



Resilience prevails in UK property market

In a testament to its remarkable resilience, the UK property market continues to defy challenging economic conditions, proving sceptics wrong and bolstering the confidence of investors, says Member of The Guild of Property Professionals, Kate Taylor from Taylor & Co in Abergavenny. Kate adds that recent declines in inflation have instilled a renewed sense of optimism within the property sector. Nevertheless, both buyers and sellers are urged to remain cautious and realistic in their pricing strategies.

"Typically, the months of July and August witness a slowdown in property transactions due to summer holidays and various outdoor activities, compounded by children being off school. Historically, this period experiences an average month-on-month fall of 0.9%. However, this year has seen a more significant decline, with a 1.9% drop, indicative of the growing realism in the market as vendors competitively price their properties," says Kate Taylor.

Kate notes that despite a recent softening in prices, Zoopla reports that average house prices in May were down by only 2% compared to the peak in September of the previous year, remaining over 20% above pre-pandemic levels.

Kate says that improving inflation data and more favourable economic forecasts have prompted lenders to reduce fixed mortgage rates. "According to the Bank of England, the quarterly growth rate of approved mortgages has shown a notable improvement over the past year. Lending volumes in the three months ending in July were 6.3% higher than the previous three months. While these figures represent an increase from the end of 2022 and earlier in 2023, they remain notably lower than the levels recorded a year ago," she comments.

According to Kate, the market's resilience is further sustained by strong employment levels and record annual wage growth. Those serious about moving are still doing so, perhaps adjusting their budget to offset interest rate increases. Currently, the number of sales agreed stands at 15% lower than in 2019, with the first-time buyer sector showing more robust performance, down by only 10%, driven in part by high

rents and limited rental availability. According to HMRC, July recorded 86,500 transactions on a seasonally adjusted basis, a modest 0.8% increase from June, although down 16.3% from July 2022.

"Inflation has exhibited tentative signs of easing, dropping to 6.8% in July, its lowest level since February 2022, mainly attributed to falling gas and electricity prices. Looking ahead, forecasts indicate that inflation is expected to dip below 5% by the year's end, with further easing projected for 2024, although inflationary pressures remain a concern," Kate adds.

Following 14 consecutive interest rate hikes, the Bank of England's base rate reached 5.25% in August. Easing inflation data is expected to alleviate concerns about further interest rate increases. Forecasts suggest that interest rates may peak later this year, with consensus forecasts indicating one more rate hike and potential year-end rates of 5.6%. Interest rates are then anticipated to moderate in 2024, averaging 4.8% by year-end.

Notably, Kate points to the facts that fixed mortgage rates have been falling in recent weeks despite the Bank of England's interest rate hikes. "This trend, influenced by easing inflation and a more optimistic outlook for long-term interest rates, has prompted many lenders to cut their fixed rates in a bid to attract more business. The anticipation of interest rates nearing their peak is expected to contribute to improved sentiment in the housing market," she says.

According to the Office for National Statistics (ONS), the average property price in June stood at £287,546, reflecting a 1.7% year-on-year increase and a 0.7% monthly rise. Predictions from the Royal Institution of Chartered Surveyors (RICS) indicate price declines across all UK regions in the coming year, although less severe than initially projected. Lloyds Bank has also revised its housing market forecast, now anticipating a 5.6% drop in prices for the current year, down from the previous estimate of 7.7% in December.

At 0.6%, annual property price growth in Wales has moderated from 4.9% at the start of the year. However, it remains in positive territory. Price growth is currently strongest in Monmouthshire, Merthyr Tydfil, and Ceredigion.

Supply constraints have contributed to preventing more significant price falls this year, with Rightmove reporting the number of available properties currently 10%

lower than the same period in 2019. Additionally, homes are also selling more quickly they did in 2019, with the average time to secure a buyer standing at 55 days compared to 61 days in 2019.

“The sales market is proving resilient despite high mortgage rates and cost-of-living pressures. However, the importance of pricing right the first time cannot be over emphasized as buyers become more price sensitive. Realistically priced homes are still seeing multiple prospective buyers,” Kate concludes.

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