Weekly Summary

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7th September 2020

DATA: Nationwide reported an annual house price rise of 3.7% in August

The mortgage approval based index continued the rebound in prices started last month with a 2% monthly increase. The index is now at an all-time high.

DATA: Halifax reported an annual house price rise of 5.2% in August

Their mortgage approval based index reported a 1.6% monthly increase leading to the highest growth since “late 2016”. The index also hit an all-time high.

DATA: ONS reported an annual house price rise of 2.9% in May

The ONS index is based on completions rather than approvals and this release continues the catch-up process due to the suspension of the index during the lockdown period. June data is due out next week (16th September).

DATA: Bank of England reported a spike in mortgage rates during August

Average rates on available mortgages spiked across all loan-to-value (LTV) ratios but particularly those at higher LTVs. See Chart of the Week for more detail.

NEWS: CMA launches enforcement action against housebuilders

“The CMA is launching enforcement action involving 4 leading housing developers it believes may have broken consumer protection law in relation to leasehold homes.” The four are Barratt Developments, Countryside Properties, Persimmon Homes and Taylor Wimpey. However, the press release states “It should not be assumed at this stage of the CMA’s investigation that the businesses under investigation have been involved in any or all of the outlined practices”.

REPORT: Resolution Foundation investigate how big the negativity equity crisis will be and who will be affected if house prices fall

Using the OBR’s downside scenario for house price falls, they find that “12 per cent could fall into low or negative equity today compared to 15 per cent after the financial crisis”. They also find that “equity risk has migrated up the age distribution” and those “with equity risk now have higher income and wealth than those at risk after the financial crisis”.

Chart of the Week

There has been an ongoing credit crunch affecting the cost and availability of mortgages since the pandemic hit. It was initially blamed on the inability of surveyors to access homes during lockdown for the physical valuation required on higher LTV lending. However, it has since become clearer that it is a reflection of lenders’ attitude to risk during these uncertain times and the possibility of large falls in house prices once the various supports (furlough, mortgage payment holidays, possession moratoriums etc) are removed from the market.

Mortgage Rates by Loan-to-Value

Source: Bank of England