The Guardian
News website of the year

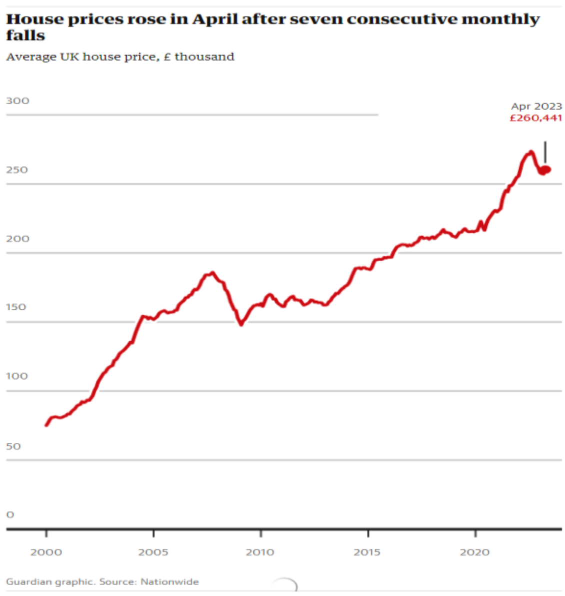
UK house prices rise for first time in eight months

Nationwide expert hails ‘tentative signs of a recovery’ as buyers’ confidence improves

UK house prices rose by 0.5% in April after seven months of declines, according to Nationwide building society.

The modest increase took the average price of a home to £260,441 last month, from £257,122 in March. Compared with April last year, prices were down 2.7%, after a 3.1% annual decline in March. The Nationwide chief economist, Robert Gardner, said the latest figures suggested there were “tentative signs of a recovery”. Property prices are still 4% below their August peak.

He noted that according to Bank of England data, the number of mortgages approved for house purchase in February was nearly 40% below the level a year earlier, and about a third lower than pre-pandemic levels. However, in recent months industry data on mortgage applications point to signs of a pickup.

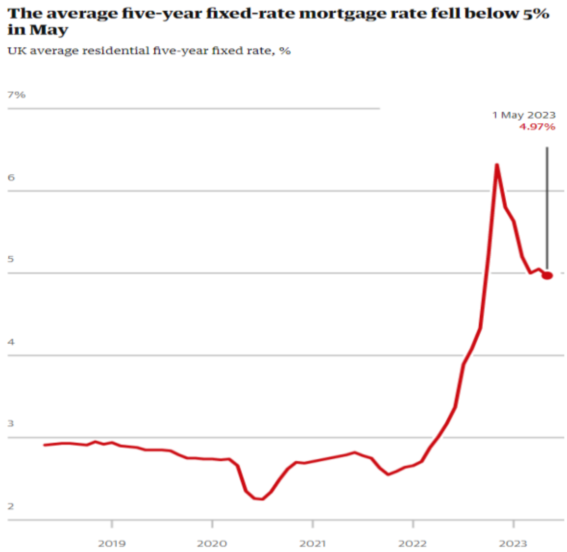


“This chimes with recent shifts in consumer sentiment,” he said. “While confidence remains subdued by historic standards, people’s views of their own financial position over the next 12 months, and general economic conditions in the year ahead, have both improved markedly in recent months.”

“If inflation falls sharply in the second half of the year, as most analysts and the Bank of England expect, this would further boost confidence, especially if job market conditions remain strong. Unemployment has remained relatively low despite the economic slowdown.”

“This, in turn, would also be likely to support a modest recovery in housing market activity,” Gardner said. “But any upturn is likely to remain fairly pedestrian, as it will take time for household finances to recover, since average earnings have been failing to keep pace with inflation, and by a wide margin over the last few years.”

While mortgage interest rates are well below the highs seen in the wake of Liz Truss's disastrous mini-budget last year, rates are more than double the level prevailing a year ago. The Bank of England has rapidly increased interest rates, with 11 rises in a row to 4.25%, in an attempt to curb inflation of above 10%. It is expected to raise rates by another quarter of a percentage point to 4.5% when policymakers meet next week.



Tom Bill, the head of UK residential research at the property firm Knight Frank, said: "The reverberations from the mini-budget that shook the UK property market are fading.

"Price declines are bottoming out and many buyers have accepted the new normal for mortgage rates as stability returns to the lending market. Boosted by savings accumulated during the pandemic, record levels of housing equity and a strong jobs market, activity has been solid without being spectacular this year. Supply is rising, which will increase downwards pressure on prices but the market is returning to Earth rather than falling off a cliff."

By Julia Kollewe
Date 2nd May 2023

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