

*Welcome to our first newsletter for property landlords.
We hope you find this informative and please contact us to discuss any matters further*

Housing market outlook for 2024

The *Nationwide House Price Index* for December 2023 found that UK house prices fell by 1.8% over the course of 2023, with only Scotland and Northern Ireland seeing rises during the year.

Nationwide's Chief Economist, Robert Gardner, said *"Housing market activity was weak throughout 2023. The total number of transactions has been running at around 10% below pre-pandemic levels over the past six months, with those involving a mortgage down even more (around 20%), reflecting the impact of higher borrowing costs."*

"Housing affordability has remained stretched. A borrower earning the average UK income and buying a typical first-time buyer property with a 20% deposit would have a monthly mortgage payment equivalent to 38% of take-home pay – well above the long run average of 30%."

The Bank of England has raised interest rates enough to reduce inflation to its target and interest rates are predicted to drop in coming years.

This has contributed to the recent drop in the longer-term fixed mortgage rates. This gives a more optimistic

outlook for the coming years.

However, Nationwide does not expect activity or house prices to improve rapidly in 2024.

It is predicted that income growth, combined with modestly lower house prices and interest rates, will gradually improve affordability over time.

Housing market activity is expected to remain fairly subdued in 2024.

They expect that if the economy remains sluggish and mortgage rates moderate only gradually, house prices are likely to record another small decline or remain broadly flat (perhaps 0 to -2%) over the course of the year.

Mortgage rate outlook for 2024

Competition is intensifying amongst mortgage lenders, with some major lenders announcing significant cuts on some of their products in January 2024.

According to financial information service, *Moneyfacts*, the average rate on a two-year fixed mortgage has dropped to 5.62% compared with 5.93% at the start of the year.

This is despite upheaval in the Red Sea, which could

impact upon the UK economy.

Disruption to vessels using the Red Sea and upheaval in the wider region could result in higher inflation, higher mortgage rates and lower activity than otherwise predicted.

Despite this, analysts predict that the lowering of inflation we have already seen will lead to the Bank of England cutting the benchmark rate of interest on several occasions during 2024.

These predictions have lowered funding costs for lenders, leading to increased competition in the sector.

This is good news for those nearing the end of fixed-term mortgages, although rates will still be much higher than those seen before 2021.

Construction Industry Scheme (CIS) changes:

Finance Bill 2023-24, which is currently making its way through Parliament, includes a clause that will change the *Construction Industry Scheme (CIS) Gross Payment Status Tests* from 6 April 2024.

Having Gross Payment Status means that a subcontractor can receive gross payments from contractors, as opposed to payments that have suffered a 20% or 30% deduction.



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The deductions are forwarded to HMRC and are used to offset the subcontractor's tax and NIC bills.

Under the current rules, to achieve Gross Payment Status, a subcontractor must prove they meet the following three criteria:

- The business carries out construction or provides construction labour through a UK bank account.
- Turnover is over certain limits (£30,000 for a sole trader. For partnerships and companies, either £30,000 for each partner/director or over £100,000 for the entire partnership/company).

- Tax returns have been filed on time and the taxes due paid on time in the past.

The key proposed change will add VAT returns and payments to the list of taxes that are considered for the Gross Payment Status test.

Any VAT failings that occurred before 6 April 2024 will not be considered, but subcontractors should be aware that any future VAT failures (to either submit a return or pay VAT due) may result in them having a Gross Payment Status application refused or their existing Gross Payment Status withdrawn.

Welsh Housing Market
Savills recent *Welsh Housing Market and Supply Update* predicts that while

the Welsh housing market will remain weak, the outlook is improving and Wales will outperform the rest of the UK in the next five years, with price growth of 21.4%.

House prices and transaction activity fell in 2023 due to mortgage rates and affordability constraints.

This trend is expected to continue in 2024 but Savills predict that with interest rates being expected to fall in the second half of 2024, affordability and demand will improve.

They predict that this will allow price growth from 2025 to 2028 of 23.9%.

The report can be viewed [here](#).

Look out for pertinent *Fact Sheets* coming your way soon.

If you find this service of no value, email: admin@williamsaccountants.com and we will stop crowding your inbox.