

Nationwide HOUSE PRICE INDEX



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May 2011

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House prices rise by 0.3% in May

- House prices rose by 0.3% in May
- On the three month on three month measure, prices rose by 0.6%
- Price of a typical home in May is 1.2% lower than one year ago

Headlines	May 11	Apr 11
Monthly Index*	330.4	329.5
Monthly Change*	0.3%	-0.2%
Annual Change	-1.2%	-1.3%
Average Price	£167,208	£165,609

* 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 increased by 0.3% in May, only just offsetting the 0.2% fall recorded the previous month, and leaving prices 1.2% below the level prevailing in May 2010.

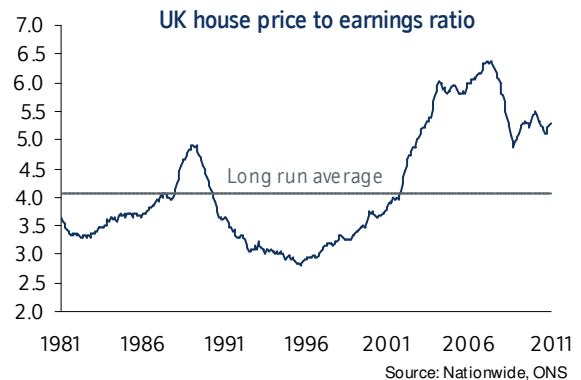
"At 0.6%, the three month on three month measure of house prices was little changed from the 0.7% pace of increase recorded in April.

"Overall, the modest pace of house price growth in May suggests that the property market is continuing to mirror the lacklustre trends evident in the wider economy.

Economic outlook still cloudy, but starting to brighten

"The UK economy returned to growth in the first three months of 2011, albeit at a modest pace, with business surveys suggesting that growth has been maintained in Q2. Employment has also edged up in recent months, and housing affordability, as measured by the house price to earnings ratio, is not as stretched as it was in the run up to the financial crisis (see chart opposite).

"Nevertheless, the modest improvement in economic conditions has so far been insufficient to pull the housing market out of its torpor, as the headwinds facing households remain strong.



"Despite recent increases in employment, household budgets remain under pressure, with debt levels still high and inflation rising almost twice as fast as wages.

"Although the house price to earnings ratio is well below the peak levels seen in 2007, it is still above its long-term average.

Where next?

"While the outlook remains uncertain, sideways still appears the most likely trajectory for house prices over the remainder of the year.

"Economic conditions are expected to continue to improve as the year progresses, but the recovery is likely to remain weak compared with previous upturns.

"The pattern of the recovery also argues against a strong bounce in property prices. Business investment and net trade are expected to drive the economy in the quarters ahead, rather than consumer spending.

"This will eventually feed through to boost households and support the housing market by generating more rapid employment gains and stronger income growth, but it will take time for the feel-good factor to emerge and for households to bolster their finances."

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Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
May-09	1.0	-0.5	-11.3	154,016
Jun-09	1.0	0.7	-9.3	156,442
Jul-09	1.5	2.3	-6.2	158,871
Aug-09	1.7	3.2	-2.7	160,224
Sep-09	0.9	3.9	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	0.5	2.6	5.9	162,103
Jan-10	1.4	2.4	8.6	163,481
Feb-10	-0.9	1.9	9.2	161,320
Mar-10	0.3	1.5	9.0	164,519
Apr-10	1.2	0.8	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	-0.5	0.9	6.6	169,347
Aug-10	-0.9	-0.1	3.9	166,507
Sep-10	0.0	-1.0	3.1	166,757
Oct-10	-0.7	-1.4	1.4	164,279
Nov-10	-0.3	-1.3	0.2	163,133
Dec-10	0.3	-1.1	0.1	162,249
Jan-11	0.0	-0.6	-1.4	161,211
Feb-11	0.5	0.0	-0.1	161,183
Mar-11	0.4	0.5	0.1	164,751
Apr-11	-0.2	0.7	-1.3	165,609
May-11	0.3	0.6	-1.2	167,208

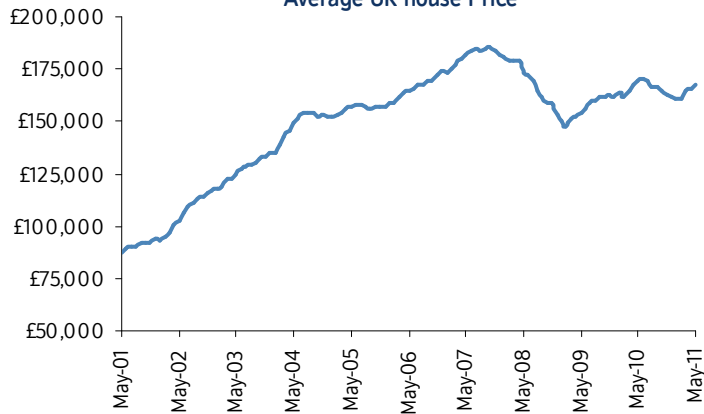
Note: Historical figures including index levels can be viewed using the following link:

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

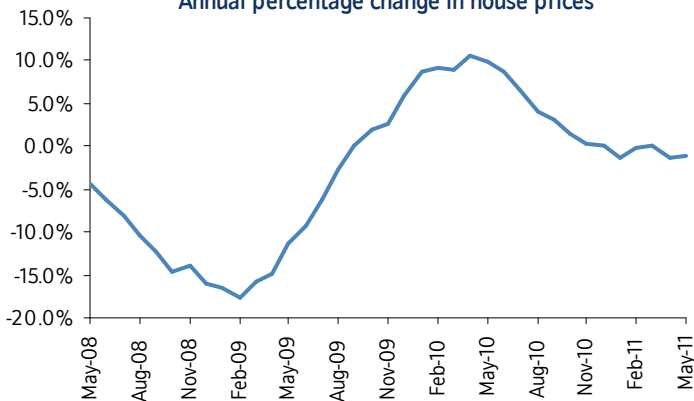
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Average UK house Price

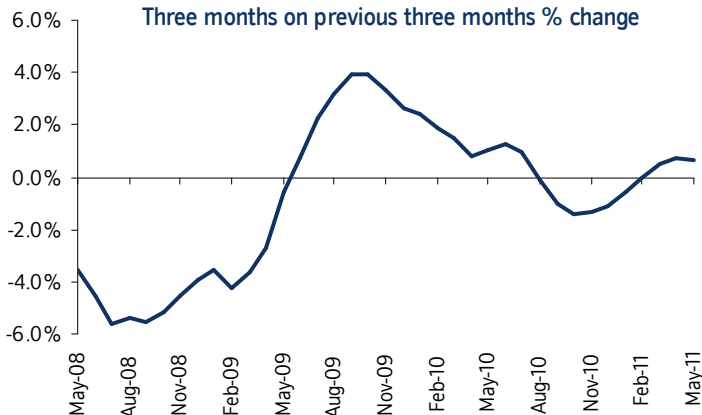


Annual percentage change in house prices

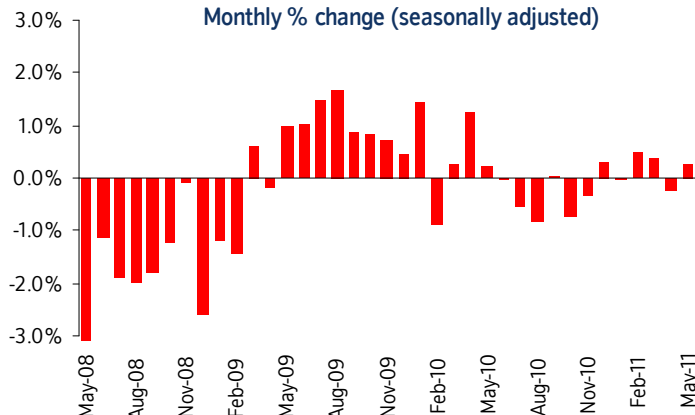


Source: Nationwide Building Society

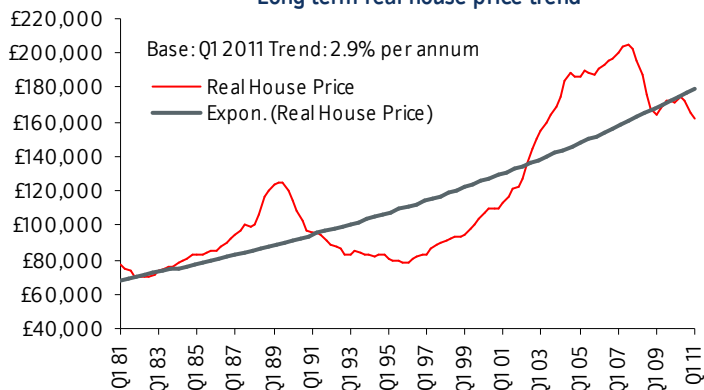
Three months on previous three months % change



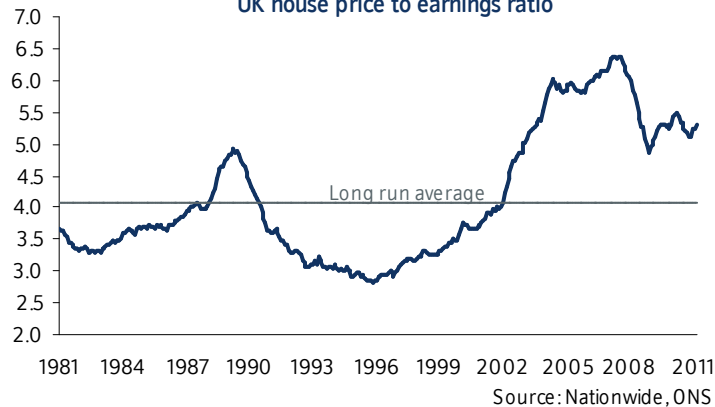
Monthly % change (seasonally adjusted)



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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