



Mortgage turmoil shakes housing market

A turbulent economic and political month has dramatically altered the outlook for the UK housing market.

The government's 'mini-budget', announced on 23rd September, caused interest rate expectations to soar, which led to lenders rapidly withdrawing products. A third of mortgage deals disappeared overnight on 27th September; within a fortnight, 43% fewer products were available, according to MoneyFacts.

With the majority of the 'mini-budget' measures now shelved, analysts expect some buyers will delay their purchase in the hope of falling interest rates. If rates do hit the current expected levels, however, the budgets of those looking to buy could be significantly impacted.

Prior to the market turmoil, data released for sales activity in August had been positive, with 114,000 transactions recorded, according to HM Revenue and Customs. This is roughly in line with the 2017-2019 average; indeed, forward indicators for September had suggested sales agreed (12%) and mortgage approvals (14%) would also be above pre-pandemic levels.

Analysts agree that activity is likely to fall sharply in October. Buyer caution could quickly shift the balance of supply and demand over the next few weeks if uncertainty in the mortgage market endures.

Stamp Duty changes

Home movers in the lower price brackets in England and Northern Ireland look set to save up to £2,500 following the Stamp Duty changes announced in the government's 'mini-budget'.

The measure, one of the few to have survived the new Chancellor's statement on 17th October, increases the residential nil-rate threshold from £125,000 to £250,000.

For First-Time Buyers (FTBs), the nil-rate threshold has risen from £300,000 to £425,000. The maximum property price to be eligible for First Time Buyers' Relief is now £625,000.

The government describes the measure as part of its commitment to support homeownership and promote mobility in the housing market. Announcing the measure, former Chancellor Kwasi Kwarteng noted, *"Cuts to Stamp Duty will get the housing market moving and support first-time buyers to put down roots."*

Scottish tenants protected by rent freeze

New legislation passed by the Scottish Parliament has frozen most rents until April 2023 in response to soaring housing costs and cost-of-living concerns.

The Cost of Living (Tenant Protection) (Scotland) Bill, which was fast-tracked through the Scottish parliament's scrutiny process, gives ministers temporary powers to cap private and social rents. Almost four in ten households currently rent their home in Scotland.

First minister, Nicola Sturgeon, has described the cost-of-living crisis as a *"humanitarian emergency"* that *"poses a danger not just to livelihoods but to lives"*.

Exceptions to the rent freeze are allowed where a landlord faces increased property costs, mortgage interest payments and some insurance costs. Evictions too will only be allowed under certain circumstances.

House prices headline statistics

House Price Index (August 2022)	155.2
Average House Price	£295,903
Monthly Change	0.9%
Annual Change	13.6%

- Average house prices in the UK increased by **13.6%** in the year to August 2022
- On a non-seasonally adjusted basis, average house prices in the UK increased by **0.9%** between July and August 2022
- House price growth was strongest in South West England where prices increased by **17%** in the year to August 2022.

Source: The Land Registry
Release date: 19/10/22
Next data release: 16/11/22

House prices Price change by region

Region	Monthly change (%)	Annual change (%)	Average price (£)
England	1.0%	14.3%	£315,965
Northern Ireland (Quarter 2 - 2022)	3.2%	9.6%	£169,093
Scotland	0.2%	9.7%	£195,391
Wales	0.2%	14.6%	£220,059
East Midlands	2.3%	16.9%	£255,114
East of England	1.2%	14.3%	£364,885
London	0.9%	8.3%	£552,755
North East	0.9%	14.3%	£164,395
North West	0.4%	15.3%	£219,025
South East	1.4%	14.8%	£406,981
South West	1.3%	17.0%	£335,927
West Midlands Region	-0.2%	13.9%	£255,202
Yorkshire and The Humber	0.8%	13.9%	£212,313

Average monthly price by property type – August 2022

Property Type	Annual Increase
Detached £466,016	15.3%
Semi-detached £285,575	14.2%
Terraced £241,932	13.7%
Flat / maisonette £238,438	10.1%

Source: The Land Registry
Release date: 19/10/22

Housing market outlook

“High inflation is exerting significant pressure on household budgets with consumer confidence declining to all-time lows. Housing affordability is becoming more stretched. Deposit requirements remain a major barrier, with a 10% deposit on a typical first-time buyer property equivalent to almost 60% of annual gross earnings – an all-time high. Moreover, the significant increase in prices in recent years together with the significant increase in mortgage rates since the start of the year have pushed the typical mortgage payment as a share of take-home pay well above the long-run average.”

Robert Gardner, Nationwide's Chief Economist
Source: Nationwide September 2022

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All details are correct at the time of writing (20 October 2022)

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