

# Nationwide HOUSE PRICE INDEX



[www.nationwide.co.uk/hpi](http://www.nationwide.co.uk/hpi)

January 2012

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## UK house prices decline by 0.2% in January

- House prices declined by 0.2% in January, but are 0.6% higher than one year ago
- Price of a typical home is now £162,228

Headlines	Jan-12	Dec-11
Monthly Index*	330.0	330.8
Monthly Change*	-0.2%	-0.2%
Annual Change	0.6%	1.0%
Average Price (not seasonally adjusted)	£162,228	£163,822

\* 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:

"Given the challenging conditions prevailing in late 2011, with the UK economy contracting in the final three months of the year, it's not surprising that house price growth softened at the start of 2012. The price of a typical house fell by 0.2% in January, taking the annual rate of house inflation down to 0.6% from 1% in December.

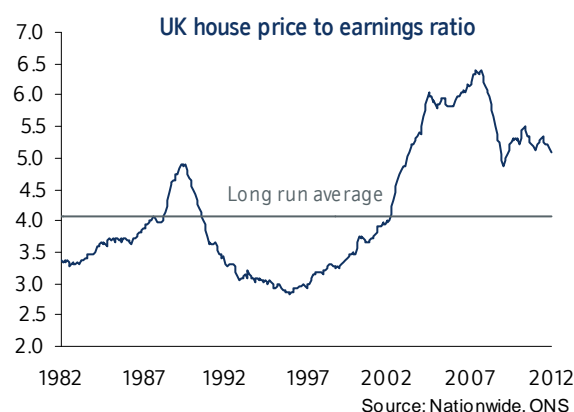
"The demand/supply balance may move further in favour of buyers in the months ahead. The economy is not expected to gather much momentum until the second half of 2012 at the earliest, which suggests that labour market conditions and buyer sentiment may be slow to improve.

"Nevertheless, with the flow of properties coming onto the market still more of a trickle than a flood, house prices are likely to continue to move sideways or only modestly lower in the months ahead."

### Finding a deposit still a hurdle for many potential buyers

"The weakness in buyer demand is partly a reaction to the uncertain outlook for the economy, especially the labour market. But affordability is also part of the explanation – in particular, finding a sufficient deposit.

"This is partly due to the fact that house prices are still historically high compared to peoples' incomes (chart), and because credit conditions are less easy than before the financial crisis.



"Over the course of 2008 the median first time buyer deposit rose from 10% to 25% as lenders became more cautious, offering fewer products that required a small deposit. However, since early 2010 there has been a modest reversal, with the median deposit falling back to 20% as conditions in the economy and financial system have stabilised."

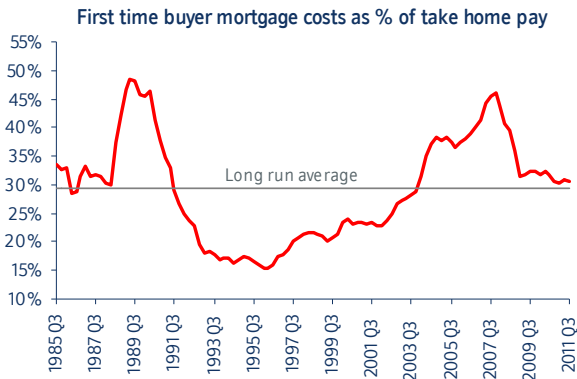
### Affordability has improved on some measures

"The decline in long-term interest rates has helped to provide some relief for borrowers. Indeed, interest rates for new lending are currently at a record low, which has helped to improve initial mortgage affordability.

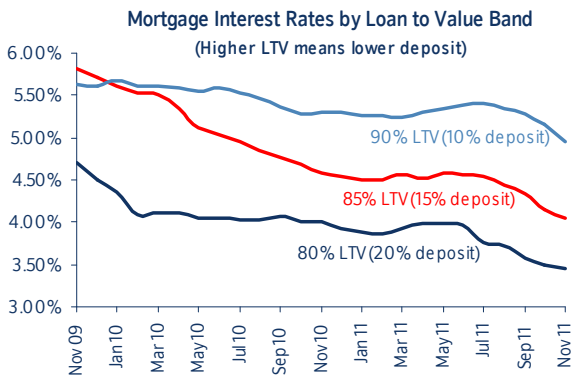
"Since 2007, initial mortgage payments as a percentage of take home pay have fallen from 46% to 31% for a first time buyer borrowing with a 20% deposit. Compared to take home pay, initial mortgage payments are now at their lowest level since 2003, just above the long run average of 29% (see chart below).

