

Nationwide HOUSE PRICE INDEX



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July 2011

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House prices edge up by 0.2% in July

- House prices increased by 0.2% in July
- Price of a typical home in July is 0.4% lower than one year ago

Headlines	Jul-11	Jun-11
Monthly Index*	331.1	330.4
Monthly Change*	0.2%	0.0%
Annual Change	-0.4%	-1.1%
Average Price (not seasonally adjusted)	£168,731	£168,205

* 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:

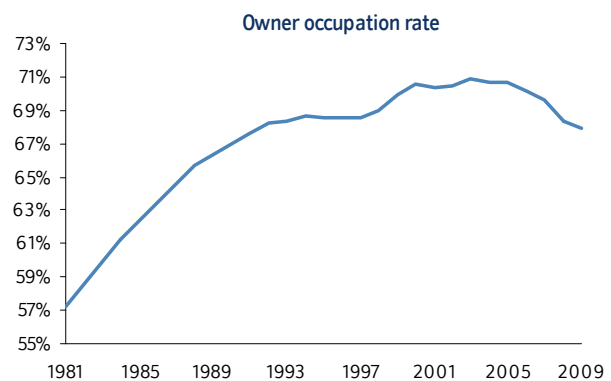
"Stability has been the watchword for the UK housing market over the past 12 months. Sluggish demand for homes, combined with only a gradual rise in the supply of available properties, has helped to keep property prices relatively stable.

"This pattern was maintained in July, with UK house prices rising by a modest 0.2% during the month, leaving prices 0.4% below the level prevailing in the same month of 2010. At 0.3%, the three month on three month measure of house prices was little changed from the 0.4% rate of increase recorded in June.

"The volume of property transactions has also remained at historically low levels in recent months. Only 204,000 housing transactions were recorded in the second quarter of 2011, the lowest outturn since Q2 2009. No doubt much of this reflects the uncertain economic climate. However, some commentators have suggested that there may be more fundamental factors at play, such as a trend away from owner-occupancy.

A nation of renters?

"The English Housing Survey shows that the share of owner-occupiers declined to 67.4% in 2009/10, down from a peak of 70.9% in 2003 and marking the seventh consecutive annual decline (see chart opposite). This is likely to be the result of a number of factors.



Source: English Housing Survey conducted by DCLG

"The trend is in part a reflection of stretched affordability. House prices remain relatively high compared to incomes and, together with more demanding deposit requirements, this is dissuading, or at least delaying, some first time buyers from entering the market.

"It may also be the case that younger households find owner-occupancy less suitable for their needs. For instance, in 1991, 36% of households aged 16-24 were owner-occupiers, a proportion which, in retrospect, seems very high. Indeed, by 2009/10 the proportion had declined to 14%, with private renting the most common form of tenure for this segment. This is partly a function of more people progressing to higher education and entering the labour force later. Indeed, the proportion of young people entering higher education in England increased from 30% to 36% between 1994 and 2010, according to the Higher Education Funding Council.

"While many people in the 16-24 age group still aspire to buy a home eventually, renting may also have become the more suitable option in the early stages of a career. People move readily between jobs, increasing the uncertainty about their earnings prospects and where they are going to settle. In addition, people are increasingly recognising that they are going to have to work for longer before they are able to retire, so delaying their first steps into the property market may also make sense. The improved quality of the private rental stock is also likely to have made private renting a more appealing option.

Media enquiries to: Robert Gardner, Chief Economist
robert.gardner@nationwide.co.uk
Paul Beadle, 01793 655189, paul.beadle@nationwide.co.uk or
Evelyn Turpin, 01793 656215, evelyn.turpin@nationwide.co.uk



“Nevertheless, as far as older households are concerned, preferences shift markedly towards owning a house as age increases, with owner occupancy rising to 47% for 25-34 year olds and to 67% for 35-44 year olds. So, in this respect, the UK remains a nation of homeowners.

“As the economic outlook brightens, labour market conditions strengthen and housing affordability becomes less stretched, so demand for housing should improve. Time will tell whether a greater preference for renting will remain in evidence or the desire for home-ownership once again asserts itself.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Jul-09	1.4	2.2	-6.2	158,871
Aug-09	1.7	3.2	-2.7	160,224
Sep-09	0.9	4.0	0.0	161,816
Oct-09	0.8	3.9	2.0	162,038
Nov-09	0.7	3.3	2.7	162,764
Dec-09	0.4	2.6	5.9	162,103
Jan-10	1.4	2.3	8.6	163,481
Feb-10	-0.8	1.9	9.2	161,320
Mar-10	0.2	1.5	9.0	164,519
Apr-10	1.2	0.9	10.5	167,802
May-10	0.2	1.1	9.8	169,162
Jun-10	0.0	1.3	8.7	170,111
Jul-10	-0.6	0.9	6.6	169,347
Aug-10	-0.8	-0.1	3.9	166,507
Sep-10	0.0	-1.0	3.1	166,757
Oct-10	-0.8	-1.4	1.4	164,279
Nov-10	-0.4	-1.3	0.2	163,133
Dec-10	0.3	-1.1	0.1	162,249
Jan-11	0.0	-0.7	-1.4	161,211
Feb-11	0.6	0.0	-0.1	161,183
Mar-11	0.3	0.5	0.1	164,751
Apr-11	-0.2	0.8	-1.3	165,609
May-11	0.3	0.6	-1.2	167,208
Jun-11	0.0	0.4	-1.1	168,205
Jul-11	0.2	0.3	-0.4	168,731

