

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

August 2013

Embargoed until 0700 30 August 2013

House prices continued to rise in August

- UK house prices increased by 0.6% in August and were 3.5% higher than August 2012
- The typical UK home is now worth £170,514

| Headlines | Aug-13 | Jul-13 |
|--|----------|----------|
| Monthly Index* | 337.8 | 335.7 |
| Monthly Change* | 0.6% | 0.9% |
| Annual Change | 3.5% | 3.9% |
| Average Price (not seasonally adjusted) | £170,514 | £170,825 |

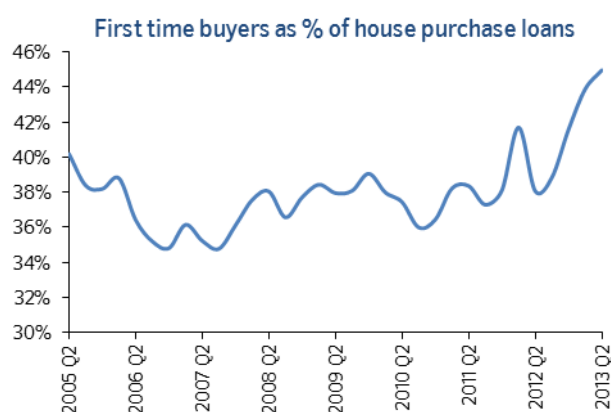
* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

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

"UK house prices continued to rise at a fairly brisk pace in August, increasing by 0.6% over the month. The annual rate of house price growth slowed a little, to 3.5% from 3.9%, but this was to be expected, as July's figure was flattered by a low base for comparison. The three month on three month measure of house prices, which is a better measure of the underlying trend, rose by 1.4%, its strongest pace since mid-2010.

"A number of factors appear to be contributing to the recent upturn in house price growth. Consumer confidence has increased significantly in recent months, thanks to further modest gains in employment and signs that the UK economy is finally gathering momentum.

"An improvement in the availability and a reduction in the cost of credit, partly as a result of policy measures such as the Funding for Lending and Help to Buy schemes, is also enabling more people to take their first steps into the property market. Indeed, data from the Council of Mortgage Lenders suggests that the recent upturn in activity has been driven by first time buyers, who accounted for 45% of house purchase loans in Q2, the highest share since the series began in 2005 (see chart).



Source: Council of Mortgage Lenders

"While there have been encouraging signs that house building is starting to recover, construction is still running well below what is likely to be required to keep up with demand. New housing starts in England were up 33% in Q2 compared to the same period of 2012, but this is still 36% below the levels prevailing in 2007, which were already below that required to keep pace with household formation.

"The risk is that if demand continues to run ahead of supply affordability may become stretched. While house prices are still elevated compared with incomes, affordability is being supported by the ultra low level of interest rates. A typical mortgage payment for a first time buyer is currently equal to around 29% of disposable income, in line with the long term average.

"Recent guidance from the Bank of England's Monetary Policy Committee (MPC), that it intends to keep interest rates on hold at least until the unemployment rate reaches 7%, may also help support confidence amongst potential buyers. However, despite this guidance, there is still considerable uncertainty as to the future path of Bank Rate. The Bank of England's central forecast is that the unemployment rate will not reach the threshold level of 7% until around mid-2016, but financial market indicators continue to point to a first rate hike in mid-2015."

Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
Mike Pitcher, 01793 657225, mike.pitcher@nationwide.co.uk



