

UK Housing Market Update



Activity levels rise as confidence returns to the market

Data for June shows a continued recovery in market activity. According to the latest RICS survey for June, 71% of surveyors reported rising levels of new instructions, and 80% saw rising new buyer enquiries.

Savills analysis of Twenty2i data also showed a strong rebound, with the first week of July seeing the numbers of sales agreed 36% above the same time last year. There are reports from the major listing portals that also support a stronger than expected recovery. HMRC transaction figures aren't as up to date, but show a strong upward trend as well. 48k transactions were recorded in May, 16% above the April figure.

As the market recovers, it will be supported by the Chancellor's recent announcements. He has set out a number of measures to support the economy as the country emerges from lockdown. Most relevant to the housing market is a "Stamp duty holiday" that would exempt the first £500k of a property purchase from the tax. This means that an estimated 90% of home sales will now be free from stamp duty, saving buyers up to £15,000. Critically this will also apply to both second home purchases and Buy-to-Let investors. You can read more about our thoughts on the "Holiday" with greater analysis [here](#).

The market's recovery will also be dependent on policy from lenders. Tighter restrictions on LTVs from some major lenders will limit

mortgage availability, and may act as a drag on the market. For a full recovery, consumer confidence also needs to improve from its historic low. The GFK sentiment survey registered a slight rise in June, the first since March, but still remains deep in negative territory.

House prices fell by -1.4% in June, according to Nationwide, a slightly smaller fall compared to last month's -1.7%. This drags annual growth down into negative territory, with values -0.1% lower than they were this time last year. This is the first fall on an annual basis since December 2012.

Quarterly growth has been the strongest in Scotland, up 2.5%, followed by London at 1.5%. Wales has fared the worst, dropping -2.2%. It should be caveated that all pricing data is based on smaller samples than normal, which can lead to some volatility in the data.

Rental growth across the country sat at 1.5% in May. It was the greatest in the South West and the East Midlands, both at 2.5%. Growth was weakest in Scotland and the North East, each growing 0.6% and 0.8% respectively.

The latest RICS survey for June showed 62% of surveyors reporting rising demand from tenants, whereas only 48% reported rising levels of new instructions from landlords. This demand/supply imbalance can act as a driver for rent increases.

