

*** STRICTLY EMBARGOED UNTIL 7.00AM THURSDAY 29th JANUARY 2009

New Year sees little change to recent house price trend

- House prices fell by 1.3% in January
- Annual rate of decline reaches 16.6% but 3-month rate improves slightly
- Economy now officially in recession, but considerable stimulus is in the pipeline

Headlines	January 2009	December 2008
Monthly index * Q1 '93 = 100	304.5	308.6
Monthly change*	-1.3%	-2.5%
Annual change	-16.6%	-15.9%
Average price	£150,501	£153,048

* seasonally adjusted

Commenting on the figures Martin Gahbauer, Nationwide's Senior Economist, said:

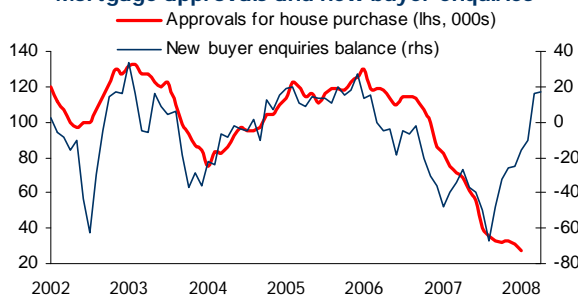
"The price of a typical house fell by a further 1.3% in January, as the deepening economic recession and financial market turbulence continued to weigh on housing market sentiment and activity. January's decline leaves the average price of a typical house at £150,501, down 16.6% from 12 months ago. The 3-month on 3-month rate of change, a smoother indicator of the short-term trend in prices, improved for the fourth consecutive month from -4.2% in December to -4.0% in January. However, it is too early to say that this marks the start of a sustained improvement in the short term trend.

Housing market activity still subdued

"Levels of activity in the housing market have remained very low in recent months. Mortgage approvals for house purchase fell to a record low of 27,000 in November, and partial figures for December suggest there has only been a small improvement since then. House purchase approvals have historically been a good lead indicator of house price movements, and we would not expect to see a stabilisation of property prices until approvals recover significantly from current levels. In the past, approvals have tended to move in line with new buyer enquiries at estate agents. More recently, however, the relationship between buyer enquiries and approvals has broken down, with buyer enquiries recovering quite strongly in recent months while approvals have shown little sign of recovery.

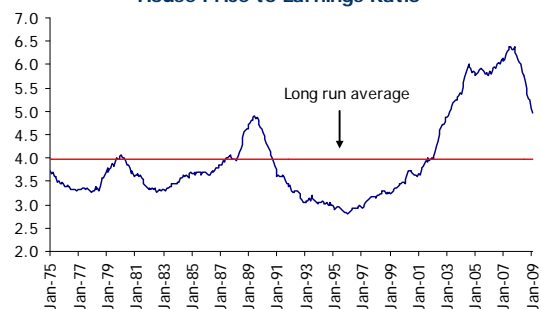
"There are several possible explanations for why higher buyer enquiries have not translated into higher approvals. First, those enquiring about properties in the current economic environment are unlikely to be doing so with the same level of urgency as was the case 1-2 years ago. While the fall in house prices and the parallel reduction in interest rates has probably made many households curious about what is currently available in the market, many are likely to be hesitant to commit in a recessionary environment of rising unemployment and increasing uncertainty about future incomes. The fact that house prices still remain high relative to earnings reinforces this more cautious approach among potential buyers. Second, mortgages have become less widely available as a result of heightened economic risk, tighter lending criteria and a decline in the number of lenders who are active in the market. However, the increasing level of enquiries suggests that activity levels have a reasonable chance of recovering from their recent lows once an end to the recession is in sight and/or the recent government interventions lead to an improvement in the availability of credit.

Mortgage approvals and new buyer enquiries



Source: Bank of England, RICS

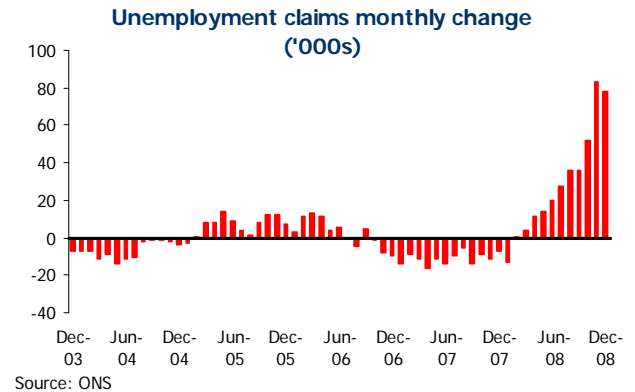
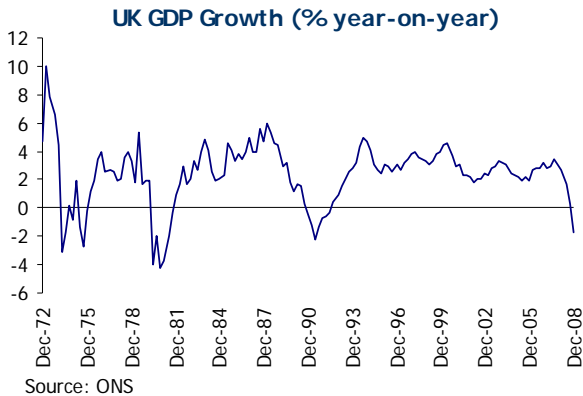
House Price to Earnings Ratio



Source: Nationwide, ONS. * December and January earnings data estimated.

