



2023 Property Market Predictions

# What Will Happen to the UK Housing Market Next Year?

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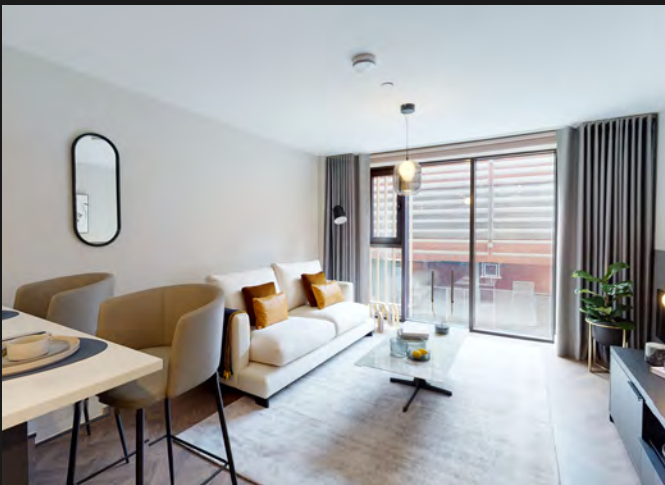
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# What Will Happen to the UK Housing Market Next Year?

2022 was an exciting year for the property market, with massive growth in house prices and rents across the UK which was good news for investors.

The most recent data from the UK House Price Index shows that house prices rose by over £33,000 from 12 months ago in 2021, a growth of 12.6%!



A new year is often seen as a fresh start, and for many, it is a chance to try new things and begin **new adventures**.

For those looking to invest their money, property investment is often a strategy they consider at the start of the new year.

Investing in property is one of the safest ways of investing money, as it offers strong returns over time in a stable market. Buy-to-let properties allow you to collect rental income each month while benefiting from capital appreciation, which is where your property increases in value over time so that when you sell, you make a profit.

With us coming to the end of such an exciting year for the property market in 2022, you may be wondering what is likely to happen in 2023.

With that in mind, we have put together this guide to break down what we think some of the major headlines of 2023 will be, and what they will mean for investors.



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# House Price Growth Will Temporarily Slow Down, But Future Growth Is Expected

2022 was a fantastic year in terms of capital appreciation, as house prices snowballed over the course of the year.

The average house price in the UK as of October 2022 was £296,000. When compared to the average price of December 2021, £275,000, you can see that this is a sizeable level of growth.

Some areas of the UK saw even higher levels of growth, such as the North-West. Thanks to property hotspots like Manchester and Liverpool, this area of the UK experienced annual growth of 16.1%, significantly higher than the national average.

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However, it is unlikely that this period of prosperity will last. Two of the main reasons behind this rapid growth are how the UK recovered from the effects of the COVID-19 pandemic and the high demand for property combined with the low levels of supply.

However, with us now being two years post-lockdowns, the economy has mostly recovered from COVID-19 and its effects.

While there is still high demand for housing, the rapid rise of house prices has met with the cost of

living crisis that the UK is currently experiencing, making housing unaffordable to many at the current rate of inflation.

Therefore it is unlikely that house prices will continue to grow at the rapid rate that we have experienced so far in 2022, and that growth will slow down in 2023.

In fact, due to the cost of living crisis and the tumultuous state of the UK economy after the political upheaval we experienced in the latter half of 2022, it would not be surprising to see house prices fall a small amount in 2023.

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The latest forecast from Savills predicts that house prices could fall by up to 10% across the UK in 2023, **but this is no cause for alarm.**



Instead, think of it as a natural reset button for the housing market after a chaotic 2022, where housing will become more affordable for many. Savills' forecast also predicts that house prices will rise overall by 6.2% by 2027, so if you see house prices fall in 2023, don't panic and consider it a permanent change.

In fact, for investors, 2023 presents a prime opportunity to invest in UK property while prices are low but set to increase.

Back in 2020, house prices in the UK saw a temporary slump during the beginning of the COVID-19 pandemic, with average prices falling by 0.6% between March and April. By the end of 2020, average UK property prices had risen to record levels and continued to rise ever since, meaning investors had made strong capital growth returns.

If you want to secure the best capital growth in the long-term, consider a 2023 UK property investment.



