

# Nationwide HOUSE PRICE INDEX



[www.nationwide.co.uk/hpi](http://www.nationwide.co.uk/hpi)

September 2010

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## Little movement in house prices during September

- House prices edged up a marginal 0.1% in September
- Three month rate of change turns negative for first time since May 2009
- Mixed news from the labour market

Headlines	Sep 10	Aug 10
Monthly Index*	330.9	330.7
Monthly Change*	0.1%	-0.8%
Annual Change	3.1%	3.9%
Average Price	£166,757	£166,507

\* Seasonally adjusted

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

"September proved to be an uneventful month for house prices. The seasonally adjusted price index for a typical UK property was essentially unchanged in September, edging up by a marginal 0.1% from its August level. That left the annual rate of house price inflation at 3.1%, down from 3.9% in August and 6.6% in July. The three month on three month rate of change – a good indicator of the near term price trend – fell from 0.0% in August to -0.9% in September. This represents the first negative reading for the three month rate of change since May 2009 and is consistent with the clear loosening of housing market conditions observed over the summer months.

"Although the three month rate of change has turned negative, at this stage it is not pointing to a significant pace of decline in property values. During the 2008 downturn in house prices, the three month rate of change dropped as low as -5.5%, well below the current level of -0.9%. Nonetheless, buyers appear to have a slightly better hand than sellers at the moment, as the

market continues to absorb the recent increase in property for sale.

"Where house prices go next will depend on whether the strong flow of new property onto the market continues into the autumn, and on the extent to which existing sellers are willing to compromise on their asking price in order to make a quicker sale. Many of the new sellers who have marketed their properties may indeed be speculative sellers testing the market in response to the price gains seen since early 2009 and the abolition of Home Information Packs (HIPs). If this is the case, and there is little urgency to sell for financial or other reasons, then prices may remain more or less stable, albeit at the expense of market activity. The housing market would then be characterised by a stalemate situation with low levels of liquidity and little change in house prices. If, on the other hand, most of the new sellers in the market are keen to sell more quickly, then the recent slight downward trend in prices may continue.

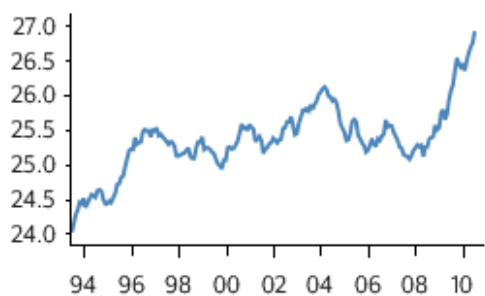
### Mixed developments in the labour market

"Developments in the labour market will also be a key determinant of housing market performance. Recent news from the labour market has been mixed. On the positive side, growth in the number of people in employment reached a record 286,000 in the three months to July, though the majority of the new jobs created were part-time rather than full-time (chart 1). The growing use of part-time labour by firms probably reflects a desire to expand production as the economy recovers, but to do so with enough flexibility to change course quickly in case economic conditions deteriorate again. This approach suggests that confidence about the durability of the recovery is still somewhat fragile among many employers.

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**Chart 1: Part-time employment as share of total employment (%)**

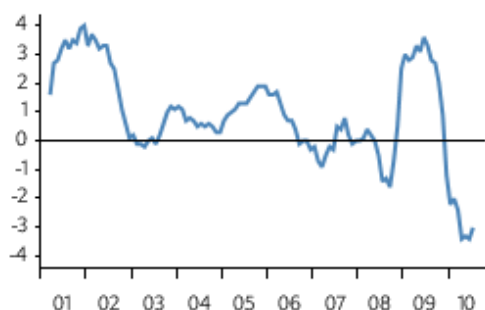


Source: ONS

“One consequence of the increasing share of part-time employment is that average earnings growth has remained weak, falling well below the rate of inflation (chart 2). While this has helped employers to limit recession-related redundancies, it has also contributed to denting consumer confidence in the outlook for future incomes, an important factor to consider when deciding whether or not to buy a home. Given the combination of a still elevated unemployment rate and the upcoming public sector wage freezes, it seems unlikely that earnings growth will accelerate much in the near future. While this will continue to help companies limit job losses, it will also continue to constrain confidence in future incomes among potential homebuyers.”