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“Interest rates are still higher for those with a smaller deposit, but first time buyers across all loan to value (LTV) bands have benefited from a fall in rates over the past year (see chart below). There has also been some narrowing in the gap between rates for 80% and 85% loan to value loans.”



Source: CML Regulated Mortgage Survey/Mortgage Clarity

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Jan-10	1.5	2.3	8.6	163,481
Feb-10	-0.9	1.9	9.2	161,320
Mar-10	0.2	1.6	9.0	164,519
Apr-10	1.2	0.8	10.5	167,802
May-10	0.2	1.0	9.8	169,162
Jun-10	0.0	1.2	8.7	170,111
Jul-10	-0.5	0.9	6.6	169,347
Aug-10	-0.7	0.0	3.9	166,507
Sep-10	0.0	-0.9	3.1	166,757
Oct-10	-0.8	-1.3	1.4	164,279
Nov-10	-0.5	-1.3	0.2	163,133
Dec-10	0.5	-1.2	0.1	162,249
Jan-11	0.1	-0.7	-1.4	161,211
Feb-11	0.4	0.0	-0.1	161,183
Mar-11	0.3	0.6	0.1	164,751
Apr-11	-0.2	0.7	-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	0.3	0.3	-0.4	168,731
Aug-11	-0.6	0.1	-0.4	165,914
Sep-11	0.0	0.0	-0.3	166,256
Oct-11	0.4	-0.3	0.8	165,650
Nov-11	0.3	0.1	1.6	165,798
Dec-11	-0.2	0.3	1.0	163,822
Jan-12	-0.2	0.3	0.6	162,228

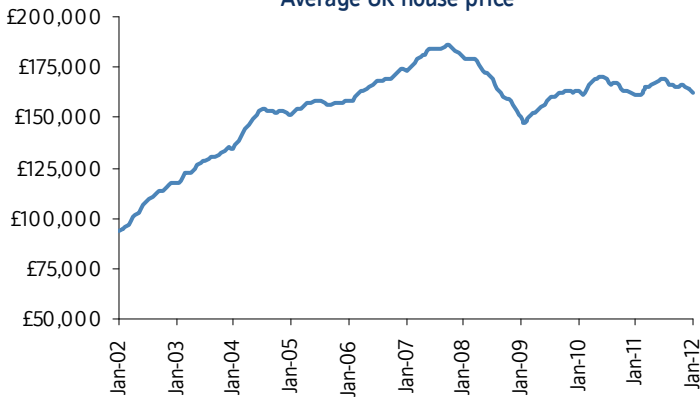
Note: Historical figures including index levels can be viewed using the following link:

[www.nationwide.co.uk/hpi/downloads/Monthly.xls](http://www.nationwide.co.uk/hpi/downloads/Monthly.xls)

