



Housing market update Winter 2023

Market resilient in face of economic backdrop

As 2023 draws to a close, the pulse of the property market reflects a resilient landscape against the economic backdrop. This is according to Member of The Guild of Property Professionals, Kate Taylor from Taylor & Co in Abergavenny who adds, "The economic winds are changing, bringing optimism to the market. Mortgage rates are normalising; however, buyer and sellers remain cautious. Added to that, inflation, after experiencing the sharpest decline in three decades, has fallen to 4.6% in October, marking its lowest point since November 2021."

With the economy growing and incomes on the rise, wage growth reached 7.7% in Q3. Kate Taylor notes that with this encouraging news, the GfK Consumer Confidence Tracker shows a notable increase of six points in November, reaching -24, indicating a renewed sense of trust in the market.

The pace of house price moderation also appears to be steady, with RICS revealing that a net balance of 63% of property professionals reported house prices falls in October, down from 67% in September. The sentiment is that mortgage rates may have peaked, drawing in those who delayed moving over the past year.

"While prices have softened slightly, the average house price in September 2023 was 25% higher than in September 2019, the September prior to the pandemic. According to the UK HPI, this equates to an average rise over that period of £57,849. Understanding local dynamics and pricing realistically are now crucial for successful sales during periods of price sensitivity," Kate Taylor comments.

She adds that overall, average house prices remain resilient, showing a 1.8% increase from the beginning of the year. Monthly price falls have slowed, moderating to -0.5% in September from -1.2% in January, indicating a rebalancing market. Despite ups and downs, both the Nationwide and Halifax indexes displayed a return to moderate monthly house price growth in October. The adjustment to

higher mortgage rates is expected to continue in 2024, with gentle price moderation. However, growth of 5.8% is forecast between 2025 and 2027 according to HM Treasury and an average of Independent Forecasts.

In the Autumn Statement, the Chancellor unveiled cuts to employee National Insurance from 12% to 10%, saving the average earner around £450. Reductions to National Insurance for the self-employed have also been announced, affecting an estimated 39% of landlords with five or more properties. In addition to this, the government has also committed to supporting the building of more homes, extending the mortgage guarantee scheme and increasing the national living wage. Long-awaited reforms to the leasehold system are also in progress, promising 'significant new rights and protections' that could be in motion before the next General Election.

"While 2023 has been a slow recovery from the political shocks of 2022, the closing months bring positive signs. Inflation has more than halved since this start of the year, and interest rates have been held for the fourth consecutive time. Consensus forecasts by HM Treasury suggest that interest rates are at their peak and will fall to 4.7% by the end of 2024, which should improve affordability and increase demand," says Kate Taylor.

According to Bank of England data, mortgage approvals, a leading indicator of demand, are 18.5% higher than in January. The 8% uptick between September and October reflects growing confidence in the market.

"Encouraging news about inflation and the growing confidence in the market is reflected in more competitive mortgage rates. While significant rate cuts are unlikely until inflation falls more sharply, rates are edging down, with lenders in strong competition loosening criteria to encourage borrowing. According to MoneyFacts, the average mortgage rate is 5.68% for a five-year fix and 6.08% for a two-year. These have fallen from 6.17% and 6.67% respectively since the start of September," Kate Taylor adds.

Sales volumes are steady, with HMRC reporting quarter-on-quarter transactions showing stability, supported by a consistent stream of motivated buyers. There's an encouraging 15% increase in agreed sales compared to a year ago, suggesting improved realism from sellers. Across Wales, the most active housing markets are

currently those of Newport, Cardiff and Bridgend, where close to one in every 30 properties has changed hands in the past year.

Although higher mortgage rates have subdued the number of moves made by mortgage-reliant borrowers, the number of cash sales is holding up, and has increased in all regions of the UK. Cash buyers often have more power and can negotiate significant discounts on the asking price. The average price of a cash purchase was 10% lower than the average mortgaged house price of £304,361. In Wales 35% of sales are cash buyers, which is up from 32% in 2019.

According to Rightmove, stock levels are returning to normal after pandemic shortages. While the supply of lower-priced properties has reduced, all other price brackets have risen. Sellers looking to move may benefit from slightly reduced prices on their next property.

“The landscape is evolving, presenting opportunities for both buyers and sellers. With interest rates expected to start easing back in 2024, combined with pent-up demand and the usual seasonal uplift, activity is expected improve in spring,” Kate Taylor concludes.