

## 17<sup>th</sup> December 2021

### **DATA: Rightmove reported a 6.3% annual rise in asking prices in December**

The usual seasonal monthly fall in house prices kept the annual rate the same as last month. They also reported available stock for sale hit a new record low but valuation requests are 19% higher than the same period in 2020.

### **DATA: ONS reported a 10.2% annual rise in house prices in October**

The annual rate was lower than last month (12.3%) thanks to a 1% monthly fall following the end of the stamp duty holiday in September.

### **DATA: ONS reported a continued recovery in the UK labour market**

The number of payrolled employees continued to increase in November and are now 424,000 higher than Feb 2020. The unemployment rate also decreased to 4.2% and job vacancies rose to a new record high.

### **DATA: ONS/VOA published rental statistics for year to September 2021**

The data for England provides average (mean, median, upper quartile, & lower quartile) rents by number of bedrooms for local authorities and regions across England.

### **DATA: BuiltPlace published Q3 first time buyer number estimates**

Our estimates show a strong recovery in the number of first time buyers in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2021 but they were well short of the boom in mortgaged home mover activity.

### **DATA: BoE/FCA published Q3 MLAR mortgage statistics**

Our Digging Deeper [slide deck](#) provides a summary of the latest statistics on mortgage activity, loan-to-value ratios, and mortgage terms. See Chart of the Week for more.

### **DATA: BoE published Q4 agents' summary of business conditions**

They report "Contacts reported ongoing strong demand for housing and a shortage of properties for sale in most parts of the UK. This supported house price inflation, though contacts expected house price growth to soften in the coming months with pressure on household finances thought to weigh on demand, and potential buyers deterred by the lack of properties available".

### **POLICY: DLUHC announced "New homes to produce nearly a third less carbon"**

Changes to government's Building Regulations will require new build homes to have CO2 emissions that are around 30% lower than current standards.

### **POLICY: BoE published Financial Stability Report with review of mortgage market measures**

The review found the soft cap on loan-to-income lending over 4.5 times income "was more effective at reducing risk in a housing boom, while also having less impact on borrowers in normal times" so will be retained but they will consult on withdrawing their affordability test. However, the FCA's MCOB framework would still apply. The report states that "This framework requires that lenders test borrowers against an appropriate stress interest rate, which should take into account market expectations for likely interest rate rises and assume a rise of at least 100 basis points, except for the duration of any fixed interest rate period and unless the mortgage's interest rate was fixed for five years or more from the expected start of the mortgage term".

### **REPORT: NHF published People in housing need report**

The report found "8.5 million people in England have some form of unmet housing need" and 2 million children "are living in overcrowded, unaffordable or unsuitable homes".

### **REPORT: JRF published a briefing on proposed infrastructure levy**

They suggest an infrastructure levy could "boost social and affordable housing supply".

### **REPORT: Crisis published research on in-work homelessness**

The report highlights how "poorly paid, insecure work – alongside a lack of affordable housing – is leaving people trapped in homelessness".

### **REPORT: BoE blog investigates the "race for space" effect on house prices**

They conclude that "Analysis of housing transactions during the pandemic finds that just under half of the recent increase in house prices can be attributed to the 'race for space', as people seek and value larger living spaces outside city centres".

### **NEWS: UK Finance published mortgage market forecasts**

## Chart of the Week

This week the Bank of England's Monetary Policy Committee voted to increase Bank Rate to 0.25% (previously 0.1%). This has inevitably raised questions about the impact on the housing market but current market conditions suggest the immediate effects might be limited beyond a relatively small number of [mortgage prisoners](#) and other borrowers on variable rate mortgages. Data out this week from the Bank of England and FCA shows that 94% of new mortgage lending and 80% of outstanding balances were on fixed rate mortgages in Q3 2021 (chart below) while increasing numbers of borrowers have been taking mortgages with five year fixed rate periods. Meanwhile, around one-third of all property buyers don't use a mortgage. This suggests very few existing owners will be immediately affected by the rise. Housing market activity might be the part of the market that shows signs of an impact but, perhaps converse to expectations, we could actually see an increase in activity as buyers rush to beat any future rises in interest rates.

### Fixed Rate Mortgage Lending

Source: Bank of England / FCA

