

Nationwide HOUSE PRICE INDEX



www.nationwide.co.uk/hpi

September 2011

Embargoed until 0700 29 September 2011

UK house prices changed little in September

- House prices increased by 0.1% in September
- Price of a typical home in September is 0.3% lower than one year ago

Headlines	Sep-11	Aug-11
Monthly Index*	329.4	329.1
Monthly Change*	0.1%	-0.6%
Annual Change	-0.3%	-0.4%
Average Price (not seasonally adjusted)	£166,256	£165,914

* 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 continued to tread water in September, with prices rising by 0.1% during the month. Prices were also essentially flat over the year, just 0.3% lower than September 2010. The three-month on three-month measure of house prices was unchanged in September.

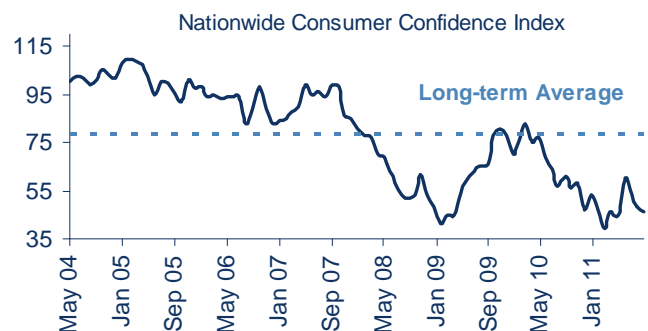
"Sluggish demand for homes on the back of weak labour market conditions, combined with only a gradual rise in the supply of available properties, has helped to keep property prices fairly stable since the summer of 2010. We expect this trend to be maintained over the remainder of 2011, although downside risks have increased as UK and global growth prospects have weakened.

The potential impact of recent financial market turbulence

"The outlook for the global economy has darkened in recent months, with official and private sector forecasters paring back their expectations for growth for the next few years – including for the UK. This, together with mounting concerns about the Eurozone debt crisis, has generated significant volatility in financial markets in recent weeks.

"Equity markets across the developed world have recorded double digit declines. The FTSE100 index fell by almost 20% between early July and mid-September, while many European markets fared even worse. For example, the main stock market Index in Germany declined by almost a third over the same period. Against this backdrop, investors have become increasingly risk averse, preferring safer assets like UK, US and German government bonds. This helped push long-term interest rates in the UK, US and Germany back towards all time lows.

"In the near-term, the main channel through which these market gyrations are likely to impact the housing market is by further denting sentiment – especially for buyers. Consumer confidence as tracked by Nationwide is already close to all time lows (see chart below). Sentiment towards major purchases is depressed, as a result of weak labour market conditions and ongoing pressure on household budgets from above-target inflation.



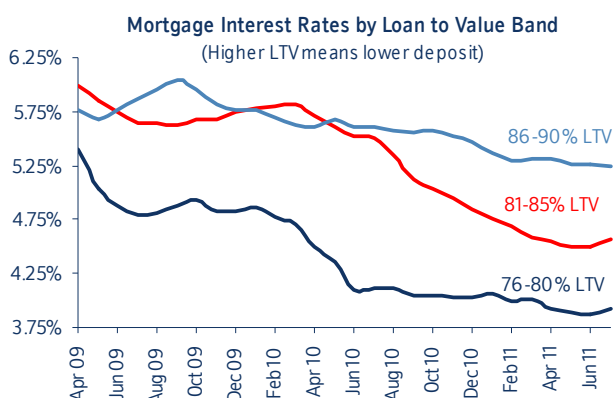
"There is also a risk that, if the Eurozone situation continues to deteriorate, it could affect the cost and availability of credit (as the UK financial system has close links to the European banking system). The three month Libor rate, which tracks the interest rate at which banks will lend to each other for three months, has been creeping up in recent months. However, this key borrowing rate remains well below the levels seen during the financial crisis and recent measures by the Bank of England and other central banks around the world which made additional funding available to banks, should limit the risks to credit supply.

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Not all bad news

“Not all recent financial market movements are bad news for households. The decline in commodity prices for example, if maintained, should ease the squeeze on household budgets – oil prices are currently 30% below their May peak. Similarly, the decline in long-term interest rates should continue to provide support for housing demand, providing the strains in the banking system do not intensify. Indeed, mortgage interest rates have continued to decline in recent months, including for borrowers with smaller deposits (see chart below).



Source: CML Regulated Mortgage Survey/Mortgage Clarity

Looking ahead

“Providing the UK recovery gradually gathers momentum in the months ahead, we continue to expect house prices to move sideways or to drift modestly lower over the remainder of 2011 and into 2012. Nevertheless, with demand and supply in the housing market finely balanced, recent financial market gyrations and the more challenging global economic backdrop have increased the downside risks in the period ahead.”

Monthly UK House Price Statistics

	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Sep-09	0.9	4.1	0.0	161,816
Oct-09	0.8	4.0	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	-0.9	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	-0.7	-1.4	161,211
Feb-11	0.5	-0.1	-0.1	161,183
Mar-11	0.3	0.4	0.1	164,751
Apr-11	-0.2	0.7	-1.3	165,609
May-11	0.3	0.6	-1.2	167,208
Jun-11	0.0	0.4	-1.1	168,205
Jul-11	0.3	0.3	-0.4	168,731
Aug-11	-0.6	0.1	-0.4	165,914
Sep-11	0.1	0.0	-0.3	166,256