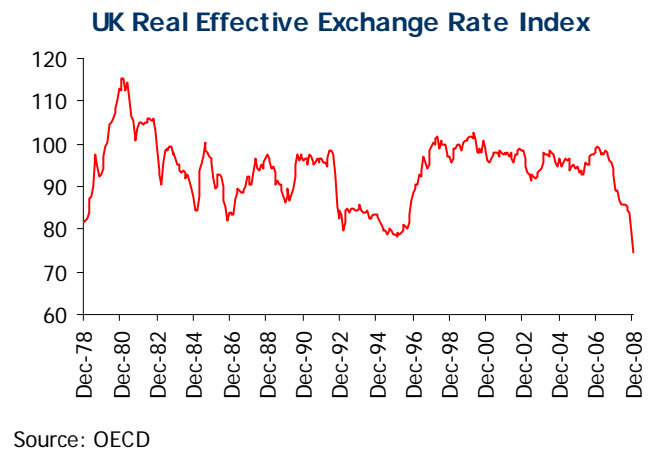
Economy in deep recession but significant stimulus is in the pipeline

"A pre-condition for recovery in the housing market is an end to the deterioration in the wider economy. At the moment, the economic news remains downbeat, with official figures showing that the economy shrank by 1.5% in the final three months of 2008 and confirming that the UK has entered its first recession since the early 1990s. The downturn has been broad-based across the economy, with the manufacturing, services and construction sectors all experiencing sizeable falls in output. In the labour market, employers have begun adjusting to the new economic landscape, and unemployment is now rising at a steady pace.



"However, while the economic news is clearly negative and there appears little prospect for noticeable improvement in the short term, it is easy to lose sight of the fact that a considerable amount of stimulus has been provided over the last few months. The MPC has already cut interest rates to their lowest level in the Bank of England's history, and financial market pricing implies that further reductions are to be expected in the next few months. While the rate cuts have so far not had an immediate impact on economic output, this should come as no surprise. Historical experience suggests that interest rate cuts typically take 18-24 months to feed through into the wider economy, so it is certainly still too early to claim that they are having no effect.

"On top of the interest rate reductions since October, there has been an additional monetary stimulus from the exchange rate, which in trade-weighted terms has fallen by nearly 20% over the last three months and 30% since the July 2007 peak. Though the size of the exchange rate fall makes travel abroad and foreign imports more expensive, it is ultimately a major part of the solution to the current economic problems, since a lower exchange rate increases the competitiveness of UK exports and the relative attractiveness of producing and consuming in the UK. As in the case of interest rates, this stimulus will take time to have a discernable impact, given that the UK's major trading partners are still in a deep recession and the process of increasing UK export capacity does not occur overnight. However, over time the fall in Sterling is good news for the economy, especially since the inflationary impact has been dampened by the 70% fall in oil prices since their July peak.



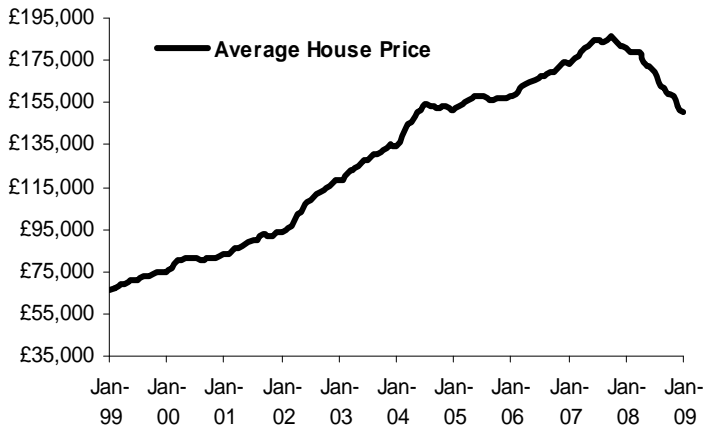
"While none of these stimuli change the short-term picture for the economy, they do provide the path for a future recovery out of recession. Although this is still some way off, it would undoubtedly improve the outlook for the housing market."

