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Is there light at the end of the Property Market tunnel? Experts react to Nationwide HPI data

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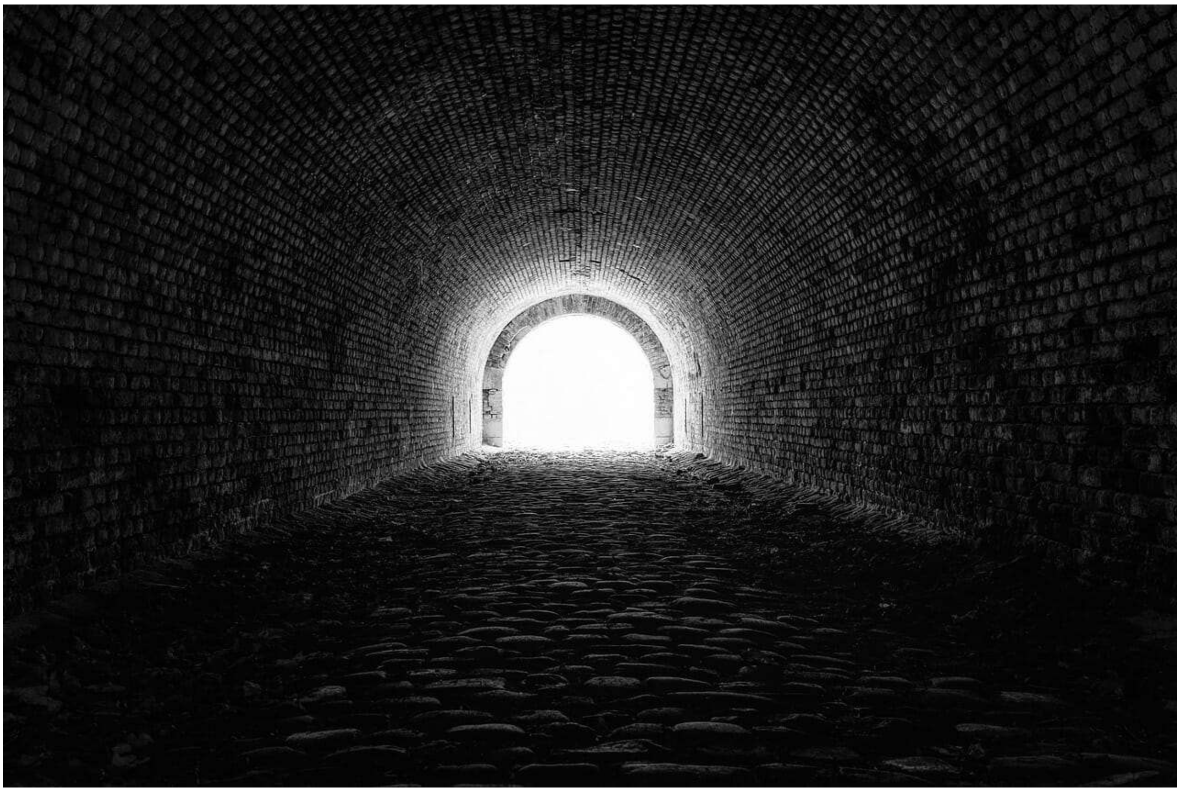

This morning's House Price Inflation (HPI) data from Nationwide(https://ifamagazine.com/house-price-growth-remained-weak-in-september-nationwide/) has been much anticipated by Mortgage and Property professionals.

The data showed that annual house price growth was virtually unchanged over the month and in response mortgage and property experts have commented.

Robert Winfield, Managing Director at Chartwell Funding said: "Today's figures from Nationwide mirror what we are seeing at Chartwell Funding. We are doing lots of mortgages for house purchases, but the average purchase price is low. This means the average loan size is also on the low side, but the repayments are less affected by interest rate swings and we are seeing less fall throughs as a result. Some Estate Agents are telling us that they haven't sold anything over £300,000.00 for weeks and this is causing the housing market to be subdued at present.

"I am optimistic that 2024 will see more activity when the news of rate rises becomes a distant memory and affordability improves to increase maximum loan sizes and reduce monthly payments. This slump has made some lenders look at their criteria to remain competitive and as ever we will come out of this lull with better tools at our disposal to help more clients on too and up the property ladder."

Ian Angus-Felton. Senior Mortgage and Insurance Broker & Technical Manager at Green Shoot Financial said: "If stability and resilience are to be taken as positive signs then yes, there is the distant glimmer of light at the end of the tunnel. We have to put these figures into context and remember that the astonishing growth in prices and activity off the back of the Covid pandemic was, like the pandemic itself, unprecedented. I think what we are seeing now are prices and activity making small national and regional adjustments. With the cost of borrowing starting to fall slightly and the base rate pretty much at its peak now, these are factors which promote stability in the property market."

Richard Dana, CEO at Tembo Money said: "As the mortgage rates start to move towards 4.5% its likely things will start to move a little more quickly. Volumes are remaining pretty steady at the moment, but converting cases and getting them over the line is taking longer than usual.

“There is often more complexity and it is taking longer to negotiate prices as there is still a gap between what a seller wants and the reality. The second half of September was busy so it will be interesting to see how things unfold in October. I wouldn’t want to call it just yet as there are so many twists and turns but we are seeing a lot of top of funnel interest from first time buyers. They just need to work out whether now is the best time to buy. With demand softer, there are certainly some good deals out there.”

Amanda De Courcy, Director at ADC Financial Limited said: “There might be a glimmer of light, but it’s a long way off yet.

“Interest rates, although they are starting to stabilise, are still high and unlikely to significantly reduce over the next couple of years. The serviceability stress testing undertaken by lenders means that most people cannot prove affordability, and therefore their ability to borrow is reduced.

“This is stifling housing growth. Whereas pre pandemic one could obtain an affordable mortgage, that’s no longer true, and house prices reflect demand, which is low for this very reason. In my opinion, lenders are just starting to realise they need to get money out the door, and some are making it a little easier to borrow. Another year should see the seeds of a better outlook for the housing market.”

Tony Silver, Director at White House Mortgages Limited said: “With interest rates set to remain stubbornly high for the foreseeable future, house price growth will suffer, unless the lenders change their affordability calculations.

“Currently we are seeing decisions in principle failing due to a lenders perceived lack of affordability. Even if we can get a mortgage application over the affordability hurdle, we then have to contend with the immovable object in the form of the RICS surveyor, who seems to be under instructions from the RICS to down value the property. Interestingly when speaking to my cousin, who is a highly experienced Chartered Surveyor, he blames the downward trend on the automated valuation modules used by the large scale lenders, in order to reduce their costs in providing the mortgage.

“Traditionally it was possible to challenge down valuation, by providing three recent comparables, however there is a reluctance by the lenders to allow such challenges to the valuation report.

“The Nationwide HPI report, mentions the tendency of purchasers to buy lower priced flats, however what it fails to mention is that new build flats are consistently down valued, as well as the lenders insisting on larger deposits for a new build flat as opposed to any other type of property.

“Although I doubt that we will see a property price crash, we won’t see a reversal of the downward trend until interest rates dip below the 4.0% barrier, which is unlikely to happen anytime soon.”