

# Property prices falling faster than expected as rate rises hit demand

The fall in [house prices](#) is picking up speed with values now dropping at their fastest pace since June 2009, according to new figures today.

The average cost of a home was down a bigger than expected 5.3 per cent to £259,153 last month from their peak in August 2022, data from lender [Nationwide](#) revealed. The year-on-year rate of decline had been 3.8 per cent in July.

Demand for [homes](#), particularly among [buyers](#) needing a large mortgage, has plummeted over the summer as the impact of higher interest rates has taken its toll on affordability.

Nationwide said mortgage approvals in recent months have been about 20 per cent below pre-pandemic levels.

The building society's chief economist Robert Gardner said: "A relatively soft landing is still achievable, providing broader economic conditions evolve in line with our and most other forecasters' expectations."

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He added: “An examination of the composition of transactions reveals that cash purchases, though down from the 2021 highs, have been remarkably resilient, while purchases involving a mortgage have slowed much more sharply.”

But Kundan Bhaduri, director of Hatton Garden-based property developer and portfolio landlord The Kushman Group, said: “This latest data from the Nationwide paints a bleak picture of the UK property market.

“The London property market, in particular, is currently at a critical juncture, with experts warning of a potential crash that could result in a 20 per cent drop in property values if mortgage rates remain high.

“Despite 14 interest rate increases by the Bank of England, [property prices](#) in the capital have remained relatively resilient. One major concern is the nearly one million fixed-rate [mortgages](#), including around 100,000 in London, that need refinancing before the end of the year.”

Mortgage experts today also warned of a “mass exodus” of London landlords that could push prices down further still. It came as data showed that those renewing buy-to-let mortgages in the capital this winter could be an average of £6,384 worse off each year.

Research from mortgage insight platform Dashly, based on 1,000 fixed-rate deals set to expire between next month and April 2024, found that even if landlords switch to the best available rate, their monthly payments could almost double from £662 to £1,194 as average rates rise 2.24 per cent to 5.42 per cent. That is likely to leave many with little option but to sell.