

Nationwide HOUSE PRICE INDEX



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June 2012

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UK house prices slip back in June

- The price of a typical UK house fell by 0.6% in June
- Prices 1.5% lower than one year ago
- Price of a typical home is now £165,738

Headlines	Jun-12	May-12
Monthly Index*	325.4	327.3
Monthly Change*	-0.6%	0.2%
Annual Change	-1.5%	-0.7%
Average Price (not seasonally adjusted)	£165,738	£166,022

* 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:

"House prices declined by 0.6% in June, taking the annual pace of house price growth down to -1.5%, the lowest reading since August 2009. The slightly weaker trend we've observed since March is unsurprising, given the difficult economic backdrop, with the UK economy dipping back into recession at the start of the year and few signs of a near-term rebound. Part of the weakness in house prices may also relate to the ending of the stamp duty holiday in March, which provided a temporary boost in early 2012, as buyers brought forward purchases that would otherwise have taken place later in the year.

The outlook for house prices remains highly uncertain. Economic conditions are expected to remain challenging over the next twelve months. However, policymakers' efforts to bolster the supply of credit to the economy and to help lower the cost should provide support to demand. Moreover, the supply side of the market is still constrained, with construction failing to keep pace with the number of new households being formed.

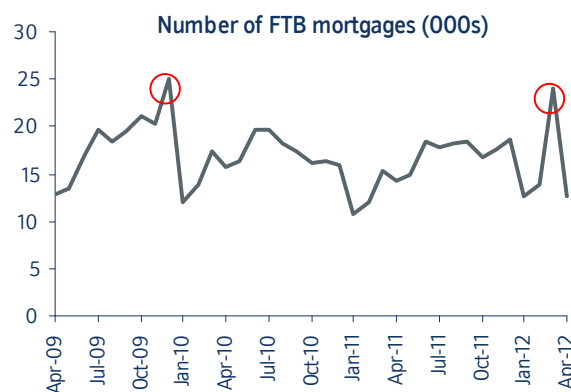
Overall, this suggests a continuation of the pattern experienced over the past two years, with prices remaining fairly stable over the next twelve months.

How much of a boost did the stamp duty holiday give to lending?

The expiry of the stamp duty holiday for first time buyers towards the end of March created significant volatility in the lending data in recent months making it even harder than usual to discern the underlying trend. Mortgage lending to first time buyers in March totalled £3bn, around 40% above usual levels. Moreover, 63% of first time buyer purchases in March were between £125,000 and £250,000, compared with around 50% normally.

It's not hard to understand why the effect on the timing of transactions was so strong - bringing forward purchases offered substantial savings. We estimate that over 200,000 first time buyers benefited from the stamp duty holiday over the last two years, saving a total of nearly £375m - around £1,800 each. It is harder to assess the extent to which the stamp duty holiday generated "additional" first time buyer activity, i.e. purchases that would not otherwise have taken place. Similarly, it is hard to judge how much activity will be dampened by its re-imposition.

However, history provides some comfort that the negative impact will be short-lived. Indeed, the decline in activity in recent months echoes the pattern seen at the end of the last stamp duty holiday in December 2009 (see chart below). This provides some comfort that much of the recent softness in housing market activity will subside in the months ahead.



Source: CML

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Monthly UK House Price Statistics

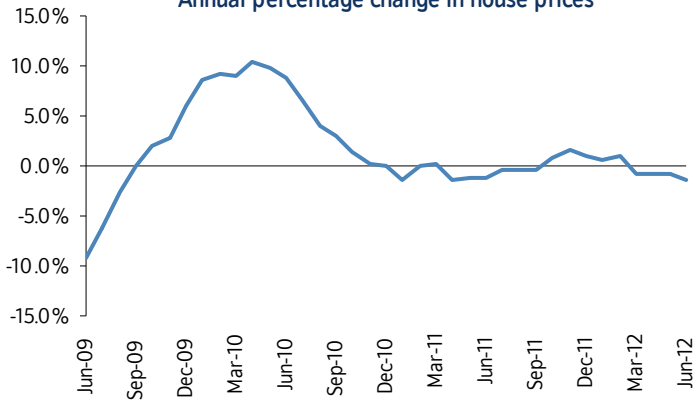
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Jun-10	0.1	1.3	8.7	170,111
Jul-10	-0.5	1.0	6.6	169,347
Aug-10	-0.6	0.0	3.9	166,507
Sep-10	0.0	-0.8	3.1	166,757
Oct-10	-0.8	-1.2	1.4	164,279
Nov-10	-0.5	-1.3	0.2	163,133
Dec-10	0.4	-1.3	0.1	162,249
Jan-11	0.0	-0.8	-1.4	161,211
Feb-11	0.1	-0.2	-0.1	161,183
Mar-11	0.8	0.4	0.1	164,751
Apr-11	-0.3	0.7	-1.3	165,609
May-11	0.1	0.7	-1.2	167,208
Jun-11	0.2	0.4	-1.1	168,205
Jul-11	0.3	0.4	-0.4	168,731
Aug-11	-0.5	0.2	-0.4	165,914
Sep-11	0.0	0.1	-0.3	166,256
Oct-11	0.3	-0.2	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	0.2	0.6	162,228
Feb-12	0.4	-0.1	0.9	162,712
Mar-12	-1.0	-0.5	-0.9	163,327
Apr-12	-0.3	-0.7	-0.9	164,134
May-12	0.2	-1.0	-0.7	166,022
Jun-12	-0.6	-0.9	-1.5	165,738

