

June 2023

The UK's most comprehensive property price report

This report is to help give everyone – industry and consumers – a quick five-minute guide to what's happening in the property market, according to the property indices, along with property expert Kate Faulkner's comments.

Property price and market indices summary

Rightmove

Prices hit record high as new sellers respond to improving market

"Average new seller asking prices jump by 1.8% this month, compared with the historical average May rise of 1.0%. This is a new record high of £372,894 as sellers respond with increased pricing confidence to a market that is defying start-of-the-year expectations."

Home.co.uk

Prices jump on spring optimism

"Asking prices across England and Wales surged during April by 0.8% on a wave of optimism, although year-on-year growth slipped further into the negative (-0.8%)."

RICS

Forward-looking indicators again turn slightly less downbeat but clouds are gathering on the horizon

"National house prices are still falling although downward momentum continues to ease."

Nationwide

Annual house price growth slips back in May

"Following tentative signs of improvement in April, annual house price growth softened again in May, falling back to -3.4% (from -2.7% in April)."

Halifax

UK house prices flat in May as annual growth turns negative

"House prices were largely unchanged in May, edging down very slightly (-£130) compared to April, with the average UK property now costing £286,532. More notably the annual rate of growth fell to -1.0%, marking the first time since 2012 that house prices have fallen year-on-year. Given the effectively flat month, the annual decline largely reflects a comparison with strong house prices this time last year, as the market continued to be buoyant heading into the summer."

e.surv

Ninth month of falling annual rate of price growth...

"...but average price still £ 7,360 ahead of twelve months earlier. The annual growth rate in England and Wales in May 2023, for both mortgage and cash-based house purchases, was an arithmetic average of 2.0%. This is 0.1% below the revised rate of 2.1% in April 2023 and represents the ninth month in succession in which the annual rate of house price growth has slowed from the +12.9% seen in August 2022. It is however the smallest reduction in these nine months, perhaps suggesting a slowing in the rate at which house prices are falling."

Zoopla

UK house prices fall 1.3% over the last 6 months

"The annual rate of price inflation is 1.9%, down from 9.6% a year ago."

What are the indices saying is happening to house prices today versus the past?

National property price tracking

	High 2007/08	Low 2009	How much did prices fall?	Latest price vs 2007/08 high	Mar-23	Apr-23	May-23	Annual Change	Annual Average (05 - 23)		
Rightmove	£241,474	£213,570	13.1%	54.4%	£365,357	£366,247	£372,894	1.5%	3.8%	Asking prices	E & W
Home.co.uk	£258,531	£239,607	7.9%	37.1%	£348,197	£351,848	£354,564	-0.8%	n/a	Asking prices	E & W
Nationwide	£184,131	£147,746	24.6%	41.6%	£257,122	£260,441	£260,736	-3.4%	3.0%	Mortgaged only	UK
Halifax	£199,766	£157,767	26.6%	43.4%	£287,880	£286,896	£286,532	-1.0%	3.2%	Mortgaged only, seasonally adjusted	UK
e.surv	£231,829	£197,145	17.6%	60.9%	£379,309	£375,063	£373,066	2.0%	3.9%	Actual prices, includes cash sales	E & W
Zoopla	£178,128	£153,449	16.1%	46.4%	£259,700	£260,700	n/a	1.9%	n/a	Sold prices, mortgage valuations and agreed sales	UK
UK HPI	£190,032	£154,452	23.0%	50.0%	£285,009	n/a	n/a	4.1%	3.6%	Sold prices, includes cash sales and new builds	UK

	High 2007/08	Low 2009	How much did prices fall?	Latest price vs 2007/08 high	Mar-22	Apr-22	May-22	Annual Change	Annual Average (05 - 22)		
Rightmove	£241,474	£213,570	13.1%	52.2%	£354,564	£360,101	£367,501	10.2%	4.0%	Asking prices	E & W
Home.co.uk	£258,531	£239,607	7.9%	38.3%	£349,790	£353,054	£357,493	6.6%	n/a	Asking prices	E & W
Nationwide	£184,131	£147,746	24.6%	46.6%	£265,312	£267,620	£269,914	11.2%	3.4%	Mortgaged only	UK
Halifax	£199,766	£157,767	26.6%	44.7%	£282,753	£286,079	£289,099	10.5%	3.4%	Mortgaged only, seasonally adjusted	UK
e.surv	£231,829	£197,145	17.6%	60.7%	£370,052	£372,436	n/a	10.4%	4.1%	Actual prices, includes cash sales	E & W
Zoopla	£178,128	£153,449	16.1%	40.5%	£249,700	£250,200	n/a	8.4%	n/a	Sold prices, mortgage valuations and agreed sales	UK
UK HPI	£190,032	£154,452	23.0%	46.5%	£278,436	n/a	n/a	9.8%	3.7%	Sold prices, includes cash sales and new builds	UK

What a difference a year makes!

I thought it would be interesting to see the comparison between last year's national property price tracking versus this year's – and it's clearly a big difference!

This time last year, average changes to property prices year on year were 6.6% to 11.2%, but in comparison this year, you can see the range shows falls from Nationwide year on year of 3.4%, with Home.co.uk and Halifax showing smaller falls, through to asking prices up by 1.5% from Rightmove, offers accepted prices from Hometrack of 1.9% and sold prices up 4.1%.

