A U.K. house-price index rose to the highest in more than a decade last month as government measures to boost homebuying lifted the outlook for sales to a record.

A gauge by the Royal Institution of Chartered Surveyors increased to 54, the highest since June 2002, from 41 in August, the London-based group said in a report today, citing a poll of property surveyors. A price-expectations measure advanced to 48, the highest since May 2002.

The latest evidence of a strengthening property market comes as the government begins the second phase of its Help to Buy program. While the measure, aimed at helping potential buyers get on the property ladder, has prompted warnings that it could fuel a bubble, the Bank of England has said housing activity remains low by historic standards.

“It’s encouraging that the market is starting to improve in all parts of the country,” said Peter Bolton King, RICS global residential director. “It’s a big concern that the supply of property coming to the market is lagging so far behind demand. This imbalance is likely to result in further upward pressure in prices.”

While the index of new buyer enquiries -- a proxy for demand -- fell to 49 in September from 65 in August, that compares with a reading of 10 for new seller instructions, today’s report showed. A gauge of sales expectations surged to 56 from 41, the highest since that index began in 1998.

“The pressure on prices is evident,” RICS said. “Growth in demand has now outstripped growth in new instructions in every month since February.”

**Price Outlook**

RICS said survey respondents reported price increases in all regions in September, apart from the North, and expectations indicators are positive in all areas. London and the Southeast led gains last month, it said.

Respondents expect U.K. home values to gain 2.6 percent in the next 12 months and an average 4.9 percent over the coming five years. London prices are seen rising an average of 9 percent a year in that period.

RICS said the improving economy may be helping to release some “pent-up demand.” U.K. growth accelerated in the second quarter, and industry surveys indicate expansion may have strengthened...
in the three months through September. Data from mortgage lender Halifax showed that house values increased for an eighth straight month in September.

“Stimulus such as the Bank of England’s Funding for Lending scheme and the government’s Help to Buy initiative have also had important roles,” RICS said. “Anecdotal evidence from responses to this survey suggests the latter policy, in particular, is now having an effect.”

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