

# Q1 2024 Property Market Insight



## Market Update

Q4 2023 saw a better end than predicted in terms of economy and inflation with an increased number of mortgage approvals that continue to trend upwards. Net mortgage approvals were up in November (50,100) compared to 47,900 in October this is likely due to the market reassessing interest rate predictions because of the drop in inflation, resulting in lenders offering more competitive interest rates than we have seen recently. Although that number is down 24% on the same period just before the pandemic, it is a good indication of confidence returning to the market. This trend is likely to continue in Q1 of 2024 with many lenders reducing fixed rates already this year. Markets are predicting the BOE will start cutting rates from the Spring of 2024, potentially taking the policy rate to 3.75 by the end of the year.

Source: [UK mortgages and services data point to stronger fourth quarter \(ft.com\)](https://www.ft.com)

## Mortgage Rates

A critical element in the property market in 2024 will be product rates, 2022-2023 saw a sharp increase in interest rates, this coupled with restricted affordability due to the cost of living and a downturn in mortgage approvals resulted in a much quieter

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property market. December saw rates drop below 6% and as at 5<sup>th</sup> January 2024 the average 2 year rate sat at 5.83%. Rates are predicted to fall through 2024 albeit slower than they rose at the end of 2022, meaning homebuyers and remortgage clients are likely to still feel the monetary pressures of rates throughout this year. If you are looking to buy or switch product in 2024, consider the term of your fix, although 5 year fixes are more competitive currently, if rates fall faster than predicted you may not benefit from the potential savings.



### Remortgages and First Time Buyers

It is estimated that approximately 1.5 million households will come to the end of their deal in 2024, the impact of falling rates will cushion the blow slightly but will still be an increase on the rates available two years ago which were around 1.1%, the cheapest 60% LTV deal is currently around 4.7%. It is always worth speaking to a mortgage adviser to ensure you are on the best deal for your circumstances.

It has been a tough few years for first time buyers, not only has there been an increase in property prices through the pandemic, there have been sharp rises in the cost of borrowing. FCA data indicates the number of mortgages with terms upwards of 35 years more than doubled between 2018 and 2022 and this is likely to continue with affordability being squeezed across the demographics.

### Property Sales

Some good news in the property market is that more properties seem to be listed onto the market, this coupled with falling interest rates, better than predicted inflation

and lender policy changes around affordability mean we may be seeing the return to a 'buyers market.' For clients looking to enter the market in 2024 I would advise you to get as mortgage ready as possible – get your affordability worked out for you by an adviser, not just for the initial purchase, but also the ongoing monthly costs of your borrowing and expense budget, then get your decision in principle in place.

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