The one thing that is true, is that prices definitely peaked back in the late Summer of 2022 and are now correcting themselves from the 'froth' they had last year – when forecasters had predicted prices would be up by a few percent, not the 6.6% to 11.2% they actually rose by.

And, it's interesting to see the mix of demand this year – which, according to Rightmove, is much higher for FTBs than we expected this year: *"Buyer demand is 1% lower than in 2019 for top-of-the-ladder properties, compared with 3% above 2019's level in the second-stepper sector, and 6% above in the first-time-buyer sector."*

Halifax have also reported some interesting target market results which show differences in market performance:

*Existing houses continued to fall in value (annual growth of -1.9%)
New build properties are still rising (+2.8%), although at the weakest rate for nearly three years
By property type, all except for detached houses (+0.4%) have registered year-on-year declines
The sharpest drop is for flats (-1.9%), followed by terraced (-1.0%) and semi-detached houses (-0.5%)*

Most, although not all, of the indices are suggesting that there has been a bit of a flurry of activity for some buyers and sellers over the last few months.

The big question though is whether this will last, especially with the upward movement of rates we had hoped had peaked. The question is with these higher rate rises and indeed hotter summer days - which can put buyers off house shopping - will we head into a quieter summer?

Nationwide have been brave enough to answer this question for the rest of the year, stating in their latest release that *“...in our view a relatively soft landing remains the most likely outcome since labour market conditions remain solid and household balance sheets appear in relatively good shape.*

“While activity is likely to remain subdued in the near term, healthy rates of nominal income growth, together with modestly lower house prices, should help to improve housing affordability over time, especially if mortgage rates moderate once Bank Rate peaks.”

Property prices by country

Property Prices - Countries	Land Registry latest data Mar 23/ Q1 23	Land Registry year on year change in price Mar 23/Q1 23	Land Registry annual average increase since 2005	Nationwide latest data Q1 23	Nationwide year on year change in price Q1 23
England	£304,193	4.1%	3.7%	£295,801	-0.7%
Wales	£214,174	4.8%	3.1%	£200,173	-0.7%
Scotland	£184,877	3.0%	3.8%	£172,676	-3.1%
Northern Ireland (Q1)	£172,005	5.0%	2.4%	£173,393	1.3%

All the indices this month for each country are now reflecting the slower market, with double digit rises in the distant past and, according to mortgage property measures from Nationwide, we are slipping into negative territory, bar Northern Ireland which is just hanging on to positive growth. However, it's important to remember, prices in NI are still well below their 2007/8 peak.

Summary from the indices of the Scottish housing market

[e.surv](#)

House price change in March is static

“The average house price in Scotland in March 2023 has increased by some £2,900 - or 1.3% - over the last twelve months. This annual rate of growth has decreased by -1.5% from February’s 2.8%, which is a slightly smaller fall than the reductions of -1.8% and -2.0% seen in January and February.

“In March 2023, 22 of the 32 local authority areas in Scotland were still seeing their average prices rise above the levels of twelve months earlier, one less than in February. Interestingly, only one of the top fifteen areas ranked by value had price falls over the year, whereas in nine of the bottom seventeen areas ranked by value prices fell. It would thus appear that the areas with higher-value homes have maintained rising prices over the year. The exception is Edinburgh, being the one area in the top 15 where the average prices of all property types - except terraces - have seen a fall.

“The area with the highest annual increase in average house prices in March 2023, for the third month running, was Clackmannanshire, up by 15.8%. The Clackmannanshire average values have been enhanced by the sale of a £780,000 5-bedroom detached home in Dollar. Given the low volume of transactions in Clackmannanshire - only 50 for the period from January to March 2023 - the area is frequently associated with volatile movements in its average prices. In second place is Midlothian, with an annual increase in prices of 9.4%. The gain in the Midlothian average price has been assisted this month by the sale of a detached home in the grounds of Melville Castle, with a price of £1.88 million.

“On a weight-adjusted basis - which incorporates both the change in prices and the number of transactions involved - there were six local authority areas in March which accounted for 50% of the £2,900 increase in Scotland’s average house price over the year. The six areas, in descending order of influence, are: – South Lanarkshire (15%); Midlothian (9%); Perth and Kinross (9%); East Renfrewshire (6%); Highland (6%) and Aberdeenshire (5%).”

Regional property prices tracking

Property Prices - Regions	Land Registry Latest data Mar-23	Land Registry Year on year change in price Mar-23	Rightmove Latest data May-23	Rightmove Year on year change in price May-23	Home.co.uk Latest data May 223	Home.co.uk Year on year change in price May-23	Nationwide Latest data Q1 23	Nationwide Year on year change in price Q1 23
North East	£156,912	4.0%	£179,693	-0.2%	£191,789	4.1%	£152,308	-0.5%
North West	£211,759	4.2%	£256,088	2.6%	£259,500	2.9%	£203,629	-0.4%
Yorkshire & The Humber	£203,635	4.1%	£248,247	3.9%	£247,112	3.4%	£196,300	-1.5%
East Midlands	£246,092	4.9%	£288,311	2.0%	£286,611	0.5%	£228,416	0.5%
West Midlands	£245,132	3.4%	£288,862	2.2%	£300,635	0.3%	£236,476	1.4%
South West	£326,035	5.4%	£393,426	1.4%	£382,322	-1.3%	£302,451	0.5%
East	£351,898	3.9%	£424,844	0.1%	£398,986	-2.7%	£272,207	-1.8%
South East	£394,543	4.6%	£494,471	1.3%	£447,440	-2.0%	£331,919	-1.5%
London	£523,325	1.5%	£696,477	1.1%	£543,010	-3.0%	£511,293	-1.4%

As property price growth abates and for some goes into reverse, the gap between different regional performances has narrowed. Nationwide are showing the Midlands and South West to still be slightly increasing house price wise, but only by less than 1.4%. Meanwhile, all other regions are falling by anything from 0.4% (North West) to 1.8% in the East.

