

8th July 2022

DATA: Halifax reported UK house prices rose 13% in in the year to June

The annual rate of change increased from 10.7% last month, thanks largely to a 1.8% monthly rise. They reported this was “the twelfth consecutive monthly rise”.

DATA: Bank of England reported sharp rises in quoted mortgage rates

The data for June showed big rises in quoted mortgage rates across all loan-to-value ratios.

DATA: DLUHC published estimates of leasehold dwellings in England

The latest data for 2020-21 estimates that 20% of England’s housing stock are leasehold, 71% of which are flats.

POLICY: Greg Clark is new Secretary of State for Levelling Up, Housing and Communities

He was appointed following the sacking of Michael Gove.

REPORT: Transparency International published report on property ownership amongst parliamentarians

They report MPs are “three times more likely to own more than one residential property than the general public” with “at least 312 residential properties owned by 177 MPs” that are in addition to homes they or their family members live in.

REPORTS: DLUHC published English Housing Survey detailed reports

The reports add to the 2020-21 headline report published last December and cover topics including Energy, Feeling Safe From Fire, Housing Quality, Older People’s Housing, Owner Occupier Leaseholders, Private Rented Sector, and Social Rented Sector.

DATA: Bank of England published Financial Stability Report

It reports “major UK banks have considerable capacity to support lending to households and businesses even with the deterioration in the economic outlook” and “The shares of households with high cost of living adjusted DSRs on their mortgage debt or consumer credit are not projected to increase substantially” (DSR = debt-servicing ratio).

REPORT: Resolution Foundation published Living Standards Audit 2022

The report finds that the typical household income for non-pensioners grew by just 0.7% per year between 2004-05 and 2019-20. It also warns “the typical incomes of the poorest fifth of the population were no higher on the eve of the pandemic than they were back in 2004-05”. The lack of income growth is a major factor in the UK’s housing crisis.

REPORT: RTPi published a report on “Rural Planning in the 2020s”

The report “explores how land use planning can effectively support the delivery of sustainable development in rural areas”.

REPORT(PDF): Create Streets reported on “The case for community-powered planning”

Chart of the Week

Last week saw the announcement of 50 year mortgages as a potential solution for people struggling to buy their first home. It is not clear whether this idea will survive the current political turmoil but it is worth briefly investigating. As our chart below shows, the benefit of taking out a longer term mortgage is that you can borrow more relative to your income for any given mortgage rate and repayment ratio (fixed at 20% for the chart). However, the chart also shows the amount of extra borrowing that a longer term unlocks depends on the mortgage rate. For example, shifting from a 30 year term to a 50 year term when the rate is 2% increases the loan-to-income ratio by 40%. But this uplift falls to 24% when the rate is 4% and just 15% when the rate is 6%. There are many issues with longer mortgage terms including the cliff-edge at retirement, boosting house prices, and other risks more commonly found with interest-only mortgages but this may be an idea that only really has an impact when mortgage rates are very low (and loan-to-income ratios are unconstrained).

Mortgage Terms, Rates, and Loan-to-Income Ratios

Source: BuiltPlace calculations – based on repayments at 20% of gross income

