

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

November 2010

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House prices edge down further in November

- House prices fell by 0.3% in November
- Prices nearly unchanged from a year earlier

Headlines	Nov 10	Oct 10
Monthly Index*	326.9	327.8
Monthly Change*	-0.3%	-0.7%
Annual Change	0.4%	1.4%
Average Price	£163,398	£164,381

* Seasonally adjusted

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

"The recent trend of modestly falling house prices continued during November, with the price of a typical UK property declining by 0.3% on a seasonally adjusted basis between October and November. The three month on three month rate of change – a smoother measure of the recent price trend – rose from -1.5% to -1.3%. This remains well above the deeply negative rates of -5% to -6% that prevailed during the most severe phase of the downturn in 2008. The annual rate of change – which compares house prices to their level 12 months ago – fell from 1.4% to 0.4% and suggests that house prices are essentially unchanged from a year earlier.

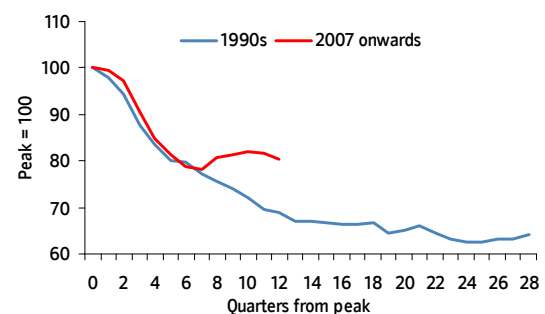
"There is little evidence to suggest that house price declines are likely to accelerate in the months ahead. Much of the weakness in property values since the Spring has been driven by a return of sellers to the market, following unusually low levels of property for sale in 2009 and early 2010. However, there is little to indicate that these sellers need to achieve a sale urgently for financial or economic reasons, which means that the downward pressure on house prices is only modest. In addition, there are early signs that the flow of new property onto the market may be slowing down

again as potential sellers observe the recent weakness in prices and decide against marketing their properties at the current juncture. Similar seller behaviour was observed in late 2008 and early 2009, eventually leading to a decline in the amount of property on the market.

How does the current downturn compare to the early 1990s?

"Three years ago – in November 2007 – house prices as measured by the Nationwide Index began to fall, ending a decade long boom. At the three year anniversary of the first house price falls, it is worth considering how the current down cycle has evolved in comparison to the last major housing downturn in the early 1990s.

Chart 1: Real house prices



Source: Nationwide, ONS.

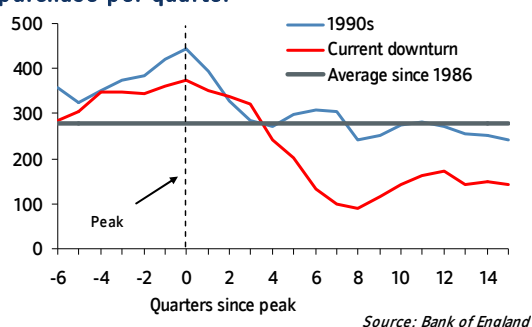
"A general conclusion that can be drawn is that although house prices have so far fallen by less than they did in the early 1990s, house purchase activity has fallen by more. Over the first 18 months of the current downturn, real (i.e. inflation-adjusted) house prices tracked the path of the early 1990s very closely (chart 1). Over the following 18 months, however, real house prices staged a small rebound, whereas in the early 1990s they continued falling broadly at the previous rate of decline. As things currently stand, real house prices are 19% below their 2007 peak, whereas at the equivalent stage of the early 1990s downturn, they were

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31% below their peak. The most likely explanation for this is that while real interest rates remained very high throughout the 1990-1992 period, they have fallen dramatically into negative territory in the current downturn, providing more support to mortgage holders. The supportive interest rate environment shows up clearly in the number of repossessions, which has been much lower in the current downturn compared with the 1990s.