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

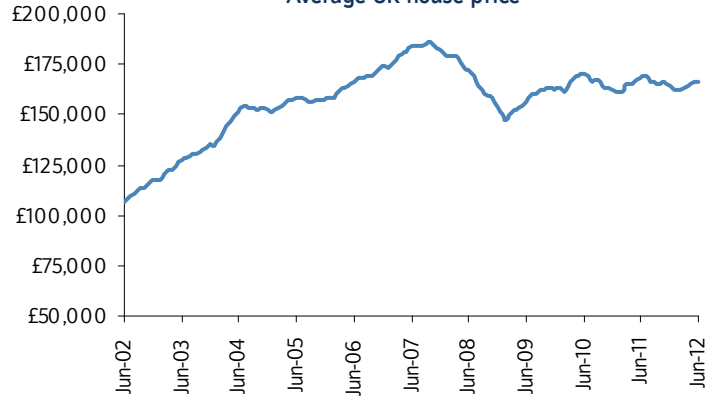
www.nationwide.co.uk/hpi/downloads/Monthly.xls

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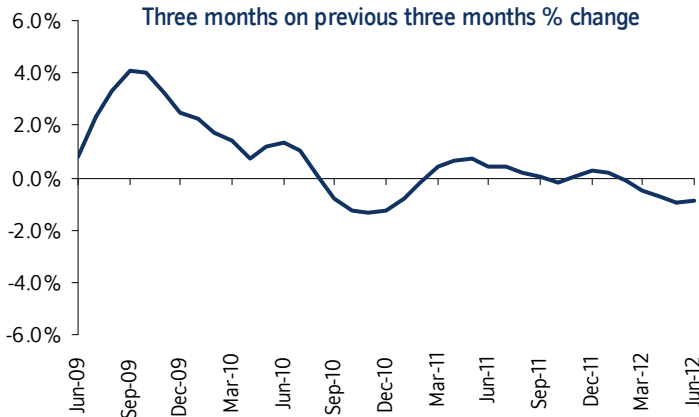
Annual percentage change in house prices



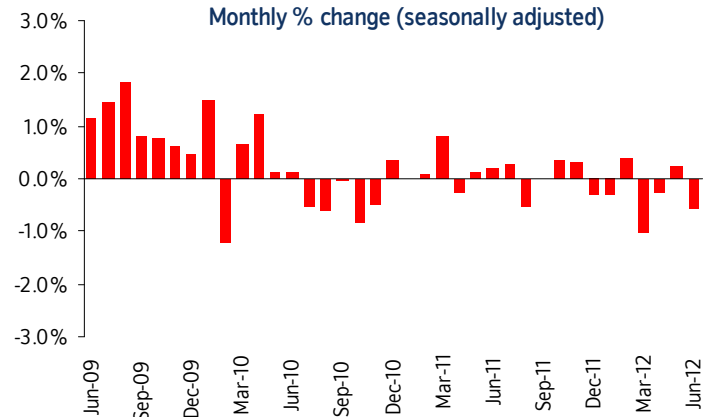
Average UK house price



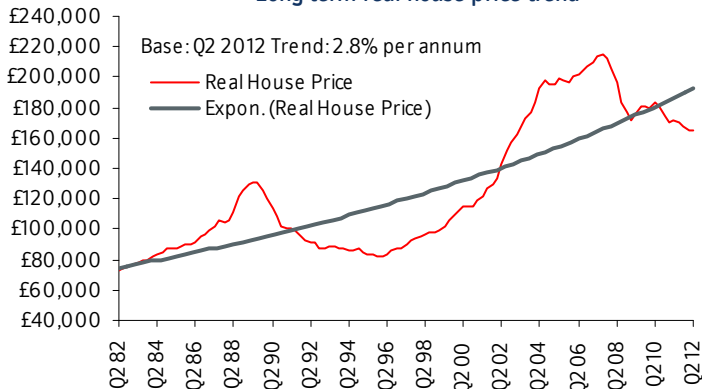
Three months on previous three months % change



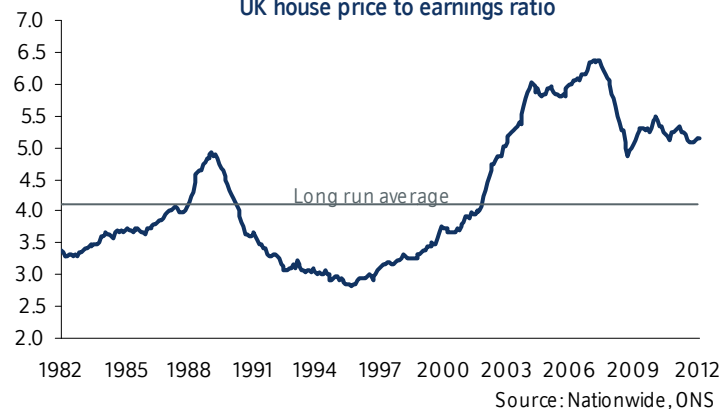
Monthly % change (seasonally adjusted)



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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