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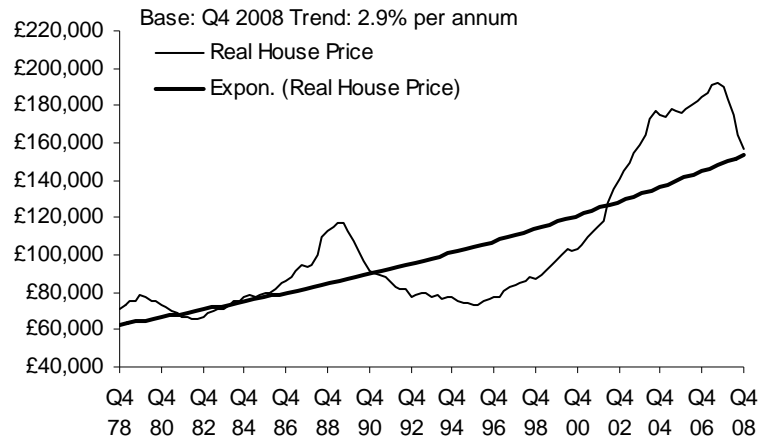
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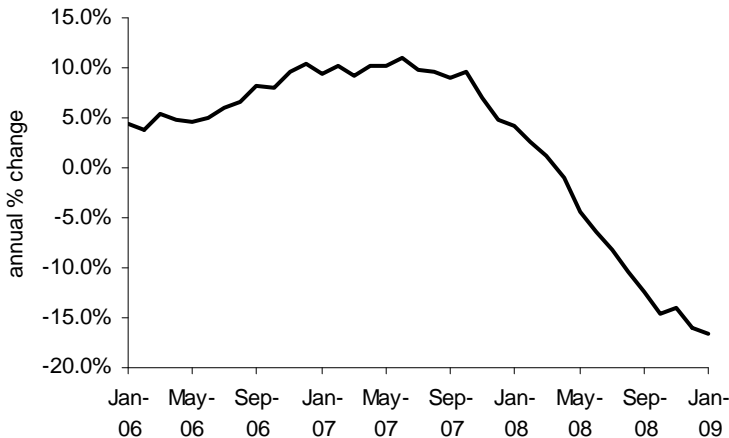
Average UK House Price



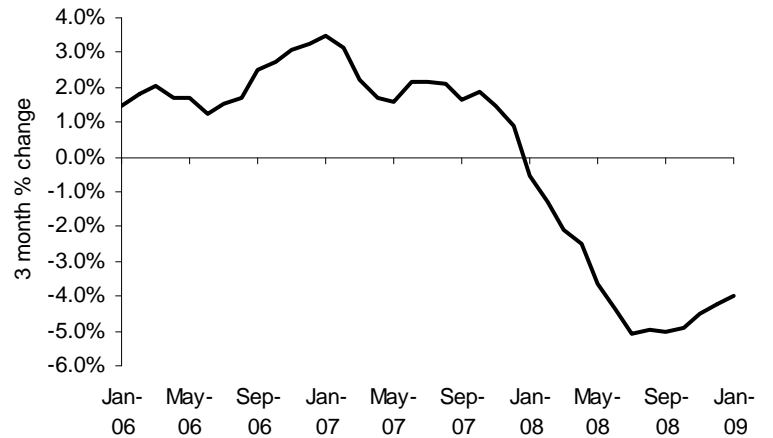
Long Term Real House Price Trend



Annual % Change in House Prices



3 Months on Previous 3 Months % Change



Historical Data

Month	Monthly Index Q1 93 = 100 seasonally adjusted	Monthly Change %	Latest 3 months on previous 3 months % change	Monthly Index Q1 93 = 100 not seasonally adjusted	Annual Change %	Average Price £
2008 Jan	365.1	-0.6	-0.5	360.0	4.2	180,473
Feb	361.9	-0.9	-1.3	357.8	2.7	179,358
Mar	357.5	-1.2	-2.1	357.3	1.1	179,110
Apr	353.0	-1.3	-2.5	356.2	-1.0	178,555
May	343.7	-2.6	-3.6	346.3	-4.4	173,583
Jun	340.1	-1.1	-4.4	343.9	-6.3	172,415
Jul	334.2	-1.7	-5.1	337.8	-8.1	169,316
Aug	327.9	-1.9	-4.9	328.5	-10.5	164,654
Sep	322.5	-1.7	-5.0	322.8	-12.4	161,797
Oct	317.8	-1.4	-4.9	316.9	-14.6	158,872
Nov	316.7	-0.4	-4.5	316.1	-13.9	158,442
Dec	308.6	-2.5	-4.2	305.3	-15.9	153,048
2009 Jan	304.5	-1.3	-4.0	300.2	-16.6	150,501

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. 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

Photographs of our economists are available at: www.nationwide.co.uk/mediacentre/economist.asp