

23rd March 2020

DATA: Bank of England reduces Bank Rate to 0.1%, its lowest level ever

The Bank of England has again cut interest rates in response to the pandemic. The direct impact on the housing market will depend on how much of the cut is passed through to mortgage rates though there are some suggestions that lenders' funding costs will limit its effectiveness on mortgage rates.

DATA: ONS released their analysis of housing affordability in England & Wales, 2019

This release contains lots of useful information on housing affordability but perhaps the most interesting piece is their analysis of alternative measures of housing affordability ([link](#)). This provides a more detailed analysis of affordability than simple house price to earnings ratios.

POLICY: The Chancellor Rishi Sunak unveiled measures to support jobs & businesses

These measures include a job retention scheme providing grants to cover 80% of employees' salaries up to £2,500 per month and along with a number of other measures should encourage employers to keep hold of staff rather than make them redundant. However, there is still limited support for the self-employed.

POLICY: Government announced a ban on evictions to protect renters

This is a welcome step to protect renters but there are some concerns that it does not go far enough and will not help those renters that have already had eviction proceedings started. The three month mortgage payment holiday was also extended to Buy to Let mortgages.

NEWS: IFS report that council tax needs to be revalued and reformed

The IFS suggest that council tax is "both increasingly out of date and arbitrary, and highly regressive with respect to property values. It is ripe for reform." There are other more pressing economic issues at the moment but it is increasingly clear that all forms of property taxation are not working as well as they should.

Chart of the Week

We don't really know how the housing market is going to be impacted by the pandemic beyond a collapse in activity. Every housing market downturn is unique but there are consistent themes across all downturns. Therefore, it is useful to understand what happened during previous downturns when trying to assess what might happen in coming months and years. The chart below compares the performance of real house prices (inflation adjusted) from the peak of the market and subsequent downturn. We have published detailed analysis on the previous four downturns [here](#).

Housing Downturns Compared – Real House Prices Indexed At Peak

Source: ONS, Nationwide

