

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

December 2012

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UK house prices little changed in December, continuing the trend evident throughout 2012

- Price of a typical home declined by 0.1% in December
- Overall in 2012 the price of a typical home declined by 1%, reversing the 1% increase recorded in 2011
- The typical UK home is now worth £162,262
- Within England, the North/South divide in property prices continued to widen

Headlines	Dec-12	Nov-12
Monthly Index*	327.2	327.4
Monthly Change*	-0.1%	0.0%
Annual Change	-1.0%	-1.2%
Average Price (not seasonally adjusted)	£162,262	£163,853

* 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 were little changed in December, declining by just 0.1% over the month, though this was sufficient to keep the annual rate of price growth in negative territory for the tenth month in succession. Over 2012 as a whole, the price of a typical UK home remained fairly stable, declining by 1%, reversing the 1% price gain recorded in 2011.

"Given that the UK economy was in recession for much of 2012 a 1% decline in house prices may be seen as a relatively resilient performance. However, the fact that prices declined even though employment rose strongly, suggests that conditions remain fragile, especially since other signs of housing market activity, such as the number of mortgage approvals, remained subdued, well below their long run averages.

"The outlook remains uncertain. Continued low interest rates and policy measures such as the Funding for Lending Scheme should provide some support. But, with the economic recovery expected to remain fairly weak, the housing market is likely to be characterised by low levels of activity again in 2013, with prices remaining flat or modestly lower over the course of the year.

Prices stable, but underlying weakness in demand and supply conditions

"How the UK economy was able to generate jobs in 2012 while output remained broadly flat remains something of a puzzle. Why relatively healthy rates of employment growth did not translate into robust house price growth is less of a mystery.

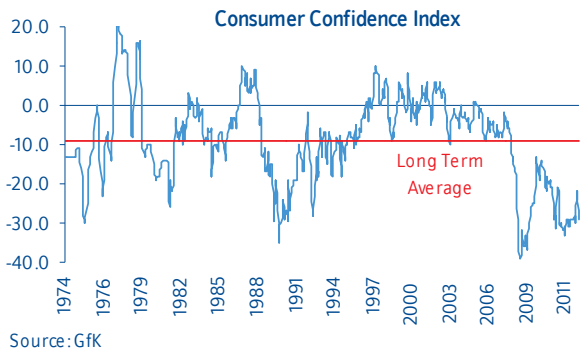
"Although the annual rate of employment growth reached its strongest pace since the late 1990s and the number of people in employment surpassed its pre-crisis peak, household budgets remained under pressure. Wage growth continued to lag behind increases in the cost of living - indeed, in real terms wages fell back to levels prevailing in 2004.

"Moreover, housing still appears relatively expensive on a number of metrics. House prices are still around 5.1 times earnings, above the long term average of 4.2. The monthly mortgage payment on a typical home is currently equal to around 33% of average earnings, close to the twenty year average, even though interest rates are close to all time lows.

"The uncertain outlook for the wider economy is also likely to have kept many potential buyers on the sidelines, unwilling to make such a major financial commitment until they feel more optimistic about the future. Indeed, despite the rise in employment over the past twelve months, consumer confidence has remained well below normal levels, as shown in the chart below.

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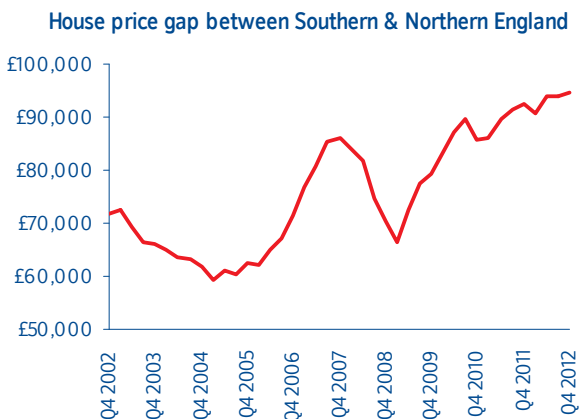
“While the demand for homes has remained weak, so has the available supply of properties. Thanks to continued low interest rates, the number of forced sales remained low. Together with a dearth of building activity in recent years, this prevented a glut of unsold homes from accumulating on the market. This has meant that although demand and supply were both weak through 2012, they remained relatively well matched, providing little impetus for prices to move strongly in either direction.