In contrast to mortgage property prices, Rightmove are showing the North East to be the only region showing a decline - but only by 0.2%, while the big 'winner' in the last month is Yorkshire and Humber, with asking prices rising at nearly 4%. The Land Registry still shows rises, but this is just because prices lag behind other indices.

Halifax

"Prices continue to fall on an annual basis across southern England, again led by the South East (-1.6%, average price £385,943), and closely followed by the South West (-1.4%, average price £301,079). In Greater London prices are down over the last year by -1.2% (average price £536,622).

"Except for Wales (unchanged at +1.1%, average price £218,365), all areas of the UK have seen annual house price growth weaken in May compared to April, with most now recording a low single-digit rate of property price inflation.

"The West Midlands (+2.7%, average price £251,137) remains the best performing region, followed by Yorkshire & Humberside (+2.3%, average price £205,035).

"Scotland (average price £201,596) saw annual growth drop to +1.3% (from +2.2% in April). In Northern Ireland (average price £187,334) growth was +1.5% over the last year (from +2.7% in April)."

Zoopla

Weaker demand where prices have outpaced earnings

"The variation in activity across regional markets is most likely explained by the level of recent price growth. Above-average growth has impacted the affordability of homes. It has also increased the sensitivity of would-be home buyers to higher mortgage rates.

"House price growth over the last 7 years has ranged from just 12% in London to 47% in Wales. Average earnings increased by 30% over the same period. Areas with house price growth outpacing earnings align with those where demand is below average at present. In contrast, the regions and countries with the lowest rate of price inflation since 2016 are recording stronger activity.

"London is not an affordable market with average house prices 2x the UK level. However, low price inflation has improved affordability. There is better value for would-be buyers, especially those looking to buy flats where prices are unchanged since 2016. Increased migration into the UK is likely to be supporting market activity in London."

Wide variation in house price inflation over last 7 years



Source: Zoopla House Price Index

City/town property indices price tracking

For city/town tracking, we use Land Registry (government data) and Zoopla/Hometrack. The Land Registry data is useful because we can analyse how property prices have changed over time and this helps us to put today's price information into context.

The Zoopla/Hometrack data is useful as they take into account the change in mix of property transactions during the pandemic to houses away from flats. This has meant the likes of the Land Registry and other indices have over exaggerated price increases year on year.

Commentary on towns and cities

Overall, out of 30 cities, since 2005, property prices have risen above inflation in nine cities/towns, including Bristol, Oxford and Edinburgh, on par with inflation is Tunbridge Wells and Leicester, and in all the remaining towns and cities, price growth has remained below inflation. Even with the price growth seen during the pandemic, what this shows is that, in real terms, especially for those that own outright the property they have isn't necessarily delivering from an investment perspective.

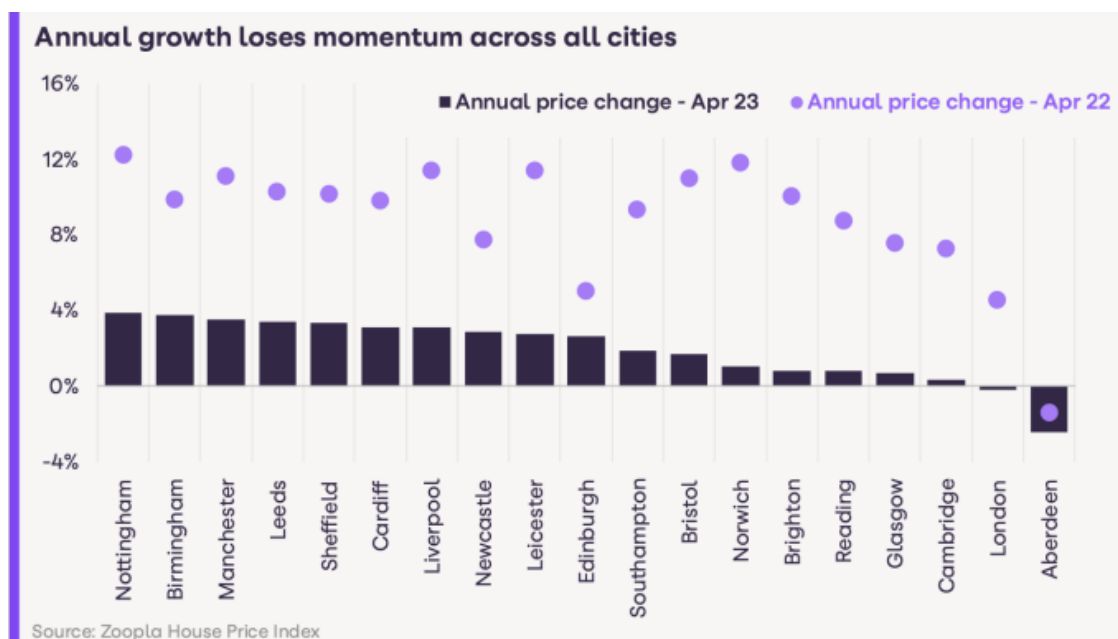
Topping the price growth charts according to Land Registry and Hometrack:-

