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House prices to soar by 30%: Experts predict average value will hit £300,000

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HOUSE prices are set to rocket thanks to a surge in new buyers helped on the property ladder by the Government, a report claims.



Millions of families were able to apply for Help To Buy from the start of last month with no salary

Experts predict a 30 per cent rise over the next two years as home-hunters take advantage of the Help To Buy scheme.

It would send the price of an average home to £300,000 by the end of 2015 – a huge leap from the current figure of £233,000.

The scheme, announced in the March Budget, is designed to help people who cannot afford the large down payments demanded by commercial lenders to invest in property. Buyers will only need a five per cent deposit.

Industry expert Dominik Lipnicki said the move was “very much good news”.

He added: “There is no doubt this will help to push up house prices. “There is going to be a rise in house prices anyway but with more people now able to get on to the ladder this is set to rise even further.” He said the increase will come as a relief to “mortgage prisoners” struggling with negative equity.

“The biggest issue we have is people who may have bought at the height of the market and have seen the value of their property decrease,” said Mr Lipnicki, director of financial advisers Your Mortgage Decisions.

“These ‘mortgage prisoners’ have not been able to re-mortgage their homes, but will be able to now. They can also look at their mortgage options.

“Any upward move in house prices is definitely good news for many people.”

Millions of families were able to apply for Help To Buy from the start of last month with no salary restrictions and no interest on the loan for the first five years.

People with the five per cent deposit can buy a newly-built house worth up to £600,000 with a Treasury loan of up to 20 per cent of the value.

After five years, borrowers will pay a 1.75 per cent annual fee which will rise by one per cent above Retail Prices Index inflation every following year.

The value of the loan is linked to the property's price and if it increases, so does the amount the borrower has to pay back.



Financial expert Stephen Bacic: "People have absolutely nothing to gain by waiting"

In a second strand to the scheme, Chancellor George Osborne has also pledged £130billion in mortgage guarantees with the Government backing 15 per cent of the value of a property.

Due to take effect from January next year, this will apply both to new-build and older homes. Buyers will need to contribute just five per cent.

Experts last night hailed the new strategy with think-tank Fathom Consulting saying uptake from Help To Buy could trigger a 30 per cent rise in house prices to an average of £300,000 by the end of 2015.

Ray Boulger of mortgage experts John Charcol said there has already been an increase in new build interest since last month.

He said: "Developers have seen it generate a significant increase in footfall and there is already evidence that building has increased.

"The existing scheme is having an impact on demand and new build, and so I see an increase in house prices this year. When the second half of the scheme comes in next year it will make it easier for people to get a mortgage, increasing demand and leading to a rise in house prices."

Helen Adams, managing director of FirstRungNow.com, a website for first-time buyers said many people will now be able to get on to the property ladder thanks to Help To Buy. She said: "This will lead to more properties being sold and a slight increase in house prices over the next two years.

"It will really help people to get on to the property ladder and it is a good thing it applies not just to new builds, so will boost the whole market.

"But for first-time buyers, who really struggle with the costs of buying a property, this is a very positive thing." Financial expert Jonathan Davis said the Help To Buy scheme will help sustain house prices.