

Nationwide HOUSE PRICE INDEX



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February 2013

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UK house prices rise by 0.2% in February

- Price of a typical home rose by 0.2% in February, but was unchanged compared with February 2012
- The typical UK home is now worth £162,638

Headlines	Feb-13	Jan-13
Monthly Index*	329.8	329.2
Monthly Change*	0.2%	0.5%
Annual Change	0.0%	0.0%
Average Price (not seasonally adjusted)	£162,638	£162,245

* 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:

"For the second month in a row UK house prices remained flat in annual terms, maintaining the trend of broad stability that has been evident over the past two years."

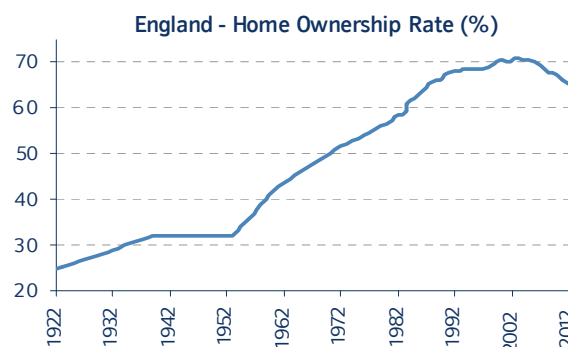
"While activity in the housing market remains subdued by historic standards, there have been tentative signs of a pick up in recent months. The Funding for Lending Scheme has achieved some success in bringing down mortgage rates, with encouraging signs of an improvement in credit availability.

"While the economic backdrop remains challenging, there are reasons for cautious optimism that activity will gather momentum in the months ahead. In particular, employment is rising at the fastest pace since the late 1990s which, if maintained, should help support demand for homes.

"However, progress is likely to be gradual, as stubbornly high inflation will continue to exert pressure on household budgets. Moreover, buyer confidence is likely to remain fragile until there are signs that the wider economic recovery is firmly entrenched."

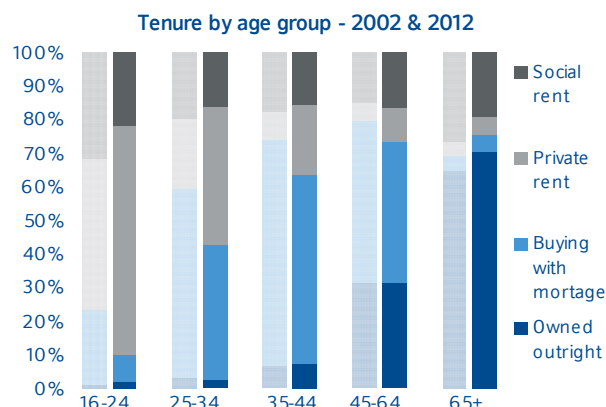
Homeownership rates still trending down

After rising almost continuously over the course of the twentieth century, the rate of home ownership has been declining steadily since 2003 (see chart below). Indeed, the rate has dropped by more than five percentage points in less than ten years, from an all time high of 70.9% in 2003 to 65.3% in 2012.



Source: DCLG

If we look at the shift in tenure patterns by age over the past decade we see a marked decline in homeownership rates amongst the younger age groups (see below). In particular, amongst 25-34 year olds, the category which traditionally contains most first time buyers, the proportion of households renting has increased from 40% to 57% between 2002 and 2012. For 16-24 year olds, the proportion renting has increased from 77% to 90% over the same period.



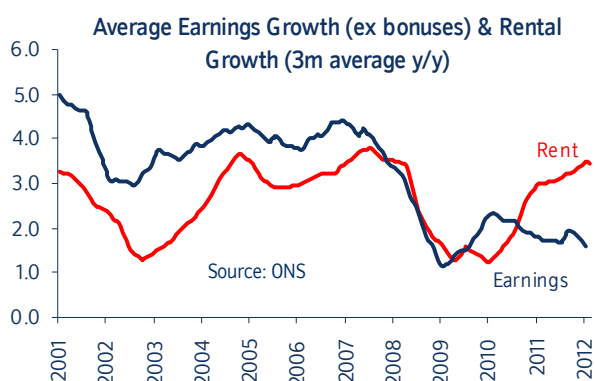
Source: DCLG. Lighter shading indicates 2002 data

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The increase has occurred in the private rental sector, which currently houses 17% of total households - the highest share since the 1970s. Indeed, the percentage of households in social renting properties is declining slightly, from 19% to 17% between 2002 and 2012.