Land Registry's top 5 performers:	YoY	Hometrack's top 5 performers:	YoY
Nottingham	9.3%	Nottingham	5.2%
Norwich	7.4%	Birmingham	4.8%
Liverpool	7.2%	Gloucester	4.8%
Sheffield	7.2%	Manchester	4.7%
Peterborough	7.1%	Peterborough	4.6%

Lowest performers are:

Land Registry's lowest 5 performers:	YoY	Hometrack's lowest 5 performers:	YoY
Aberdeen	-6.9%	Aberdeen	-2.2%
Oxford	-0.9%	Oxford	0.3%
Glasgow	-0.7%	London	0.5%
Lincoln	1.3%	Belfast	1.0%
Edinburgh	1.4%	Glasgow	1.0%

The top and lowest performers comparison between Land Registry and Hometrack are pretty close this month, albeit the growth is lower for the more timely Hometrack index.



“In April 2023, 91 of the 110 Unitary Authority areas in England and Wales were still recording house price gains over the last twelve months, indicating the wide extent of price rises that had taken place across the two countries, even if the growth rate is now diminishing. This does however contrast with the 104 authorities that saw prices rise on an annual basis in March – annual gains are therefore diminishing.

“The area with the highest annual increase in prices in April 2023 is Windsor and Maidenhead, at 13.5% growth – the average price being assisted this month by the sale of a five-bedroom detached home for £2.5 million.

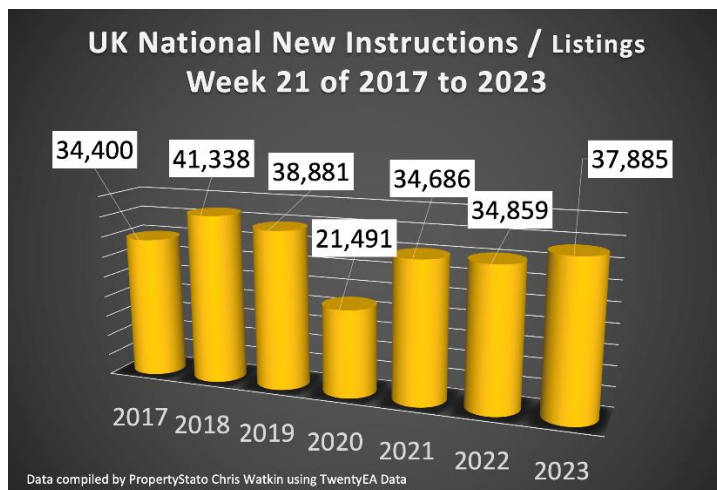
“By way of contrast, the Unitary Authority area with the largest fall in prices over the last twelve months is Bracknell Forest, at -8.9%. All property types in Bracknell Forest have seen reductions in their average prices over these last twelve months.”