**Chart 2: UK real average earnings growth**

Earnings growth less RPI inflation



Source: Reuters EcoWin

## Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Sep-08	-1.8	-5.4	-12.4	161,797
Oct-08	-1.4	-5.1	-14.6	158,872
Nov-08	-0.2	-4.7	-13.9	158,442
Dec-08	-2.6	-4.2	-15.9	153,048
Jan-09	-1.2	-3.8	-16.6	150,501
Feb-09	-1.6	-4.5	-17.6	147,746
Mar-09	1.2	-3.7	-15.7	150,946
Apr-09	-0.3	-2.6	-15.0	151,861
May-09	1.1	-0.2	-11.3	154,016
Jun-09	1.1	1.0	-9.3	156,442
Jul-09	1.5	2.5	-6.2	158,871
Aug-09	1.7	3.3	-2.7	160,224
Sep-09	0.9	4.1	0.0	161,816
Oct-09	0.5	3.9	2.0	162,038
Nov-09	0.5	3.1	2.7	162,764
Dec-09	0.5	2.2	5.9	162,103
Jan-10	1.3	2.0	8.6	163,481
Feb-10	-1.1	1.6	9.2	161,320
Mar-10	0.9	1.5	9.0	164,519
Apr-10	1.0	1.0	10.5	167,802
May-10	0.4	1.5	9.8	169,162
Jun-10	0.0	1.6	8.7	170,111
Jul-10	-0.5	1.3	6.6	169,347
Aug-10	-0.8	0.0	3.9	166,507
Sep-10	0.1	-0.9	3.1	166,757

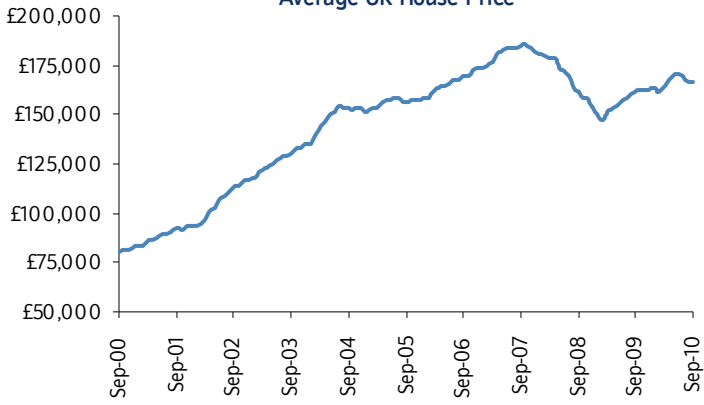
Note: Historical figures including index levels can be viewed using the following link:

[www.nationwide.co.uk/hpi/downloads/Monthly.xls](http://www.nationwide.co.uk/hpi/downloads/Monthly.xls)

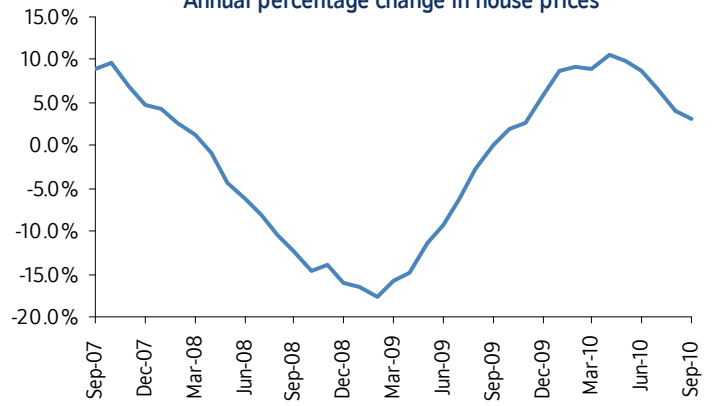
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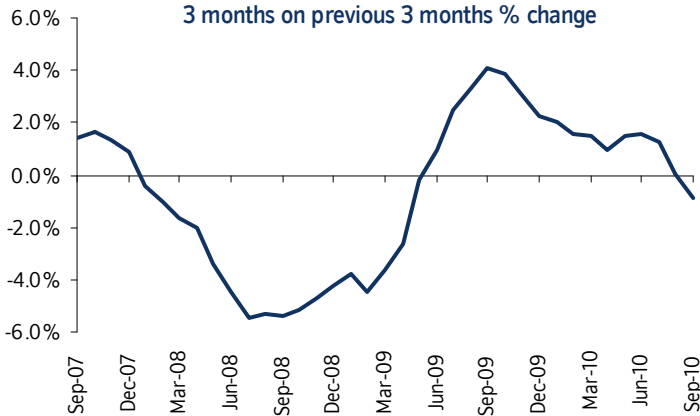
**Average UK House Price**



