

UK HOUSE PRICE RECOVERY – *ARE WE THERE YET?*

Following months of falls in the value of the UK's property, house prices increased by 0.5% during April, according to the latest data¹.

April's monthly increase follows seven consecutive monthly declines offering a tentative sign of recovery. However, it still leaves prices 4% below their August 2022 peak.

Looking at the annual figures, house prices dropped by 2.7% in the year to April 2023 - an improvement on the 3.1% plunge the Nationwide Building Society reported in the year to March 2023.

Recent Bank of England data suggests that housing market activity remained subdued in the opening months of 2023, with the number of mortgages approved for house purchase in February nearly 40% below the level prevailing a year ago, and around a third lower than pre-pandemic levels.

However, in recent months industry data on mortgage applications point to signs of a pickup. In total, mortgage approvals for house purchases increased to 43,500 in February, up from 39,600 in January².

Figures from Zoopla³ highlight that the housing market is seeing a steady and sustained recovery in buyer demand and continued growth in the number of agreed property sales.

The number of homes for sale continues to rise and is now 66% higher than a year ago, which is boosting choice for buyers, driving 6% more agreed sales than in 2019 which is in line with the 5-year average. The housing market remains on track for 500,000 sales in the last three years to £55,900⁴.



For a two-bedroom the household income required is £51,000, up by £4,900. The average asking price of a three-bed home first-time buyer home is £230,000, and £210,000 for a two-bed property. On the plus side - for all types of buyers - wage growth has been running at around 7% in the private sector⁵, which will help improve housing affordability over time.

Outlook for borrowers

Existing and soon-to-be homeowners must accept that higher mortgage costs are the new normal for now. Even if they continue to trend lower, rates will still be far higher than borrowers have been used to in recent years.

Anyone remortgaging soon could weigh up taking a variable home loan, bearing in mind that there might be a short-term rise to contend with. The average two-year tracker deal has now passed the 5% mark for the first time for many years, making them perhaps the less attractive.⁶

Alternatively, there's the option to choose a two-year fixed rate over a longer five-year fix in the hope that rates will have eased by 2025. Affordability is key, and for some, flexibility will be a priority.

With so many choices - and no crystal ball at hand - the best option is to consult an independent mortgage broker who can help you decide the best route for your circumstances and source the best rates in the current market.

Use our [free mortgage calculator](#) to give you an idea of how much you could borrow and how changes could affect your repayments.

Your home may be repossessed if you do not keep up repayments on your mortgage.

Sources:

¹<https://www.nationwidehousepriceindex.co.uk/reports/house-price-growth-shows-signs-of-stabilisation-in-april>

²<https://www.reuters.com/world/uk/uk-mortgage-approvals-rose-more-than-expected-february-boe-2023-03-29/>

³ <https://www.zoopla.co.uk/discover/property-news/house-price-index-may-2023/>

⁴ <https://www.zoopla.co.uk/discover/property-news/house-price-index-may-2023/>

⁵<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/january2023>

⁶<https://www.standard.co.uk/business/money/choice-of-mortgage-deals-tops-5-000-but-some-rates-have-climbed-higher-b1076854.htm>