

Market Commentary

Residential Analysts

United Kingdom – November 2021

- The Quiet After The Storm
- Lack of Supply And Low Mortgage Rates

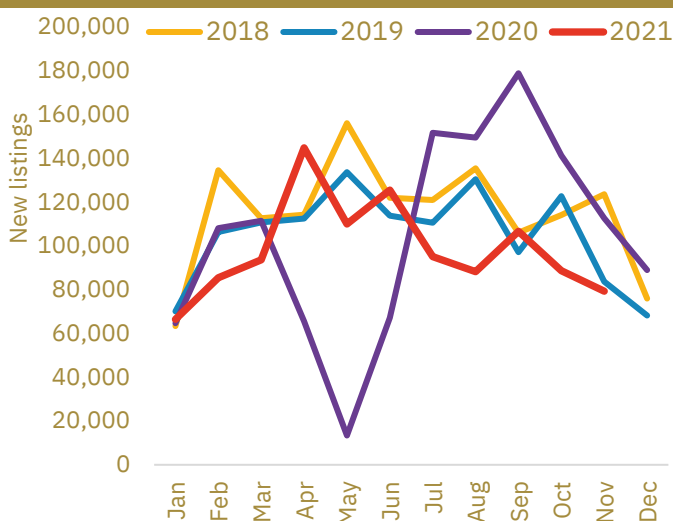
The storm of stamp duty driven activity has eased and December/January are usually a quieter time for the housing market. While normal seasonal trends have been disrupted in recent years, there are some signs that the market is returning to more normal patterns this winter. However, these same seasonal patterns are likely to further reduce the already low number of homes available to buy. That could put further upwards pressure on house prices, especially if prospective buyers feel the need to rush their purchase ahead of any interest rate rises.

The Quiet After The Storm

The stamp duty holiday has ended and there are signs the housing market is returning back to more normal levels of activity. The last two years have seen the usual seasonal patterns disrupted. In 2020 it was the pandemic and market lockdown. This year the stamp duty holiday contributed to over 1.2 million transactions in the first nine months of 2021. That's the same number recorded across whole years prior to the pandemic. However, leading indicators are now suggesting a return to more normal levels of activity. Rightmove [reports](#) the number of properties being listed for sale has slowed (Fig 1) along with falls in non-seasonally adjusted asking prices. Meanwhile, the Bank of England reported mortgage approvals for home purchase were similar to pre-pandemic levels in October and Zoopla [reports](#) sales agreed were just 6% higher than average in November. After the storm of activity in the first nine months of the year, it appears the housing market is now facing a quieter Christmas.

Fig 1: New Property Listings

Source: Rightmove

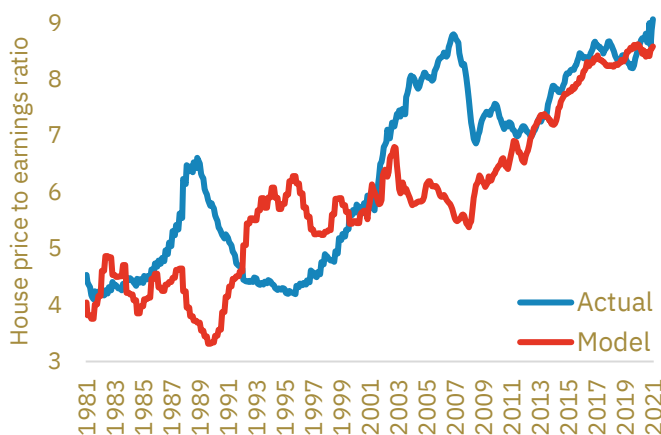


Lack of Supply And Low Mortgage Rates

A quieter couple of months might be welcome to many estate agents, providing them with an opportunity to concentrate on building up stock levels ready for the spring selling market. And obtaining stock to sell is possibly the biggest challenge in the current market. Zoopla [reports](#) the number of houses available for sale is half the average for the last five years while Rightmove data [shows](#) each agent has just 46 homes for sale, compared to 66 in October last year (and those figures include under offer and sold subject to contract). The more top-end focussed RICS survey [reports](#) average stock per surveyor is approaching the record lows reported during lockdown in 2020. The lack of homes available for sale will be a big issue for the housing market in 2022.

