Weekly Summary

14th May 2021

DATA: Halifax reported house prices rose 8.2% in the year to April 2021

A 1.4% monthly rise increased the annual rate to 8.2% from 6.5% in March. 8.2% is “the highest annual growth rate in 5 years”.

DATA: ONS reported a 1.4% annual rise in monthly GDP in March 2021

However, the pandemic had already had an impact on the economy in March 2020 and a more useful comparison shows GDP is still 6.2% lower than January 2020.

DATA: BoE reported a fall in mortgage rates across all LTVs in April

The average quoted rate on a 95% LTV, 2 year fixed rate mortgage is now below 4% for the first time since September but still has a long way to go before it returns to last year's rate.

DATA: Zoopla reported mixed results in their Q1 2021 rental index

London rents continued to fall, down 9.4% over the year, with some other cities also reporting falls in rents (Edinburgh, Manchester, Leeds). However, UK rents excluding London rose by 3% over the year, reflecting the challenges facing prospective buyers, renters’ changing preferences, and the recovering economy.

DATA: MHCLG reported 220,726 new build EPCs in 2020/21

Energy Performance Certificates (EPCs) are a useful leading indicator for new housing supply. See the Chart of the Week below for more on the trends in the latest data.

DATA: MHCLG reported 21,000 H2B equity loan completions in Q4 2020

This was the largest number of completions in a quarter since the scheme began and was 40% higher than Q4 2019. This probably reflects both the wider squeeze on high LTV mortgages encouraging first time buyers to buy a new build and the rush to complete before the end of the scheme.

DATA: UK Finance reported small increases in mortgage arrears in Q1 2021

However, just 0.9% of homeowners and 0.3% of buy to let investors have arrears of over 2.5% of their mortgage balance, which is similar to recent rates and well below the rates seen in the financial crisis.

DATA: Ministry of Justice reported possession workload for Q1 2021

Claims issued and total orders for both mortgage and landlord possessions increased compared to the previous quarter but remain well below normal pre-pandemic levels.

DATA: RICS residential market survey reported “Strong demand and a lack of new instructions driving prices higher”

They reported “Demand growth increasingly outstripping supply” with “House price inflation accelerates further across the UK” while a “Lack of supply also evident across the lettings market”.

POLICY: Queen’s Speech includes Planning Bill, Building Safety Bill, Leasehold Reform (Ground Rent) Bill, and Renters’ Reforms

While we await further detail, it appears unlikely that the Planning Bill will manage to deliver on the proposals set out in last autumn’s Planning white paper.

REPORT: OSR review of population estimates and projections

The review found the “ONS takes a sensible approach to measuring the population” but there are challenges in measuring migration which can cause issues in areas with large numbers of students. This is a useful reminder about the many limitations in using population projections to assess where new housing should be delivered.

REPORT: CCHPR reported on leasehold and freehold charges

The report for MHCLG identified “a lack of comprehensive, detailed national data about the different charges” and it “is an area of significant complexity in legislation, policy and practice”. More needs to be done to help prospective buyers.

REPORT: Bank of England on “The consumption response to borrowing constraints in the mortgage market”

The reports investigates the impact of the Help to Buy scheme and suggests it boosted household consumption alongside home purchases. We have some concerns about the failure to investigate the mortgage guarantee and equity loan schemes separately.

