

Digging Deeper

Residential Analysts

HMRC Residential Property Transactions

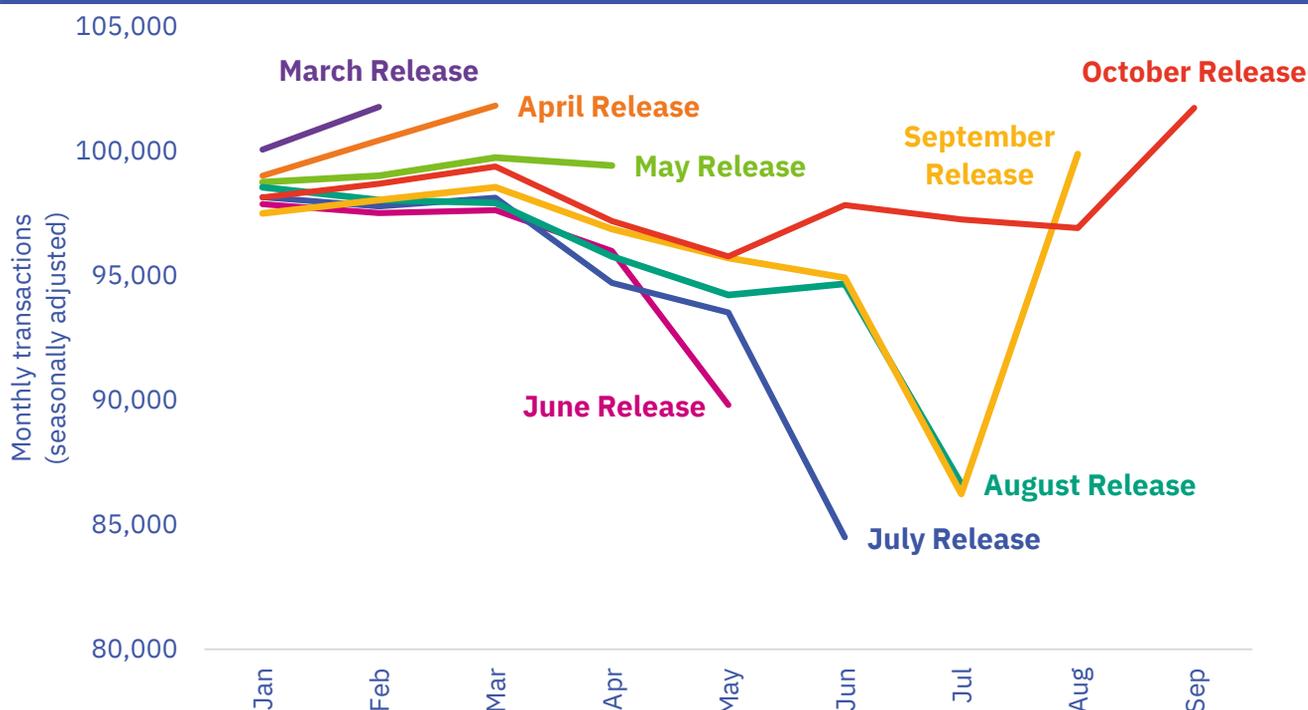
- **No Longer A Reliable Indicator of Recent Activity**
- **Still The Most Comprehensive Long-Term Measure Of Transactions**

HMRC's monthly residential transaction counts have long been a popular and useful short-term indicator for housing market activity. However, recent revisions suggest that the data should not be relied on as a short-term measure of housing market activity. As Fig 1 shows, there have been substantial revisions to the data published during 2019. For example, the initial transaction count for June (published in the July release) is now 16% higher while the count for July (first published in the August release) is now 12% higher. These low transaction counts have been used over the summer to suggest that the market is slowing, typically due to Brexit. However, the subsequent revisions show no such slowdown.

