

Nationwide HOUSE PRICE INDEX



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October 2012

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UK house prices rise by 0.6% in October

- The price of a typical UK house increased by 0.6% in October
- Prices 0.9% lower than one year ago
- Price of a typical home is £164,153

Headlines	Oct-12	Sep-12
Monthly Index*	327.9	325.8
Monthly Change*	0.6%	-0.4%
Annual Change	-0.9%	-1.4%
Average Price (not seasonally adjusted)	£164,153	£163,964

* 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:

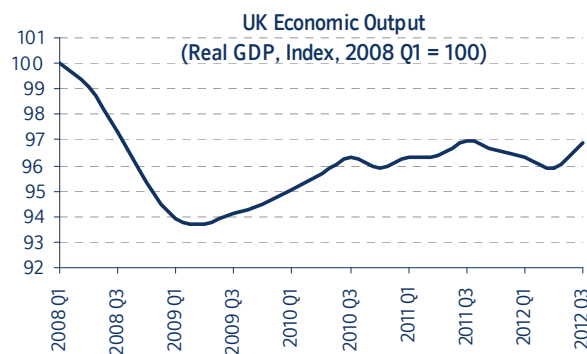
"UK house prices increased by 0.6% in October, more than offsetting the 0.4% decline recorded the previous month. Monthly price changes have failed to establish a strong trend in either direction over the past six months, with three months of increases and three months of price declines since May 2012.

"The annual pace of change continues to display a picture of relative stability, with house prices down just 0.9% compared to October 2011. This maintains the pattern that has been evident since late 2010, with annual price growth remaining in a narrow band between +1.5% and -1.5% on all but two occasions over the past two years.

UK exits recession, but economic conditions still provide challenging backdrop for housing market

"After contracting for three quarters in a row, the UK emerged from recession in style, with the economy growing by 1% in the three months to September, almost twice as much as most analysts had expected. While this is clearly good news, it is important to recognise that a number of one-off factors such as the Olympics, provided a significant boost to activity in Q3.

"Indeed, UK economic output is still slightly below the level prevailing twelve months ago and more than three percentage points below its 2008 level. Therefore, while the data on economic growth suggests that the UK economy has not been performing quite as poorly as feared, there is little doubt that it remains extremely fragile.



"With households and the public sector focused on repairing their finances rather than spending, the economic recovery is likely to remain fairly sluggish, especially since headwinds look set to intensify in the quarters ahead. In particular, clouds are gathering over the global outlook. Eurozone business surveys point to a further slowdown in our key trading partners on the continent, while the US economy is also struggling to gain momentum. This threatens to hold back exports at a time when the UK is looking to international trade to drive its economy forward.

Housing market will take time to gather momentum

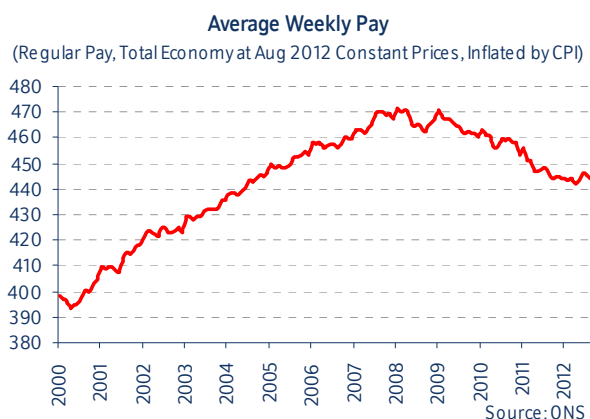
"This in turn suggests that the situation is likely to remain challenging in the housing market. Although the UK economy has been adding jobs in recent quarters, even in the midst of recession, conditions remain very difficult for households.

"Wage growth is still not keeping up with the cost of living (indeed, as the chart below illustrates, after taking account of

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inflation, regular pay is back at the levels prevailing in 2004) and unemployment is still well above normal levels. This helps to explain why housing market activity has remained subdued, with the number of mortgage approvals still running at little more than half their long-run average.