Property Prices Town/Cities <i>England, Wales, Scotland & NI</i>	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Land Registry latest data Mar 23/Q1 23	How much higher/ lower are latest prices vs height in 2007/8	Land Registry Year on year change in price Mar 23/Q1 23	Annual average increase since 2005	Hometrack latest data Mar-23	Hometrack Year on year change in price Mar-23
Belfast (Q1)	£213,626	£87,890	£158,219	-25.9%	3.6%	2.3%	£165,900	1.0%
Glasgow	£130,473	£96,139	£163,791	25.5%	-0.7%	3.0%	£142,000	1.0%
Edinburgh	£225,750	£183,029	£324,262	43.6%	1.4%	3.9%	£267,300	2.6%
Aberdeen	£171,220	£146,598	£132,399	-22.7%	-6.9%	2.4%	£139,100	-2.2%
Cardiff	£170,496	£139,651	£265,993	56.0%	6.8%	3.3%	£253,500	4.2%
Newcastle upon Tyne	£164,935	£133,086	£193,150	17.1%	5.0%	1.9%	£149,000	3.6%
Bradford	£139,640	£111,109	£171,626	22.9%	6.7%	3.1%	£154,100	4.4%
Liverpool	£130,249	£103,705	£177,803	36.5%	7.2%	3.0%	£155,400	4.1%
Leeds	£161,439	£130,128	£235,566	45.9%	4.7%	3.2%	£207,300	4.3%
Sheffield	£144,875	£120,193	£213,590	47.4%	7.2%	3.5%	£170,300	4.2%
Manchester	£140,431	£111,679	£231,656	65.0%	5.7%	5.2%	£219,100	4.7%
Lincoln	£128,707	£106,017	£181,409	40.9%	1.3%	3.0%	n/a	n/a
Nottingham	£119,010	£93,696	£190,354	59.9%	9.3%	3.1%	£201,300	5.2%
Norwich	£166,498	£123,698	£246,837	48.3%	7.4%	3.7%	£265,700	2.4%
Peterborough	£156,264	£123,752	£243,786	56.0%	7.1%	3.5%	£218,900	4.6%
Birmingham	£148,578	£122,773	£231,270	55.7%	5.9%	3.2%	£205,700	4.8%
Leicester	£135,317	£110,071	£230,731	70.5%	4.6%	3.8%	£225,100	4.0%
Milton Keynes	£194,666	£147,827	£316,705	62.7%	3.8%	4.0%	£309,200	3.0%
Gloucester	£169,008	£129,203	£245,177	45.1%	3.9%	3.1%	£232,300	4.8%
Oxford	£289,855	£223,319	£465,525	60.6%	-0.9%	4.0%	£452,500	0.3%
Cambridge	£283,241	£224,469	£520,566	83.8%	4.8%	4.9%	£465,000	1.5%
Bournemouth, Christchurch	£206,227	£163,937	£342,467	66.1%	5.6%	3.7%	£344,500	2.5%
Southampton	£168,795	£134,665	£249,456	47.8%	6.1%	3.0%	£261,400	2.8%
Portsmouth	£169,633	£130,868	£253,417	49.4%	5.3%	3.2%	£285,300	3.4%
Brighton and Hove	£257,108	£202,054	£440,914	71.5%	5.1%	4.4%	£424,700	2.6%
Reading	£216,724	£176,087	£326,373	50.6%	6.0%	3.5%	£409,100	1.5%
Croydon	£248,005	£199,415	£417,019	68.1%	2.0%	4.0%	n/a	n/a
Tunbridge Wells	£279,413	£217,421	£451,910	61.7%	2.9%	3.8%	n/a	n/a
Bristol	£195,196	£153,648	£356,686	82.7%	6.1%	4.8%	£334,700	2.9%
London	£298,596	£245,351	£523,325	75.3%	1.5%	4.6%	£521,800	0.5%

Demand and supply

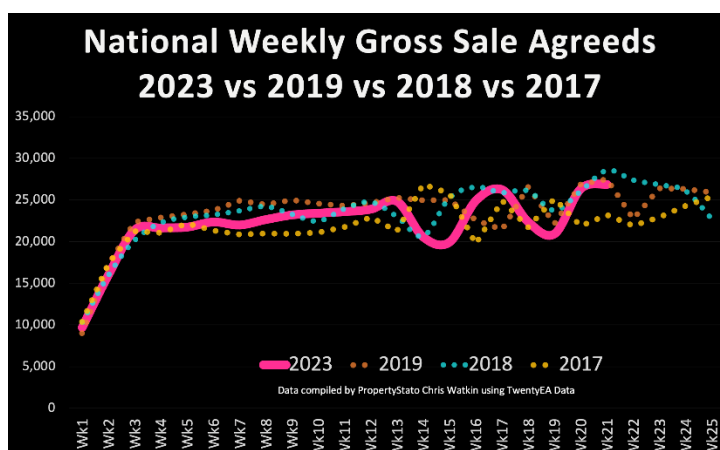
Despite much of the media focusing on property prices, from a buyer's/seller's perspective, for the industry and indeed for the economy, what's more important is the data we receive on transactions.

This year, it's fantastic to have up to date information on new instructions and sales and as the charts show below, compared to pre-pandemic levels, actually this year isn't bad at all. So far, we are seeing good levels of new properties coming onto the market – up there with 2018 and 2019.

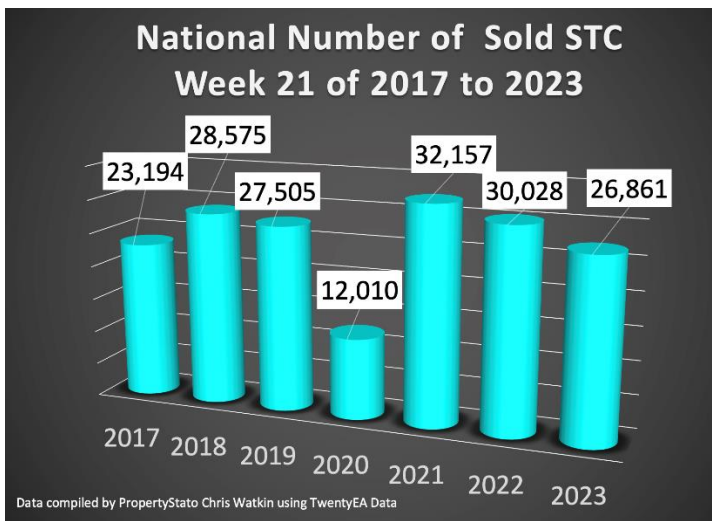


Data from Chris Watkin and TwentyEA

In addition, gross sales agreed are also doing well versus previous years. The question is whether the falls we saw in 2019 and 2017 will hit the market over the coming weeks, or we'll follow the trend seen in 2018 – which to be honest would be a complete miracle! My view is we are likely to see falls over the coming months, but anyone forecasting over the last few years has been pretty rubbish and there would be nothing more I'd like to see than the current uptick remain, but we'll have to wait and see!