It's not totally clear why the data has been so volatile but there have been several recent changes to how the transaction data is collected and these all appear to have contributed. The devolution of property transaction taxes is one factor but the biggest factor appears to be that since the 1st March 2019, home buyers have only 14 days rather than 30 from the date of completion to submit their SDLT return before incurring a penalty. This change appears to have altered the previously well established process for estimating recent months' data due to incomplete transaction counts. In addition, HMRC also acknowledges in the footnotes of its October release that the original count for July was too low due to a data processing issue which apparently has now been corrected.

Figure 1: UK Residential Transactions by Release Month During 2019, UK

Source: HMRC

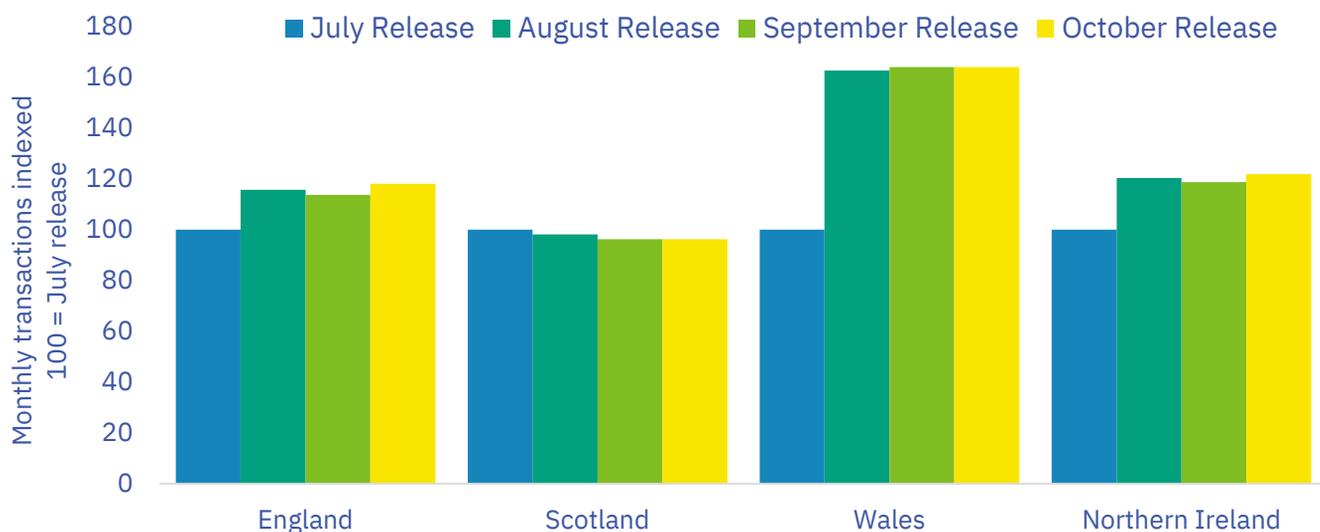


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The devolution in property transaction taxes in Scotland and Wales has also contributed to the revisions. HMRC no longer directly collects the data so it has to rely on the respective tax collecting agencies to pass it to them. This means the data for the latest month in Wales is based on a growth rate applied to the previous year's data and the latest three months of data for Scotland are also calculated from last year's data. However, as Fig 2 shows, the revisions to English data for June (accounting for 85% of UK transactions) have also been substantial so it's clearly not just due to the lag in available data for Scotland and Wales.

Figure 2: June Transactions by Release & Country

Source: HMRC



The recent revisions are an issue but the HMRC data remains the most comprehensive measure of transactions over the longer term. Due to various exclusion categories and a lag in registrations, the ONS house price index data is even less reliable. Meanwhile, mortgage approvals are useful but around 1/3 of transactions are now cash only. It may be that this is only a temporary issue as HMRC adjusts to the changes but for the time being: be careful!

Figure 3: Measures of Housing Market Activity, UK

Source: HMRC, ONS, Bank of England

