

Nationwide HOUSE PRICE INDEX



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November 2011

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UK house prices continue to creep up in November

- House prices increased by 0.4% in November
- Price of a typical home is 1.6% higher than one year ago

Headlines	Nov-11	Oct-11
Monthly Index*	332.3	330.9
Monthly Change*	0.4%	0.4%
Annual Change	1.6%	0.8%
Average Price (not seasonally adjusted)	£165,798	£165,650

* Seasonally adjusted figure (Note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

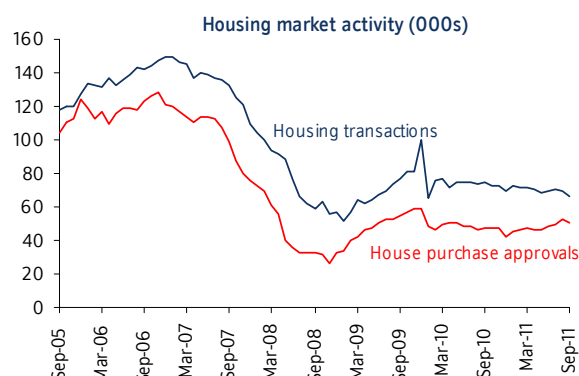
Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

"UK house prices increased by 0.4% in November, taking the annual rate of growth to 1.6%, up from 0.8% the previous month. The price of a typical home is now £165,798.

"House prices have remained surprisingly resilient in recent months, despite the deterioration in the economic outlook. But, with the UK economic recovery expected to remain sluggish well into 2012, house price growth is likely to remain soft, with prices moving sideways or drifting modestly lower over the next twelve months."

Property market continues to display resilience

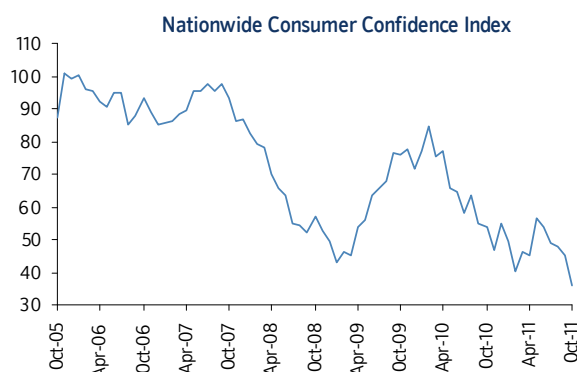
"Demand conditions remain extremely subdued in the UK housing market, with the number of housing transactions and mortgage approvals still well below their pre-crisis levels and their long-term averages (see chart above).



Source: HMRC, Bank of England

"Moreover, many of the factors that underpin the demand for homes have deteriorated further in recent months. For example, the UK economy lost almost 200,000 jobs in the three months to September – similar to the pace of job losses seen during the depths of the 2008 recession. At the same time, wage growth slowed to 1.7% - less than half the pace of inflation over the same period.

"Similarly, consumer confidence, which also influences the willingness to make a major purchase, remains extremely depressed. Nationwide's index of consumer confidence fell to a new all time low in October (see chart below).



Source: TNS-RI research for Nationwide

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 **Nationwide**
On your side

Supply side weakness keeping the market in balance?

“Given the challenging economic backdrop, much of the current resilience in house prices reflects the lack of supply on the market at present. Indeed, the pace of building in recent years has fallen well below the pace of household formation – especially in England.

“In the ten years to 2008, household formation in England averaged around 170,000 per year, while new dwellings construction were close to 145,000 per annum - a deficit of a quarter of a million units over that ten year period. Ultra low interest rates have also played an important role in supporting the market since 2008, by helping to limit the number of forced sales and preventing a build-up of unsold homes on the market.

Policy needs to strike a delicate balance, supporting demand and supply side of the market

“The recently announced Mortgage Indemnity Scheme, which aims to boost first time buyer demand for new build properties by reducing the deposit requirement, offers the potential to boost housing demand from current subdued levels, especially if implemented against the backdrop of an improving economic environment.

