*** STRICTLY EMBARGOED UNTIL 7.00AM TUESDAY 1st DECEMBER 2009 ***

House prices edge up further in November

- **House prices rose by 0.5% in November, the same rate as in October**
- **Year-on-year house price inflation increased from 2.0% to 2.7%**
- **Labour market has so far held up better than expected**

Headlines	**November 2009**	October 2009
Monthly index * Q1 '93 = 100	**324.0**	322.3
Monthly change*	**0.5%**	0.5%
Annual change	**2.7%**	2.0%
Average price	**£162,764**	£162,038

*** seasonally adjusted**

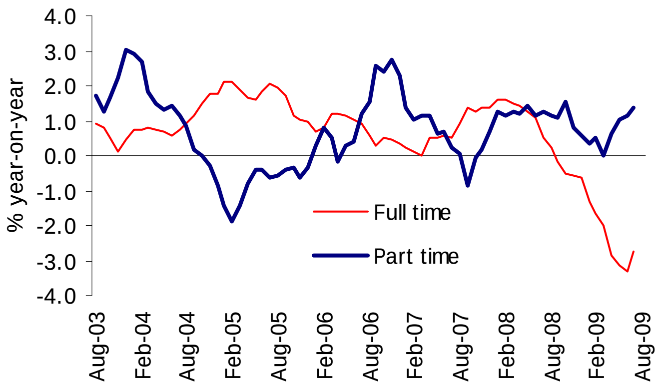
Commenting on the figures Martin Gahbauer, Nationwide's Chief Economist, said:

"The monthly rate of house price inflation was unchanged in November at a seasonally adjusted 0.5%, leaving the average price of a typical property 2.7% higher than a year earlier. At £162,764, the average house price is at a similar level to where it was in early 2006. The 3 month on 3 month rate of change – generally a smoother indicator of the near term trend – dropped to 2.8% from 3.5% in October and 3.8% in September. This suggests that house prices are now rising at a more moderate pace than in the spring and summer months, when they experienced a very strong bounce from the early 2009 lows.

Labour market has held up better than expected but uncertainties remain

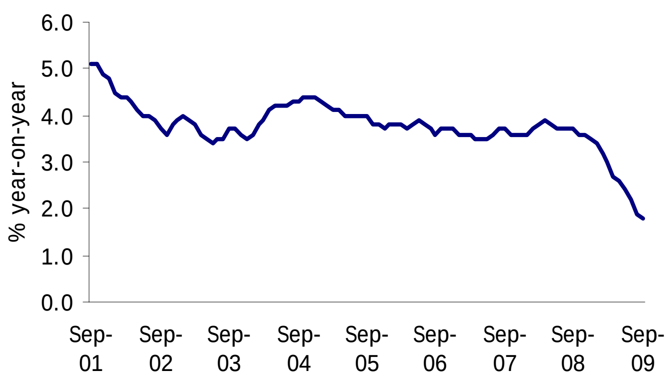
"The outlook for the housing market remains crucially dependent on labour market conditions, and here recent developments have been somewhat more encouraging than might have been expected. With the UK experiencing its longest and deepest recession since WWII, most economists expected unemployment to increase very sharply in 2009, perhaps breaching the psychologically important three million mark by the end of the year. While unemployment has indeed increased noticeably, the rise has not been as rapid and pronounced as previously feared. Based on the latest labour market figures from September, it now looks unlikely that the jobless total will reach three million before the year is up.