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# Mortgages Will Become More Affordable - But Off-Plan Will Still Be More Valid For Investors

The last few months of 2022 saw mortgage rates skyrocket as a means to combat inflation. In October, they reached 14-year highs, and even when they began to calm down in November, six-year mortgage rates were still 5.95% according to Bloomberg.

For investors, this was bad news. Buy-to-let mortgages traditionally have higher interest rates than standard residential mortgages due to the increased risk, and the fact that you pay off the accrued interest throughout the mortgage rather than the mortgage itself.

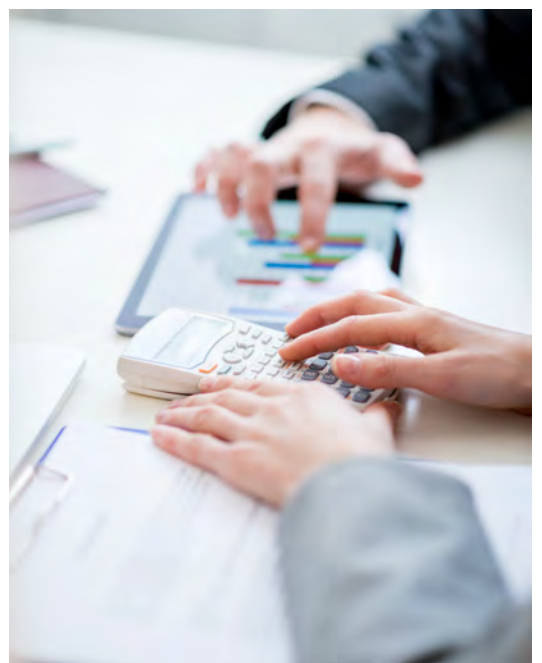


Therefore if the base levels of interest on mortgages are rising, then buy-to-let mortgages will become less affordable for many. You will see less of a return in your pocket if you pay more money to your mortgage broker.

In 2023, mortgage rates will likely calm down as they are already lowering from the highs of October now that there is a somewhat more stable situation in the UK politically and economically.

The Guardian reports that financial markets believe that mortgage rates will peak at 4.75% next year after the Bank of England carries out further actions to clamp down on inflation.

However, it is believed that they will not return to the lower rates we saw during the COVID-19 pandemic and that this could cause a lack of confidence in the market that could ripple.



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Ever since the 2008 recession, interest rates have been low, and many have believed this to be the norm, but it is unlikely that these lower rates will return. Given the number of high loan-to-income ratio mortgages that have been borrowed under this assumption, fewer people will likely borrow mortgages in 2023.

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Given these predictions, investors should seriously consider investing in **off-plan property** if they want to consider buy-to-let investment.

Off-plan properties have significantly cheaper prices than traditional fully-built properties, meaning it is more affordable to invest in off-plan.

Combine this with the flexible payment plans that are often available when buying off-plan, and often investors can avoid having to borrow a buy-to-let mortgage for their investment property, saving them money in the long run and allowing for larger returns.

If you want to learn more about the benefits of investing in off-plan property, our guide to off-plan investing offers lots of useful free information.

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## The North-West Will Remain a Property Hotspot

Throughout 2022, the North-West was one of the best areas to invest in property for several reasons.

Major cities like Liverpool and Manchester offered growing young populations, some of the best universities in the UK, high rental yields and affordable property prices.

Liverpool saw house prices rise by over £18,000 to just over £180,000 in a 12-month span, a rapid growth that remains highly affordable compared to other major UK cities.

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Manchester similarly saw strong growth. As one of the largest cities in the UK, Manchester's property prices rose by 13.6% from October 2021 to October 2022, which is above the national average for the same period.

When you consider this in combination with the huge student populations of both cities, the major regeneration schemes such as the Baltic Triangle and the Spinningfields project and the great job opportunities for young professionals, it's easy to see why many investors chose the North-West in 2022.

The good news is that despite the weathering that the UK housing market will potentially endure in 2023, the North-West and these cities, in particular, are expected to come out the other side in a strong position.

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Savills predicts that the North-West will see a 5-year growth of 11.7%, **the highest level of growth of any region in the UK.**



This is great news for investors, both experienced and new, as it means the North-West will remain one of the best areas for investing in UK property for the foreseeable future, while those who have already made the jump can be assured that their investment portfolios will be secure.