Rental growth accelerated in recent years

The increase in the demand for rental property has 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 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 20% 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.

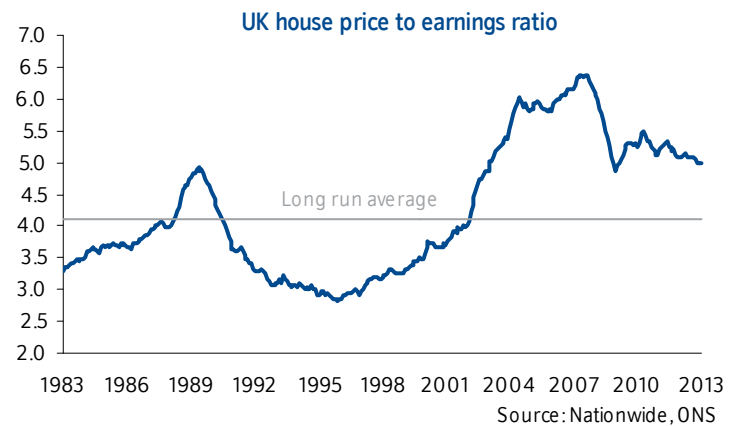
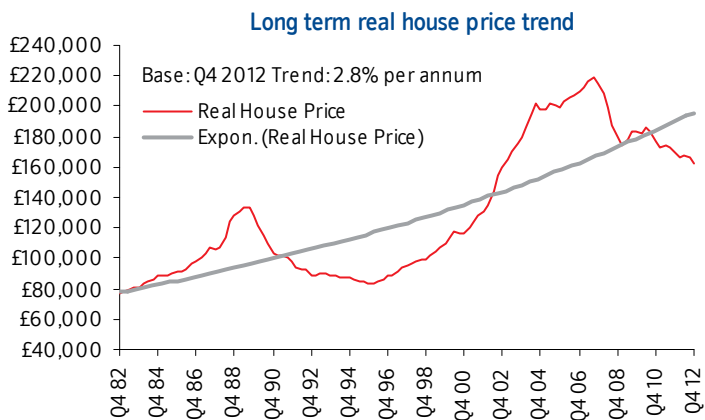
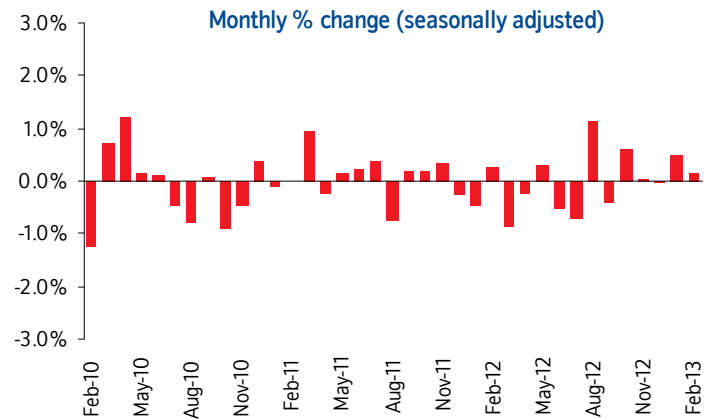
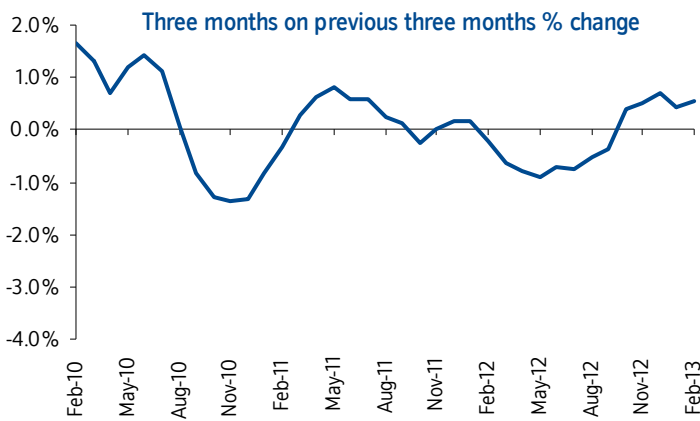
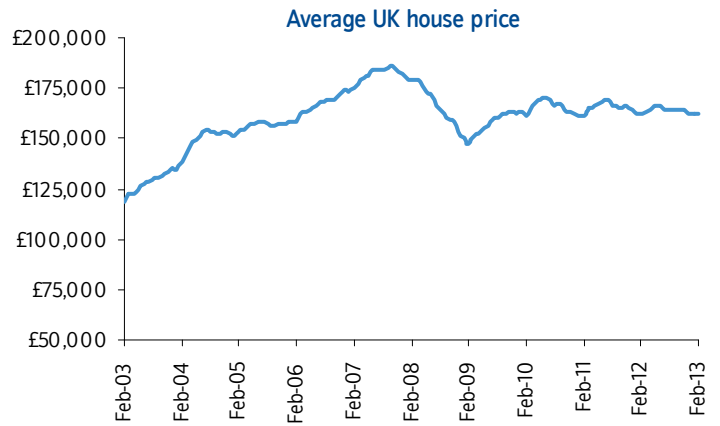
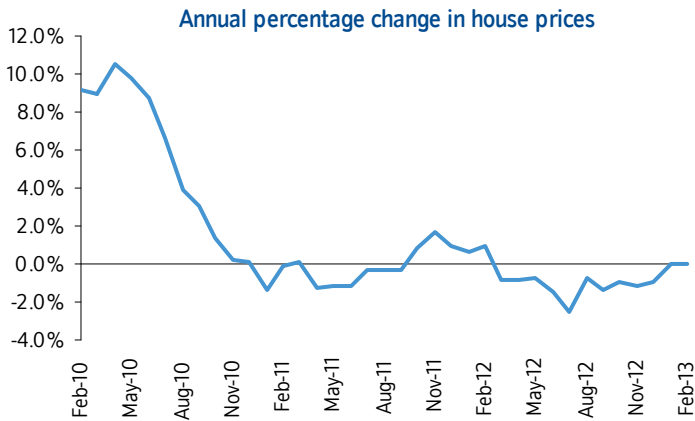
However, the same survey found that, on average, people expect that this will take longer. Just 22% of private renters expect to take their first steps into the housing market within two years, down from 29% in 2008.

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Feb-11	0.0	-0.3	-0.1	161,183
Mar-11	1.0	0.3	0.1	164,751
Apr-11	-0.2	0.6	-1.3	165,609
May-11	0.2	0.8	-1.2	167,208
Jun-11	0.2	0.6	-1.1	168,205
Jul-11	0.4	0.6	-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	0.2	1.0	163,822
Jan-12	-0.5	0.2	0.6	162,228
Feb-12	0.3	-0.2	0.9	162,712
Mar-12	-0.9	-0.6	-0.9	163,327
Apr-12	-0.2	-0.8	-0.9	164,134
May-12	0.3	-0.9	-0.7	166,022
Jun-12	-0.5	-0.7	-1.5	165,738
Jul-12	-0.7	-0.7	-2.6	164,389
Aug-12	1.1	-0.5	-0.7	164,729
Sep-12	-0.4	-0.4	-1.4	163,964
Oct-12	0.6	0.4	-0.9	164,153
Nov-12	0.0	0.5	-1.2	163,853
Dec-12	0.0	0.7	-1.0	162,262
Jan-13	0.5	0.4	0.0	162,245
Feb-13	0.2	0.6	0.0	162,638

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

www.nationwide.co.uk/hpi/downloads/Monthly.xls



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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