Anyone comparing their business performance to the last few years is guaranteed to feel a bit glum, but there is no point trying to do that as the last few years were absolutely exceptional and the huge numbers of sales and the price rises couldn't continue. As such, I am hoping companies saved for the 'rainy year' that was inevitable this year – especially when the market fell off a cliff thanks to the Liz Truss disastrous days!



What's great to see so far is how well sales are holding up considering the cost of living crisis, the war in Ukraine and the general doom and gloom that's put out daily in the media (bar the odd story about Boris and Trump to keep us distracted from real life!).

As the chart shows above, considering the huge rise in interest and mortgage rates over the last 18 months, to only be selling up to 6% less than 2018 and 19, but actually achieving higher sales than 2017.

If this continues, it would confirm Zoopla's estimate of transactions achieving over 1mn this year, which would be amazing.

Twentyci

"607,954 properties are currently on the market across the UK. This is 24,342 more than highlighted in our May Pulse. There were also 25,062 more properties sold subject to contract than in May (406,214 compared to 381,152). However, there were 13,324 fewer properties exchanged (186,613 compared to 199,937 in May)."

"Below, the key stages of the home buying process have been broken down by stages and region."



"In May, the South East broke its own record of reporting the highest number of new instructions in one month so far in 2023. In June, that record was broken again, with the South East reporting 99,739 new property instructions."

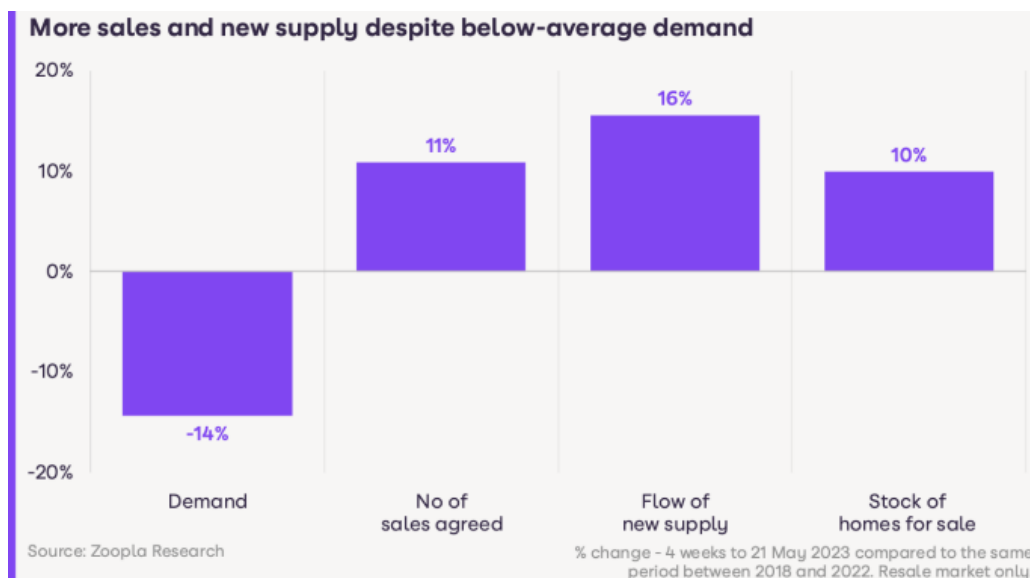
"The region with the second highest number of new instructions was, similar to May, the East of England with 67,972 new listings."

Propertymark are reporting “Supply of new homes up for sale per member branch remained stable at 10 per branch in April. At the same time, the average number of sales agreed per member branch held at 8, which is the same as last month and the same as the pre-pandemic average (2014–2019). Total stock of properties available per member branch held at 34 on average in April 2023. Properties available for sale are now 70 per cent higher than in April 2022.”

Zoopla

More sellers as market confidence slowly improves

“Despite weaker demand, the number of new sales agreed over the last 4 weeks is 11% higher than the 5-year average for the same period. As many buyers are also selling, more sales boost the flow of new homes for sale which is 16% up on the 5-year average.”



Landlord sales add to the available supply

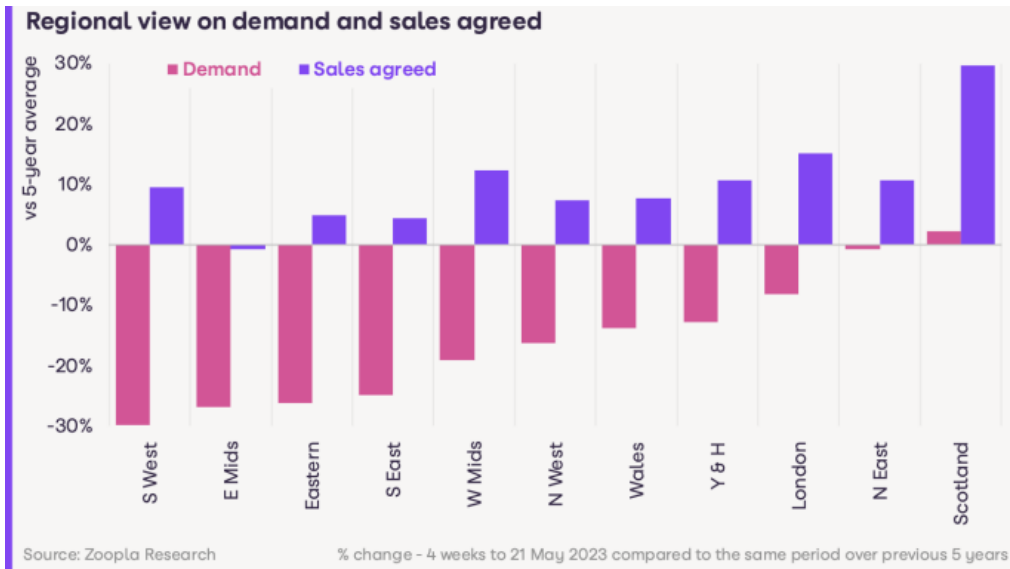
“Some landlords looking to rationalise their portfolios in the face of higher mortgage rates are also adding to supply. Some 1 in 10 (11%) of homes listed for sale were previously rented out, a level that peaked at 14% in 2020 and which has drifted lower over the last 3 years.

