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JESSICA O'CONNOR · HOUSE PRICES LEAD STORY NEWS · 01/03/2024

House prices see 0.7% rise in February – Nationwide

Share

Annual house price growth returned to positive territory for first time in over a year in February, rising by 0.7% month on month, the latest Nationwide House Price Index has revealed.

The annual rate of change returned to positive territory for first time since January 2023, with prices up 1.2% year on year.

The average house price was £260,420, compared to a slightly lower figure of £257,656 in January.

Robert Gardner, Nationwide's chief economist, said: "UK house prices rose by 0.7% in February, after taking account of seasonal effects.

"This resulted in an improvement in the annual rate of house price growth to 1.2% in February, from -0.2% the previous month.

"House prices are now around 3% below the all-time highs recorded in the summer of 2022, after taking account of seasonal effects."

He continued: "The decline in borrowing costs around the turn of the year appears to have prompted an uptick in the housing market.

"Indeed, industry data sources point to a noticeable increase in mortgage applications at the start of the year, while surveyors also reported a rise in new buyer enquiries.

"Nevertheless, near-term prospects remain highly uncertain, in part due to ongoing uncertainty about the future path of interest rates."

Gardner concluded: "After falling sharply in late December, swap rates, which underpin fixed rate mortgage pricing, have drifted back up.

"Borrowing costs remain well below the highs recorded last summer but, if the recent upward trend is sustained, it threatens to restrain the pace of any housing market recovery.

"While the squeeze on household budgets is easing, with wage growth now outstripping inflation by a healthy margin, it will take time to make up for the ground lost over the past few years, especially given consumer confidence remains fragile."

Reaction:

Karen Noye, mortgage expert at Quilter:

"The latest Nationwide house price index shows the housing market continued its positive start to the year in February, with annual house price growth up 1.2%, the first sign of positive annual growth since January 2023, while on a monthly basis prices rose 0.7%.

"Lower mortgage rates at the start of the year appear to have spurred some buyers back to the market which has buoyed prices, but more recently we have seen a further uptick in rates as swap rates have risen so this could be relatively short lived.

"Just last week, lenders including Nationwide, NatWest, Santander and HSBC all made the decision to increase their rates.

"Yesterday's monthly property transactions data revealed the first monthly uptick in transactions, up 2% to 82,000 in January 2024 compared to 80,500 in December 2023.

"However, the figure still marked the lowest level of seasonally adjusted residential transactions in January since 2013.

"Nevertheless, there is some hope for the future as transaction levels and prices are gradually picking up, and should the Bank of England opt to cut interest rates later in the year as is expected then we could see things pick back up more rapidly.

"What's more, the Government is rumoured to be considering the return of 99% mortgages at its spring budget next week which could give the market a further boost if more first-time buyers can consider taking their first step onto the ladder.

"However, if this does come to fruition, there would be risks associated with such a high loan to value mortgage so it is important that prospective homebuyers seek professional mortgage advice wherever possible."

Daniel Austin, CEO and co-founder at ASK Partners:

"Today's data shows that the property sector is showing signs of recovery. With a decline in inflation year on year and the peaking of interest rates, the overall outlook has considerably improved.

"Rent values have seen sustained growth, positioning real estate as reasonably valued in comparison to gilts and presenting growth potential.

"In the realm of commercial real estate, factors like physical condition, location, and age significantly influence a property's value.

"Well-maintained properties boasting modern amenities tend to command higher prices, while neglected ones may struggle to attract tenants or investors.

"In the current market, the emphasis has shifted towards the importance of location and quality over the yield on debt or cost. We anticipate opportunistic acquisitions of prime properties in prime locations.

"A survey conducted by the Royal Institute of Chartered Surveyors (RICS) uncovered that non-traditional market segments, such as aged care facilities, student housing, data centres and life sciences real estate are yielding the most robust returns.

"Although the lead-up to the general election may pose some uncertainty, a subsequent boost in productivity and a decrease in interest rates are expected.

"The hope is that any new government can address local planning issues to stimulate construction and guide the economy out of the downturn.

"As a debt provider, at ASK our focus will be on supporting the best sites in prime locations with well-capitalised sponsors who understand their product.

"Following this strategy, we aim to bolster developers' initiatives by adopting a flexible underwriting approach, thereby continuing to offer opportunities for the growing number of private individuals opting to invest in property debt."

Stephen Perkins, managing director at Yellow Brick Mortgages:

"The start of 2024 was exceptionally strong as the mortgage rate war reigned supreme and demand went through the roof.

"Initial enquiries from borrowers continue to grow, but there is now a degree of hesitation around pulling the trigger and making offers due to the recent increases in mortgage rates.