Regional patterns - London continued to outperform in 2012

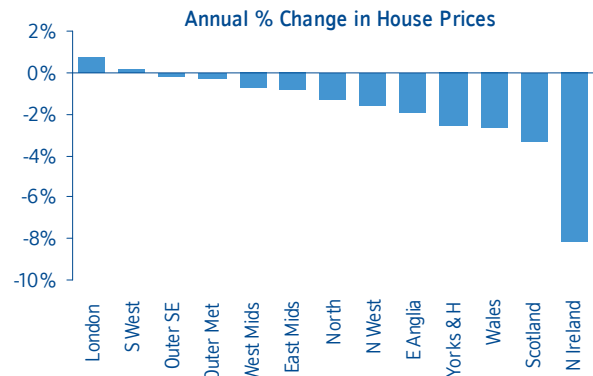
“There was significant variation in house price movements across the UK in 2012 (note that regional house price data is compiled on a quarterly rather than a monthly basis).

“Amongst the home nations, house prices in England proved most resilient, declining by just 0.4% in 2012. The typical property in Wales recorded a 2.7% fall, while Scotland saw prices dip by 3.3%. For the fifth year in succession Northern Ireland registered the largest decline in property values, with prices falling by 8.2%, leaving prices more than 50% below their 2007 highs. This is a significantly larger correction than the national average, where overall UK house prices are around 11% below their peak.

“Within England, the North/South divide in property prices continued to widen, with the price of a typical home in the South now around £95,000 more than in the North, a new high and around 2% more than at the close of 2011.



“For the second successive year London recorded the strongest house price increase of all the UK regions, with prices up by 0.7% at the close of 2012 compared to the previous year. The South West was the only other region to record a price increase over the year.”



[Click here for a more detailed overview of regional house price movements](#)

