

Nationwide HOUSE PRICE INDEX



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February 2012

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UK house prices edge up by 0.6% in February

- House prices increased by 0.6% in February
- Prices are 0.9% higher than February 2011
- Price of a typical home is now £162,712

Headlines	Feb-12	Jan-12
Monthly Index*	332.1	330.1
Monthly Change*	0.6%	-0.3%
Annual Change	0.9%	0.6%
Average Price (not seasonally adjusted)	£162,712	£162,228

* 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 price of a typical UK home edged up by 0.6% in February, taking the year on year rate of house price growth up to 0.9% from 0.6% in January.

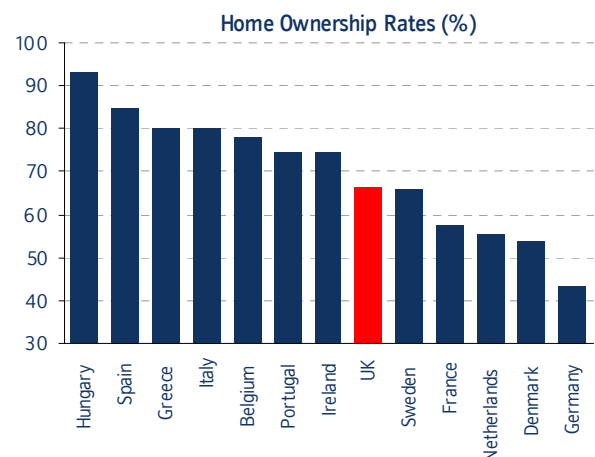
"Evidence that house prices picked up a little in February follows a series of data releases suggesting that economic conditions may not be quite as weak as feared after the UK economy contracted in the final quarter of 2011. Surveys of activity in the manufacturing and service sectors point to a rebound in January, while consumer confidence and retail spending were both stronger than expected during the month.

"Measures of activity in the housing market have also picked up, with the number of housing transactions rising by 23% y/y in January and the number of UK mortgage approvals – a leading indicator of sales – up 36%.

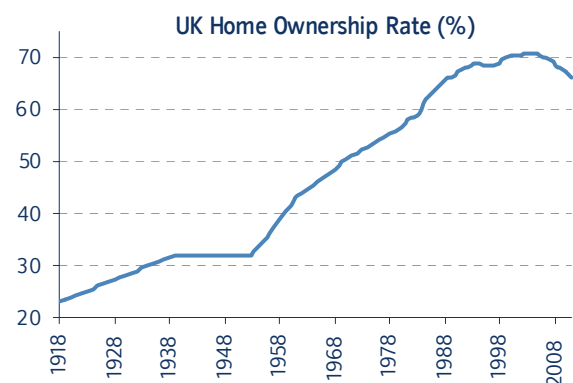
"However, it remains to be seen whether this trend will be sustained. Given the still challenging economic backdrop this increase in housing market activity may be the result of a temporary rise in first time buyers entering the market to take advantage of the stamp duty holiday before it expires in March. If so, this may continue to support activity and prices in the near term before cooling over summer."

UK homeownership rate continues to fall

"Though often characterised as a nation of homeowners, the UK does not stand out as having a particularly high rate of home ownership by international standards (see chart below).



"However, the rate of home ownership has declined in recent years after rising almost continuously over the course of the twentieth century (see chart below).



Source: DCLG

"The recent decline in the home ownership rate is due to a combination of factors. Weak labour market conditions and the uncertain economic outlook have depressed the demand for homes, especially for first time buyers, as unemployment rates amongst younger people have increased further and

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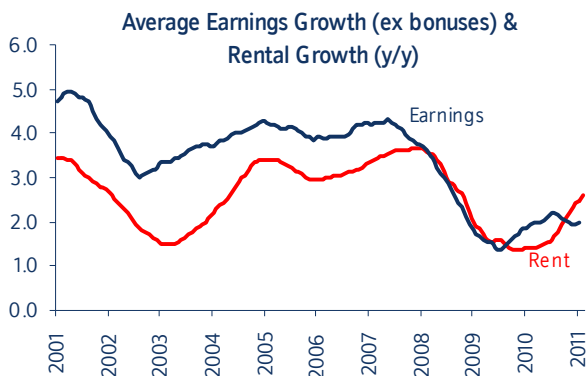
real earnings have fallen more sharply than other segments of the labour market.

