Mortgage approvals drop in further sign of housing market slowdown

Mortgage approvals dropped almost 10% last month, new Bank of England figures show.

The net decrease – from 54,600 in June to 49,400 in July – is a five-month low and worse than expected. A poll of economists predicted the figure would be around 51,000.

It comes following a string of figures from lenders and property firms which suggest the housing market is slowing down.

Leading property website Zoopla said on Wednesday morning that the UK was **on track for around one million house and flat sales by the end of this year** – the lowest level since 2012.

Experts have warned that **high interest rates** and the **cost of living crisis** are having an impact on affordability for many.

The Bank of England's monthly money and credit report, published on Wednesday, also found that the amount of money borrowed by consumers fell to £1.2bn in July, **down from a five-year high in June**.

Households deposited an additional £0.4bn with banks and building societies in the same month – down sharply on £3.8bn in June. That appears to suggest individuals' finances are becoming more stretched, commentators said.

Meanwhile, net borrowing of mortgage debt increased for the third consecutive month to £0.2bn in July, while approvals for remortgaging increased slightly from 39,100 to 39,300 during the same period.

The average two-year fixed residential mortgage rate is currently 6.72%, while the five-year rate is 6.21%, according to Moneyfacts.

But experts said the full effects of the latest rises were yet to be felt.

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The "effective" interest rate – the actual interest rate paid – on newly drawn mortgages was 4.66% in July, the Bank of England said.

Andrew Wishart, a senior property economist from Capital Economics, said: "The decline in mortgage approvals to a five-month low in July showed the renewed surge in mortgage rates since April has begun to take its toll.

"But given the lag between quoted mortgage rates and approvals, the full impact is unlikely to become clear until September.

"It takes two to three months for developments in quoted mortgage rates to feed through to housing market activity… so further falls in mortgage approvals lie ahead."

Alice Haine, a personal finance analyst at Bestinvest, said: “Mortgage lending is likely to remain weak over the coming months as buyer demand and spending power continues to get pummelled by soaring interest rates and high living costs.

“Average mortgage rates **may have now softened from their July peak**, but that will do little to ease the stress and anxiety for new buyers desperately trying to secure their first deal or those looking to refinance who face significantly higher repayment levels.

“As affordability challenges mount, property prices will come under increasing pressure, forcing sellers to market their homes more competitively if they want to secure a sale.”