Fig 2: House Price to Earnings Ratio

Source: ONS, Bank of England



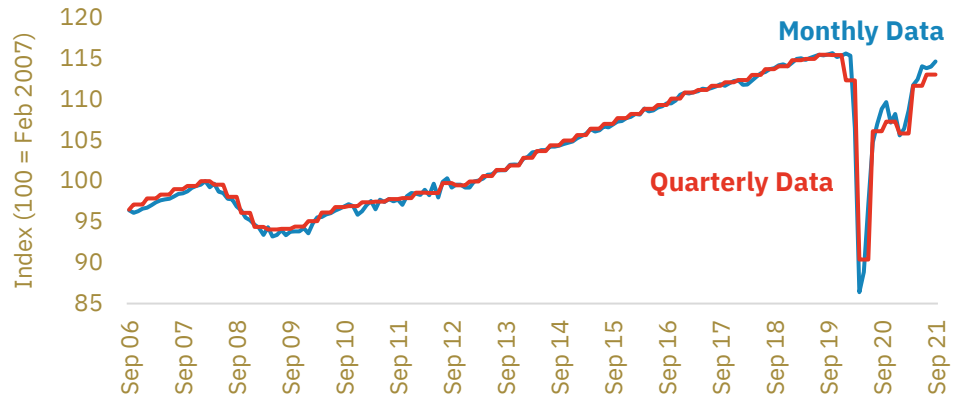
Measures of housing market activity may have returned back to pre-pandemic levels but measures of buyer demand are still higher than normal for this time of year. Google searches for Rightmove were 30% higher in November 2021 than 2019 and Zoopla reports buyer interest was 19% higher than the five year average. There are several explanations for these higher levels of buyer demand with low mortgage rates being a key factor. Falling mortgage rates have helped support rising house prices in recent years, with the house price to earnings ratio now higher than the previous 2007 peak (Fig 2). But, while rates remain low, there's no real sign of a bubble ready to pop. However, the combination of higher than normal demand and a lack of stock for sale is likely to contribute to rising house prices in the short term, especially if prospective buyers feel the need to rush before mortgage rates start rising.

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Market At A Glance

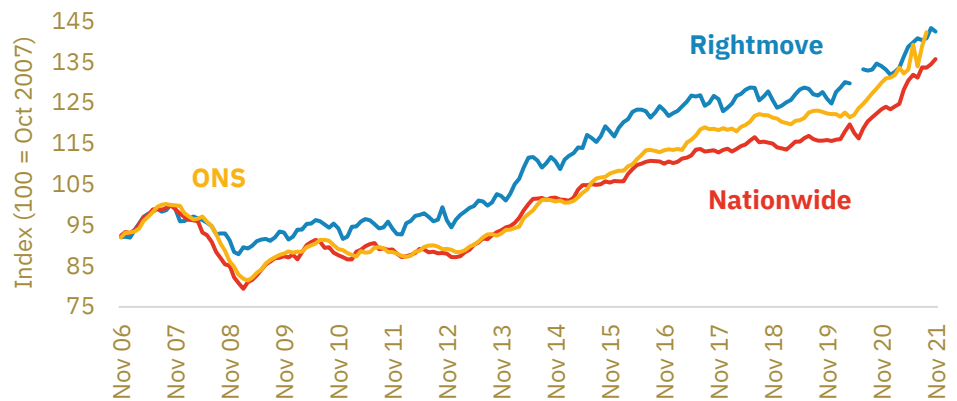
Economy - UK

The ONS monthly estimates showed GDP was 5.3% higher in September 2021 than the same month in 2020. This puts monthly GDP just 0.8% lower than the pre-pandemic peak recorded in January 2020. However, this data will inevitably be revised in coming months and years.



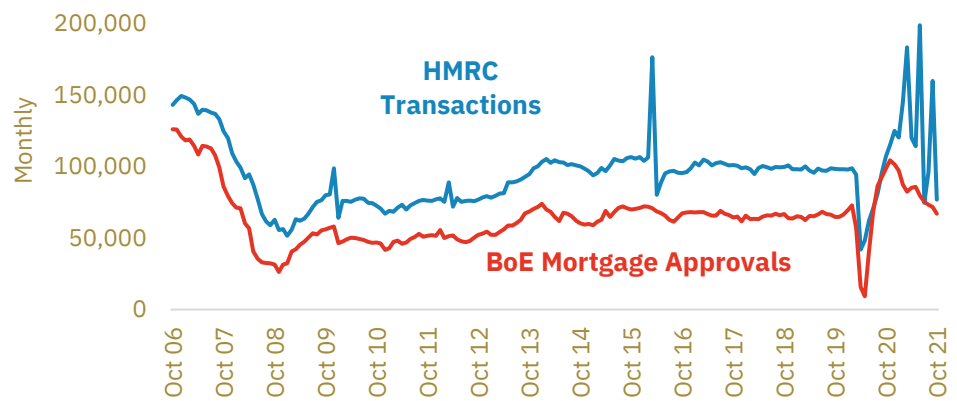
House Prices - UK

Rightmove reported a 6.3% rise in asking house prices in the year to November, slightly lower than the 6.5% reported last month. Nationwide reported a 10% annual rise in their mortgage approval based index in November and the ONS reported higher growth in its sales agreed index with an 11.8% rise in the year to September 2021.



Transactions - UK

HMRC provisionally reported 76,390 residential transactions in October. This was 22% below the same month in 2019 and reflects the lull following the end of the stamp duty holiday in England and Northern Ireland. The Bank of England reported mortgage approvals for house purchase were in line with the pre-pandemic trend in October.



New Supply - England

The latest net additions data for 2020/21 reported a 216,490 net new homes in England with 194,000 new build completions. The latest quarterly house-building data suggests new build completions rose to 230,000 in Q2 while the number of new build Energy Performance Certificates was 246,000 in Q3.

