House price decline stutters after interest rate pause and summer slowdown

The sharp decline in house prices took a pause for breath last month, according to a closely-watched report.

Nationwide said prices were unchanged in September compared to the previous month.

The lender had reported a 0.8% fall in August.

It meant that prices were still 5.3% lower than a year earlier, equalling the biggest annual drop since 2009.

Nationwide's monthly index reflected the conclusion of the typical summer holiday slump in housing market activity and was the first reading of conditions since the Bank of England's last interest rate decision.

The vote to maintain the rate at 5.25% last month marked the end of a hiking cycle over 14 consecutive meetings.

While the Bank could yet impose further rises to tackle any further inflationary pressures in the economy, lower market expectations for further rises have been reflected in fixed mortgage rates.

Moneyfacts reported last week that the average five-year fix on the market had fallen below 6% for the first time in almost three months.

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Fall in house prices ‘good thing’ in long term

The Bank’s action to tame inflation has been the primary cause of this year’s house price slump due to the additional monthly costs that borrowers have been forced to swallow – on top of the wider [cost of living crisis](#).

These additional costs are also being passed on by landlords in the rental market – also being propped up by a shortage of properties.

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Bristol renters face frenzied competition

Nationwide chief economist Robert Gardner said of its findings: “This relatively subdued picture is not surprising given the more challenging picture for housing affordability.

“For example, someone earning an average income and purchasing the typical first-time buyer home with a 20% deposit would spend 38% of their take home pay on their monthly mortgage payment – well above the long-run average of 29%.

“However, investors have marked down their expectations for the future path of Bank rate in recent months amid signs that underlying inflation pressures in the UK economy are finally easing, and with labour market conditions softening.

“This in turn has put downward pressure on longer term interest rates which underpin fixed rate mortgage pricing.

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“If sustained, this will ease some of the pressure on those remortgaging or looking to buy a home,” he explained.

Jonathan Hopper, CEO of Garrington Property Finders, said of the Nationwide data: “This may be the first ray of sunshine in what has been a gloomy market for many months.

“The unravelling of the post-lockdown boom still has some way to run, but based on today’s Nationwide data, there are tentative signs that the pace of price correction may be levelling out.

“If interest rates are near their peak, this may provide some much needed clarity and confidence back into the market.”