Monthly UK House Price Statistics

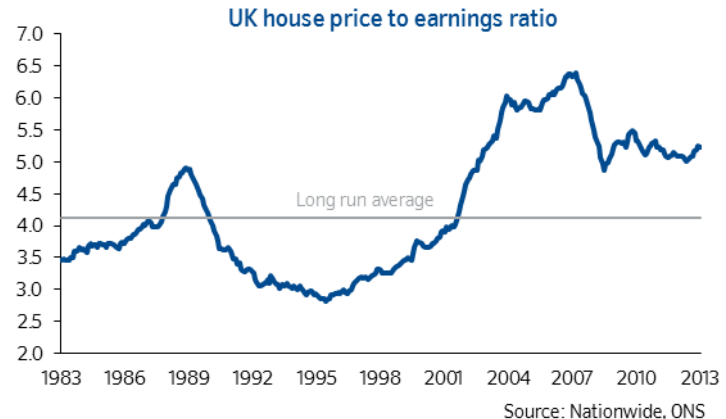
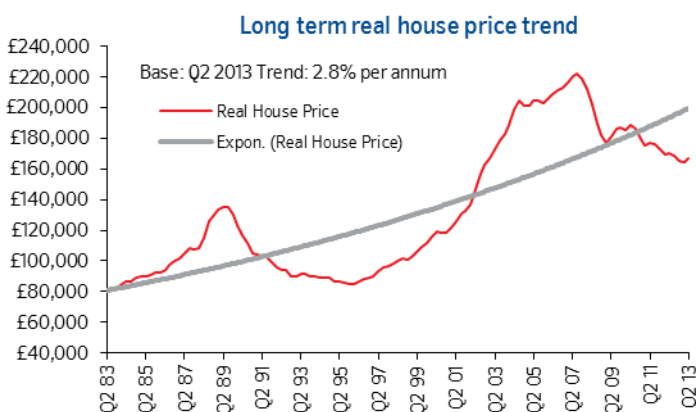
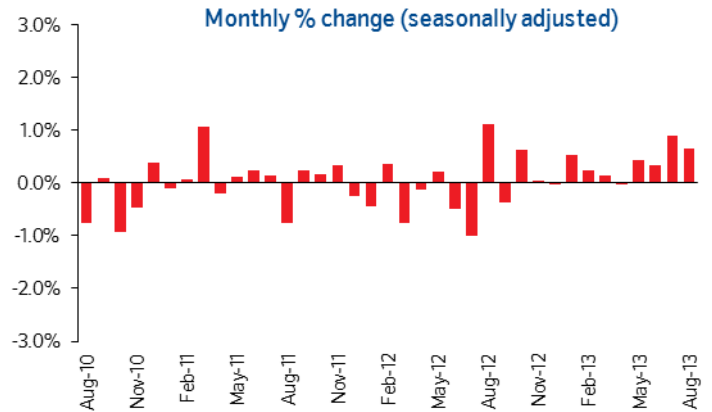
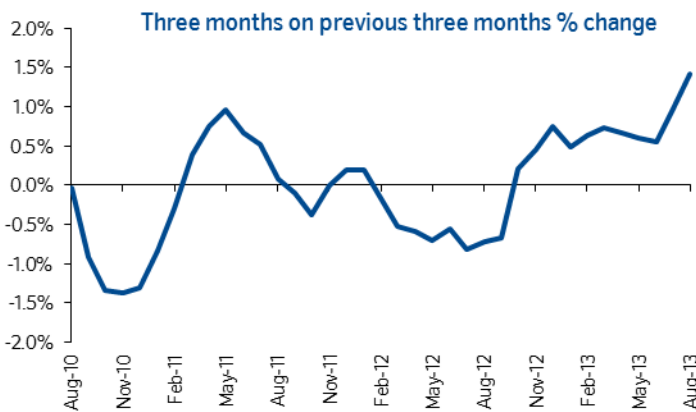
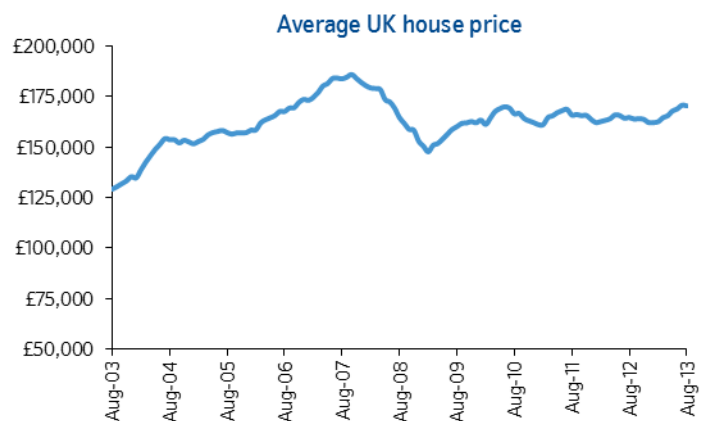
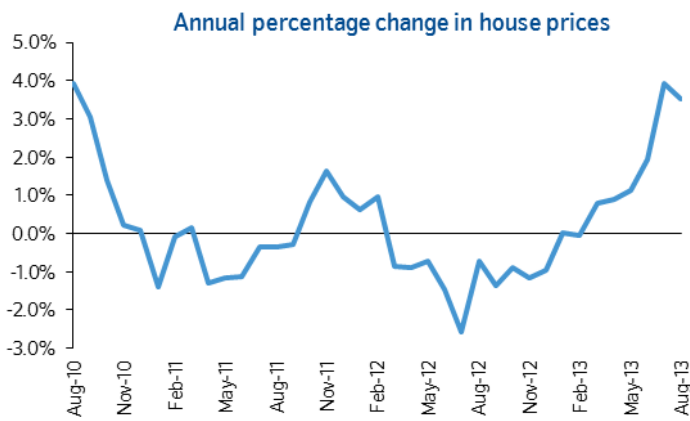
| | Monthly % Change Seasonally Adjusted | 3 Month on 3 Month % Change | Annual % Change | Average Price |
|--------|--------------------------------------|-----------------------------|-----------------|---------------|
| Aug-11 | -0.8 | 0.1 | -0.4 | 165,914 |
| Sep-11 | 0.2 | -0.1 | -0.3 | 166,256 |
| Oct-11 | 0.2 | -0.4 | 0.8 | 165,650 |
| Nov-11 | 0.3 | 0.0 | 1.6 | 165,798 |
| Dec-11 | -0.3 | 0.2 | 1.0 | 163,822 |
| Jan-12 | -0.4 | 0.2 | 0.6 | 162,228 |
| Feb-12 | 0.3 | -0.2 | 0.9 | 162,712 |
| Mar-12 | -0.8 | -0.5 | -0.9 | 163,327 |
| Apr-12 | -0.1 | -0.6 | -0.9 | 164,134 |
| May-12 | 0.2 | -0.7 | -0.7 | 166,022 |