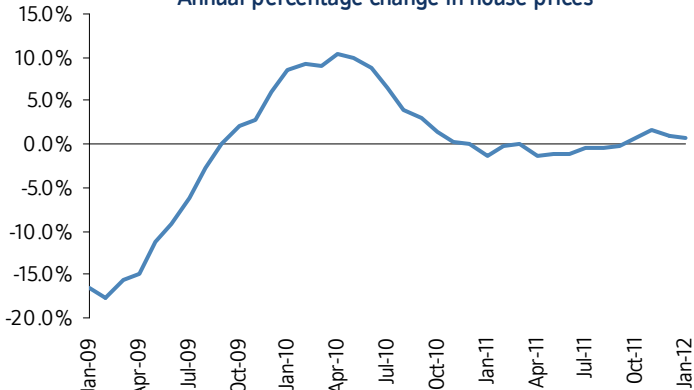
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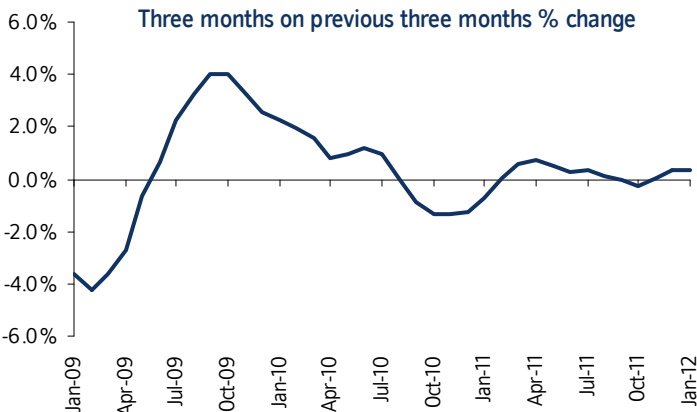
Average UK house price



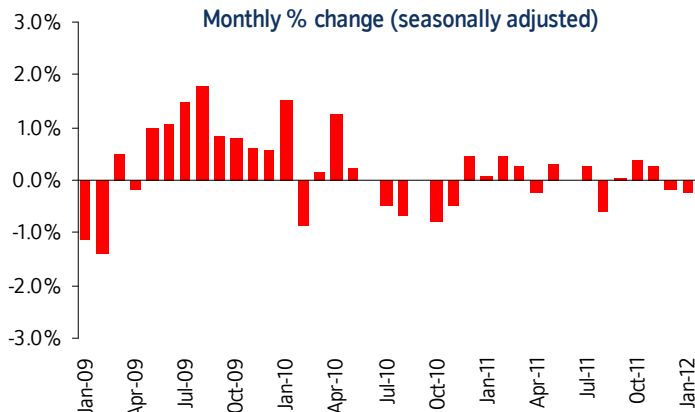
Annual percentage change in house prices



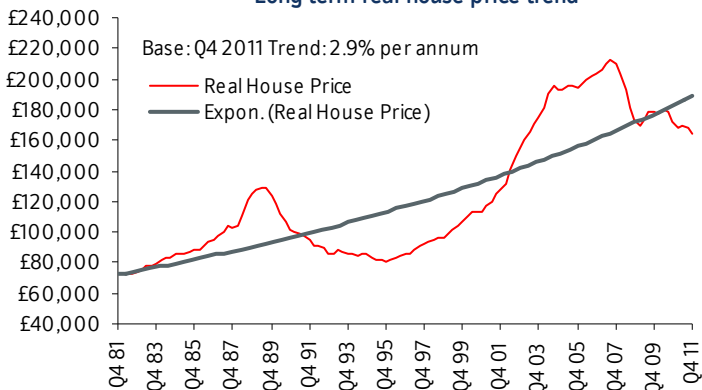
Three months on previous three months % change



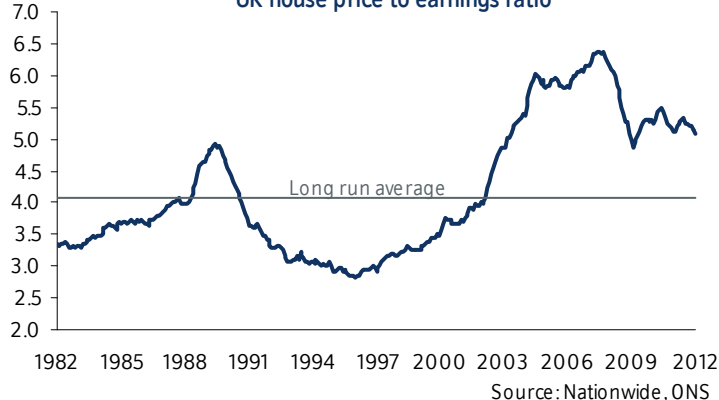
Monthly % change (seasonally adjusted)



Long term real house price trend



UK house price to earnings ratio



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](http://www.nationwide.co.uk/hpi)

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