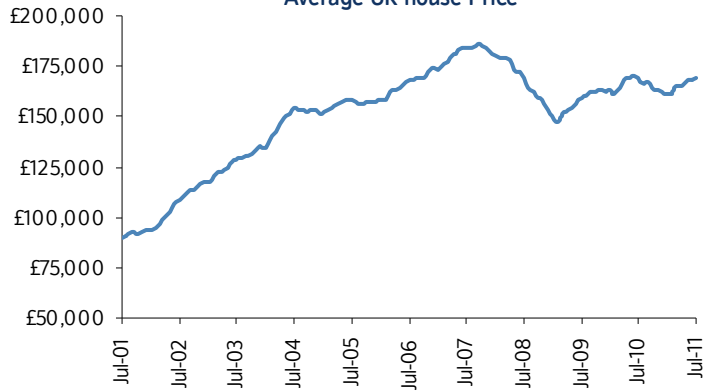
Note: Historical figures including index levels can be viewed using the following link:

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

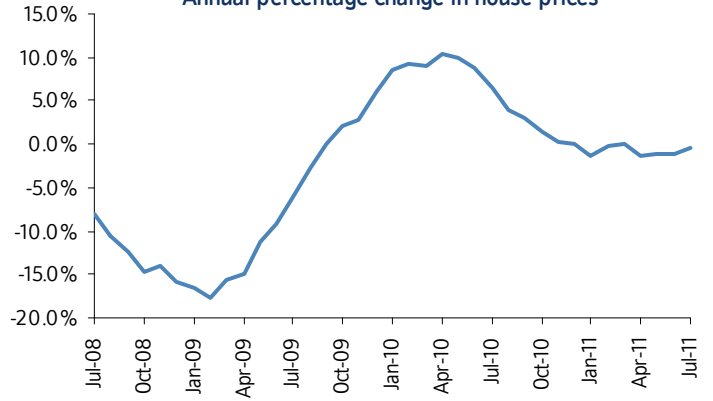
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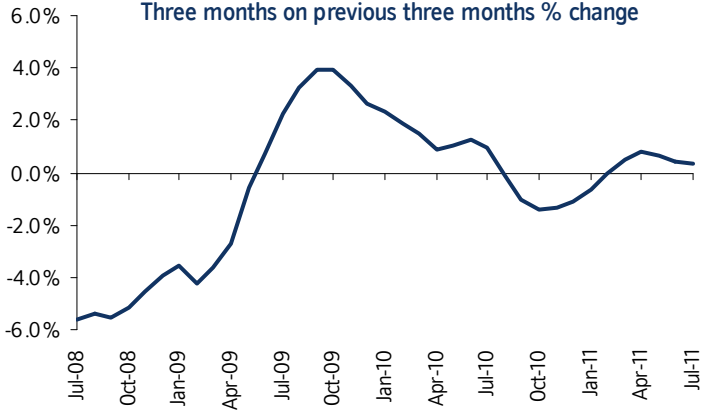
Average UK house Price



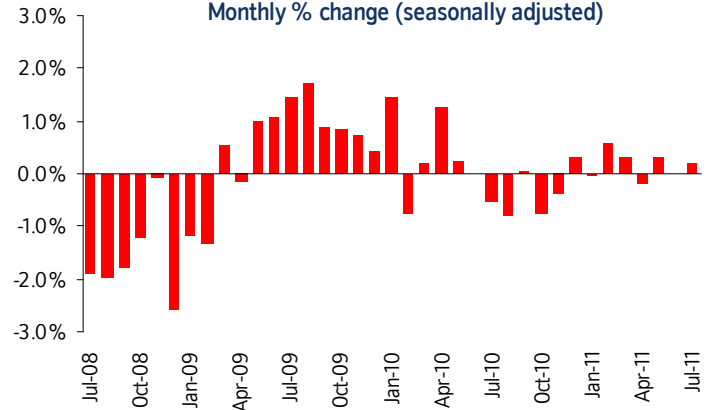
Annual percentage change in house prices



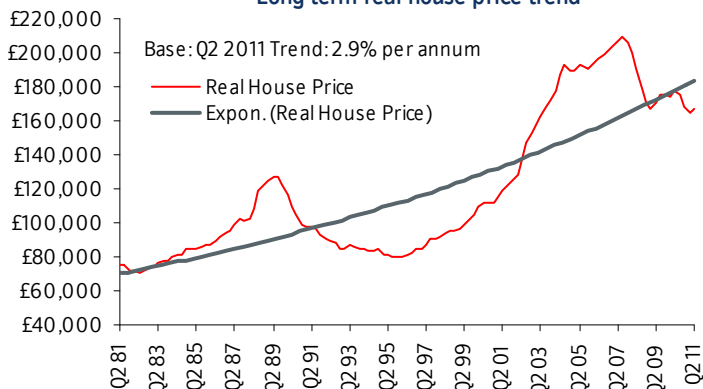
Three months on previous three months % change



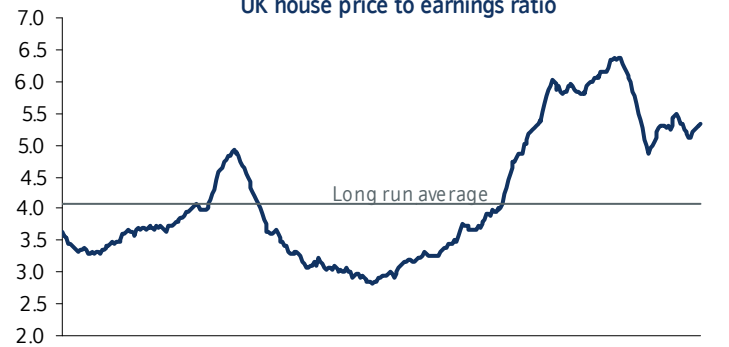
Monthly % change (seasonally adjusted)



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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