“Policy measures such as the Bank of England’s Funding for Lending Scheme, which is helping to keep down mortgage rates, should provide support for mortgage lending. Nevertheless, housing market conditions are likely to remain fairly subdued until there is a sustained improvement in the wider economic environment.”

Monthly UK House Price Statistics

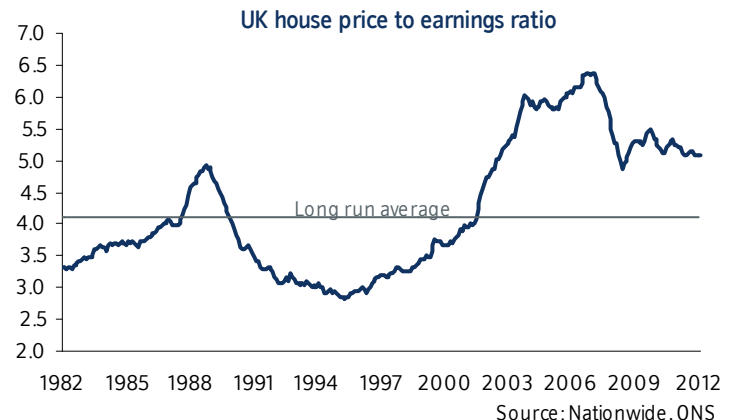
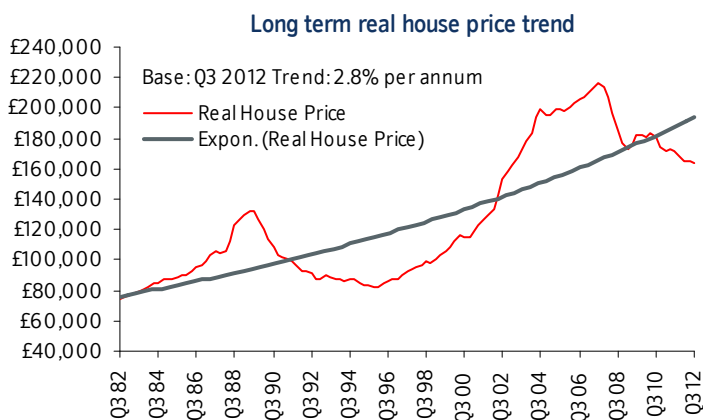
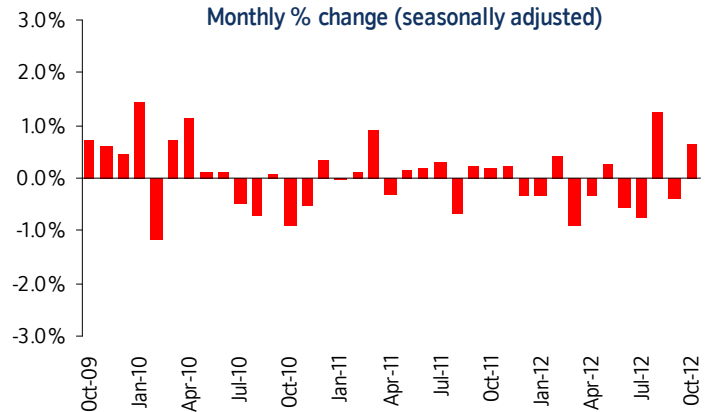
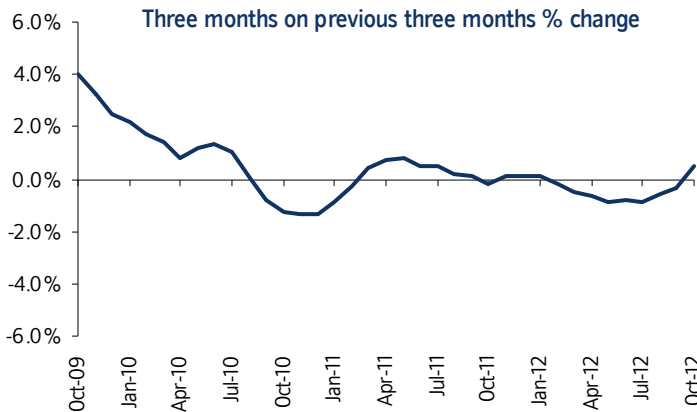
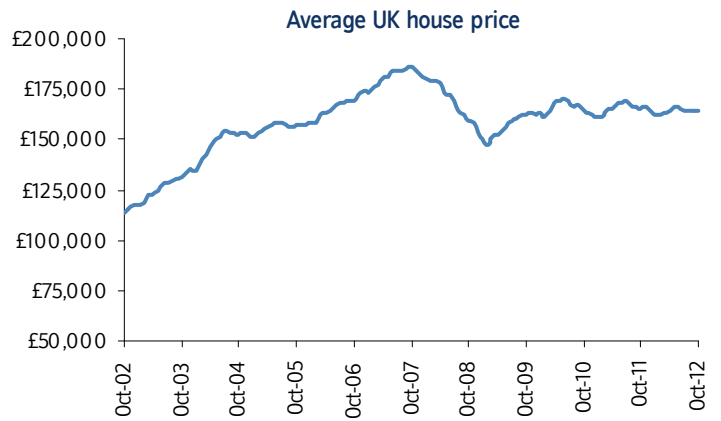
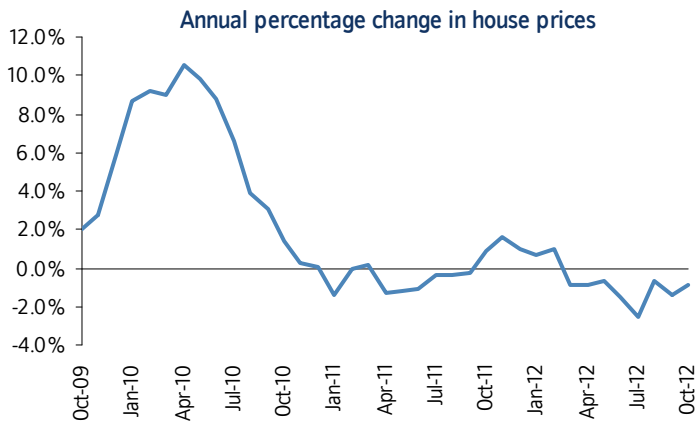
	Monthly % Change Seasonally Adjusted	3 month on 3 month % change	Annual % Change	Average Price
Oct-10	-0.9	-1.2	1.4	164,279
Nov-10	-0.5	-1.3	0.2	163,133
Dec-10	0.3	-1.3	0.1	162,249
Jan-11	0.0	-0.9	-1.4	161,211
Feb-11	0.1	-0.3	-0.1	161,183
Mar-11	0.9	0.4	0.1	164,751
Apr-11	-0.3	0.7	-1.3	165,609
May-11	0.1	0.8	-1.2	167,208
Jun-11	0.2	0.5	-1.1	168,205
Jul-11	0.3	0.5	-0.4	168,731
Aug-11	-0.7	0.2	-0.4	165,914
Sep-11	0.2	0.1	-0.3	166,256
Oct-11	0.2	-0.2	0.8	165,650
Nov-11	0.2	0.1	1.6	165,798
Dec-11	-0.3	0.2	1.0	163,822
Jan-12	-0.3	0.1	0.6	162,228
Feb-12	0.4	-0.2	0.9	162,712
Mar-12	-0.9	-0.5	-0.9	163,327
Apr-12	-0.3	-0.6	-0.9	164,134
May-12	0.2	-0.9	-0.7	166,022
Jun-12	-0.6	-0.8	-1.5	165,738
Jul-12	-0.8	-0.9	-2.6	164,389
Aug-12	1.3	-0.6	-0.7	164,729
Sep-12	-0.4	-0.4	-1.4	163,964
Oct-12	0.6	0.5	-0.9	164,153

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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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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