“Five years ago, around half of these homes returned to the rental market as unsold or bought by another investor. However, this proportion has dropped to a third more recently. These ex-rented homes have asking prices that are 25% lower than owned homes (£190,000 v £250,000) and will appeal to first-time buyers.”

Market conditions vary across the country

“There are some distinct variations in market strength across Great Britain. Buyer demand and new sales continue to perform best in Scotland, the North East and London. Demand is above the national average in these regions and sales are more than 10% higher.

“Demand remains below average in English regions across the South and Midlands - areas where house prices posted some of the greatest gains over the last 3 years. Higher prices, together with the hit to buying power from higher mortgage rates and the increased cost of living, have taken more buyers out of the market in these areas. However, there are still active buyers in these markets, shown by above-average sales, albeit at a lower level.”

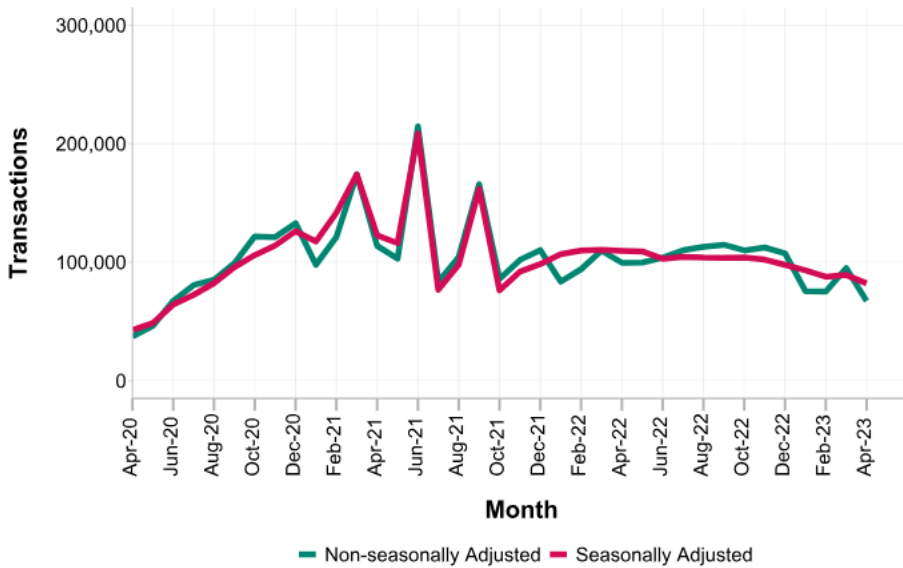


Transactions – actuals

HMRC

“Following an increase in March, residential transactions have resumed their downward trend - seasonally adjusted transactions are now at their lowest level since October 2021.”

Figure 1: Non-seasonally adjusted and seasonally adjusted UK residential property transactions by month between April 2020 and April 2023.



What are the current hottest and coldest postcodes?

The Advisory track current market conditions so buyers and sellers can gain an independent view of how easy it would be to buy and sell their home in their area. This makes it easier for good agents that are honest about market conditions to value and manage expectations. For example, in BS5 (Bristol) 76% of the properties on the market are under offer, in contrast, B4 in Birmingham is one of the worst performers according to this index, with only 8% of properties on the market are under offer, showing that 'average property prices' can mislead buyers and sellers.

From PropCast's perspective, the hot markets at postcode level don't necessarily track the overall increases and decreases seen even at town and city levels, with Bristol, Newcastle upon Tyne and Willenhall having some of the busiest markets, and Birmingham, London, Liverpool and Market Rasen having some of the slower ones.

To find out what's happening in your postcode visit the [House Selling Weather Forecast here](#).

Top 10 hot markets - buyer demand

Postcode	%	Jun 23
BS5	76	Bristol
NE7	74	Newcastle Upon Tyne
BS7	73	Bristol
WV12	70	Willenhall
BS4	69	Bristol
M32	69	Manchester
BS3	69	Bristol
BS6	69	Bristol
BS15	69	Bristol
RG5	68	Reading

Top 10 cold markets - buyer demand

Postcode	%	Jun 23
B4	8	Birmingham
W1	12	London
EC2	13	London
L2	13	Liverpool
L1	14	Liverpool
LN7	15	Market Rasen
WC2	15	London
W2	17	London
NW8	17	London
SW7	17	London

Source: [TheAdvisory](#)

Where is the market going?