Chart 2: Mortgage approvals for house purchase per quarter



“One measure on which the current downturn has been weaker, however, is house purchase activity. Whereas in the 1990s the number of mortgages taken out for house purchase initially saw a large decline from unsustainable highs, it then settled close to the long-run average (chart 2). In the current downturn, house purchase approvals have fallen to an all-time record low and are still close to 50% below the long-run average. This weaker profile of approvals is primarily due to the fact that the current housing downturn was accompanied by a global systemic banking crisis that limited the availability of credit. In the 1990s, by contrast, the banking system did not suffer a comparable crisis and the flow of credit did not become as constrained.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Nov-08	-0.1	-4.6	-13.9	158,442
Dec-08	-2.6	-4.0	-15.9	153,048
Jan-09	-1.4	-3.7	-16.6	150,501
Feb-09	-1.5	-4.4	-17.6	147,746
Mar-09	1.1	-3.8	-15.7	150,946
Apr-09	-0.4	-2.7	-15.0	151,861
May-09	1.1	-0.3	-11.3	154,016
Jun-09	1.1	0.9	-9.3	156,442
Jul-09	1.5	2.4	-6.2	158,871
Aug-09	1.7	3.2	-2.7	160,224
Sep-09	0.8	4.0	0.0	161,816
Oct-09	0.8	3.9	2.0	162,038
Nov-09	0.7	3.2	2.7	162,764
Dec-09	0.5	2.6	5.9	162,103
Jan-10	1.1	2.2	8.6	163,481
Feb-10	-1.0	1.6	9.2	161,320
Mar-10	0.9	1.3	9.0	164,519
Apr-10	1.0	0.8	10.5	167,802
May-10	0.4	1.4	9.8	169,162
Jun-10	0.0	1.5	8.7	170,111
Jul-10	-0.5	1.2	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	-1.5	1.4	164,381
Nov-10	-0.3	-1.3	0.4	163,398

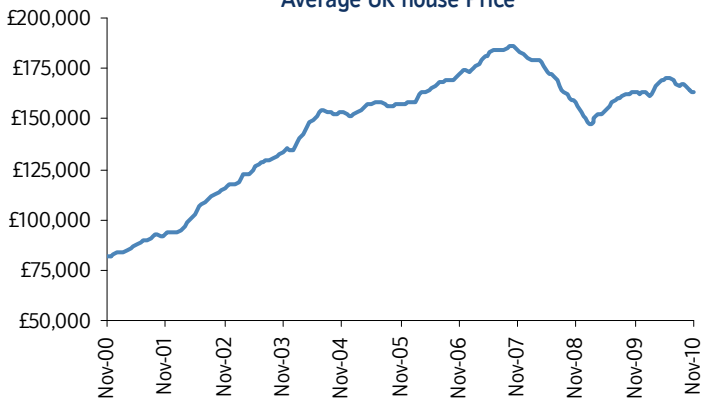
Note: Historical figures including index levels can be viewed using the following link:

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

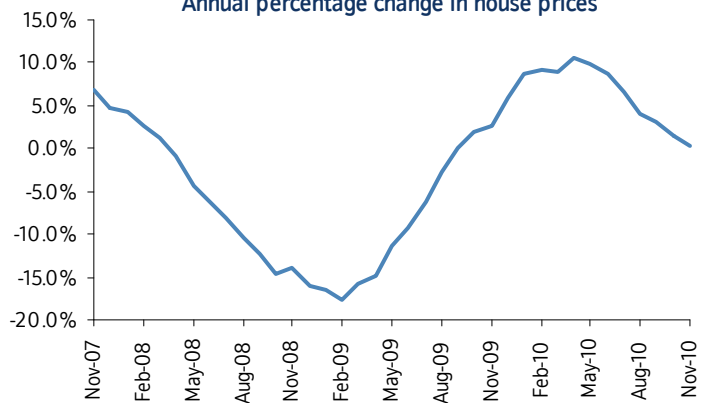
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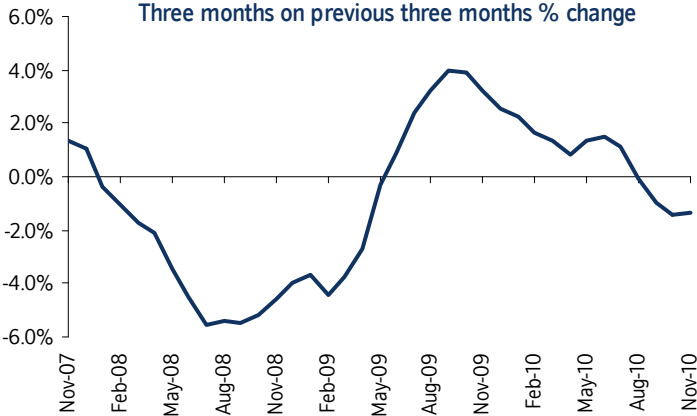
Average UK house Price