“More fundamentally, residential property remains expensive relative to incomes, in part because housing is in relatively short supply. The pace of house building, especially in England, has been running well below the rate of household formation – a trend which is set to accelerate if official population projections come to pass.”

Strong growth in the private rental sector

“The flip side of the decline in home ownership rates has been a rise in the proportion of people renting, especially in the private rental sector. Indeed, the share of people renting has increased to 34%, the highest proportion since 1988. The share of social renters has remained fairly stable in recent years at 17.5%, while the proportion of private renters has increased to 16.5% the highest level since the 1970s.

“The increase in the demand for rental property has also put upward pressure on rents in recent years. In the decade before the financial crisis rental growth persistently lagged behind earnings growth, but this pattern has now reversed (see chart below).



“Despite the increase in the proportion of the population renting a home in recent years, the aspiration to eventually become a homeowner remains undiminished. The most recent English Housing survey suggests that 23% of people in social housing and 59% of those in the private rental sector expect to be able to buy their own home in future.

“However, the same survey found that, on average, people expect that this will take longer. Just 22% of private renters expect to take their first steps into the housing market within two years, down from 29% in 2008. Conversely, 47% expected it to take at least five years, up from 40% believing it would take this long in 2008.”

Monthly UK House Price Statistics

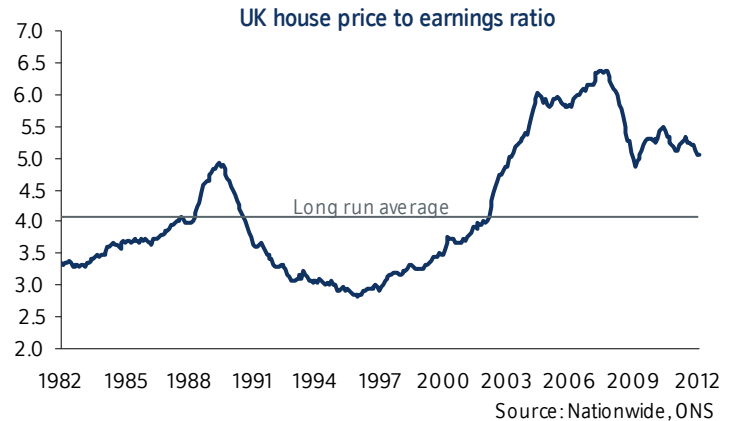
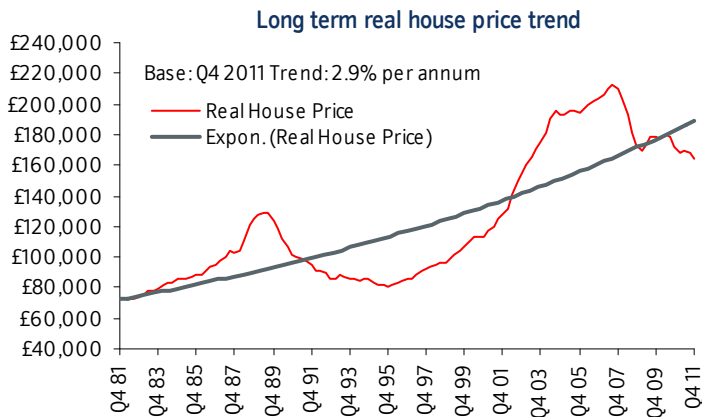
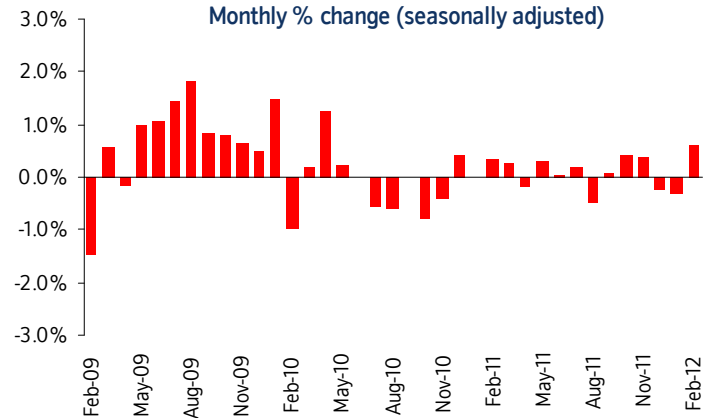
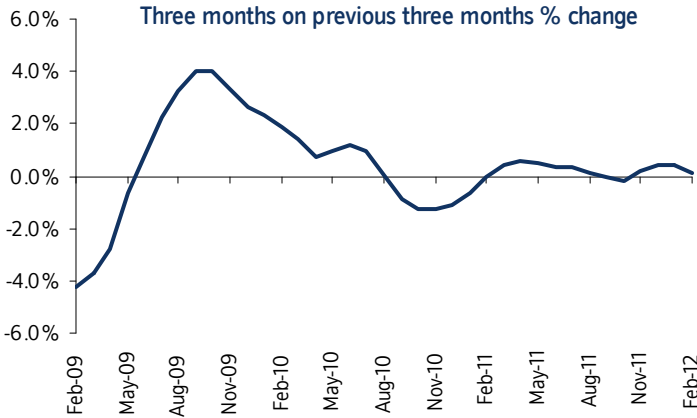
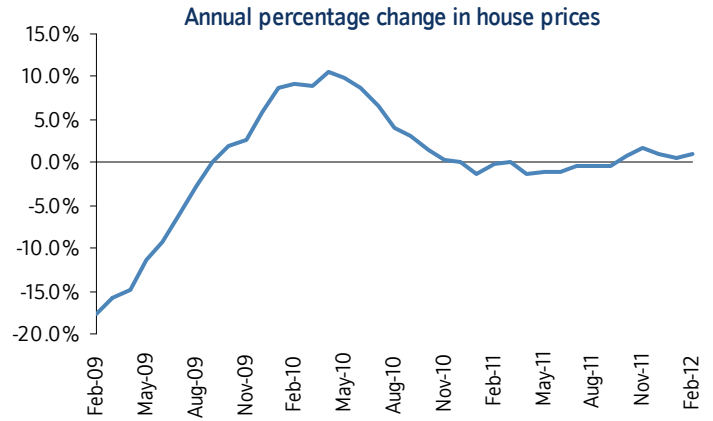
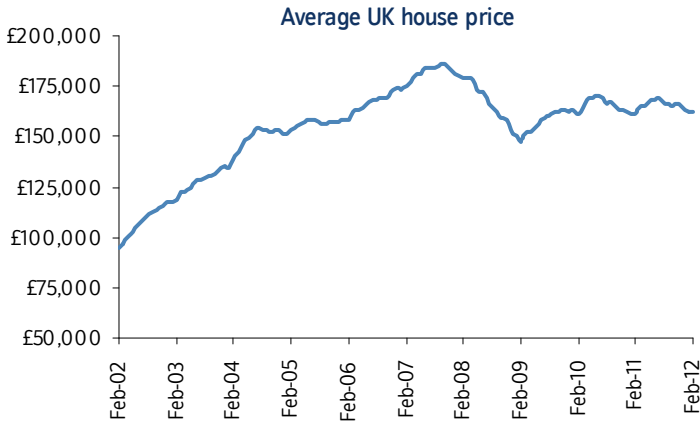
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Feb-10	-1.0	1.9	9.2	161,320
Mar-10	0.2	1.4	9.0	164,519
Apr-10	1.3	0.7	10.5	167,802
May-10	0.2	0.9	9.8	169,162
Jun-10	0.0	1.2	8.7	170,111
Jul-10	-0.6	1.0	6.6	169,347
Aug-10	-0.6	0.0	3.9	166,507
Sep-10	0.0	-0.9	3.1	166,757
Oct-10	-0.8	-1.2	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	0.0	-0.7	-1.4	161,211
Feb-11	0.3	0.0	-0.1	161,183
Mar-11	0.3	0.4	0.1	164,751
Apr-11	-0.2	0.6	-1.3	165,609
May-11	0.3	0.5	-1.2	167,208
Jun-11	0.0	0.3	-1.1	168,205
Jul-11	0.2	0.4	-0.4	168,731
Aug-11	-0.5	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
Jan-12	-0.3	0.4	0.6	162,228
Feb-12	0.6	0.1	0.9	162,712

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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