

House prices jump 9.5% and a London home costs almost a FIFTH more than a year ago - but gains may be starting to slow

- Cost of average home jumps £16,000 in just a year
- London house prices soar 18.2% as capital's property market runs red hot
- But monthly prices up just 0.4% in March - down from 0.7% in February
- At £360k London homes cost double the £180k national average

By [Jonathon Hopkins](#)

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The cost of the average home has rocketed almost £16,000 in just a year while London house prices are up 18.2 per cent, Nationwide said, but it reported monthly gains easing for the third time in a row.

Annual house price inflation hit 9.5 per cent in March, up on 9.4 per cent in February, and the biggest annual jump since May 2010. The gap between London and the rest of the country is now the widest in 40 years - with homes in the capital costing more than double those elsewhere.

But while fears mount that the property market is overheating, Nationwide said house prices last month saw their smallest monthly rise since June 2013. Property rose 0.4 per cent in March, slowing from an upwardly revised 0.7 per cent increase in February.



Back to the future: London house prices stand 20 per cent higher than their boom-time peak, but in most regions property is still under water.

An average home now costs £180,264, compared to £164,630 a year ago. London house price inflation was the strongest seen since 2003, widening the gap between property values in the capital and those in the rest of the UK to the largest levels on record.

The typical house price in the capital is £362,699 - which is one-fifth higher than its 2007 peak.

Howard Archer, chief UK and European economist at IHS Global said: 'There are tentative signs that a little bit of the froth of the housing market may be coming off, although it is still robust. Furthermore, it needs to be borne in mind that activity and prices can be erratic from month to month.'

The moderation in the Nationwide figures follows on from a Bank of England report earlier this week showing that that mortgage approvals eased to a four-month low of 70,309 in February from a 74-month high of 76,753 in January, with the very wet weather and flooding a likely factor in that fall.

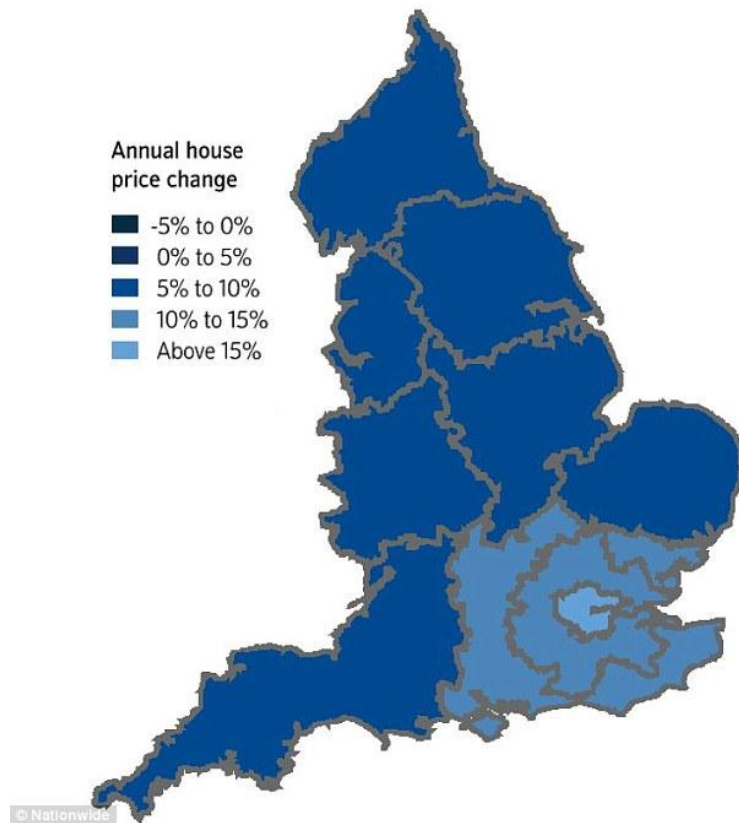
Nationwide said the average price of a house in Britain now stands at £180,264, around 3 per cent below the 2007 peak unadjusted for inflation.

Robert Gardner, chief economist at Nationwide said: 'There is little doubt that the recovery in the housing market is now firmly established, with activity levels picking up and house prices recording their 15th successive monthly increase in March. (But) there are some tentative signs of moderation.'

Gardner said low mortgage rates, easier credit and a brighter outlook for the economy were all boosting demand for housing although the supply of houses continues to lag far behind.

