

Nationwide HOUSE PRICE INDEX



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October 2011

Embargoed until 0700 1 November 2011

UK house prices edge up in October

- House prices increased by 0.4% in October
- Price of a typical home in October is 0.8% higher than one year ago

Headlines	Oct-11	Sep-11
Monthly Index*	330.9	329.5
Monthly Change*	0.4%	0.1%
Annual Change	0.8%	-0.3%
Average Price (not seasonally adjusted)	£165,650	£166,256

* 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 increased by 0.4% in October, lifting annual house price growth into positive territory for the first time in six months. The price of a typical home was 0.8% higher than October 2010.

"Given the challenging economic backdrop, October's data is encouraging, but it doesn't fundamentally change the picture of a housing market that is treading water. Property transaction levels remain subdued, and prices essentially flat compared to last year.

"The outlook remains uncertain, but with the UK economic recovery expected to remain sluggish, house price growth is likely to remain soft in the period ahead, with prices moving sideways or drifting modestly lower over the next twelve months."

Proportion of purchase activity in more desirable neighbourhoods has edged up

"We can group postcode areas together using the characteristics of the locality and the people that live there using CACI's "ACORN" classification system¹. Together with

¹ ACORN is a geodemographic segmentation of the UK's population. It segments small neighbourhoods, postcodes, or consumer households into 5 Categories, 17 Groups and 56 Types. By analysing significant social factors and population behaviour, it provides information and an in-depth about the characteristics of the locality and the people that live there.

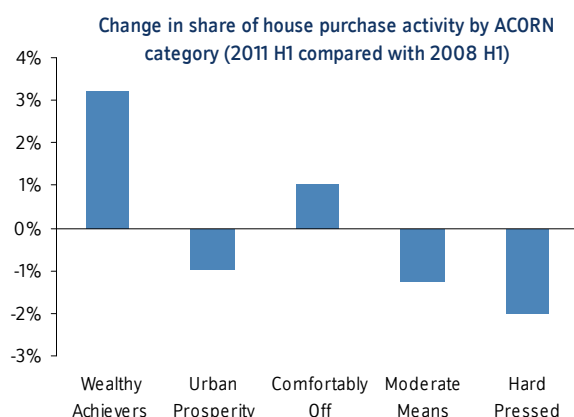
figures from their Mortgage Market Database, we can examine trends in house purchases (with a mortgage) in recent years to identify any shifts.

"Overall the pattern of transactions has been fairly stable, but the data indicates that there had been an increase in the proportion of sales occurring in more affluent areas and a similar reduction in less affluent areas.

"In particular, the proportion of house purchases in areas classified as 'Wealthy Achievers' has risen by three percentage points since 2008. These areas tend to be populated by those in managerial and professional occupations, and often include larger homes in suburban and rural locations.

"There has also been a small rise in the proportion of transactions in areas categorised as 'Comfortably Off'. These areas personify middle Britain, with a range of life stages represented.

"One exception to the trend is the slight fall in the proportion of activity within areas of 'Urban Prosperity', typically populated by well educated professionals living within major towns and cities, which may reflect the subdued number of first time buyers at present.



Source: CACI Mortgage Market Database

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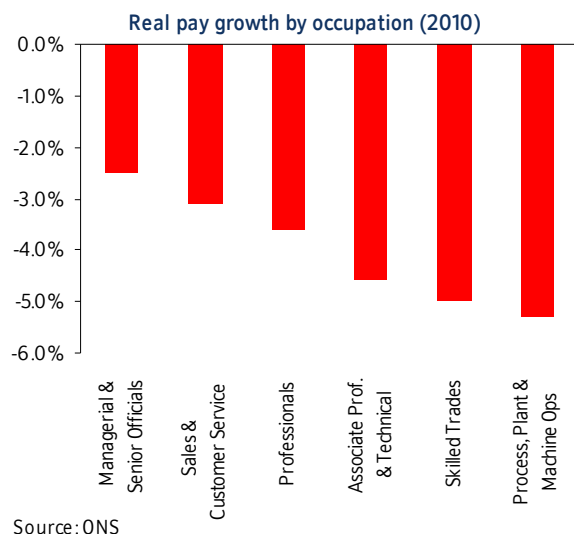
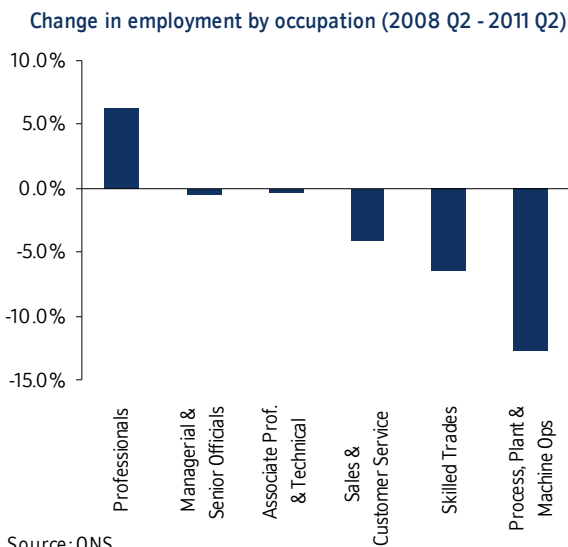
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“At the other end of the spectrum, the proportion of transactions accounted for by ‘Hard Pressed’ areas has fallen by two percentage points since 2008. This is not surprising, given the deterioration in economic conditions which is likely to have hit these areas hardest. ‘Hard Pressed’ areas are characterised by lower levels of educational attainment and household incomes, and are often found within inner cities and post industrial towns.”