"Mortgage rate volatility is leading to inaction, which could be costly for some if rates rise further.

"Hopefully the Budget and the next set of inflation data will help get the property market out of neutral and back into gear.

"House prices have remained relatively flat, with small increases regionally. The property market feels like a coiled spring at the moment, just awaiting some positive news in order to be released."

Mark Robinson, managing director at Albion Forest Mortgages:

"Demand for property is certainly increasing in our experience, though the rise in mortgage rates, if it continues, could see it drop off slightly.

"For now, many properties are being sold before our clients are even able to view them.

"We are hearing of properties selling within days of going on the market here in the south.

"House prices will likely rise over the next 12 months, albeit not at the meteoric rate we have seen in recent years."

Gary Bush, financial adviser at MortgageShop.com:

"We can't see any evidence that property prices have been affected in February by the additional fixed rate increases lately.

"The mood music is very much that buying activity is still lifting, along with prices.

"Looking forward, we see a slow return to business as usual by the end of 2024 as long as the government doesn't throw a spanner in the works in the meantime with some dream scheme."

Riz Malik, founder and director at R3 Mortgages:

"The UK housing market is poised in the starting blocks waiting for the starter pistol.

"This could either be an announcement in the upcoming Budget or the first cut in the base rate.

"That first cut in the base rate, when it comes, will see the property market spring out of the blocks."

Ranald Mitchell, director at Charwin Private Clients:

"The resilience of the property market is quite something, with activity continuing to pick up throughout February.

"Buyer numbers have increased, as have listings and property sales, apparently undeterred by the slight uptick in mortgage rates.

"A sense of realism may have hit the market, with sellers asking for more sensible prices and buyers accepting that today's mortgage rates are the new normal."

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Justin Moy, managing director at EHF Mortgages:

"We are in danger of seeing all those green shoots of recovery from the start of 2024 evaporate quickly following the recent increases in mortgage rates.

"On top of that, the economic outlook remains unsettled and that's unsettling prospective buyers in turn.

"If rates stay in the 4% zone, we have a chance to keep the market moving, but if standard mortgage rates end up in the 5%'s then that will be a psychological barrier to buyers. The next four to six weeks are so important.

"The Budget needs to support borrowers in general and not just the new build and first-time buyers, and the Bank of England must wake up, smell the coffee and cut rates early."

Samuel Mather-Holgate, independent financial adviser at Mather and Murray Financial:

"The housing market is still a deflated balloon and there are no signs of any helium from the Bank of England. Rates probably won't start falling until late summer, and we will then be entering the slower winter season again.

"Hopefully a new government might have some policies to inject some life into the market."

Henry Crinage, head of UK sales at IP Global:

"There's a definite resurgence in buyer confidence in the property market.

"In the main, borrowers are opting for short-term fixed mortgage products as they are anticipating lower interest rates when they come to remortgage.

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"There's a willingness to accept some short-term pain for long-term gain.

"Though this entails a calculated risk, we consider it a prudent decision.

"In a typical market scenario, numerous available properties would be swiftly acquired at the onset of the marketing campaign with stiff competition.

"However, the current situation presents current buyers with an attractive selection of properties to choose from without the usual level of competition.

"We've observed several lenders are now offering significantly more appealing loan products compared to last year.

"This shift has enticed potential buyers who postponed their search in 2023 to 2024."

Akhil Mair, director at Our Mortgage Broker:

"Demand in February remained strong despite slight mortgage rate increases.

"While there are still echoes of 2023's uncertainty, sentiment in the property market overall is cautiously optimistic.

"Rising mortgage rates have seen some buyers back off and motivated others to act quickly.

"In 2024, the factors that will have the biggest impact on the property market are adjustments in the base rate, inflation, the General Election outcome, and potential Spring Budget interventions.

"Overall, we expect prices to grow steadily, supported by stronger demand and the enduring appeal of property."

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Chris Barry, director at Thomas Legal:

"The return to positive annual growth comes as no surprise.

"We had our biggest ever day on an unassuming Tuesday in the middle of February. February overall was an extremely busy month for us.

"I don't believe that the demand to buy property ever goes away, it just gets delayed and so many buyers delayed their search through the interest rate uncertainty of last year, then rates bottomed over the holiday period which is typically always quiet, and things really picked up again soon after.

"The gradual increase in mortgage rates has forced many people into taking the offers they had on the table and make decisions more quickly, which is no bad thing considering not an awful lot happened in the market through summer into autumn last year.

"2024 should be a year of growth and stability, right up until an election is announced, then activity will likely drop sharply as it usually does when the country goes to the polls."

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