“However, it is important that policy efforts are effective in boosting housing supply – especially given current population trends. For example, government projections point to an average annual increase in household formation in England rising to around 240,000 a year over the 2013 to 2023 period.

“Current rates of building activity are below what would be necessary to meet housing demand, if these population projections prove accurate. For example, in the four quarters to Q2 2011, 107,530 new dwellings were completed in England, less than half the volume required under this scenario.

“Similarly, even returning to the rates of building seen in the ten years before the financial crisis, around 150,000 units a year, would still be below the required rate of construction. However, it is reassuring that steps are being taken to try to address this issue.”

Monthly UK House Price Statistics

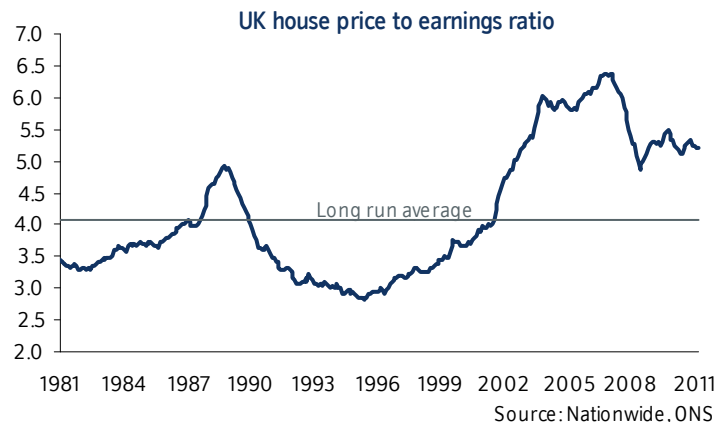
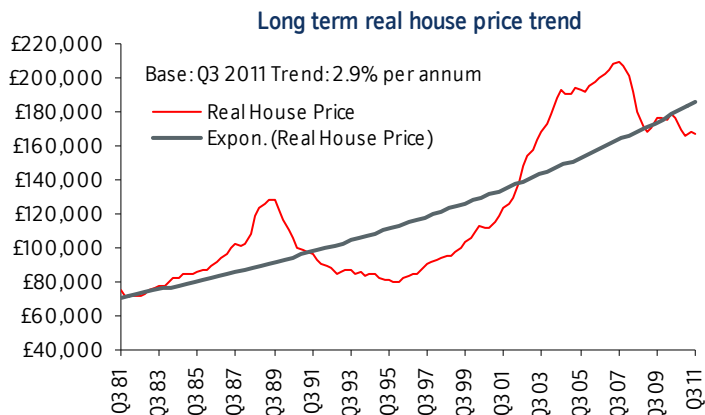
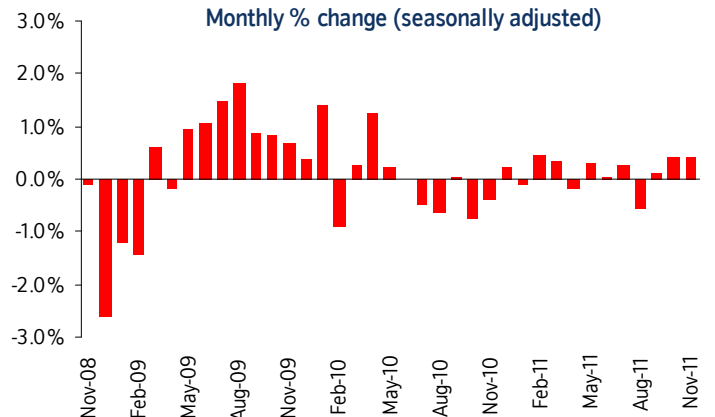
