

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

July 2012

Embargoed until 0700 1 August 2012

UK house prices continued to slide in July

- The price of a typical UK house fell by 0.7% in July
- Prices 2.6% lower than one year ago
- Price of a typical home was £164,389

Headlines	Jul-12	Jun-12
Monthly Index*	322.9	325.1
Monthly Change*	-0.7%	-0.6%
Annual Change	-2.6%	-1.5%
Average Price (not seasonally adjusted)	£164,389	£165,738

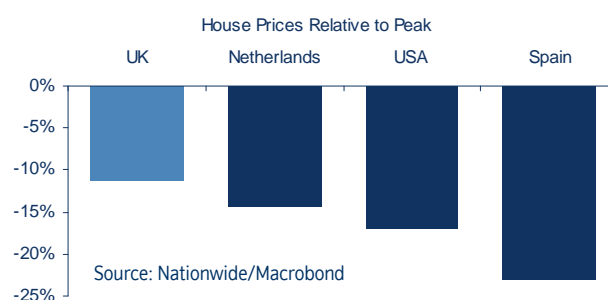
* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, said:

“UK house prices declined for the fourth time in five months in July, with prices falling by 0.7%. This pushed the annual pace of price growth down to -2.6%, from -1.5% in June - the weakest outturn since August 2009.”

“The weaker price trend observed in recent quarters is unsurprising, given the disappointing performance of the wider economy. Data released last week revealed that the UK recession intensified in the three months to July, with the economy contracting by 0.7% quarter on quarter. This disappointing outturn can be only partly explained by unusually wet weather and the impact of an extra bank holiday during the quarter. Indeed, the UK economy has contracted by 1.4% over the past nine months, and is now 4.5 percentage points smaller than it was in Q1 2008.

“Against this difficult economic backdrop, it could be argued that UK house prices have shown resilience. While prices are currently 13% below their 2007 peak, this is less than the declines seen in a number of other economies that have experienced similar or more robust economic recoveries (see chart).”



Along with the lack of building activity in recent years, a large part of the explanation probably relates to the unexpected strength of the UK labour market. The UK added almost 250,000 jobs in the last seven months for which we have data (a rise of 0.8%), even though economic output fell by more than 1% over that period.

However, this pattern of negative economic growth and steady employment growth cannot be sustained indefinitely. Much will therefore depend on the ability of the UK economy to gain momentum in the quarters ahead if labour market conditions, and therefore demand for homes, are to be adequately supported.

Policymakers providing additional support

The UK economy is likely to see an Olympics-related boost in Q3. The additional stimulus measures announced by the Government and the Bank of England should also provide much needed support for the economy and the housing market in the months ahead. In early July the Monetary Policy Committee announced that it would pump another £50bn into the financial system by purchasing Government bonds.

In addition, the Bank of England (in conjunction with HM Treasury) announced the introduction of the Funding for Lending Scheme, which begins on 1st August and is due to run for 18 months. This scheme aims to boost the availability of credit to households and firms by guaranteeing the availability and lowering the cost of the funds that banks and building societies need to do business.

Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
Lindsay McAloon, 01793 655195, lindsay.mcaloon@nationwide.co.uk



The extent to which the scheme is successful in boosting lending will depend crucially on the demand for credit. However, with the Eurozone situation deteriorating again in recent weeks and few signs of a recovery in domestic demand, we continue to expect only a modest recovery in the quarters ahead, both for the UK economy and the housing market.