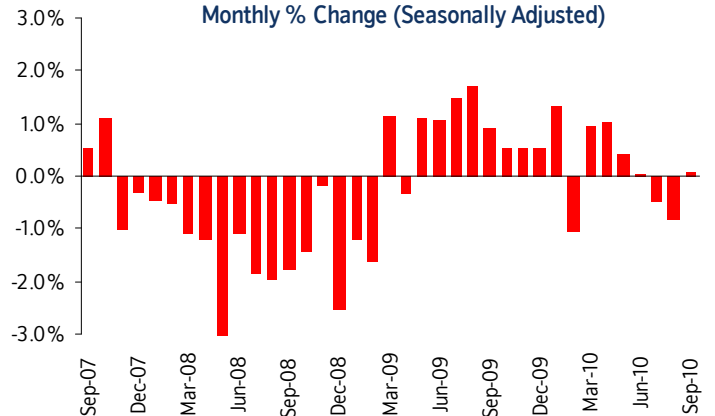
**Annual percentage change in house prices**



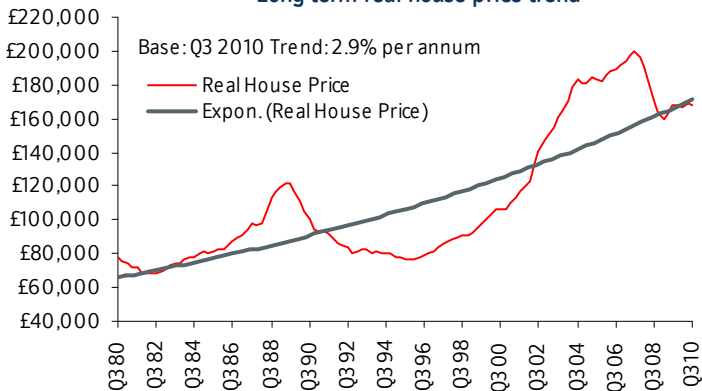
**3 months on previous 3 months % change**



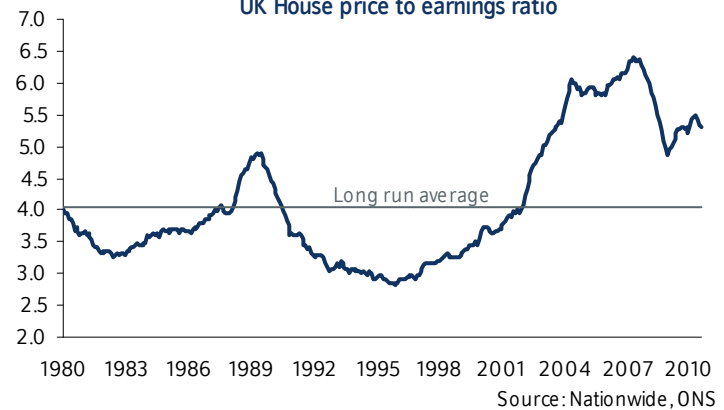
**Monthly % Change (Seasonally Adjusted)**



**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](http://www.nationwide.co.uk/hpi)

Photographs of our economist are available at: [www.nationwide.co.uk/mediacentre/economist.asp](http://www.nationwide.co.uk/mediacentre/economist.asp)

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