

## 30<sup>th</sup> March 2020

### **DATA:** ONS reported slightly lower house price growth of 1.3% in January

The ONS index lags behind other house price indices as it is based on completed transactions and so it will be several months before current events are reflected in the data.

### **DATA:** Bank of England report mortgage approvals for house purchase were up 3.1% in February

Mortgage approvals for house purchase are now 11% above the 2014-19 average though these numbers are very likely to fall rapidly in coming months.

### **POLICY:** Government recommends delaying housing market transactions

The housing market is likely to see a near total collapse in activity in coming weeks and possibly months depending on how long the shutdown lasts.

### **NEWS:** Zoopla reports new buyer demand fell 40% in week up to 22/03

Getting an up-to-date view of the housing market using publicly available data is challenging at the best of times given the time lags in the publication of many data sources. Therefore, information published by other parties such as this is incredibly useful even if the information is quickly out of date in these rapidly changing times.

### **NEWS:** Savills produce forecasts for house prices and transactions

Savills have produced forecasts for transactions (566k-745k in 2020) and house prices (-5% to -10%). These forecasts could end up being correct but until we get a clearer view of the pandemic trajectory and a better idea how long the shutdown will last, all forecasts for the housing market over the short-term are essentially meaningless.

Given the likely collapse in house market activity, we'll be lucky to even have price indices to measure any forecasts against and any transactions that do occur will be subject to a set of conditions that relate to that specific property and the circumstances of its sale with very limited relevance to wider market.

## Chart of the Week

The housing market is facing a unique situation with a likely near total collapse in housing market activity in coming weeks and possibly months. Though the circumstances were very different, the closest historical comparison for a near total shutdown in the housing market could be WWII. Therefore, this week's chart looks at mortgage lending activity before, during, and after the war.

Building societies accounted for the majority of mortgage lending during this period and the number of new mortgage loans fell from an average of 209,000 per year between 1930 and 1938 to just 22,000 in 1941 (a fall of 89%). Activity grew slowly from this low during the war, reaching 75,000 in 1945 but quickly recovered to 207,000 in 1946. Although new lending continued at very low levels during the war, the number of outstanding mortgage loans fell by 190,000 from 1939 to 1946 as more borrowers paid off their loans.

### Number of Mortgage Loans by Building Societies, 1928-58

Source: AE Holmans, Building Societies Association