As I have said many times, this year is super difficult to predict. So far the armageddon doom gloomers have been proved very wrong – but forecasts have been wildly off over the last few years, and with rates expected to rise further than previously hoped, we could be getting to levels that mean the property market is choked off more than than it has been so far this year. This is especially the case as more and more mortgaged owners have to go through the remortgage process and pay an awful lot more each month. What we might find is that the cost of living crisis takes a while to bite, as do the rise in rates (estimated to take around six months to start impacting on prices) and that we have, as yet, to really feel the pinch in the property sector.

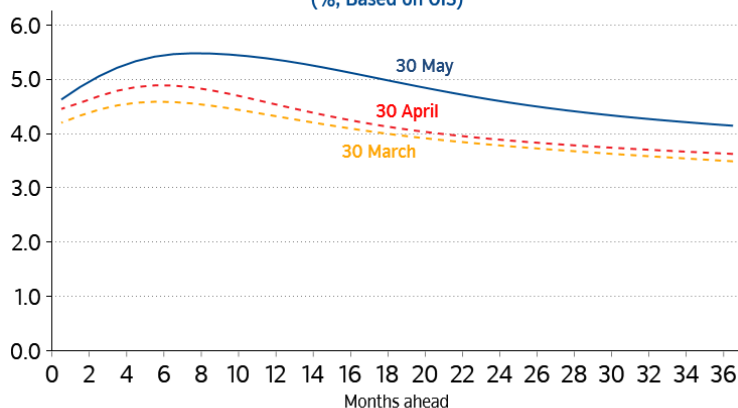
RICS

“Looking ahead, the national house price expectations series (for the coming twelve months) now sits in broadly neutral territory, at just -3%. This is up from a reading of -16% last month and is now signalling that a much steadier picture for house prices is anticipated in a year’s time. Within this, respondents foresee prices rising on a twelve-month perspective in Northern Ireland, Scotland, London, the North West and the South West (marginally). Away from these areas however, respondents see the outlook for prices as flat to modestly negative in most cases.”

Nationwide

“Headwinds to the housing market look set to strengthen in the near term. While consumer price inflation did slow in April, it was a much smaller decline than most analysts had expected. As a result, investors’ expectations for the future path of Bank Rate increased noticeably in late May, suggesting it could peak at c5.5%, well above the c4.5% peak that was priced in around late March. Furthermore, rates are also projected to remain higher for longer.”

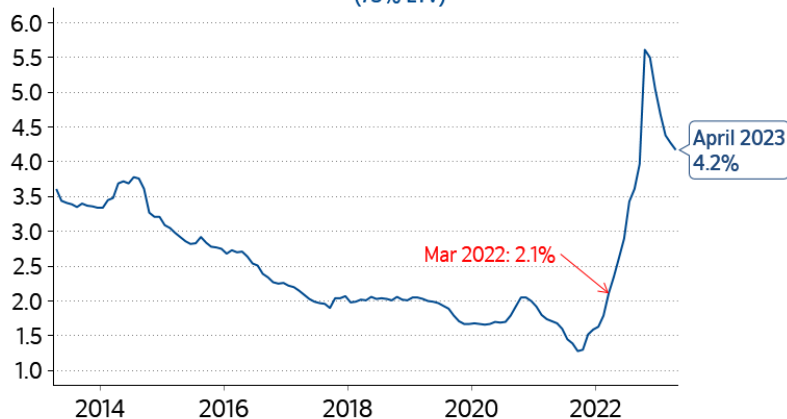
Bank Rate Path Implied By Financial Markets
(%, Based on OIS)



Source: BoE

“If maintained, this is likely to exert renewed upward pressure on mortgage rates, which had been trending down after spiking in the wake of the mini-Budget in September last year.”

Average new 5 year fixed rate mortgage (%)
(75% LTV)



Source: Bank of England

Zoopla

“We expect prices to remain broadly static for the rest of the year. However, higher-than-expected inflation data has increased the probability of further interest rate rises. This will have a knock-on effect on mortgage rates which appear likely to edge higher in the coming weeks. This would reduce buying power and demand for homes in H2 and the impact depends on how much rates increase.

“The biggest hit to housing activity in 2023 will be seen in the number of housing sales which are on track to be 20% lower than last year.”

Savills

“Despite a fall in the headline rate of inflation in April, evidence of persistent upward price pressures across a range of goods and services resulted in a marked increase in market expectations for future Bank base rate on the release of these figures. Though less extreme, economists have also increased their base rate forecasts, with Oxford Economics for example now expecting Bank base rate to hit 5% by the end of August.

“As a consequence, lenders increased the cost of fixed rate mortgages immediately prior to the last May bank holiday. Moneyfacts now reports that the ‘average’ effective mortgage rate for a 5-year fixed rate deal stands at just under 5.2%, while that for a 2-year fix is closer to 5.5%.

“That is likely to put renewed pressure on the amount buyers that are willing or able to borrow over the coming months. Consequently it looks like the housing market will remain price sensitive over the remainder of 2023 and into 2024, meaning prospective sellers will need to remain realistic about the price at which they market their property.

“This said, we remain of the opinion that any further downward pressure on prices will be mitigated by demand from cash buyers and measures taken by lenders to help people facing a sharp increase in mortgage costs as they come to the end of their fixed rate mortgage.”