

Nationwide HOUSE PRICE INDEX



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July 2010

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House prices fall back in July as buyer demand remains weak

- House prices fell by 0.5% in July
- Annual rate of house price inflation slips back further from 8.7% to 6.6%
- Market conditions ease further as buyers still in short supply

Headlines	July 10	June 10
Monthly Index*	334.0	335.6
Monthly Change*	-0.5%	0.0%
Annual Change	6.6%	8.7%
Average Price	£169,347	£170,111

* Seasonally adjusted

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

"House prices fell in July for the first time since February. The price of a typical UK property fell by a seasonally adjusted 0.5% month-on-month, after having been unchanged in June. The 3 month on 3 month rate of change – a smoother indicator of the near term price trend – fell from 1.7% in June to 1.3% in July, significantly below the peak of 4.0% reached in September 2009. There was also a sizeable drop in the annual rate of house price inflation from 8.7% in June to 6.6% in July, due in part to the strength of house price gains in the same month last year.

Demand from homebuyers remains subdued

"So far in 2010, demand from homebuyers has made little progress in building upon the recovery seen during much of 2009. Despite the introduction of a

second stamp duty holiday for the vast majority of first time buyers and record low interest rates, the number of properties changing hands across the UK is still running at only half the levels seen prior to the financial crisis and recession.

Chart 1: Completed housing transactions



Source: HMRC

"A combination of restrictive credit conditions and uncertainty about the future economic outlook continues to limit the pool of buyers to those with relatively large financial resources. Many potential buyers still lack the confidence to purchase their first home or trade up when faced with uncertainty over future income and employment prospects.

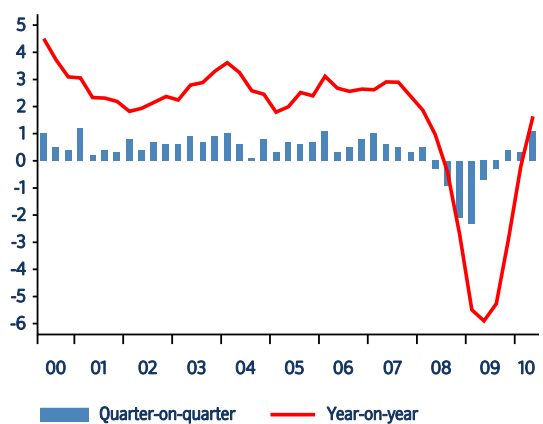
"More encouragingly, last week's GDP figures showed that the UK economy recovered at a faster than expected pace in the second quarter. The 1.1% quarter-on-quarter growth rate seen in April-June was the strongest since early 2006. For the moment, however, concerns about the medium-term impact of fiscal austerity on personal finances is more than

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outweighing any potential optimism about the recovery's short-term cyclical momentum.

Chart 2: UK GDP Growth



Source: ONS

Supply-demand balance loosening further

“Up until recently, the shortage of buyers in the market was more than offset by an even more severe shortage of properties for sale, with the result that prices rose. Evidence continues to build that this imbalance between supply and demand is easing. The abolition of HIPs has encouraged more speculative sellers to test the market, while some of the excess supply seen in the rental market during 2009 now appears to be making its way back into the sales market as temporary landlords make another attempt to sell their properties.

“At the moment, the market is clearly easing relative to the very tight supply conditions that characterised it since early 2009. However, it will take several more months to establish whether house prices are now simply oscillating around a flat price trend or whether a period of downward trending prices may be in store.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Jul-08	-1.8	-5.4	-8.1	169,316
Aug-08	-2.1	-5.4	-10.5	164,654
Sep-08	-1.8	-5.5	-12.4	161,797
Oct-08	-1.4	-5.3	-14.6	158,872
Nov-08	-0.2	-4.8	-13.9	158,442
Dec-08	-2.5	-4.2	-15.9	153,048
Jan-09	-1.2	-3.8	-16.6	150,501
Feb-09	-1.6	-4.4	-17.6	147,746
Mar-09	1.2	-3.6	-15.7	150,946
Apr-09	-0.3	-2.6	-15.0	151,861
May-09	1.1	-0.2	-11.3	154,016
Jun-09	1.1	1.0	-9.3	156,442
Jul-09	1.5	2.6	-6.2	158,871
Aug-09	1.5	3.3	-2.7	160,224
Sep-09	0.9	4.0	0.0	161,816
Oct-09	0.5	3.7	2.0	162,038
Nov-09	0.6	3.0	2.7	162,764
Dec-09	0.5	2.2	5.9	162,103
Jan-10	1.4	2.0	8.6	163,481
Feb-10	-1.0	1.7	9.2	161,320
Mar-10	0.9	1.6	9.0	164,519
Apr-10	1.1	1.1	10.5	167,802
May-10	0.4	1.6	9.8	169,162
Jun-10	0.0	1.7	8.7	170,111
Jul-10	-0.5	1.3	6.6	169,347

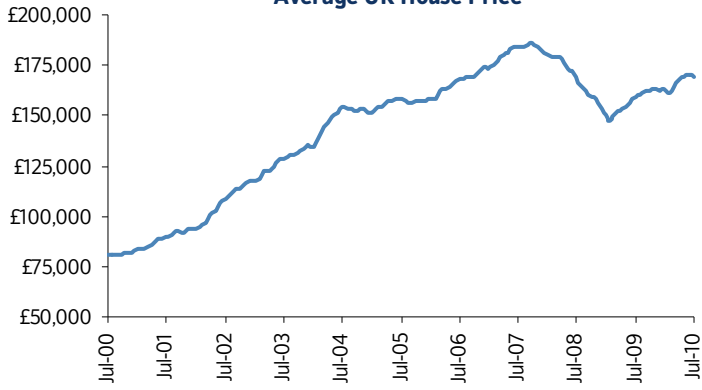
Note: Historical figures including index levels can be viewed using the following link:

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

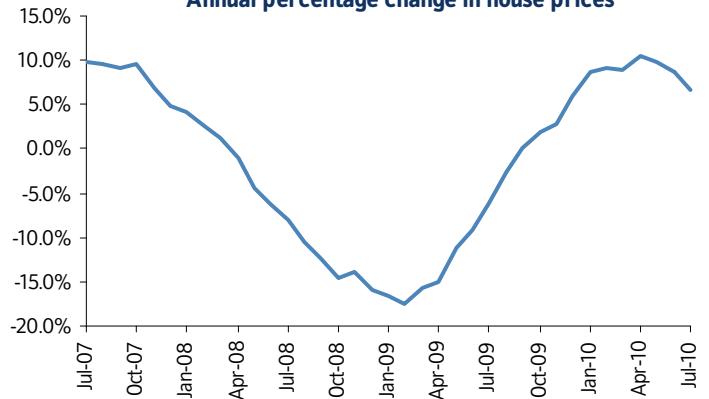
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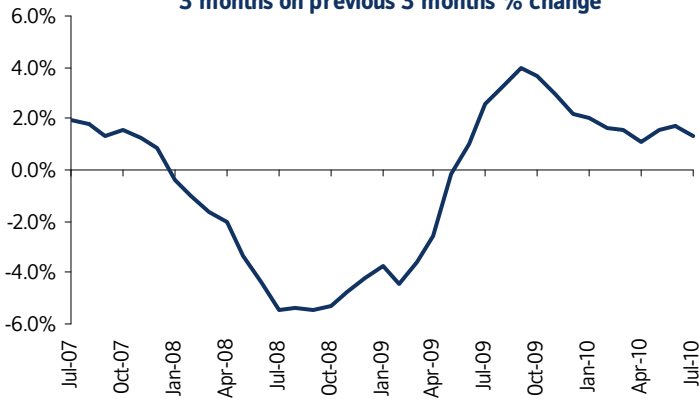
Average UK House Price



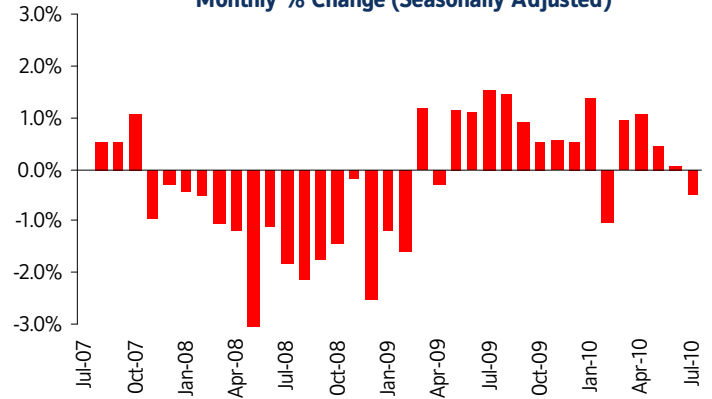
Annual percentage change in house prices



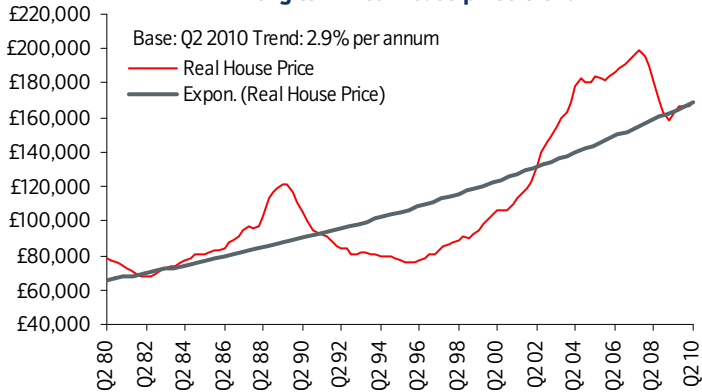
3 months on previous 3 months % change



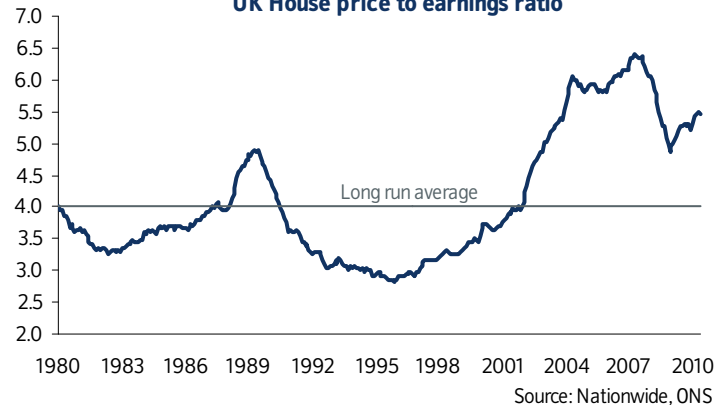
Monthly % Change (Seasonally Adjusted)



Long term real house price trend



UK House price to earnings ratio



Source: Nationwide, ONS

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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