BBC

Are house prices now on the rise?

Analysis

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The worst is over and house prices are rising again.

That is the interpretation some people are putting on the recent house price surveys from the Nationwide building society and the Halifax, two of the UK's biggest lenders.

Both are anxious to play down suggestions that they have detected a fundamental revival in the property market, after 18 months or so in which prices dropped by about 20%, and sales fell by two-thirds.

The rise in prices may not last, lenders warn

But the statistics from the lenders, and other sources, suggest that, at the very least, the market's slump has eased off.

Over the past year or so, Ray Boulger of mortgage brokers John Charcol has been consistently the least pessimistic expert canvassed by the BBC News website - pessimistic if you think falling prices are a bad thing.

And he now thinks prices will end up rising by about 5% in the course of 2009.

"If you look at the Nationwide's 'real' house price index, without the seasonal adjustment, it is showing a rise of 3.8% for 2009 so far," he says.

"I think now it is difficult to see house prices turning around. They won't go up as much as as they have done in the past three months, but in the remainder of the year, I expect to see further small rises," he predicts.

Big increase

The Halifax's survey suggest that in July, the average UK home was worth £159,623, which was £5,100 more than in April, a rise of

3.3% in just three months.

The Nationwide's survey suggested that the average UK home in July was worth £158,871. That was £11,000 more than it was worth just five months before in February, a rise of nearly 8% in that time.

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>
> Simon Rubinsohn, Rics

So there is no doubt about it - prices are now rising again, and quite strongly.

But the Royal Institution of Chartered Surveyors (Rics) points out that prices have been squeezed higher by a small pick-up in demand from buyers, combined with a lack of supply of homes to buy.

"There is a reluctance on the part of many vendors to put their properties on the market," says Simon Rubinsohn, chief economist at Rics.

"We are not wholly surprised. Our own survey has shown new instructions have fallen month on month, and the rise in new buyer enquiries we saw gave a good steer about the improvement in demand early this year.

"We think prices will continue to edge up and at the end of the year may be higher than 12 months before, but in 2010, our best guess is prices will not go up further or may even slip back," Mr Rubinsohn adds.

Too early to tell

Both the major lenders are reluctant to predict that the recent rise in prices will continue, even for the next few months.

"There is a reasonable chance prices could end the year higher than they started, but we can't be too certain about that yet," says the Nationwide's economist Martin Gahbauer.

"The market is still vulnerable to rising unemployment or interest rate increases."

"I still think the market will remain under pressure with a mixed pattern from month to month" says Martin Ellis, housing economist at the Halifax.

"There may be a falling trend [this year] but it's too early to say the market has reversed," he emphasises.

But if prices are going up, then they are going up. Surely there can be no doubt about it?

Not quite, says Ed Stansfield of the economic consultancy Capital Economics.

"I think it is probably a short-term phenomenon. Most of the indices are stabilising or falling at a more modest rate than before," he says.

"It is not a transformation of the underlying picture.

"The bigger picture is that the underlying economic backdrop and the lull in the mortgage market are not conducive to a recovery," Mr Stansfield adds.

But even he has toned down his earlier prediction of a further 20% price fall this year.

"That is most unlikely now. All indices have shown a moderation in the decline. I think something like a 10% fall is now more realistic."

Illusory

The recession is still in full spate and unemployment is going to continue rising for some time.

Many properties that might have been put up for sale are being let to tenants by so-called "reluctant" landlords, who know they cannot get the price they would like.

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> Jonathan Davis, Armstrong Davis

And other home owners in financial trouble, who might have been forced to sell in the past, are able to hang on, thanks to the record low level of interest rates which has substantially cut the size of their mortgage repayments.

All that is about to change, according to chartered financial planner Jonathan Davis, a long-term critic of the housing market bubble.

He says the recent pick up in prices has been "totally illusory, transient, temporary" and reckons that the number of properties for sale is about to explode.

"The impetus there was in the first half of the year is over," he says.

"The number of properties on the market is rising rapidly and buy-to-letters are in a dreadful state," he adds.

Jonathan Davis now thinks that prices this year will be unchanged from January to December, falling in the second half of the year after rising in the first half.

"You can't have 15 years of house price rises ending in a bubble, along with the worst financial crash since the 1930s, and a property crash lasting just a year and a half," he says.