House price fastest surge since 2004 in run-up to stamp duty holiday deadline

P
roperty prices across the UK surged 13.4% on the year, figures from the Nationwide Building Society showed.

The increase takes the average UK house price up to £245,432.

Bank of England data also showed evidence of a housing boom, as net mortgage lending in May rebounded from £3 billion in April to £6.6 billion.

Chancellor Rishi Sunak gave a huge stamp duty tax break to homebuyers to stimulate the market through Covid last year.

The property market surged but then cooled as the holiday came to an end, triggering Sunak into extending it further earlier this year.

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The first £500,000 of the purchase is free of stamp duty until tomorrow, when that falls to £250,000 before falling again, to £125,000 in September.

The leap in prices has led many to say the holiday was unnecessary.

Simon Nosworthy, head of residential property at Osbornes Law, said: “All it has done is inflated a big bubble. It’s created this massive increase in prices and lending which will then all fall away again.

“For people wanting to get onto the housing ladder it is another stab in the eye when they see numbers like this.”

Other critics say the housing market would have revived anyway as people took stock of their lifestyles during lockdown and work-from-home and decided to move to bigger properties out of towns.

Nationwide chief economist Robert Gardner said June was unusually weak last year, skewing today’s numbers, but he added: “The market continues to show significant momentum.”

Separately, more signs of a recovery in the consumer side of the economy came in Bank figures showing people were beginning to borrow more than they save.

As the lockdowns began easing in May, Bank data showed, consumers borrowed more than they had squirrelled away for the first time since last August – the last time lockdowns were substantially eased.

Net borrowing – the difference between what people borrowed and saved – was £300 million.

As well as being spurred on by greater confidence and more shops and restaurants being open, the behaviour could have been spurred on by low interest rates.

The Bank said interest rates on personal loans were low at 5.6% compared with 7.03% in January last year.

Those low rates gave little incentive to savers as well. Average rates on instant access accounts were near-zero, at 0.1%, compared with inflation now running at 2.1%.

Economists have widely talked of a wall of money saved up by the British public which is ready to be spent as the country emerges from lockdown.

Today’s data suggested this was beginning to happen. The amount of money Brits held on deposit in bank accounts fell to £7 billion in May, compared with an average of £16.5 billion in the six months to April.

Bank of England outgoing economist Andy Haldane has spoken of his hopes that people will spend heavily.