Monthly UK House Price Statistics

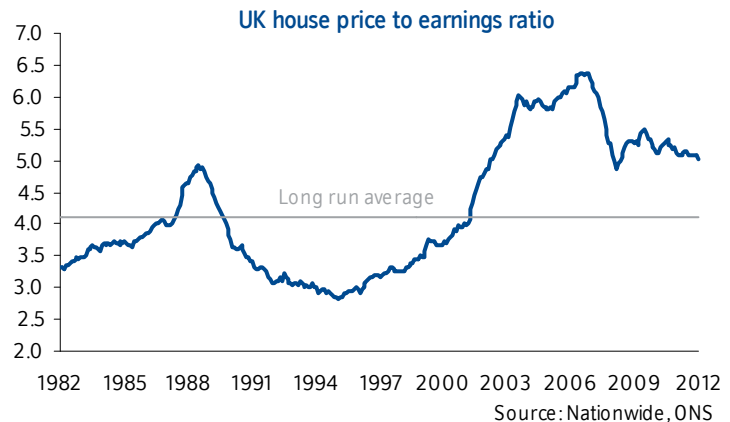
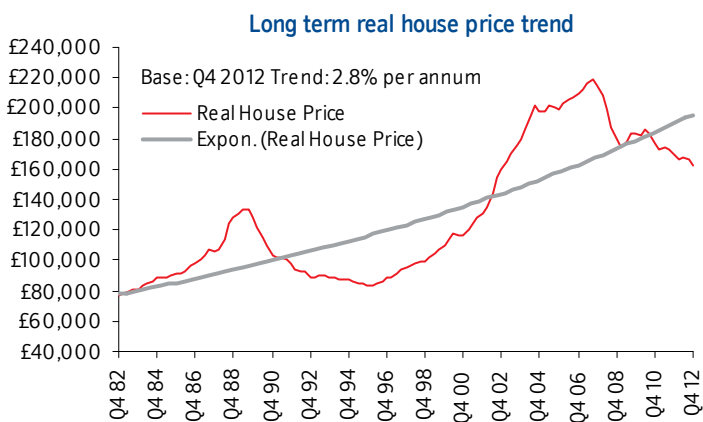
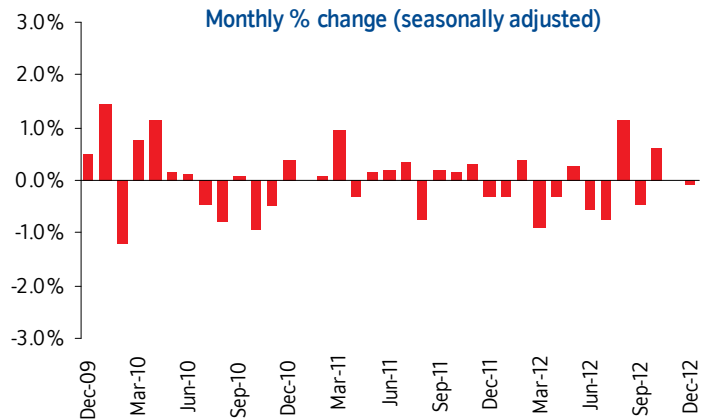
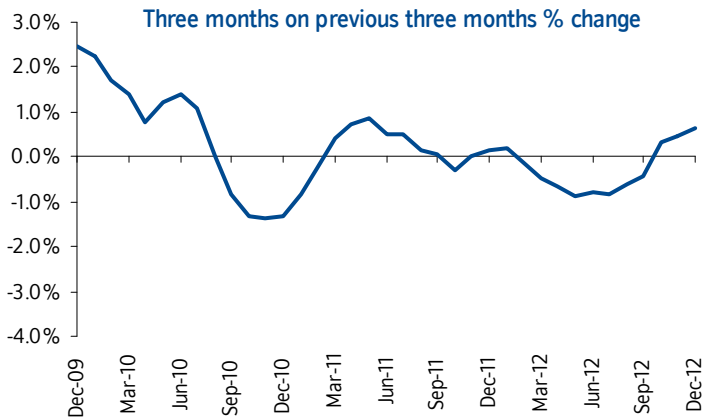
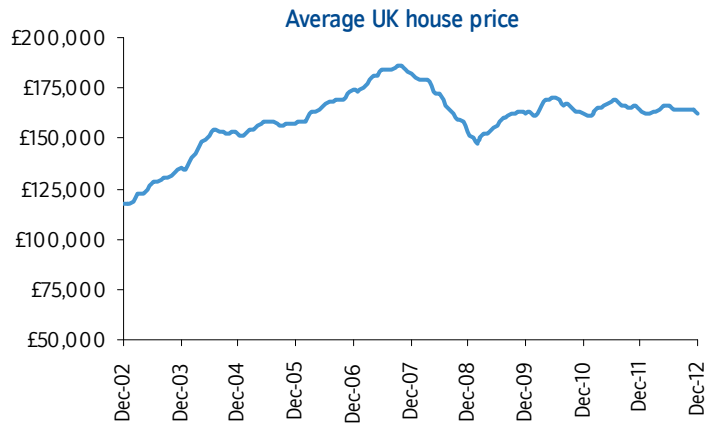
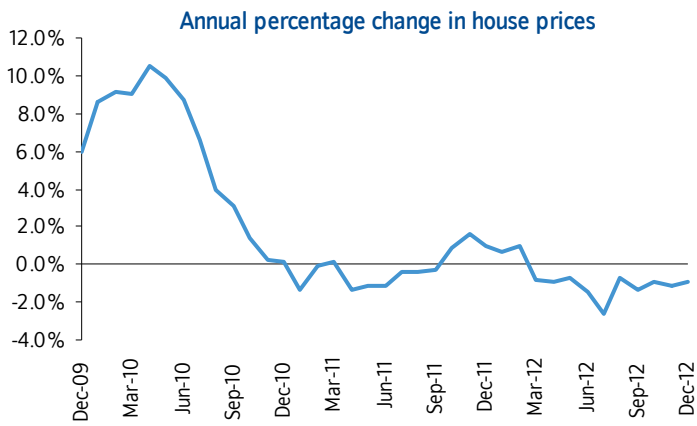
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Dec-10	0.4	-1.3	0.1	162,249
Jan-11	0.0	-0.8	-1.4	161,211
Feb-11	0.1	-0.3	-0.1	161,183
Mar-11	1.0	0.4	0.1	164,751
Apr-11	-0.3	0.7	-1.3	165,609
May-11	0.1	0.8	-1.2	167,208
Jun-11	0.2	0.5	-1.1	168,205
Jul-11	0.3	0.5	-0.4	168,731
Aug-11	-0.8	0.2	-0.4	165,914
Sep-11	0.2	0.1	-0.3	166,256
Oct-11	0.2	-0.3	0.8	165,650
Nov-11	0.3	0.0	1.6	165,798
Dec-11	-0.3	0.1	1.0	163,822
Jan-12	-0.3	0.2	0.6	162,228
Feb-12	0.4	-0.1	0.9	162,712
Mar-12	-0.9	-0.5	-0.9	163,327
Apr-12	-0.3	-0.6	-0.9	164,134
May-12	0.3	-0.9	-0.7	166,022
Jun-12	-0.6	-0.8	-1.5	165,738
Jul-12	-0.7	-0.8	-2.6	164,389
Aug-12	1.1	-0.6	-0.7	164,729
Sep-12	-0.4	-0.4	-1.4	163,964
Oct-12	0.6	0.3	-0.9	164,153
Nov-12	0.0	0.5	-1.2	163,853
Dec-12	-0.1	0.7	-1.0	162,262

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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