Fear of harsher times lies behind property frenzy

O
n the face of it the house price figures from Nationwide today are puzzling.

The building society has given us the first take on the state of the market in May, a month when interest rate hikes and the cost of living squeeze were supposed to start taking the heat out of bricks and mortar.

But that is not what we got. Prices actually accelerated to 0.9% on the admittedly volatile monthly measure – their tenth successive monthly rise – while the annual rate only slowed from 11.2% to 12.1%.

Nationwide cautioned that the market will slow later in the year, but if commentators were paid a pound for every time they wrongly called the turn in UK property, they would have scraped together enough for a deposit by now.

Word on the ground is that, if anything, the rise in the cost of money has spurred on the market.

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First time buyers sense the window of cheap money is closing and want to scramble on the ladder while they can.

For existing mortgage holders the impact of an interest rate rise is cushioned by the dominance of fixed deals. About three quarters of mortgages are locked in and about half of those for five years. People rolling off longer term fixed deals and having to remortgage are still, in some cases, able to secure cheaper funding.

With the unemployment rate at 50 year lows there are still few distressed sellers. The mix of circumstances that can lead to a sudden correction in the market are still not there. None of that is good news for young Londoners hoping to join the ranks of owner occupiers.

Their mood will not be helped by one other fact in Nationwide’s release today. When the Queen ascended the throne in 1952 the typical home cost four times average annual earnings, now it is 6.9 times and – of course – a whole lot more in London.