London home prices jump as pound drops

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[LONDON] London home sellers raised asking prices this month as the weakness of the pound fuelled interest from overseas buyers during the spring selling season, according to Rightmove Plc.

Prices sought rose 1.9 per cent from February to an average £496,298 (S$932,413), the property-website operator said in a report published yesterday.

Asking prices in the capital have surged more than £41,000 in the past year and are now pushing close to £500,000. Nationally, average prices rose 1.7 per cent in March from February.

The pound has dropped against both the euro and the US dollar this year and is the second-worst performing developed market currency, according to data compiled by Bloomberg.

For foreign buyers, Rightmove said the decline has wiped out the 9 per cent increase in property prices in the past year and that "sterling's loss is London sellers' gain".

"Overseas buyers transferring their dollars or euros into sterling have found their buying power boosted," said Miles Shipside, director at Rightmove.

"Many new-build developers have been mining this rich seam of overseas cash very successfully."

Gains here this month were led by a 6.2 per cent surge to a £2.3 million average in Kensington and Chelsea, the city's most expensive district.

Lambeth rose 6 per cent, while Westminster increased 5.8 per cent.

Part of the increase was due to supply failing to keep up with demand, according to Rightmove. It said that 16,349 new properties were put on the market this month, 12 per cent lower than the same period a year ago.

Nationally, asking prices for homes have risen 1.2 per cent in the past year, yesterday's report showed.

The average price in March was £239,710 and Rightmove said "growing belief in price stability" means transaction volumes may increase this year.

While cautious lending may limit the housing recovery, Mr Shipside said there is "now a bedrock upon which confidence and momentum appear to be building".

The Royal Institution of Chartered Surveyors said earlier this month that its gauges on the outlook for the property market improved in February.

Consumers' discretionary spending power shrank 1.1 per cent in February after falling 1.2 per cent in January, Lloyds TSB said in a separate report.

Britons don't expect Chancellor of the Exchequer George Osborne to announce measures to provide assistance when he makes his budget statement in Parliament tomorrow, according to the report.

"Consumers don't expect any relief from the budget and the recent fall in the exchange rate is likely to add to pressures," Patrick Foley, chief economist at Lloyds, said in the statement.

"Consumer spending is therefore likely to remain weak through the first half of 2013 at least, keeping recovery in the wider economy far from assured." – *Bloomberg*