

Mortgage Market Forecasts



Release date: 12 December 2022

UK Finance: Mortgage Market Forecasts 2023-2024

UK Finance predict a softer mortgage market in 2023, as affordability comes under pressure from inflation and rising interest rates.

Following the extreme disruption of the previous two years, first from Covid-19 and then from the Stamp Duty holiday, 2022 saw a "return to normal" in mortgage lending, with house purchase activity closely following trends seen immediately before the pandemic. Meanwhile remortgage activity was robust as strong volumes of fixed rate mortgages came to the end of their deal rates and customers looked to refinance.

Over the next two years, we expect cost-of-living pressures and a rising interest rate environment to increase the pressure on new mortgage affordability, which will reduce effective demand for new house purchase mortgages.

2023 will see a further increase in the numbers of fixed rate mortgages coming to the end of their deal rates and this will support demand for mortgage refinancing. However, the same affordability pressures facing prospective new borrowers will also impact on this market and some, particularly amongst lower income brackets, may find remortgaging options more limited on the open market. However, with the widespread availability of internal Product Transfers - which do not require the same affordability assessments - we expect refinancing overall to be strong through next year.

With official forecasts of unemployment - historically the key determinant of mortgage arrears - showing a relatively small increase, we expect the vast majority of borrowers to continue to be able to keep up with their mortgage payments. However, any increase in unemployment, together with the ongoing cost-of-living squeeze and rising rates, will nevertheless put increasing pressure on households, and we expect this to begin to show in rising mortgage arrears from early 2023, increasing through the year and into 2024.

Possessions numbers rose modestly through 2022 as lenders and the courts worked through the backlog of cases which had built up through the possessions moratorium in place in the early months of the pandemic. As court capacity has recovered from the limitations following the end of the moratorium, numbers of possession cases have risen and we expect this to continue to do so, albeit slowly, through the next two years as the backlog is cleared. However, with arrears currently still near historic lows and very few new arrears cases emerging to date, we do not expect material numbers of possessions related to issues arising either from Covid-19 or the current headwinds facing household finances until well into 2024.

Commenting on the forecasts, James Tatch, Pincipal, Data and Research at UK Finance said:

"As we look ahead, the mortgage market is expected to enter a period of relative weakness from next year as house prices, the cost-of-living and interest rate pressures put a brake on new demand.

"The high level of activity during the 2021 Stamp Duty holiday means that a large number of borrowers are due to refinance next year, pushing up the expected value of refinancing in 2023. The pressures being seen on household finances could mean that some customers have fewer options. However, there is wide availability of product transfers - we would encourage customers to speak to a whole of market mortgage adviser to discuss the options best suited to their circumstances.

"As always, any customers who find themselves in difficulty should speak to their lender at an early stage, as the industry stands ready to help with a range of forbearance options that can be tailored to best suit individual customers' circumstances."

Notes to Editor

1 For more information please call the UK Finance press office on 020 7416 6750 or mail press@ukfinance.org.uk.

2 UK Finance is the trade association formed on 1 July 2017 to represent the banking and finance industry operating in the UK. It represents almost 300 firms in the UK providing credit, banking, markets and payment-related services. The organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.

3 Product Transfer activity does not feature in official measures of gross mortgage lending but is published separately by UK Finance on a quarterly basis.

Next update: December 2023



Mortgage Market Forecasts



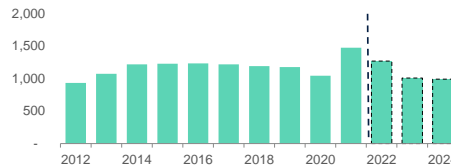
Release date: 12 December 2022

Property transactions

Next year (2023) Y-o-Y comparison

Property transactions

Number of residential property purchase transactions (000s)



