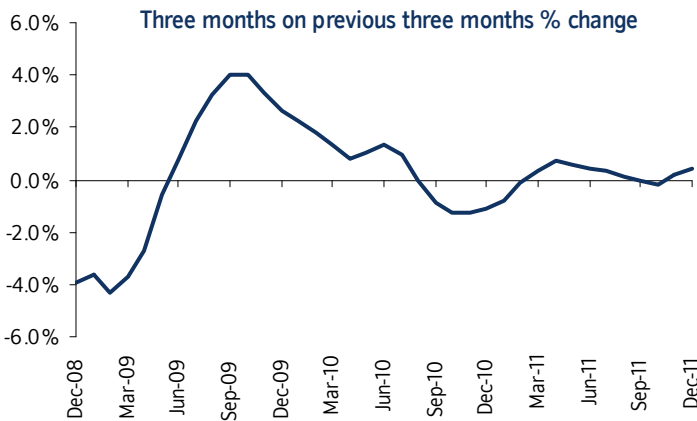
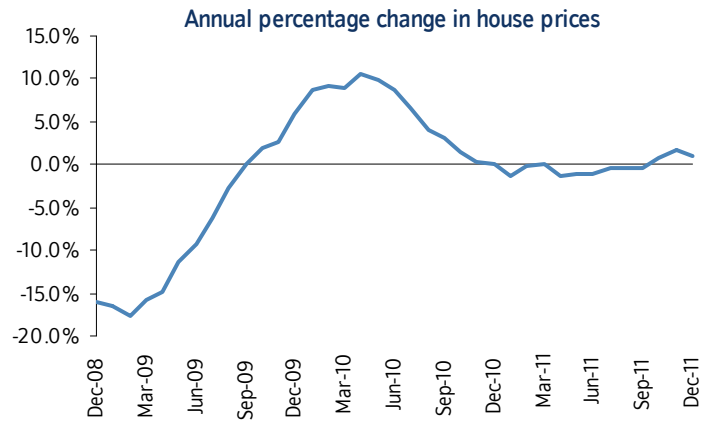
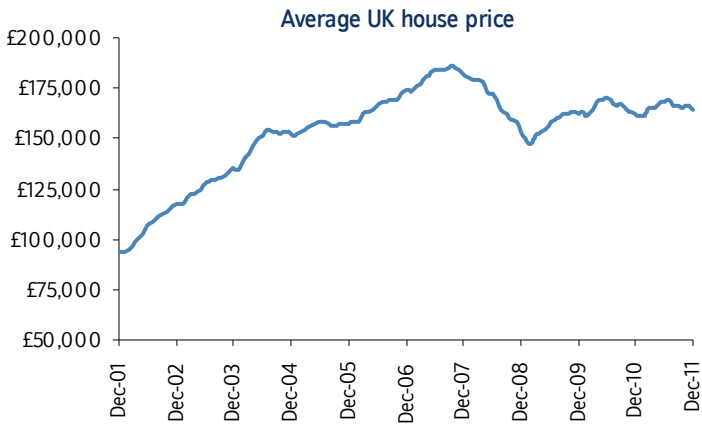
Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Dec-09	0.5	2.6	5.9	162,103
Jan-10	1.2	2.2	8.6	163,481
Feb-10	-0.7	1.8	9.2	161,320
Mar-10	0.2	1.4	9.0	164,519
Apr-10	1.2	0.8	10.5	167,802
May-10	0.2	1.0	9.8	169,162
Jun-10	0.0	1.3	8.7	170,111
Jul-10	-0.5	0.9	6.6	169,347
Aug-10	-0.7	0.0	3.9	166,507
Sep-10	0.0	-0.9	3.1	166,757
Oct-10	-0.8	-1.3	1.4	164,279
Nov-10	-0.4	-1.3	0.2	163,133
Dec-10	0.4	-1.1	0.1	162,249
Jan-11	-0.4	-0.8	-1.4	161,211
Feb-11	0.7	-0.1	-0.1	161,183
Mar-11	0.3	0.3	0.1	164,751
Apr-11	-0.2	0.7	-1.3	165,609
May-11	0.3	0.6	-1.2	167,208
Jun-11	0.0	0.4	-1.1	168,205
Jul-11	0.2	0.3	-0.4	168,731
Aug-11	-0.6	0.1	-0.4	165,914
Sep-11	0.1	0.0	-0.3	166,256
Oct-11	0.4	-0.2	0.8	165,650
Nov-11	0.4	0.2	1.6	165,798
Dec-11	-0.2	0.4	1.0	163,822

Note: Historical figures including index levels can be viewed using the following link:
www.nationwide.co.uk/hpi/downloads/Monthly.xls

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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 are 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.

The Nationwide Monthly 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.

More information on the house price index methodology along with time series data and archives of housing research can be found at www.nationwide.co.uk/hpi

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