

17th August 2020

DATA: Rightmove reports 4.6% annual rise in asking house prices

Although asking prices fell slightly compared to last month, the annual change rose to 4.6%. This is because the index is not seasonally adjusted and prices fell by less than they usually do in a typical August. Rightmove also reported the “number of monthly sales agreed is the highest that we have ever measured since we started tracking this figure ten years ago, up by 38% on the prior year”.

DATA: ONS first estimate of Q2 2020 GDP reported a 20.4% quarterly fall

With two quarterly falls in GDP the economy may now technically be in recession but the monthly GDP index reported 8.7% monthly growth in June. However, even on this measure, GDP is 16.8% below June 2019 levels. See the chart of the week below for more on GDP.

DATA: UK Finance report record low repossession numbers

They report that thanks to the industry moratorium on involuntary possessions, there were just “90 homeowner mortgaged properties and 130 buy-to-let mortgaged properties” taken into possession in Q2.

REPORT: RICS survey reports rebound in activity but longer term caution

They reported “All activity metrics point to a significant pick-up in July” and “The headline price growth indicator moves out of negative territory for the first time since March” but also that “Respondents envisage sales slowing at the twelve-month horizon due to the difficult economic climate”.

REPORT: Bank Underground blog looks at the age of first-time buyers

Looking at the number of first-time buyers in 2006, 2008, and 2018, they report “the age distribution of FTBs has moved much more up-and-down than side-to-side”. This suggests that there has been little catch-up amongst people who have missed out on buying their first home due to the credit crunch and stretched house price affordability.

REPORT: Resolution Foundation publish Q3 2020 Housing Outlook

They suggest that “while some might see anticipated house price falls as a potential opportunity for young people to get onto the housing ladder, the Office for Budget Responsibility’s house price scenarios suggest otherwise.” Their analysis shows that even if house prices were to fall, the deposit requirement for first-time buyer would be similar.

Chart of the Week

House price crashes and recessions have tended to go hand-in-hand in recent decades but will the massive collapse in GDP lead to a massive correction in house prices? While the historic trend suggests so, the housing market has proven remarkably robust so far. However, as furlough ends and job losses mount, it looks likely that the market will weaken.

Annual Change in GDP and Real House Prices

Source: ONS, Nationwide (prices adjusted using ONS RPI: Long run series)

