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## House price growth slips further in January – Nationwide

by: Shekina Tuahene

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### House prices in the UK declined 0.6 per cent to £258,297 between December and January as values continued to slip.

The Nationwide house price index showed that the monthly decrease was steeper than the 0.3 per cent drop recorded in December. Annually, house prices were 1.1 per cent higher than a year ago, but this was lower than December's 2.8 per cent yearly growth.

Nationwide said prices were also 3.2 per cent down on the peak seen in August, when the average price stood at £273,751.

Robert Gardner, chief economist at Nationwide, said although mortgage rates were starting to normalise, it was too early to say whether the housing market had begun to recover.

He added: "It will be hard for the market to regain much momentum in the near term as economic headwinds are set to remain strong, with real earnings likely to fall further and the labour market widely projected to weaken as the economy shrinks."

### Affordability challenges

Gardner said changes to housing affordability had hiked up costs, and all regions in the UK had seen a "deterioration in affordability" since 2021.

He said: "Should recent reductions in mortgage rates continue, this should help improve the affordability position for potential buyers, albeit modestly, as will solid rates of income growth, especially if combined with weak or negative house price growth."

"Nevertheless, the overall affordability situation looks set to remain challenging in the near term. Saving for a deposit is proving a struggle for many given the rising cost of living, especially those in the private rented sector where rents have been rising at their strongest pace on record."

Helen Morrissey, senior pensions and retirement analyst at Hargreaves Lansdown, said it was hard to see things changing for the better any time soon.

"It's going to take a lot to tempt people back into the market and Bank of England data published yesterday showed mortgage approvals continuing to fall."

"Budgets are still squeezed putting a brake on people trying to save a deposit that already takes years to build."

### A slight settling of the market

Karen Noye, mortgage expert at Quilter said despite house prices falling for the fifth month in a row, "the severity of the downturn in the housing market may not be as acute as originally predicted".

She said rates were not as high as feared and although there would be a strain on finances, the pain would not be as widespread as initially thought.

Gary Bush, managing director of MortgageShop.com, said: "If fixed rate mortgages keep reducing, as they currently are, then with the shortage of decent available properties across the UK and a strong jobs market, we may get away with a temporary rather than a long-term reduction in house prices."

Marc von Grundherr, director of Benham and Reeves, said: "The decline in house prices seen in recent months is more akin to the market tripping over its shoelace than falling off a cliff edge and we've simply not seen the catastrophic property market decline that was so widely predicted during the latter stages of last year."

"Yes, buyers are trading with caution and sellers are having to adjust their price expectations in line with this changing market, but our appetite for homeownership remains strong and we continue to see activity despite wider economic turbulence."

### Buyer interest recovery

Craig Fish, managing director at Lodestone, said January tended to be a slower month for the market but this year his firm had been "inundated with enquiries from first-time buyers who all sense that they can grab a bargain, and with mortgage rates dropping it's all looking very positive."

Vishal Vyas, partner at London Mortgage Partners, echoed this sentiment, adding: "The level of activity and enquiries has been surprisingly high in January, from first-time buyers to first-time landlords and developers alike."

"We have seen a particular uptick in enquiries from first-time buyers, especially those looking to utilise recent salary increases or receipts of their annual bonuses towards mortgage affordability, to allow them to make a move in the market that they may have delayed in the fourth quarter of 2022."

Gary Boakes, director of Verve Financial said reductions to fixed rate mortgages had brought buyers back to the market and people were "now feeling confident enough to start looking again".

Justin Moy, founder at EHF Mortgages, added: "The expected base rate increases have already been factored into recent mortgage pricing, so a base rate rise this week will do little to dampen any confidence in the market."

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
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
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Shekina is the commercial editor at Mortgage Solutions, YourMoney.com's sister title in the B2B industry. She has over four years' experience in the B2B publishing market, with previous industries including the accounting, pet, funeral, hospitality, retail and jewellery trades. She currently reports on current events in the mortgage market and liaises with financial clients to produce sponsored content. Follow her on Twitter at @ShekinaMS

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