

Buyers struggling to afford homes after mini-budget despite prices falling

Buyers are increasingly struggling to afford homes despite prices falling faster, according to a closely watched report.

Average prices fell by 1.4% last month, up from a 0.9% drop the month before, Nationwide Building Society found.

The mortgage lender said it was the biggest monthly drop since June 2020.

It took the annual pace of price growth to 4.4% from 7.2% and the average cost of a home to £263,788.

The findings build on wider evidence of a marked slowdown, partly linked to rising flexible mortgage rates after successive rises to Bank rate by the Bank of England since December last year to tackle soaring [inflation](#).

Nationwide said it was clear that wider mortgage conditions were yet to recover from the financial market meltdown that followed the Truss government's mini-budget growth plan in September, which hammered confidence in the UK's public finances.

Lenders withdrew offers and temporarily halted deals as the value of the pound hit a record low and borrowing costs surged.

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Fixed term rates have taken time to ease back towards pre-growth plan levels, damaging affordability.

It has been exacerbated by the wider [cost of living crisis](#), with pay growth lagging far behind the pace of price increases in the economy.

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Property website Zoopla reported this week that homes had been typically selling for [3% below their asking price](#) in recent weeks and warned that figure was likely to deteriorate further

next year.

Robert Gardner, Nationwide's chief economist, said: "While financial market conditions have stabilised, interest rates for new mortgages remain elevated and the market has lost a significant degree of momentum."

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He added: "Housing affordability for potential buyers and home movers has become much more stretched at a time when household finances are already under pressure from high inflation.

"The market looks set to remain subdued in the coming quarters. Inflation is set to remain high for some time and Bank rate is likely to rise further as the Bank of England seeks to ensure demand in the economy slows to relieve domestic price pressures."