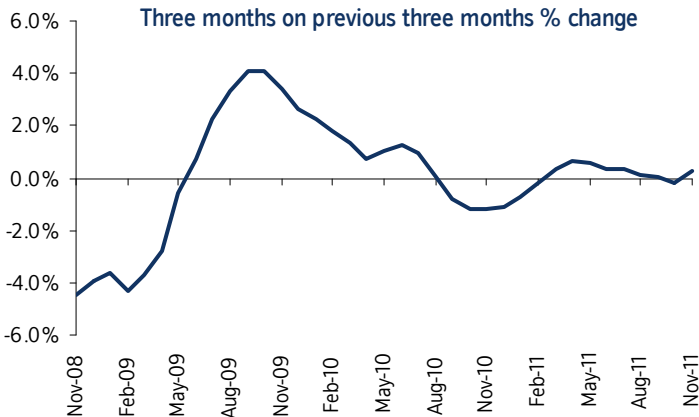
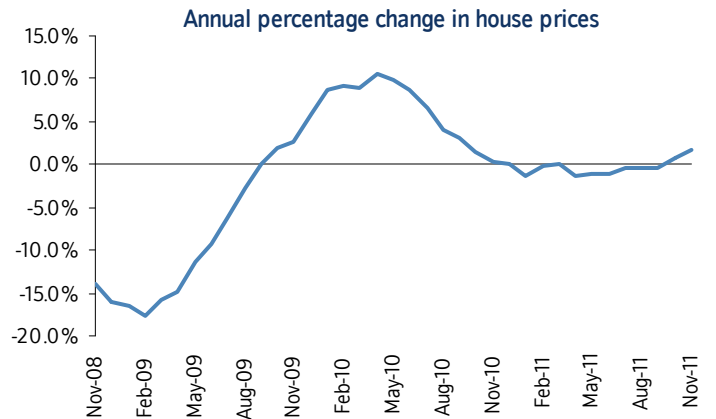
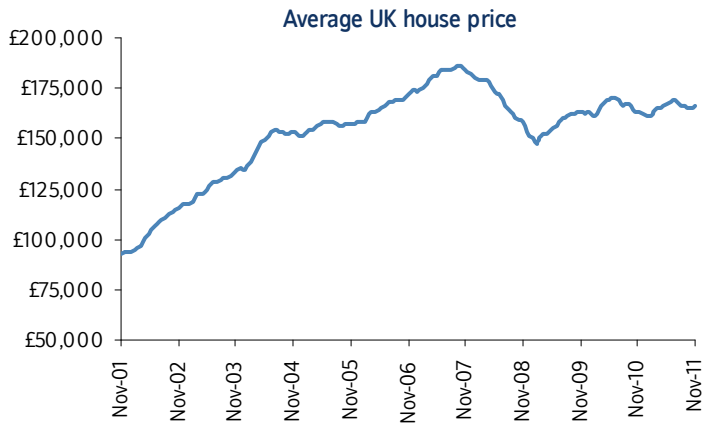
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Nov-09	0.7	3.4	2.7	162,764
Dec-09	0.4	2.6	5.9	162,103
Jan-10	1.4	2.3	8.6	163,481
Feb-10	-0.9	1.8	9.2	161,320
Mar-10	0.3	1.4	9.0	164,519
Apr-10	1.2	0.7	10.5	167,802
May-10	0.2	1.0	9.8	169,162
Jun-10	0.0	1.3	8.7	170,111
Jul-10	-0.5	1.0	6.6	169,347
Aug-10	-0.6	0.0	3.9	166,507
Sep-10	0.0	-0.8	3.1	166,757
Oct-10	-0.8	-1.2	1.4	164,279
Nov-10	-0.4	-1.2	0.2	163,133
Dec-10	0.2	-1.1	0.1	162,249
Jan-11	-0.1	-0.8	-1.4	161,211
Feb-11	0.4	-0.2	-0.1	161,183
Mar-11	0.3	0.3	0.1	164,751
Apr-11	-0.2	0.6	-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	0.3	0.4	-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

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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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 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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