'The number of new homes being built in England is still around 40 per cent below pre-crisis levels, and this was already insufficient to keep up with the increase in the number of households being formed,' he added.

Chancellor George Osborne last month said the government will extend its Help to Buy scheme of providing equity loans to buyers of newly built homes to the end of the decade, and the government is seeking to boost construction to help address the shortage of homes.



Hot or not: Nationwide's heat map shows how bumper annual house price inflation is centred on London and the South East.

While Bank of England Governor Mark Carney has played down suggestions that the housing market is overheating, the central bank switched its Funding for Lending Scheme away from mortgage lending and on to business lending only at the start of this year.

And the Bank's Financial Policy Committee is keeping a close eye on the housing market amid concerns about a developing bubble, minutes from its latest meeting showed this week.

The City's watchdog, the Financial Conduct Authority also identified rising house prices as one of three major risks to the UK's economy in the coming year, in a report this week.

Rory Penn, partner of London estate agency VanHan, says: 'Nationwide's latest data will not completely comfort those worried about a house-price bubble as prices rose for the 15th consecutive month.'

‘However, there are signs that growth is moderating with a slower pace in March than the previous two months. This cooling will only be moderate, all things considered, given the continued strong demand from buyers combined with a structural lack of supply.’

The southern regions in particular are continuing to record ‘the most rapid’ gains in property values, the Nationwide report said today.

Prices in the Outer South East areas were up by 10.1 per cent year-on-year, reaching £217,534 on average, while those in the Outer Metropolitan areas rose by 10.6 per cent to around £273,998.

Nationwide's Mr Gardiner said: ‘The gap between house prices in London and the rest of the UK is the widest it's ever been, both in cash and percentage terms.

‘Overall, the southern regions have been outperforming for some time, with the result that house prices in London, the Outer Metropolitan and Outer South East have now surpassed their pre-crisis peaks.

‘Similarly, East Anglia and the South West are less than 5 per cent below their 2007 highs,’ he added.

Annual house price growth in Southern & Northern England



North South divide: House prices in northern and southern England have followed the same path since 2009, but the latter has substantially outperformed

Nationwide's figures also show that prices in Northern Ireland are up by 5.4 per cent annually to reach £114,495 on average, although prices there are still just around half their 2007 levels.

Prices in Wales have risen by 5.2 per cent annually to £139,911 typically, with Wales recording the weakest annual growth across the UK regions.

Property values in Scotland are 7.6 per cent higher than a year ago, at £138,386 on average, which is the strongest pace of growth seen for the nation since 2007.

Prices in the South West have jumped by 7.4 per cent year-on-year to reach £198,325 typically.

In the North, values edged up by 5.9 per cent annually, taking the average price to £119,702, making it the weakest English region for house price growth. In East Anglia, values rose by 9.5 per cent year-on-year to around £179,718.

Among England's major towns and cities, Manchester was found to be the strongest performer, with house prices up by 18 per cent annually to £211,748 on average. Sunderland was the weakest-performing, with prices edging up by 1 per cent to £139,772 typically.



Starting to slow? Nationwide's rolling three-monthly measure shows house price inflation may be about to tail off.

Jonathan Samuels, chief executive of Dragonfly Property Finance said: 'The contrast between London and the rest of the UK grows starker by the day. London has almost become a country within a country.'

'For average prices in the capital to be more than twice that of the rest of the UK underlines the extent of the divide.'

He added: 'Overall, the slight moderation in UK house price growth during the first quarter is no bad thing.'

'While people are more confident about their jobs and the economy, and are more likely to get mortgage finance, it does feel that confidence is sometimes tipping into over-confidence.'

And last night the Government's housing minister said it is a 'good thing' that property prices are rising, Kris Hopkins said he and other homeowners 'expected' their values to increase.

But the minister denied the Government was fuelling hikes with policies such as Help to Buy - and insisted more homes had to be built.

Mr Hopkins was pressed repeatedly on the BBC's Newsnight to say whether or not sharp increases in the market were positive.

The Tory MP argued that Help to Buy - which has seen the Government step in to underwrite deposits - only accounted for 0.5 per cent of transactions in the last quarter of the year.

But he accepted that the country was 'woefully short' in terms of housing supply.

'I don't agree with the fact that we are stoking demand, I certainly agree that we need more housing,' Hopkins said