Monthly UK House Price Statistics

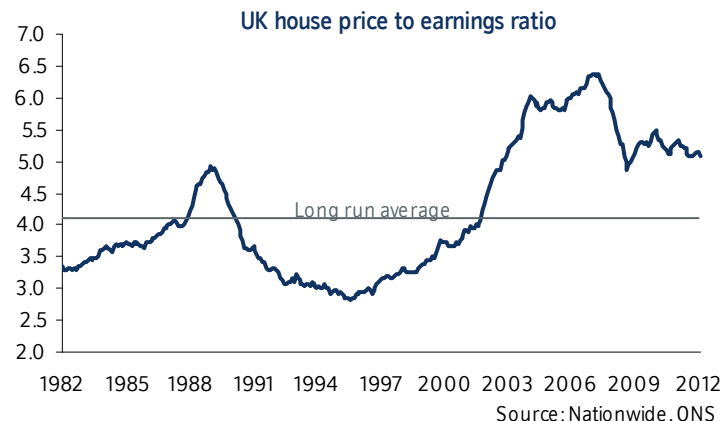
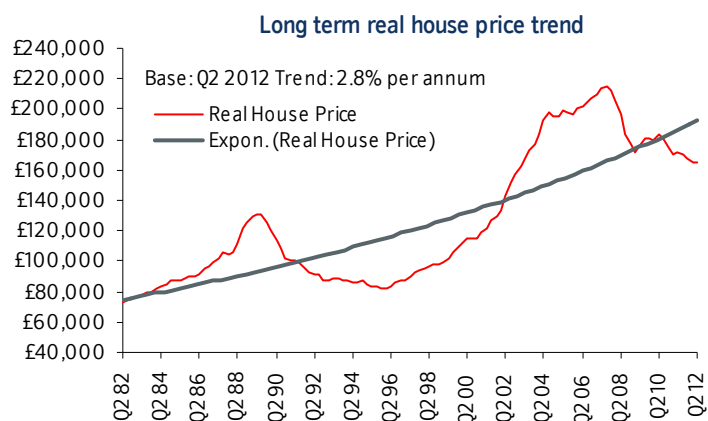
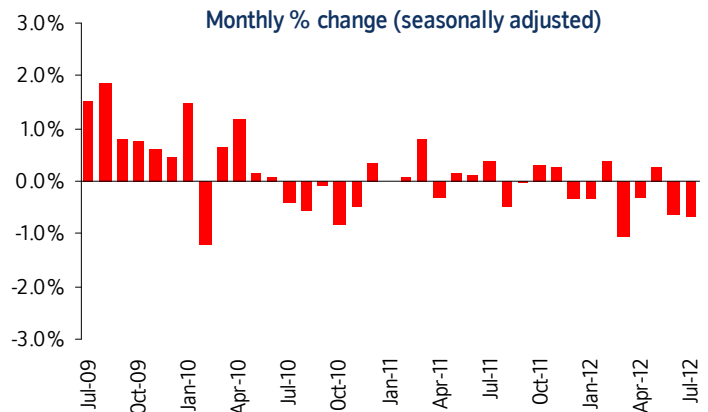
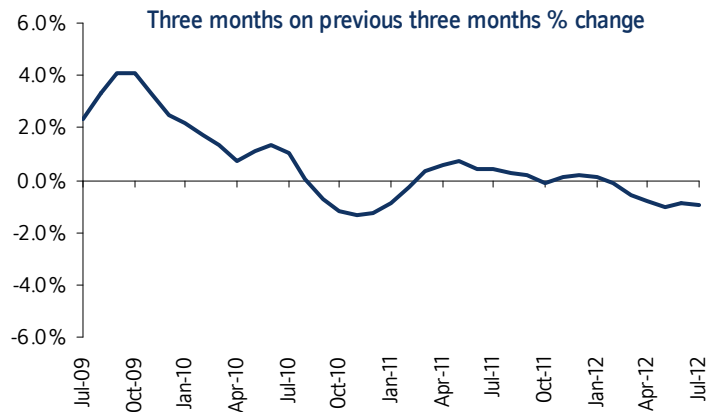
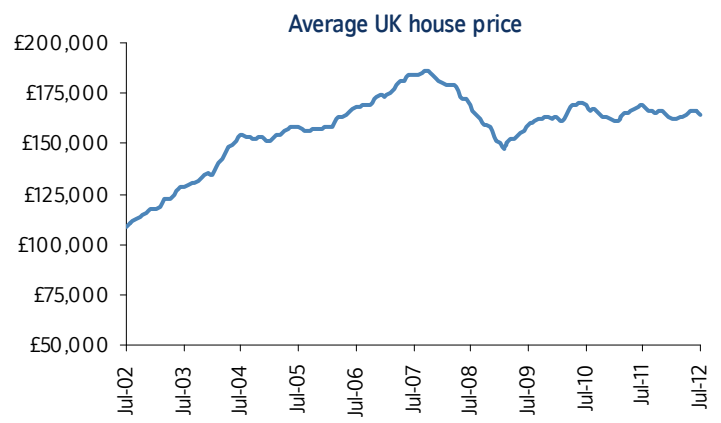
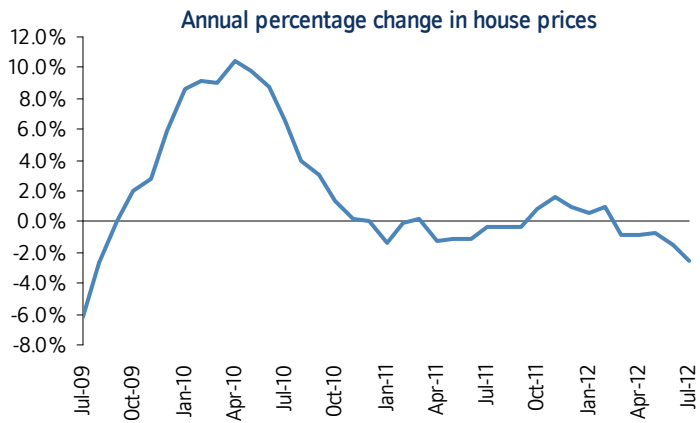
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Jul-10	-0.4	1.0	6.6	169,347
Aug-10	-0.6	0.1	3.9	166,507
Sep-10	-0.1	-0.7	3.1	166,757
Oct-10	-0.8	-1.2	1.4	164,279
Nov-10	-0.5	-1.3	0.2	163,133
Dec-10	0.3	-1.3	0.1	162,249
Jan-11	0.0	-0.9	-1.4	161,211
Feb-11	0.1	-0.3	-0.1	161,183
Mar-11	0.8	0.4	0.1	164,751
Apr-11	-0.3	0.6	-1.3	165,609
May-11	0.2	0.7	-1.2	167,208
Jun-11	0.1	0.4	-1.1	168,205
Jul-11	0.4	0.4	-0.4	168,731
Aug-11	-0.5	0.2	-0.4	165,914
Sep-11	0.0	0.2	-0.3	166,256
Oct-11	0.3	-0.1	0.8	165,650
Nov-11	0.3	0.1	1.6	165,798
Dec-11	-0.3	0.2	1.0	163,822
Jan-12	-0.3	0.1	0.6	162,228
Feb-12	0.4	-0.1	0.9	162,712
Mar-12	-1.0	-0.6	-0.9	163,327
Apr-12	-0.3	-0.8	-0.9	164,134
May-12	0.3	-1.0	-0.7	166,022
Jun-12	-0.6	-0.9	-1.5	165,738
Jul-12	-0.7	-0.9	-2.6	164,389

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

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

Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
Lindsay McAloon, 01793 655195, lindsay.mcaloon@nationwide.co.uk





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

Media enquiries to: Robert Gardner, Chief Economist, robert.gardner@nationwide.co.uk
Lindsay McAloon, 01793 655195, lindsay.mcaloon@nationwide.co.uk

