

23rd April 2021

DATA: Rightmove reported an annual rise of 5.1% in asking prices in April

This took their index to its highest ever level. They also reported sales agreed were 55% higher than two years ago with not enough new listings to meet buyer demand.

DATA: ONS reported an 8.6% annual rise in house prices in February

With a 0.5% monthly rise, the completion based index is continuing to report high growth.

DATA: HMRC reported 191,000 transactions in March

There were 92% more transactions in March than the 2013-19 monthly average as the late extension of the stamp duty holiday still led to a rush of activity. Despite the high levels of transactions in recent months, the market shutdown last year means the total number of over the last year was 1.2 million. This is very similar to the annual totals seen since 2013.

DATA: ONS reported £1.3 billion in stamp duty land tax receipts in March

The data shows there are a large number of transactions that are liable for stamp duty.

POLICY: MHCLG launch mortgage guarantee scheme

The scheme is intended to increase the availability of high loan-to-value mortgages and replicates the original scheme launched in 2013. See Chart of the Week for more detail.

REPORT: MHCLG release Household Resilience Study: Wave 2

The survey found that “Mortgage arrears have returned to pre-pandemic level” but “Private rental arrears remain higher than they were pre-pandemic”. It also reports “Private renters and those with a mortgage were more likely to say that their household income had decreased” and “Overcrowding has increased, particularly in the private rented sector”.

REPORT: House of Commons Library on “What is affordable housing?”

The briefing paper looks at definitions of affordable housing and assesses the affordability of housing across different tenures.

Chart of the Week

The re-launch of the guarantee scheme should help improve the availability of higher loan-to-value (LTV) mortgages but it is only really fixing the short-term impact of the pandemic. That is the decline in the last few quarters on the chart below. The longer term issues of high house prices relative to incomes and tighter mortgage regulation remain in place.

Although the mortgage guarantee got most of the attention this week, it was Nationwide’s **new product** that could end up being much more important. They suggest buyers could borrow 5.5 times their income at up to 90% LTV thanks to changes in the stress test rate they apply on mortgages with longer fixed rate periods. Mortgage borrowers are stress tested on the rate they will be on in five years time with most tested on the lender’s revert-to-rate plus 3%. In theory, if the borrower has a five year plus fixed rate period, they could just be tested at that typically lower rate. However lenders have tended to stick to testing at the higher rate due to concerns around conduct risk: encouraging buyers to pay more on longer term fixed rate periods in order to borrow more is not a good look. Until now.

From Nationwide’s release it appears they have satisfied themselves and the regulators that they can use this approach appropriately. By doing so, they can now lend more to borrowers where the stress test was a constraint. This could be a significant change in the mortgage market and it’s possible that Nationwide’s approach does more to deliver on the government’s manifesto promise of turning generation rent into generation buy than their own guarantee scheme. However, this solution doesn’t fix all the barriers to home-ownership as the soft cap on loans above 4.5 times income will limit numbers, saving a deposit is still a big barrier for many, and this approach could just help the current generation but end up pushing up house prices beyond the reach of future generations.

Quarterly Value of Mortgage Gross Advances at High Loan-to-Values

Source: Bank of England / FCA

