Two Week Summary

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14th April 2023

DATA: ONS reported no change in monthly GDP estimates

The estimate for GDP in February was 0.5% higher than the same month in 2022 but still 0.3% below the pre-pandemic peak in January 2020.

DATA: Halifax reported UK house prices rose 1.6% in year to March 2023

This was slightly lower than last month's figure of 2.1% but was the third consecutive monthly rise, with prices now 2.2% higher than their December trough and 2.1% lower than their August peak. The full PDF is available here.

DATA: Bank of England reported further falls in quoted mortgage rates

The average two year fix at 75% loan-to-value (LTV) fell to 4.27% in March, down from 4.38% the previous month. Last year the figure was 2.5%. The average revert-to-rate was 7.22% in March while the 2 year variable rate was 4.75%.

DATA: DLUHC published data on social housing lettings in England 2021/22

The data provides detail on new social housing lettings by local authorities and registered providers. There were 267,000 new lettings during the financial year, 13% lower than the pre-pandemic 2019/20 figure. They report this continues the long-term fall in new lettings.

DATA: DLUHC published self-build and custom housebuilding data

They report 63,662 individuals were on the register of those seeking to acquire serviced plots of land for self and custom build. This was an increase of 8% from the previous year. They also report 6,374 planning permissions were granted for self and custom build.

POLICY: DLUHC proposed planning permission for holiday homes

The consultation proposes requiring planning permission to use existing homes as short term lets through the introduction of a short term let use class.

POLICY: Councils allowed to retain right to buy receipts for next two years

Apparently they will be allowed to retain 100% of receipts for 2022/23 and 2023/24 rather than having to pay a proportion to HM Treasury.

REPORT(PDF): RICS published March residential market survey

They report "Sales market activity remains subdued although some forward-looking indicators turn less downbeat". New buyer enquiries, agreed sales, and new instructions are all still negative with falling national house prices.

REPORT: Bank of England published Q1 Credit Conditions Survey

They survey findings show lenders report the availability of secured credit was unchanged in the Dec-Feb period but they expect it to decrease over the next months. Meanwhile, demand for house purchase lending decreased in the previous period but was expected to increase in the Mar-May period.

REPORT: DLUHC published two research reports

The two reports (1/2) "presents the results of research undertaken to support analysis for assessments of the additionality of the impacts of public sector supported housing developments" and "values for the impact to surrounding areas from particular types of redevelopment on previously developed land". The reports are not new but appear to have been published for the first time.

REPORT: CaCHE reported on modern methods of construction

The research investigates the potential for modern methods of construction to "address systemic housing supply problems". It finds that "state leadership is crucial in promoting and incentivising MMC as a mainstream form of housing provision. Furthermore, while MMC offers unique processes, they are often considered risky due to project complexity and a fragmented supply chain".

REPORT: HBF published housing pipeline report for Q4 2022

The report for England finds the number of homes granted planning permission in 2022 was 323,416, 12% lower than 2021, and the number of projects granted permission fell below 3,000 for the first time.

REPORT: Knight Frank reported on residential landlords upgrade costs

They report the "Proposed minimum energy efficiency standards regulation in England could leave residential landlords facing a £17.9 billion bill".

NEWS: Rightmove reported sales agreed back to pre-pandemic levels

They report this is the first time since September and "The recovery is being driven by sales of flats which are now 10% higher than March 2019, improving from being 11% down at the start of the year, and is most pronounced in London".

CORPORATE: Unite Students published trading update

They report "We have seen continued strong progress in sales since our preliminary results with 90% of rooms now sold for the 2023/24 academic year (2022/23: 78%). Demand remains strong from both University partners and students booking accommodation on a direct-let basis with reservations ahead of 2022/23 in almost all markets."

CORPORATE: Watkins Jones published trading update

The report "Underlying residential for rent market continues to perform well with both strong tenant demand and rental growth in our core PBSA and BTR sectors."

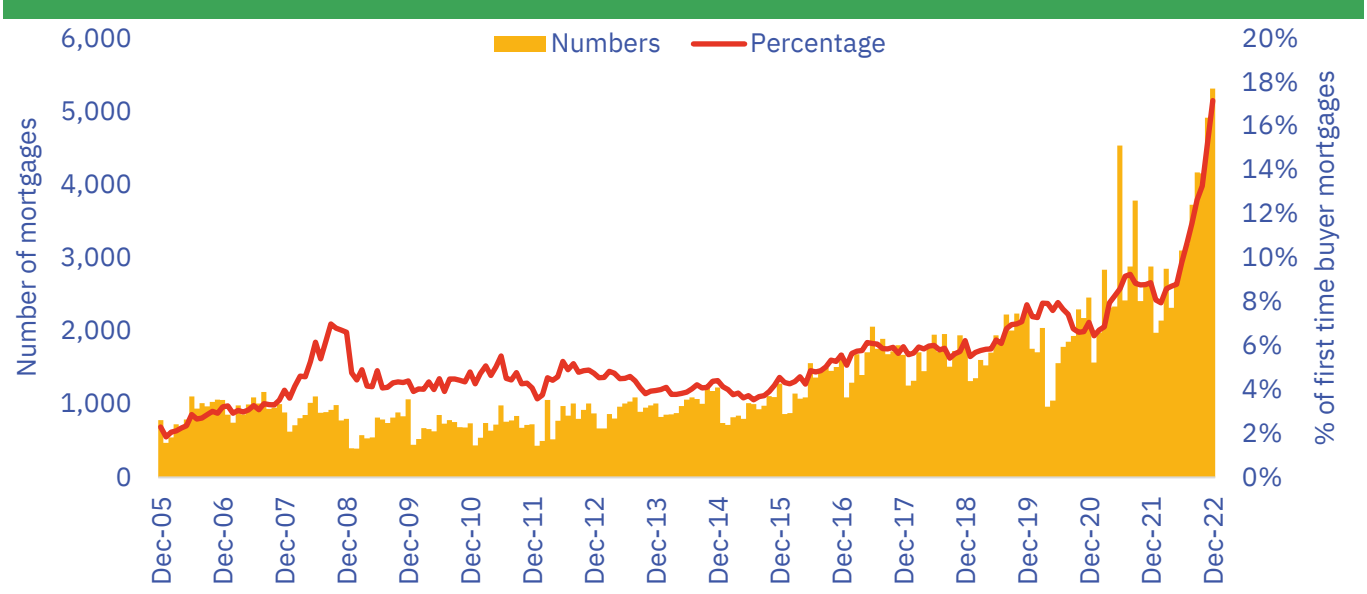
Chart of the Week

This week's chart shows the increase in both number and proportion of first time buyers using very long mortgage terms to buy as mortgage rates increased in the second half of last year – it is based on UK Finance data from my latest FT article.

The housing market has been more resilient than I thought possible in recent months and it appears first time buyers are responsible. This is not surprising given the terrible state of the private rental market but it had raised the question of how they were able to afford it given much higher mortgage rates. It appears they have done so through a combination of just accepting higher repayment costs (though still cheaper than renting), buying smaller properties (see above Rightmove news), and using much longer mortgage terms – as per the chart below. Longer mortgage terms are not immediately dangerous but how they work out for borrowers and the wider housing market will be very dependent on future economic conditions. There is also the risk that, like dual income mortgages, these longer terms become a permanent feature of the mortgage market and become necessary for all borrowers looking to buy their first home.

First Time Buyer Mortgage Terms Greater Than 35 Years

Source: UK Finance



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