CITY A.M.

House prices increase at fastest pace in nearly three years, driven by accelerating prices in the capital

ChrisHarlow | 04/07/13

The average house price in the three months to June 2013 rose by 3.7 per cent to £167,984 compared to the three months to June 2012, according to the latest data from Halifax. This is the highest annual increase since August 2010.

Compared to the three months to March 2013 (first quarter), house prices in the second quarter were 2.1 per cent higher. Prices in June rose by 0.6 per cent in the fifth consecutive month of increases.

The Bank of England said yesterday that demand for mortgages is expected to increase over the next three months, and that the number of approvals for house purchases in May (58,200) was at its highest since December 2009.

Martin Ellis, housing economist at Halifax, was encouraged by the data, but urged caution:

> Improved confidence in both the housing market and the economy, combined with a shortage of properties available for sale, appear to be pushing up house prices. The Funding for Lending Scheme is also likely to be

boosting the market by helping to reduce mortgage rates. There are also early indications that the Help to Buy: equity loan scheme may be stimulating demand.

Despite these signs of improvement in the market, the still subdued economic background and weak income growth are expected to remain significant constraints on housing demand and activity during the second half of 2013.

And the regional divide between the capital and the rest of the UK is widening. Giles Hannah, managing director of estate agency VanHan, said:

It is becoming increasingly clear that the UK has two distinct markets - London and the rest. It is no surprise that London now has the highest price gap compared to rest of the UK in terms of average price rises because it is so internationally facing. There is a continued influx of foreign capital into prime central London, particularly for property costing up to £6m. Prices are expected to continue to rise over the next few years, beating most other asset classes hands down. The market between £10m to £20m is slightly slower as millionaire buyers are being more cautious and assessing their tax structures.

What is clear is that the super prime market - £50m-plus - is active with several multimillion pound deals taking place in London's prime postcodes. The super prime buyers are not concerned by taxes or any stamp duty they might incur as they have cash to spend and the costs of a purchase are just seen as another bill, which their accountant handles. We have seen an influx of funds from Saudi Arabia in particular, with large budgets for the best apartments and houses virtually at any price.