JLL's forecast also predicts that Manchester will be one of the few UK cities to see positive growth

in 2023, as it forecasts that the city will see sales prices grow by 1.5% over the course of the year. This is one of the highest levels of growth that they predict for any UK city.

With these industry experts predicting that the North-West will remain a property investment hotspot for 2023, you can safely bet on buy-to-let properties in Liverpool and Manchester in the new year.



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## A Weak GBP Will Mean UK Investment Is a Viable Option For Foreign Buyers

2022 saw the GBP fall to record low levels as a result of the political uncertainty in Autumn. In September, the Pound fell to its lowest value against the dollar since 1985.

While this has caused many to be more cautious with their money, one group that this turn of events has benefited is foreign investors purchasing property in the UK.

Due to the lower value of the GBP, which has stabilised as we head into 2023 but has not returned to its prior levels, it is more viable than ever to invest from outside of the UK. This is because you can get more value converting foreign currencies into GBP than before.

In real-money terms, this means **foreign investors can buy UK property for cheaper.**

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2023 is expected to continue this trend, as the GBP's value will likely continue to remain low in the new year.

The UK will remain in a recession, which will affect the value of the Pound moving forward. Current industry predictions expect the GBP/Euro value to be around £1.0750, lower than the current rate of conversion.

When you combine this with the slump that other



popular property markets around the world are experiencing, such as Hong Kong, the UK property market looks especially promising for those investing from overseas.

For foreign investors, this means they can get better value for their money by investing in UK property and will benefit the most from this period of economic recession.



## Invest With RWInvest

With over 17 years of experience in the buy-to-let housing market, RWInvest is one of the premiere property investment firms in the UK.

Our expert sales team are some of the best in the nation at finding you the best investment properties for high rental yields and capital appreciation, all in some of the most exciting property markets in the UK.

We also have dedicated Client Care and Post-Sales teams who are there to guide you through every step of your property investment journey,

to ensure that you feel secure in your investment at all times.

If you are interested in learning more about our range of buy-to-let properties, why not contact us today to find out about the luxury investment properties available right now.

Alternatively, try learning more about property investment by reading our free ultimate guide, packed with useful information for those beginning their journey and those who already own expansive portfolios.

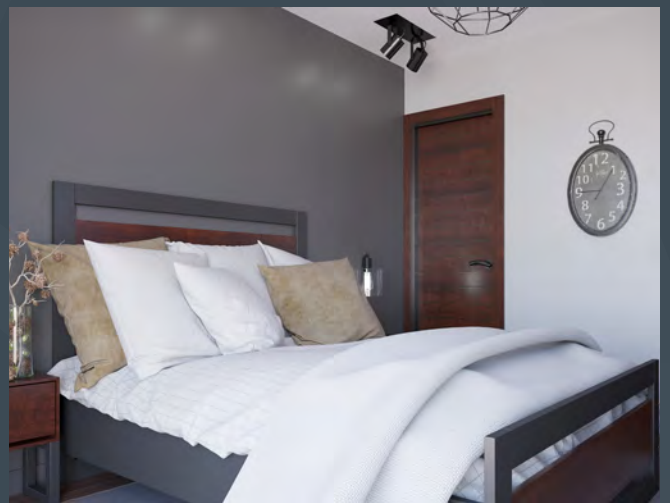
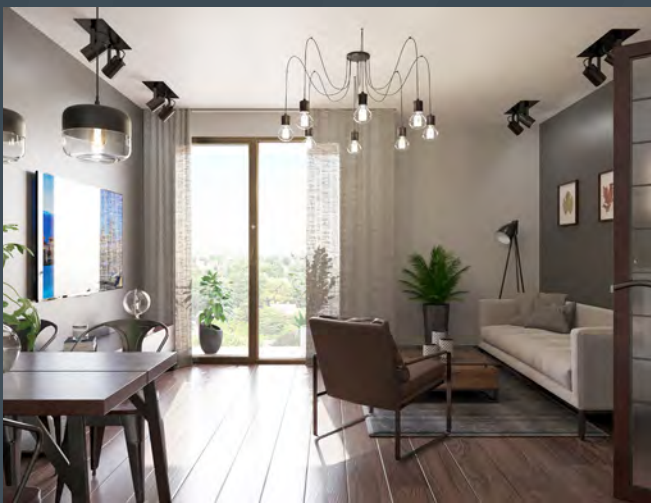
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