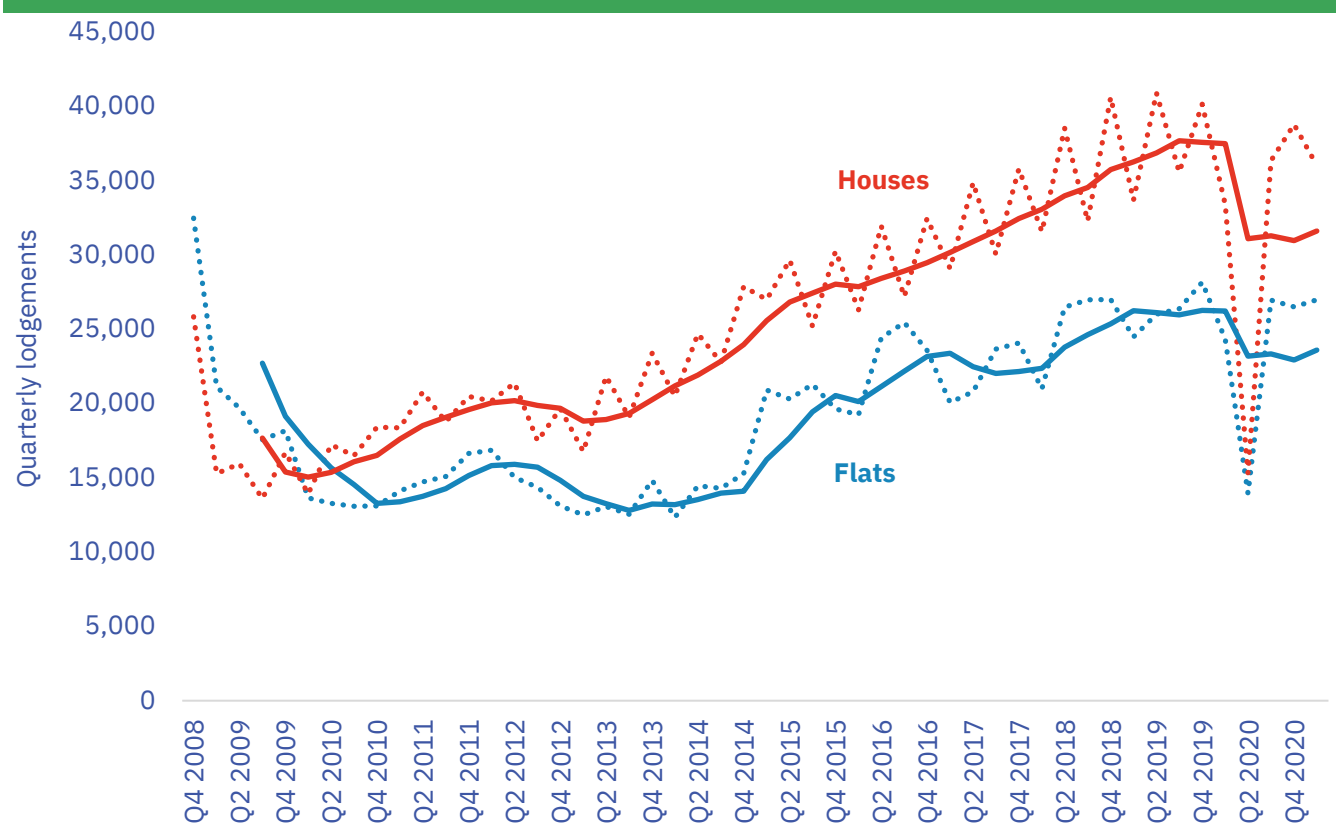
Chart of the Week

Energy Performance Certificates (EPCs) have proven themselves as reliable lead indicators for new housing supply across England with weekly data showing the new build market quickly recovered back to normal levels when the housing market reopened last summer. However, we have had to wait until this week for more detail on where and what has been built in recent quarters as MHCLG have taken over the management of the EPC database and this required additional time to ensure the quality of the data.

We now have that data and it shows some interesting trends. For example, the chart below shows the quarterly trend in EPCs by property type and suggests that the lockdown had a bigger negative impact on the delivery of new houses than flats. This might sound counter-intuitive given the widespread reports of struggling city centres. However, it reflects the fact that it is easier to start and stop the construction of new houses to match changes in demand. Meanwhile, once a block of flats is started, you need to finish them all before you can complete on one. Therefore, even when faced with a pandemic or financial crisis, developers of flats may rush to complete even if it means taking a hit on their profit given the costs of construction and risk of holding an unfinished, unsellable shell.

New Build Energy Performance Certificates by Property Type

Source: MHCLG – England (dotted line: quarterly, solid line: 4 quarter average)



BuiltPlace® is a registered trademark of Residential Analysts Ltd
37 Great Pulteney Street, Bath, Avon, United Kingdom, BA2 4DA, Company number 10502989