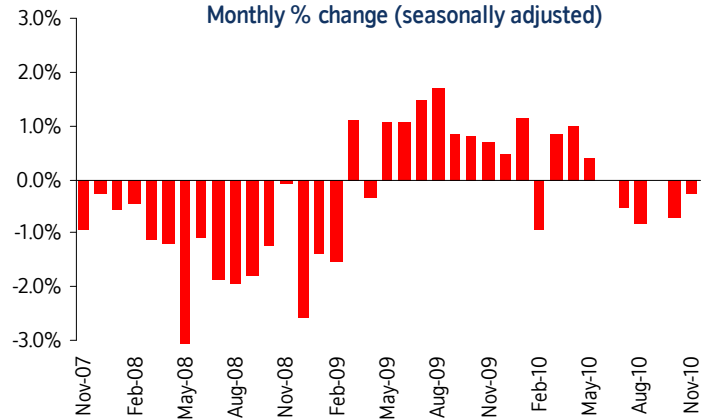
Annual percentage change in house prices



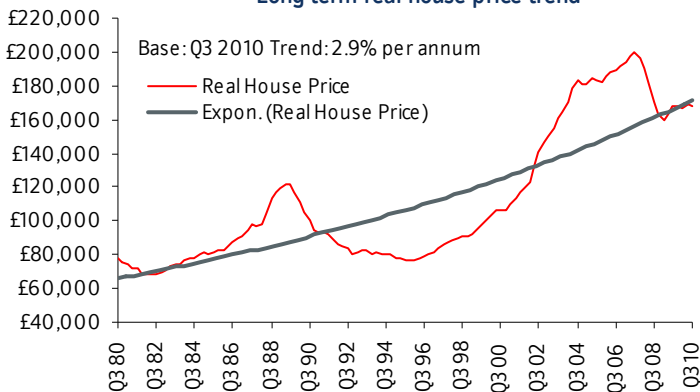
Three months on previous three months % change



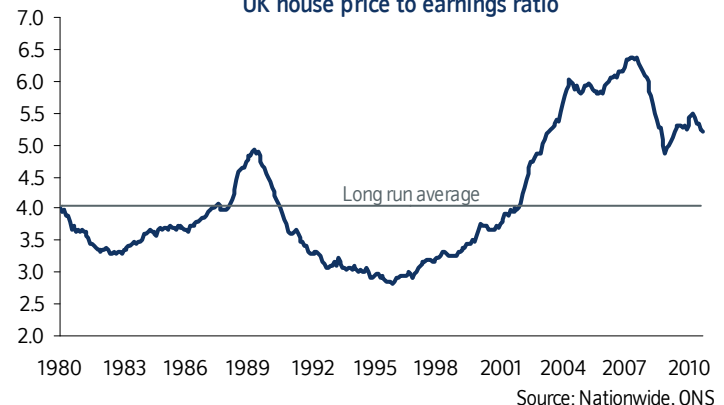
Monthly % change (seasonally adjusted)



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

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

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