

Market trends water

- House prices rose 1.0% in November as annual price inflation eases to 15%
- Annual price inflation to end 2004 at 13-14%
- Housing market activity lowest for almost five years

| Headlines | November 2004 | October 2004 |
|--|-----------------|--------------|
| Monthly index (seasonally adjusted) Q1 '93 = 100 | 307.3 | 304.1 |
| Monthly change (seasonally adjusted) | 1.0% | -0.4% |
| Annual change | 15.0% | 15.3% |
| Average price | £153,439 | £152,159 |

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

“Following a three month period in which house prices have been broadly flat, the price of the typical house rose 1.0% (seasonally adjusted) in November. The annual rate of house price inflation eased to 15%, from 15.3% in October. The price of the typical property now stands at £153,439, just under £900 below the peak in prices back in July. As is highlighted by monthly price changes over the last four months, the trend in house price growth continues to slow and, importantly, so far the slowdown has been an orderly one.

“The price of the average house has now risen 13.2% this year. Back in March we forecast an increase of 15% in the year to December 2004. It now looks likely that prices will end the year up around 13-14%, slightly below last year’s 16% rise in property prices.

“With the exception of Northern Ireland, no region has escaped the slowdown in price growth over recent months. As expected price growth has slowed more rapidly in regions where prices had been rising fastest and where affordability was looking more stretched such as the North, the North West and Wales. At the same time as price growth has become more subdued, activity levels have fallen back to their lowest level for almost five years. Bank of England data shows that just 83,000 (seasonally adjusted) mortgages were approved in October, the lowest level since January 2000 and more in keeping with the housing market of the late nineties and early 2000 than the frenetic market of the last few years. Between 1996 and the end of 2000, an average of 92,000 mortgages were approved each month. From the start of 2001 through to mid-2004, the figure rose by nearly a quarter to 114,000 per month.

“Despite November’s 1% increase in property prices the recent trend in house price growth remains muted. The price of the average house has risen by an average of just 0.3% per month over the last three months compared with an average of 1% per month over the previous three months. The change in the pace of price growth reflects higher interest rates, subdued real take-home pay growth, ongoing concerns about affordability and buyers’ expectations of future price growth becoming more realistic. Importantly, so far, the changing economic backdrop is acting as a drag on the housing market. This contrasts with the early nineties when the severe economic downturn resulted in a sharp correction in the housing market.”

House prices forecast to rise 2% in the year to December 2005. For full details see separate forecast report

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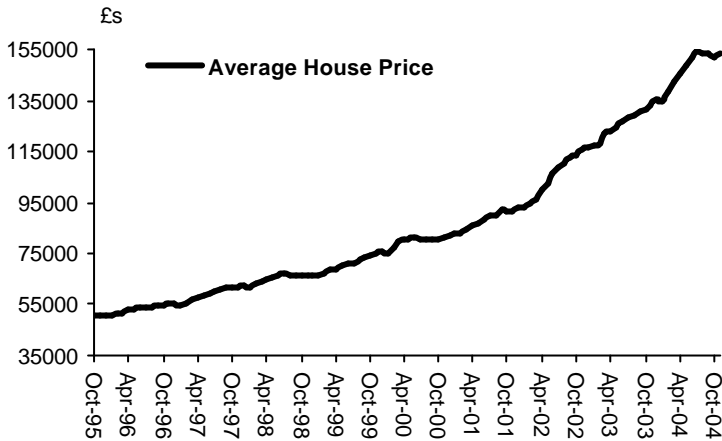
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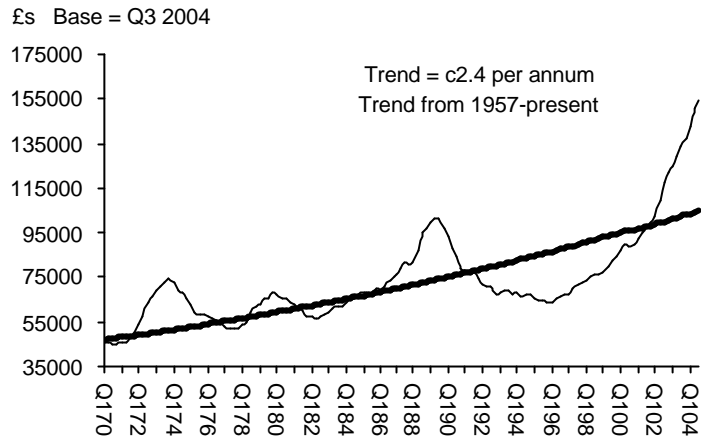
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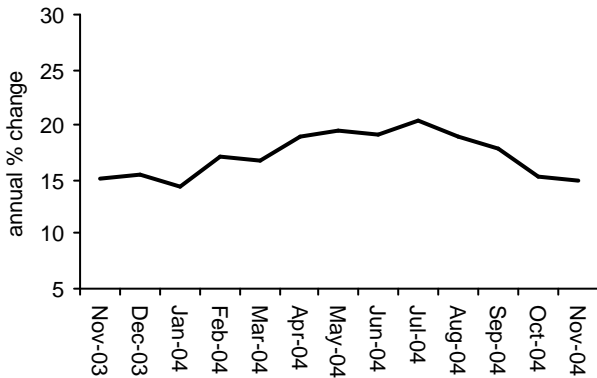
Average UK House Price



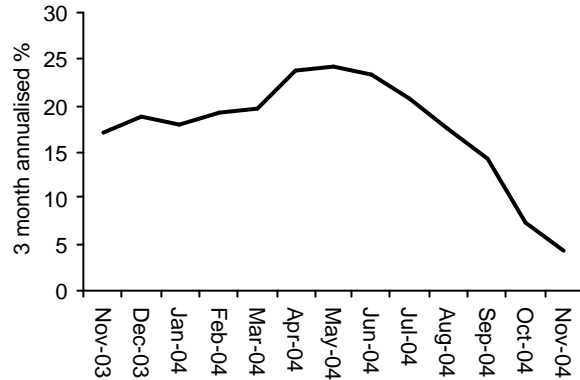
Long Term Real House Price Trend



Annual % Change in House Prices



Trend in House Price Inflation (1)



Historical Data (2)

| Month | Monthly Index (3) Q1 93 = 100 Seasonally adjusted | Monthly Change (4) % seasonally adjusted | Monthly Index Q1 93 = 100 not seasonally adjusted | Annual Change (5) % not seasonally adjusted | Average Price £ not seasonally adjusted |
|----------|---|--|---|---|---|
| 2003 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 |
| Sep | 305.4 | 0.2 | 306.7 | 17.8 | 153,727 |
| Oct | 304.1 | -0.4 | 303.5 | 15.3 | 152,159 |
| 2004 Nov | 307.3 | 1.0 | 306.1 | 15.0 | 153,439 |

Notes:

- 1) Chart shows % change in the 3 month moving average over the last 3 months annualised. Conceptually it is akin to the quarter on quarter annualised % change, but it uses monthly data.
- 2) 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.
- 3) Price indices are seasonally adjusted using the US Bureau of the Census X11 method. Currently the calculations are based on a monthly data starting from January 1991. Figures are recalculated at six month intervals, in June and December.
- 4) % change over previous month.
- 5) % change over same month last year.

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.