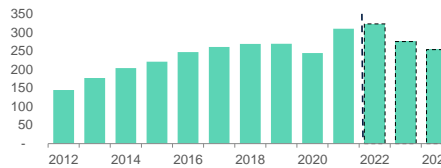
Total 1,009 -21%

Gross lending

Next year (2023) Y-o-Y comparison

Gross mortgage lending

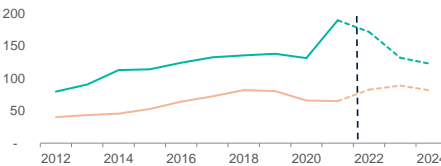
Gross 1st charge residential mortgage lending (£ billions)



Total 275 -15%

Lending to homeowners

Value of gross mortgage lending to purchase or remortgage property for owner occupation (£ billions)

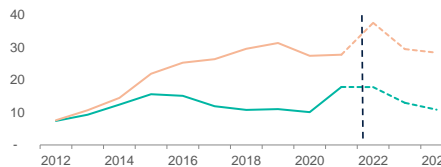


House purchase 131 -23%

Remortgage 89 8%

Lending to landlords (buy to let)

Value of mortgage lending to purchase or remortgage property for buy-to-let landlords (£ billions)



House purchase 13 -27%

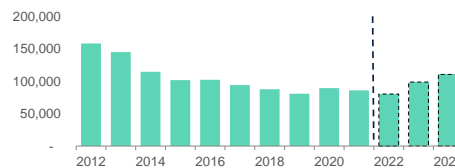
Remortgage 30 -22%

Arrears and possessions

Next year (2023) Y-o-Y comparison

Mortgage arrears

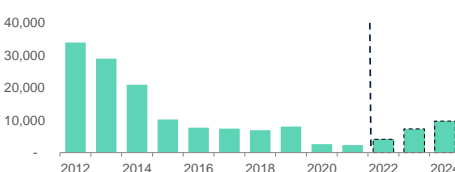
Number of 1st charge mortgages in arrears representing over 2.5% of balance outstanding at end of period



Total 98,500 23%

Number of mortgage possessions

Number of possessions of first charge mortgaged properties in period



Total 7,300 78%

Release date: 12 December 2022

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Source table	
Property transactions																	
Number of residential property transactions (000s)		Total	885	932	1,074	1,219	1,230	1,235	1,220	1,192	1,177	1,045	1,476	1,270	1,009	991	PT1
Gross mortgage lending																	
Total (£ billion)		Total	138	144	177	204	220	247	260	269	269	244	310	322	275	253	MM8
Of which: for house purchase (£ billion)		Homeowners	73	79	90	112	114	124	132	135	137	131	189	171	131	122	RL3
		Buy-to-let	6	7	9	12	16	15	12	11	11	10	18	18	13	11	MM17
Of which: for remortgaging (£ billion)		Homeowners	45	40	43	45	53	64	72	82	80	66	65	82	89	81	RL4
		Buy-to-let	6	8	11	15	22	25	26	30	31	27	28	38	30	28	MM17
Product Transfers																	
Value (£ billion)		Homeowners	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	168	168	193	197	212	193	RF14
Net mortgage lending																	
Net lending (£ billion)		Total	7	10	14	23	35	41	46	45	49	47	73	72	41	38	MM13
Mortgage arrears and possessions)																	
Arrears		Total 1st charge mortgages in arrears representing over 2.5% of the outstanding balance	161,400	157,900	144,600	114,400	101,600	102,000	93,800	87,500	80,600	89,300	85,700	80,100	98,500	110,300	AP2
Possessions		Total 1st charge mortgaged properties taken into possession	37,300	33,900	28,900	20,900	10,200	7,700	7,400	6,900	8,000	2,600	2,300	4,100	7,300	9,700	AP4

Source data tables are available to UK Finance members or data associates from www.ukfinance.org.uk/industry-data/industry-data-tables/. For information or enquiries, please contact ukstatistics@ukfinance.org.uk

For media enquiries, journalists should contact press@ukfinance.org.uk

Next update: December 2023