Weekly Summary

Powered by BuiltPlace

16th July 2021

DATA: ONS reported annual UK house price growth of 10% in May

This was a similar rate to the previous two months but there are significant revisions due to the impact of the lag in registrations. Regional data showed house prices were rising fastest in the North West with annual growth of 15.2% and slowest in London (5.2%).

DATA: ONS reported a continued recovery in the labour market

HMRC data showed another large increase in payrolled employees – to just 0.7% lower than January 2020 – while the unemployment rate is 0.2 percentage points lower than the previous quarter. Wage growth remains high with total wages (incl. bonuses) rising by 8.6% in the year to May 2021, though this partly reflects compositional issues and comparisons to the start of the pandemic. The ONS have also reweighted the Labour Force Survey to account for changes in the UK, EU, and non-EU populations since the pandemic started.

DATA: Bank of England released Credit Conditions Survey for Q2 2021

The survey reported an increase in the availability of secured credit to households which was expected to increase further over the next three months. Lenders reported increased demand for secured lending for house purchase but this is expected to fall next quarter.

DATA: Rightmove reported a record high average rent of £1,000 per month

They reported the average of rents outside London increased 6.2% over the last year with properties taking an average of 21 days to find a tenant and a 36% fall in available rental properties compared to last year. Rents in London recovered in the second quarter but are still 6.8% lower than last year in Inner London and just 0.8% higher in Outer London.

POLICY: Prime Minister’s Levelling Up speech offers little detail

REPORT: Bank of England released July 2021 Financial Stability Report

They report that “The share of households with high debt-servicing burdens has increased slightly during the course of the pandemic but remains significantly below its pre-global financial crisis level”. They note that there are downside risks but suggest “losses are more likely to arise from consumer credit than mortgage debt” and affect the lower end of the income distribution. See Chart of the Week for more on their view of the housing market.

REPORT: Resolution Foundation report on the impact of the pandemic on household wealth

They report that “Total household wealth increased by almost £900 billion during the pandemic” (a 6% increase) with rising asset prices being the primary driver. They note that the increase in wealth has been uneven with “families at the bottom of the income distribution much more likely to have drawn down savings or increased debt than those at the top of the distribution”. As we feared, the pandemic has widened wealth inequalities.

REPORT: Transparency International reports on the importance of political donations from the property industry to the Conservative party

They report that “Property related contributions accounted for more than a fifth of the Conservative Party’s reportable donations” between January 2010 and March 2020. They suggest “The current system for providing transparency over who is lobbying ministers – and why - is woefully inadequate” and make several proposals for improvements.

Chart of the Week

The Bank of England’s Financial Stability Report notes that while “Recent high levels of activity are likely to reflect in part a temporary boost provided by the stamp duty holiday”, there are other structural factors (race for space, increased savings, low interest rates) that are also contributing to current housing market conditions. They note that some indicators suggest “some of that strength in demand may persist beyond the end of the stamp duty holiday in September”. Alongside their view on the market, they also note the changes in availability and use of higher (90% plus) loan-to-value (LTV) mortgages. While the number of mortgage products available at these higher LTVs has increased in recent months, this has not yet been reflected in the share of new mortgages issued. Their data shows just 5.2% of new mortgages were at 90% LTV or above in Q1 2021 compared to 19.4% in Q1 2020. Unsurprisingly, the stock of mortgages at these higher LTVs fell to a new low of 3.1% in 2020, down from a peak of 22% in 2009, though it was probably higher in the late 1980s.

Mortgage Lending At Or Above 90% Loan-to-Value

Source: FCA Product Sales Data, British Household Panel Survey, PRA regulatory returns and Bank of England calculations.