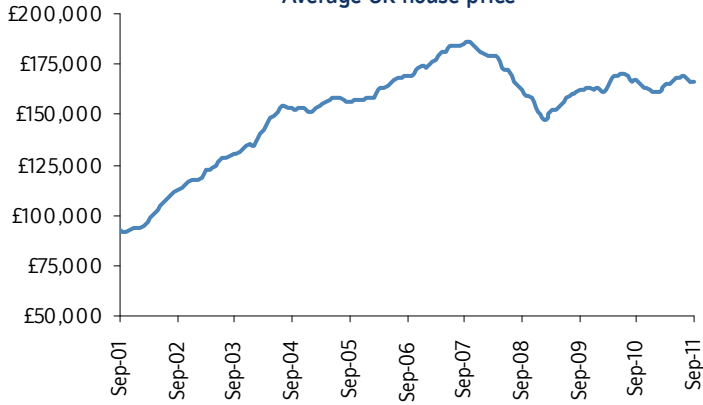
Note: Historical figures including index levels can be viewed using the following link:

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

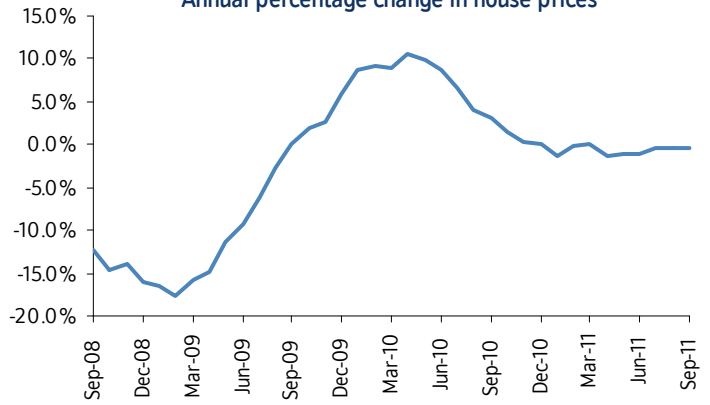
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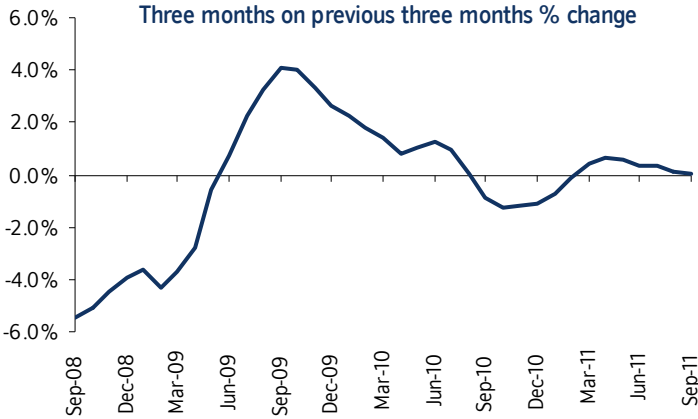
Average UK house price



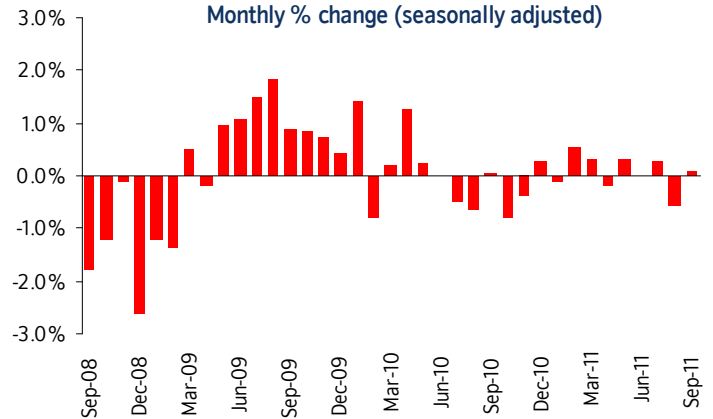
Annual percentage change in house prices



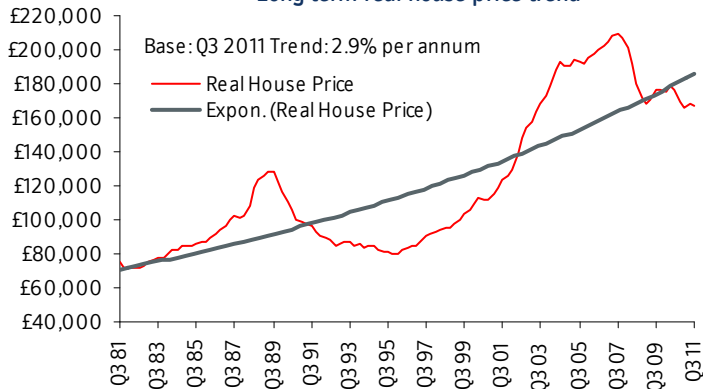
Three months on previous three months % change



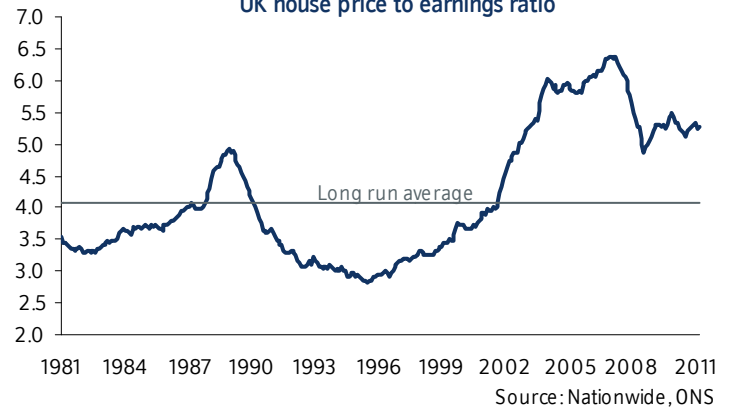
Monthly % change (seasonally adjusted)



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

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