Chart 1: Employment growth



Source: ONS

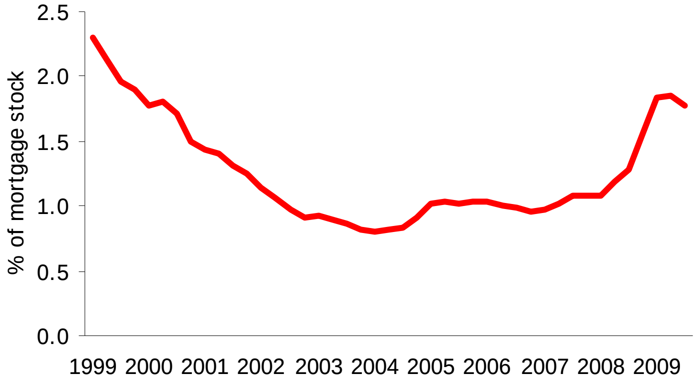
Chart 2: Average earnings growth



Source: ONS. Excludes bonuses

"Part of the explanation for why unemployment has not risen to the levels implied by the recession's depth is that in many cases employers have opted to reduce working hours and pay rather than make employees redundant. This is reflected in rising part-time employment at the expense of full-time employment (chart 1) and record low growth in average earnings (chart 2). The strategy of cutting hours and pay rather than headcount probably reflects a fear among many employers that they could find themselves short of labour when the economy recovers, thus leaving them less competitive in the longer term. Whether this strategy is sustainable will depend on how quickly the economy recovers. If output is too slow to recover, then firms may find it necessary to reduce their payrolls further in order to improve productivity and profitability. Another reason to remain cautious about the future outlook for employment is that the public sector has not yet experienced any significant job losses, but presumably will begin to do so when fiscal policy is tightened from next year onwards.

Chart 3: Arrears > 2.5% of outstanding balance



Source: CML

"Despite continued uncertainties about the future, the better than expected performance of the labour market has probably contributed to the surprise rebound in house prices this year. Even though workers who have been forced from full-time employment into part-time work will have experienced a reduction in income, the impact has been less severe than it would have been if they had lost their jobs completely. Together with the fact that mortgage rates have fallen sharply as a result of base rate cuts, this has meant that far fewer borrowers have fallen into arrears than would normally be the case in such a deep recession. In fact, the percentage of borrowers in arrears across the mortgage industry has even edged down slightly in the most recent quarterly figures (chart 3). As such, the downward pressure on house prices from distressed sales has so far been significantly lower than expected."

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HOUSE PRICES

Nationwide

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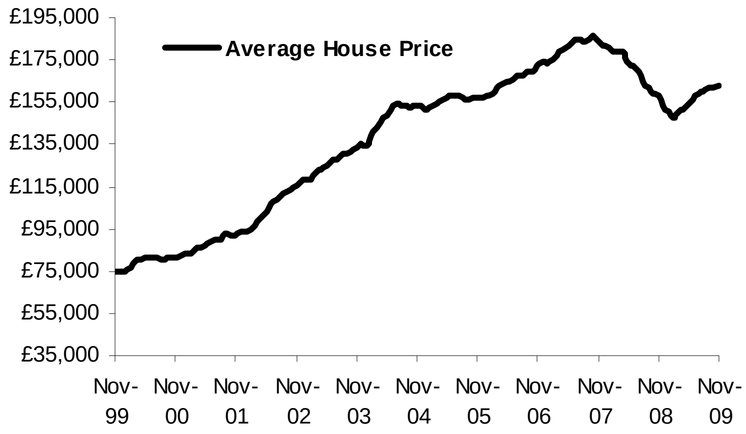
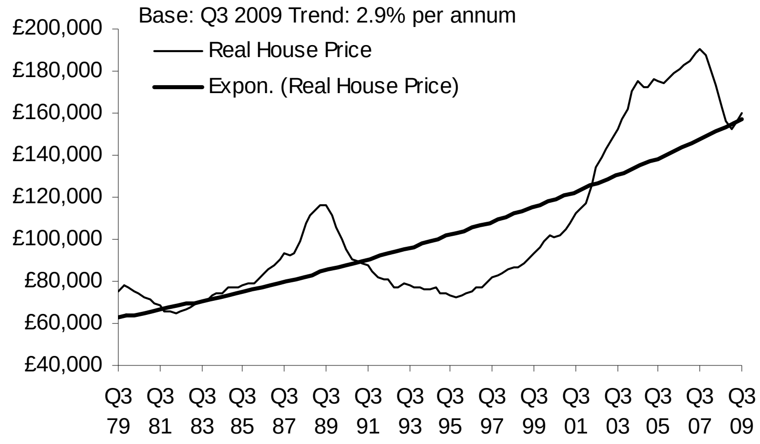
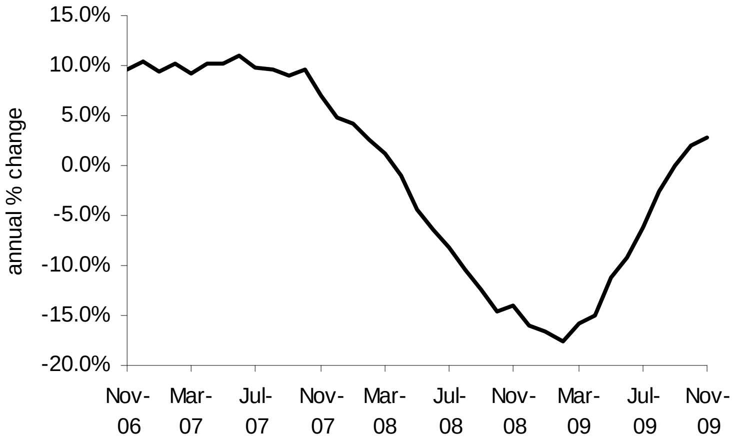
Average UK House Price