Labour market developments key

“There is a correlation between trends in activity and employment, which may help to explain these shifts, as shown in the charts below. For example, there has been a 6% rise in employment in professional occupations since 2008, which is likely to have helped support housing market activity in ‘Wealthy Achiever’ neighbourhoods.

“Over the same period, employment amongst process, plant & machine operatives has fallen 13%. Coupled with negative real wage growth, this is likely to have dampened activity amongst ‘Moderate Means’ and ‘Hard Pressed’.”



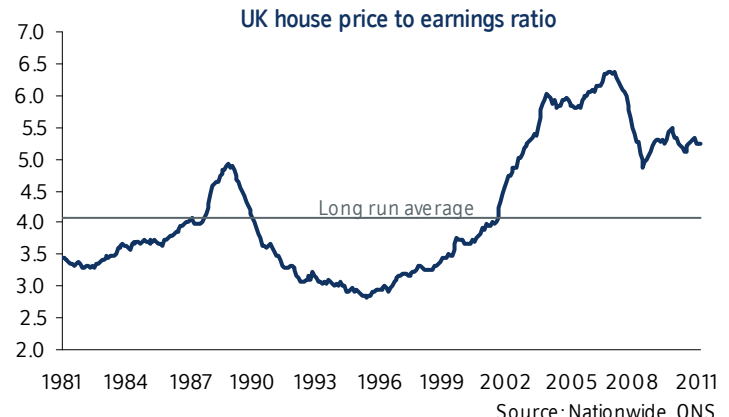
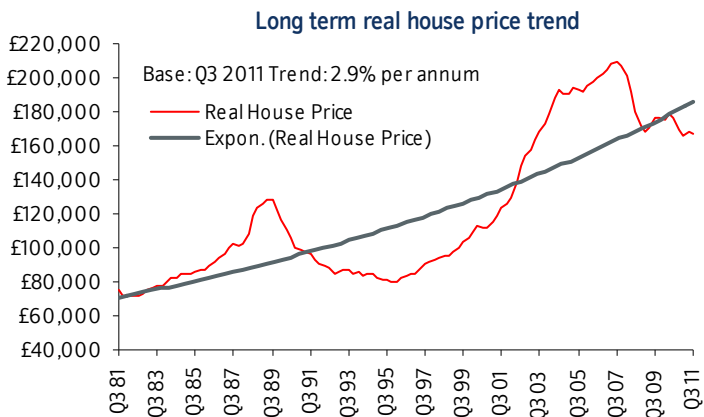
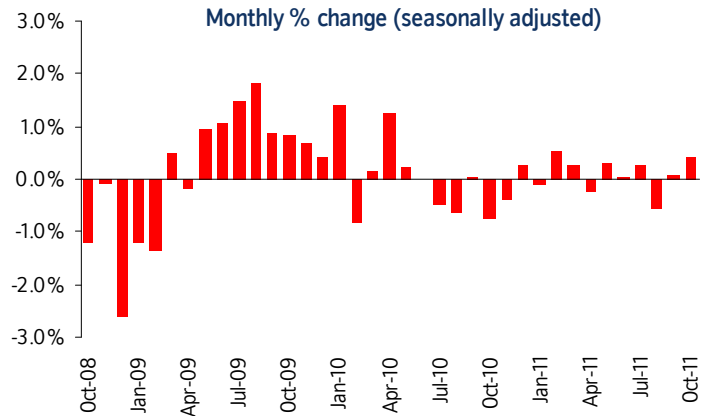
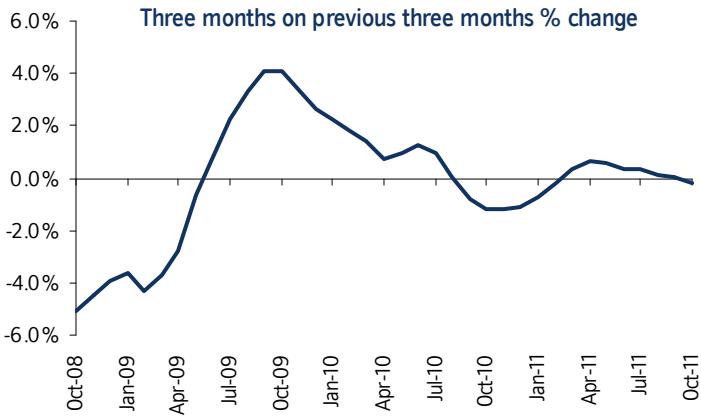
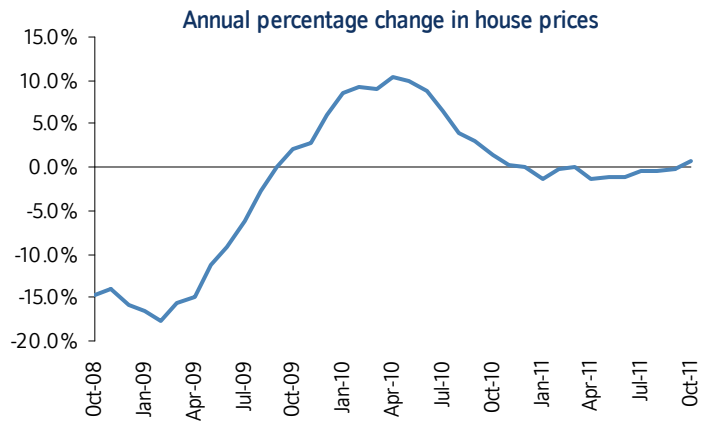
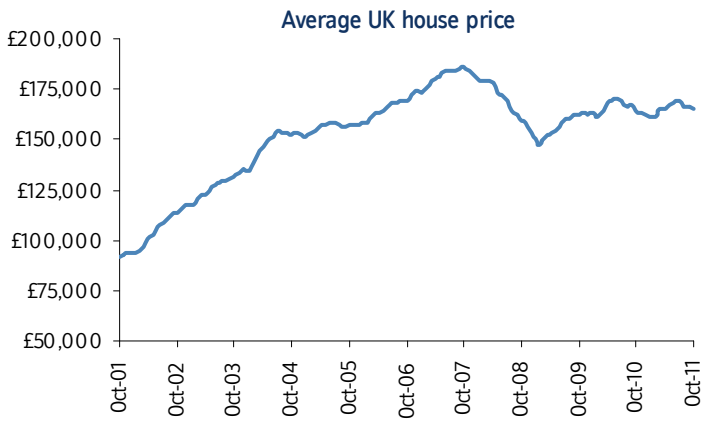
Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Oct-09	0.8	4.1	2.0	162,038
Nov-09	0.7	3.4	2.7	162,764
Dec-09	0.4	2.6	5.9	162,103
Jan-10	1.4	2.3	8.6	163,481
Feb-10	-0.8	1.8	9.2	161,320
Mar-10	0.2	1.4	9.0	164,519
Apr-10	1.2	0.8	10.5	167,802
May-10	0.2	1.0	9.8	169,162
Jun-10	0.0	1.2	8.7	170,111
Jul-10	-0.5	0.9	6.6	169,347
Aug-10	-0.7	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	-0.4	-1.2	0.2	163,133
Dec-10	0.3	-1.1	0.1	162,249
Jan-11	-0.1	-0.8	-1.4	161,211
Feb-11	0.5	-0.2	-0.1	161,183
Mar-11	0.3	0.4	0.1	164,751
Apr-11	-0.2	0.6	-1.3	165,609
May-11	0.3	0.5	-1.2	167,208
Jun-11	0.0	0.3	-1.1	168,205
Jul-11	0.3	0.4	-0.4	168,731
Aug-11	-0.6	0.1	-0.4	165,914
Sep-11	0.1	0.0	-0.3	166,256
Oct-11	0.4	-0.2	0.8	165,650

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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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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