First monthly house price fall for 15 months blamed on ‘mini-budget turmoil’

“Turmoil” caused by the government’s mini-budget in September has prompted the first fall in house prices for 15 months, according to a closely-watched report

Nationwide, the UK’s largest mortgage lender, reported a 0.9% dip to £268,282 in October on the previous month’s average figure.

The building society predicted that prices would continue to ease in the months ahead as interest rates continue to rise due to Bank of England action to combat **inflation**.

The price fall marked the first month-on-month decline since July 2021 and meant that growth was up by 7.2% on an annual basis compared to September’s figure of 9.5%.

The data was worse than analysts had expected.

Borrowing costs soared and many mortgage lenders, including Nationwide, suspended loans temporarily in the wake of the mini-budget of 23 September.

That was because the £45bn programme of unfunded tax cuts to spark growth in the economy backfired on financial markets, which determined that the government, then led by Liz Truss, had lost economic credibility.

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Nationwide's chief economist, Robert Gardner, said: "The market has undoubtedly been impacted by the turmoil following the mini-budget, which led to a sharp **rise in market interest rates**.

“Higher borrowing costs have added to stretched housing affordability at a time when household finances are already under pressure from high inflation.”

He added: “Longer term borrowing costs have fallen back in recent weeks and may moderate further if investor sentiment continues to recover.

“Given the weak growth outlook, labour market conditions are likely to soften, but they are starting from a robust position, with unemployment at near 50-year lows.

“Moreover, household balance sheets appear in relatively good shape with significant protection from higher borrowing costs, at least for a period, with over 85% of mortgage balances on fixed interest rates.

“Stretched housing affordability is also a reflection of underlying supply constraints, which should provide some support for prices.”