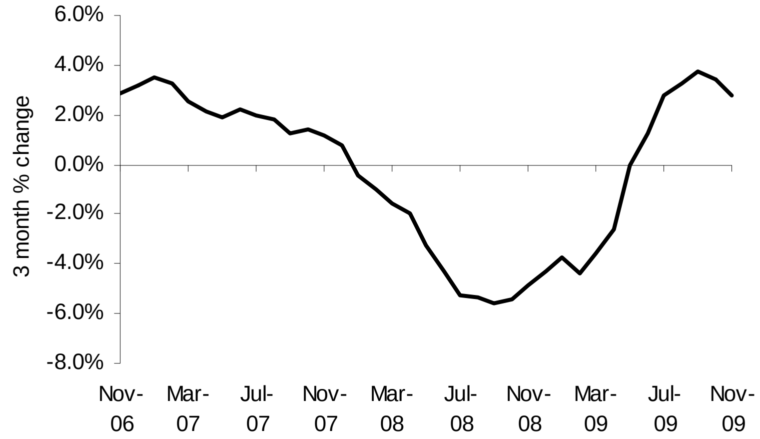
Long Term Real House Price Trend



Annual % Change in House Prices



3 Months on Previous 3 Months % Change



Historical Data

Month	Monthly Index Q1 93 = 100 seasonally adjusted	Monthly Change %	Latest 3 months on previous 3 months % change	Monthly Index Q1 93 = 100 not seasonally adjusted	Annual Change %	Average Price £
2008 Nov	315.7	-0.2	-4.9	316.1	-13.9	158,442
Dec	307.7	-2.5	-4.3	305.3	-15.9	153,048
Jan	304.4	-1.1	-3.8	300.2	-16.6	150,501
Feb	299.2	-1.7	-4.4	294.7	-17.6	147,746
Mar	302.8	1.2	-3.5	301.1	-15.7	150,946
Apr	302.0	-0.2	-2.6	302.9	-15.0	151,861
May	306.2	1.4	0.0	307.2	-11.3	154,016
Jun	309.3	1.0	1.2	312.1	-9.3	156,442
Jul	313.5	1.4	2.8	316.9	-6.2	158,871
Aug	317.9	1.4	3.3	319.6	-2.7	160,224
Sep	320.8	0.9	3.8	322.8	0.0	161,816
Oct	322.3	0.5	3.5	323.2	2.0	162,038
2009 Nov	324.0	0.5	2.8	324.7	2.7	162,764

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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

Photographs of our economist are available at: www.nationwide.co.uk/mediacentre/economist.asp