U.K. House Prices Reach Five-Year High as London’s Lead Widens

By Fergal O’Brien - Apr 11, 2013

London’s property market powered a seventh month of increases in U.K. house prices in March as values reached a five-year high, according to Acadametrics Ltd.

The average cost of a home in England and Wales rose 0.2 percent on the month to reach 230,078 pounds ($354,000), Acadametrics and LSL Property Services Plc (LSL) said in a monthly report published in London today. Excluding the capital, prices fell 0.1 percent on the month.

The Bank of England introduced a program to boost lending last summer, and today’s report signals that access to mortgages may be easing. It also adds to evidence of the regional disparity in the U.K. property market, with London prices rising at three times the pace of the national average.

“Sadly, the improvements in mortgage availability, prices and sales have not been spread evenly,” said David Brown, commercial director of LSL. “The market in the Southeast, particularly London, is going great guns, but less affluent areas are struggling.”

LSL and Acadametrics said more mortgages for first-time buyers are “key to the recovery.” While the BOE’s Funding for Lending Scheme has helped, it needs to be increased in scale, they said. They also said the government’s 3.5 billion-pound pledge last month to help homebuyers should support the market.

London Surge

Excluding London from the annual house-price increase of 3 percent would leave the average rise nationally at 0.5 percent, LSL and Acadametrics said. The 2.5 percentage-point divergence is the largest recorded since they began monitoring this effect in July 2005.

The report also showed that home values in London rose 11.3 percent in the past three months compared with the same period a year earlier. The average across England and Wales was 3.7 percent. In the north of England, prices fell 1 percent.

Acadametrics estimates that, nationally, sales in the first quarter fell 5 percent from a year earlier, when activity was boosted by first-time buyers looking to beat the expiry of a tax break on some purchases. Full-year transactions will rise “modestly,” it forecast.

“There is still a long way to go,” Brown said. “Mortgage availability is poor by historic standards. There is an army of first-time buyers trying to enter the housing market.”

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