| Jun-12 | -0.5 | -0.6 | -1.5 | 165,738 |
| Jul-12 | -1.0 | -0.8 | -2.6 | 164,389 |
| Aug-12 | 1.1 | -0.7 | -0.7 | 164,729 |
| Sep-12 | -0.4 | -0.7 | -1.4 | 163,964 |
| Oct-12 | 0.6 | 0.2 | -0.9 | 164,153 |
| Nov-12 | 0.0 | 0.4 | -1.2 | 163,853 |
| Dec-12 | 0.0 | 0.7 | -1.0 | 162,262 |
| Jan-13 | 0.5 | 0.5 | 0.0 | 162,245 |
| Feb-13 | 0.2 | 0.6 | 0.0 | 162,638 |
| Mar-13 | 0.1 | 0.7 | 0.8 | 164,630 |
| Apr-13 | 0.0 | 0.7 | 0.9 | 165,586 |
| May-13 | 0.4 | 0.6 | 1.1 | 167,912 |
| Jun-13 | 0.3 | 0.6 | 1.9 | 168,941 |
| Jul-13 | 0.9 | 1.0 | 3.9 | 170,825 |
| Aug-13 | 0.6 | 1.4 | 3.5 | 170,514 |

Note: Historical figures including index levels can be viewed using the following link:

www.nationwide.co.uk/hpi/datadownload

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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 is 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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