

House prices rocket almost £9,000 in just eight months as confidence rises and shortage of homes for sale hits

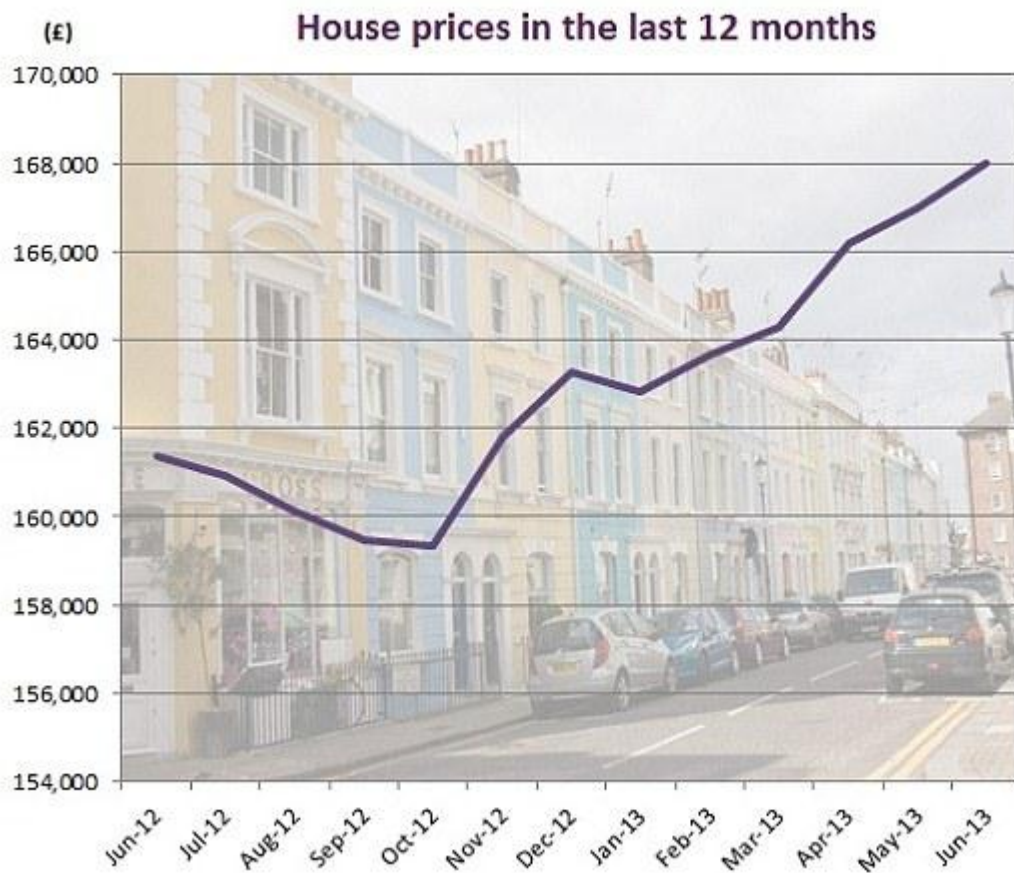
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House prices are continuing their steady climb with annual property inflation at its highest for nearly three years, according to the latest Halifax price index.

Property values in the three months to June were 3.7 per cent higher than in the same period last year. The last time annual growth was this strong was in August 2010, when prices increased by 4.6 per cent, the bank says.

According to the statistics, the average house price in Britain is now £167,984. Just eight months ago, this figure was £159,313 – or £8,671 less.



Strong growth: House prices have surged in the last 12 months according to the latest Halifax index

On a quarterly basis, prices were up 2.1 per cent compared to the previous three months, edging above the one-two per cent range recorded throughout the first five months of the year.

Halifax says house prices increased by 0.6 per cent in June compared to May. This was the fifth consecutive monthly rise.

Martin Ellis, housing economist at Halifax, said: '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.

HOUSE PRICES IN THE LAST YEAR

Jun 12 - £161,375

Jul 12 - £160,946

Aug 12 - £160,142

Sept 12 - £159,467

Oct 12 - £159,313

Nov 12 - £161,795

Dec 12 - £163,256

Jan 13 - £162,844

Feb 13 - £163,678

Mar 13 - £164,289

Apr 13 - £166,175

May 13 - £166,982

Jun 13 - £167,984

'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.'

Activity in the housing market is picking up. The number of mortgage approvals for house purchases – an indicator of completed house sales – increased by seven per cent between April and May to 58,200, the highest monthly level since December 2009.

Approvals in the three months to May were also two per cent higher than in the previous three months, according to Bank of England figures.

And recent HMRC figures show that home sales in May were the highest in any month since March 2012 when there was a rush to beat the end of the stamp duty holiday for first-time buyers on properties priced below £250,000.

At the same time, the stock of unsold properties remains relatively low and was five per cent lower on an annual basis in May 2013, according to the latest figures from RICS.

It has also been reported by experts that there has been a jump in the [number of people being gazumped by buyers](#) willing to pay more, while sealed bids are becoming the norm in London again - further signs the property market is recovering.

Howard Archer, chief UK and European economist at IHS Global Insight, said: 'There is a growing possibility that with market activity now showing signs of gaining appreciable momentum, house prices could surprise on the upside over the second half of 2013, especially as a shortage of new properties for sale is currently providing support to house prices.'

Giles Hannah, managing director of London agency VanHan, says: 'The annual growth in house prices is at its highest in nearly three years, clear evidence that the market continues its steady improvement.'

'Improved confidence in the general economy, cheaper mortgage rates and the shortage in number of properties for sale are combining to push up prices, and we expect this situation to continue.'

'However, it becomes 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.'

The growth in house prices echoes similar research by both Hometrack and Nationwide. Hometrack says prices rose at their strongest rate in almost six years last month rising across almost a third of the country.

Nationwide said house prices rose 1.9 per cent in June compared to a year earlier - pushing the average UK price to £168,941, slightly higher than the figure in Halifax's index.



Return to normal: House prices have not quite hit their 2007 peak but they are heading in that direction, according to Nationwide figures

Government schemes cited as major factor for housing growth

Lenders, builders and estate agents have been reporting better conditions in recent months, as government schemes including Help to Buy and Funding for Lending spur a market recovery.

Funding for Lending incentivises banks and building societies to lend more in return for discounted loans, and has been credited with improving mortgage availability and reducing rates. However, this has had a detrimental impact on savers.

Chancellor George Osborne also unveiled Help to Buy in March, which allows people to buy a property with a five per cent deposit. The state lends buyers 20 per cent of the value of a new home worth up to £600,000, interest-free for five years.

The scheme will be extended in January to include a state guarantee on mortgages. However, concerns have been raised that it could lead to a 'housing bubble' by artificially propping up prices.

Bank of England deputy governor Paul Tucker this week said anything more than a short-term Government guarantee of mortgages would be unwise and could sow the seeds for another housing crisis.

Martin Ellis added: '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.'