

Asking prices for newly listed property falling

Asking Prices See Smallest October Rise Since 2008

The average asking price for newly listed properties on the market rose by just 0.5% (+£1,950) this month to £368,231. This is the smallest increase in asking prices typically seen in October since 2008, and significantly below the average rise of 1.4% seen in this month over the last 20 years. While prices are still creeping upwards on average, buyer activity levels remain much lower than during the frenzied market conditions seen over the past couple of years during the pandemic.

17% Drop in Number of Sales Being Agreed

The number of sales being agreed is now 17% lower than at the same time last year. During the height of the market frenzy, around eight in ten properties finding a buyer and being marked as Sold Subject to Contract. This has now dropped to a more normal sales rate of six in ten properties finding a buyer in the current market conditions.

Although buyer demand is still reasonably strong, agents report that sellers need to capture attention immediately by pricing competitively from day one of marketing. Analysis by Rightmove shows those who start with an unrealistically high asking price and then reduce later seriously damage their chances of a sale. But many sellers still seem to be struggling to adjust their pricing approach to align with the new market reality.

Immediate Buyer Enquiries Critical

The number of buyers making enquiries about each property coming onto the market remains 8% higher than pre-pandemic levels seen in 2019. However, Rightmove data shows if a property receives its first viewing or offer on the very first day of marketing, it is 60% more likely to find a buyer and get marked as Sold Subject to Contract compared to if it takes two weeks to generate any initial interest.

Estate agents say creating this immediate momentum with competitively priced properties is critical for securing a timely sale. Homes priced accurately from the outset typically sell in less than half the time of those needing a reduction. They are also 50% less likely to have the sale fall through before completion. This demonstrates why sellers who want to sell quickly need to work closely with their agent to accurately pinpoint the right asking price upfront, rather than overpricing initially and expecting to be able to reduce later without detriment.

Mortgage Market Stability Supporting Buyers

Greater stability in the mortgage market over recent weeks is steadily improving confidence amongst home-movers about what they can afford, even though rates still remain elevated compared to recent years. The average two-year fixed mortgage rate has dipped below 6% for the first time since June. Meanwhile, two and five-year fixed rates are now lower than they were a year ago immediately after the mini-Budget turmoil.

Over the past year, the house price to earnings ratio has also fallen by close to 10%, meaning affordability has improved slightly for buyers. Average fixed rates have now fallen for 11 consecutive weeks, with the average five-year fixed deal down from over 6% in September to 5.43% now. The very cheapest mortgage rates available for some loan-to-value brackets have dipped below 5%, edging closer to the psychologically important threshold.

While the market remains challenging, greater stability in mortgage rates and an improvement in affordability could provide a glimmer of hope for buyers and sellers as we move towards 2023. Sellers who want to find a buyer in reasonable time need to listen carefully to their agent's advice and position their property competitively from day one. With buyers still active for the right property at the right price, accurately priced homes should still be able to find a buyer relatively swiftly.

Pricing Remains Key In Challenging Market Conditions

The latest house price data confirms the market has come off the boil following last year's pandemic-driven boom. Asking price growth is minimal, sales volumes are down and it is taking longer for properties to sell. In this environment, pricing accurately from the outset is critical for sellers who want to find a buyer within a reasonable timeframe.

Those who overprice initially and then reduce later face a much tougher challenge. The frenzied market conditions which allowed sellers to market properties ambitiously and still find ready buyers have now dissipated. Agents report reluctant sellers are still having to adjust their pricing mindset to the new market reality.

Settling on the right asking price requires understanding the current level of buyer demand in your local area and for your property type. Working closely with your agent and listening to their advice is key to getting this right. Homes priced competitively tend to sell twice as quickly as those needing reductions. They also have a 50% higher chance of the sale completing smoothly once agreed.

In the present market, creating immediate buyer interest with accurate pricing is more important than ever. Homes which attract early attention are much more likely to proceed smoothly to a successful sale.

Those taking two weeks or more to generate initial interest risk being left behind. With supply still outstripping demand across most of the country, standing out from the crowd with the right pricing is essential. Sellers who align expectations with the new market conditions will fare considerably better than those unwilling to adapt.

What Next For House Prices?

The turbulence seen in the mortgage market following the mini-Budget in September has started to settle down. Fixed rates have fallen for 11 consecutive weeks and affordability has improved slightly as house price growth stalls. These factors may provide a glimmer of hope for buyers and sellers as we move into 2023.

However, the market still faces significant headwinds which will constrain activity levels. Rising living costs coupled with further interest rate rises mean buyer demand is likely to remain fragile. Sellers also seem slow to adjust pricing strategies to align with the new conditions.

Economic uncertainty and weakening consumer confidence will weigh on the property market. While another price crash seems unlikely given the fundamental undersupply of housing, expect further modest declines in both prices and sales volumes over the coming months.

Vulnerable sellers who need to sell more urgently may have to accept bigger discounts. But properties priced realistically from the start should still be able to find a willing buyer in reasonable time. Working closely with your agent to accurately gauge prevailing market conditions will be key.

The frenzied market of the past two years is gone. But for buyers and sellers willing to adapt to the new reality, there are still opportunities. Accurate pricing, realistic expectations and a sensible long-term outlook will be vital in navigating the choppy waters ahead.

In Summary

- *Asking price growth in October slowest since 2008 at just 0.5% as market cools*
- *Buyer demand has fallen 17% year-on-year as sales volumes decrease*
- *Mortgage rates falling but affordability still stretched for many buyers*
- *Realistic pricing from day one of marketing now critical to achieve a sale*
- *Best chances of sale for properties in good condition and realistically priced*
- *Local agents invaluable to set right asking price and sell quickly in current climate*
- *Housing market slowdown set to continue through final months of 2022*
- *But competitively priced properties can still successfully find buyers*

This month's modest rise in average asking prices hides varied local market trends and the critical importance of competitive pricing to achieve sales in the current climate. Mortgage rate falls provide some optimism, but economic pressures mean the housing market slowdown looks set to continue through the final months of 2022. Homes priced keenly for today's buyers will sell most successfully.