

Property bubble fears grow as UK house prices surge 10%

UK house prices are soaring at 10% a year as fears of a property bubble grow and pressure on the Bank of England to raise borrowing costs increases.

With the pandemic and the working-from-home phenomenon increasing the desirability of bricks and mortar some experts say house prices are a dangerous bubble that must one day pop.

Today's figures from Nationwide Building Society show that house prices rose by 0.9% in November alone.

That was nearly double City forecasts and came atop a 0.7% increase in October. It is also in defiance of the end of a stamp duty tax break brought in to boost the market as Covid ran rampant. That cut cost the Treasury more than £6 billion in lost taxes.

The November jump puts annual house price inflation at 10% and leaves prices 15% higher than they were in March 2020 when the nation first went into lockdown.

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Estate agents say demand is far outstripping supply, with the number of homes for sale at historic lows.

Andrew Simmonds at Parker's Estate Agents said: "Demand for property remains very strong, while supply is exceptionally weak, and the result is double-digit house price growth."

The average UK home now costs £252,687. In London it is more like £660,000, making home ownership a near impossible dream for many.

While rising house prices are typically seen as a sign of economic strength, there are concerns that in the present circumstances they are just another inflationary risk.

Robert Gardner, Nationwide's chief economist, said: "While consumer confidence stabilized in November, sentiment remains well below the levels seen during the summer, partly as a result of a sharp increase in the cost of living. Moreover, inflation is set to rise further, probably towards 5% in the coming quarters."

The Bank of England is now under intense pressure to put interest rates up. That might help lower inflation on consumer goods but will only make mortgages more expensive.

All of the big banks have already removed their cheapest fixed rate [mortgage](#) deals.

Some economists warn that the housing market now looks like it did in 2007, just before the entire market imploded leading to the 2008 financial crash.

Gardner added: "Activity has been extremely buoyant in 2021. The number of housing transactions so far this year has already exceeded the number recorded in 2020 with two months still to go and is actually tracking close to the number seen at the same stage in 2007, before the global financial crisis struck."

Founder and CEO of [GetAgent.co.uk](https://www.getagent.co.uk), Colby Short said:

“House prices continue to climb despite fears around an interest rates increase and it seems as though the only person that will be working harder than the nation’s estate agents this December is Father Christmas himself. There’s been absolutely no let-up in buyer demand this year and this coupled with ongoing supply limitations has been the driving factor behind such a jolly level of house price appreciation.”