The Next Phase of the Housing Market

(A Supplementary Insight)

When I wrote my main property report, the aim was simple: to explain how we got here. The policy changes, the lending shifts, and the behavioural changes that reshaped the housing market over the last couple of decades.

But afterwards I kept coming back to the same question. Not what's happened. What happens next?

Because if you step back from the headlines - interest rates, affordability debates, doom or boom predictions - something much quieter has been going on for years. The housing market hasn't stopped working. It's been working at half speed.

What Changed - and Why It Matters

We tend to judge the property market by prices. Up means good. Down means bad. But after nearly four decades in this business, I can tell you prices are only the surface. The real health of the market is measured by movement - how many people can actually transact.

Go back to the early 2000s. A normal functioning market was doing roughly one and a half million transactions a year. Finance was available, loan-to-value lending was higher, and people could move when life required them to move. The ladder worked.

- First-time buyers bought.
- Families traded up.
- Older owners downsized.

Then after the financial crisis something changed - and it never fully went back. Transactions dropped sharply and settled closer to about 1.1 million a year. On paper that doesn't look dramatic. In reality it means hundreds of thousands of people each year didn't move when historically they would have done.

And those missed moves add up. That's the bit most people don't see, because it's not a headline. It's a slow build in the background.

The Tenant Story Isn't Accidental

Imagine being a tenant since 2009. Not because you wanted to rent forever, but because you couldn't raise the deposit, even though you were already proving every month you could afford the payments.

You watched landlords talk about financial freedom online. Cashflow. Refinancing. Pulling equity out. Living a lifestyle that felt completely out of reach.

Then costs changed, rules tightened, rents rose - and suddenly the pressure filtered back down to you. It didn't feel fair.

But here's the important part: that tenant didn't disappear from the market. They were still there - financially active, emotionally ready - just locked out by structure. Demand didn't vanish. It waited.

A Market That Carried On - But Not Normally

This is where the story gets misunderstood. Cheap rates should have helped the property market; they did, but not in the way it was intended.

The lower end of the market didn't completely collapse after the financial crisis. Transactions still happened and, for a period, the market was effectively supported by buy-to-let investors.

Investors stepped into the space where first-time buyers historically operated. Cheap finance, strong rental demand, and changing lending dynamics meant many entry-level homes continued to transact - but the participants had changed.

So the market functioned. Just not in a normal way. Instead of tenants becoming owners, investors increasingly became landlords to the very people who, in a previous cycle, would have been buying those same homes themselves.

The ladder still existed, but the first rung had shifted. Ownership entry slowed, renting extended, and mobility became constrained even though activity appeared to continue on the surface.

I don't particularly like the conclusion, but it's difficult to argue with: in many ways buy-to-let kept the lower end of the market alive by taking up the slack created when normal buyers were forced out by deposit requirements.

The Changing First-Time Buyer

There's another shift that happened during this period which often gets overlooked. The first-time buyer didn't disappear - but they changed.

As deposit requirements increased and lending tightened, many traditional first-time buyers were simply priced out of entry. The people who could still buy were typically wealthier - often with family support, larger savings, or higher incomes.

So while transactions continued, the starting point moved up the ladder. Instead of buying the smallest or cheapest homes, many new entrants were purchasing better-quality properties - homes that historically would have been second or even third steps on the ladder.

In effect, the true first rung was partially bypassed. Entry-level housing increasingly moved into the hands of investors, while owner-occupiers entered further up the market than previous generations had done.

That's how you can have prices that look resilient while mobility underneath is reduced. Demand didn't disappear. It was redirected.

What Happens When Buyers Come Back

Markets don't restart everywhere at once. They restart at the bottom.

As access improves - whether through lending recognising rent payments, lower deposit barriers, or simply accumulated readiness - buyers return to the part of the market they know best. The cheaper stock gets absorbed first: the two- and three-bed terraces, the homes many people were renting anyway, the low-hanging fruit.

Transactions increase there first. Then perception changes. A £250k terrace moves towards £300k and suddenly the £350k house doesn't look expensive anymore - it looks good value. Buyers stretch slightly higher. Demand moves into the middle market.

Then the same thing happens again. The £450k detached starts to look reasonable compared to everything below it. And as flat prices rise, smaller houses start to look cheap again. You get a ripple effect through the ladder.

Property markets don't rise evenly. They reconnect, rung by rung, up the ladder. And the driver isn't optimism. It's movement.

The Real Growth Story

Here's the bit I think many commentators get wrong. The real growth in the housing market isn't price growth. It's transaction growth.

When people can move, the system renews itself naturally. Supply circulates. Confidence builds. Prices adjust as a consequence, not as a trigger.

For the last fifteen years we haven't had a lack of demand. We've had restricted participation. So if mobility begins to return - and there are early signs that lending and affordability thinking are slowly evolving - we shouldn't be surprised to see transactions increase first.

And when transactions rise, opportunity follows. Not through speculation. Through participation.

What This Means

The next phase of the housing market may not look like the booms people remember. It may simply look like people being able to move again.

- First-time buyers entering.
- Tenants becoming owners.
- Families progressing.
- Stock circulating.

In other words, a market behaving normally again. Housing markets don't truly recover when prices rise. They recover when opportunity returns. One transaction at a time.
This supplement outlines how I see the structural changes within the housing market and what may follow as mobility returns.

For those interested in seeing how these ideas translate into real-world analysis and live market discussion, I run occasional online sessions where I walk through current opportunities and thinking in more detail.

You can view upcoming sessions here:

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