Figure 1 Average price versus 2007/8 peak, Feb-20

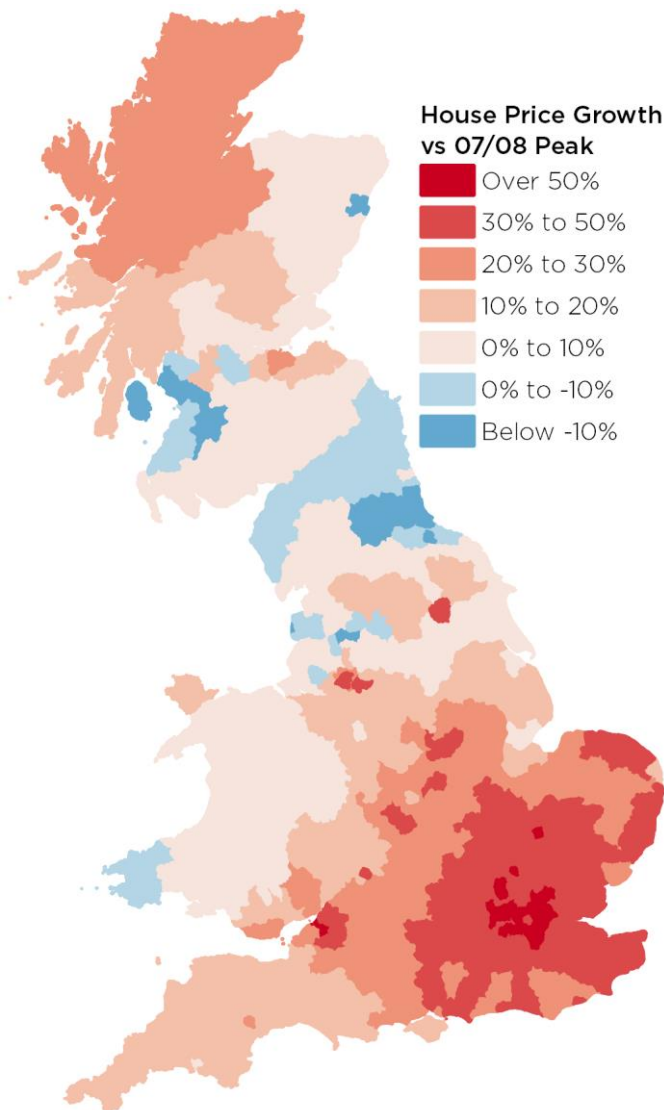


Figure 2 Average price growth, year to Feb-20

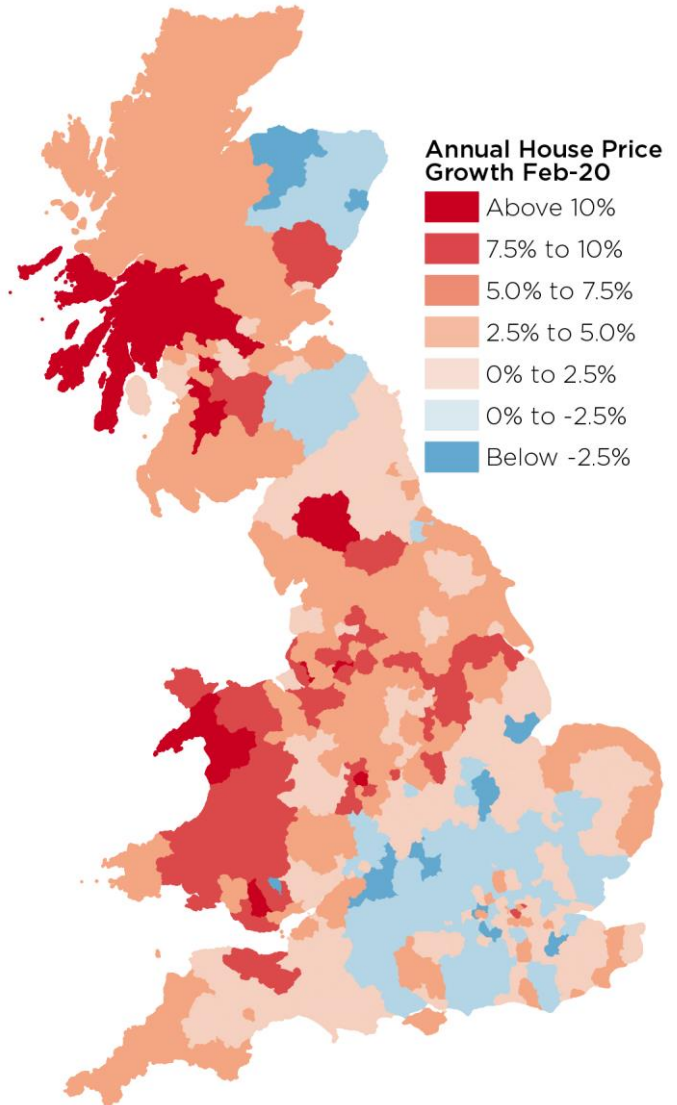
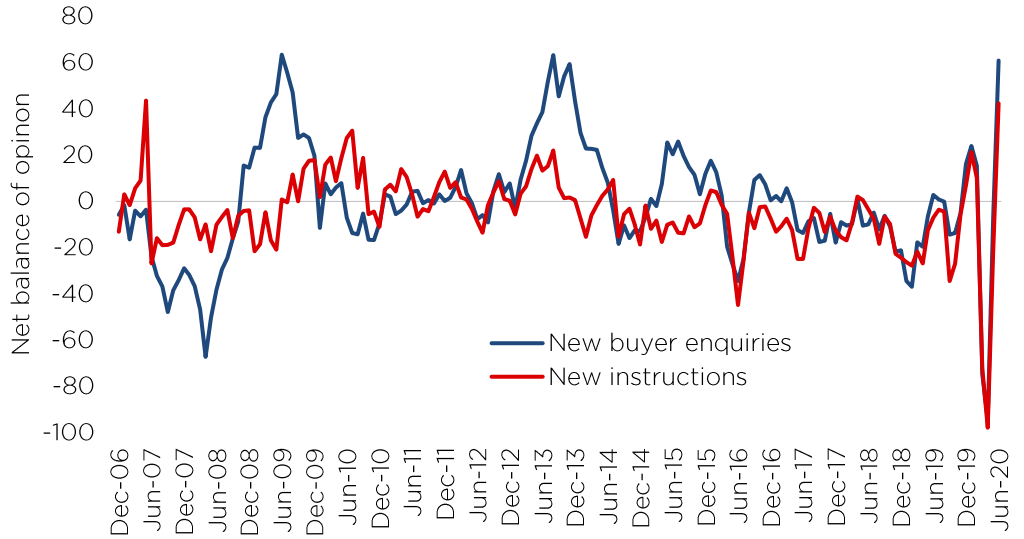


Figure 3 The majority of surveyors saw activity increase in June

The RICS survey for June gives us data on the first full month since the housing market reopened.

It showed that 80% of surveyors reporting rising numbers of new buyer enquires, and 71% see rising numbers of new instructions.

This indicates a strong recovery in activity, which is also supported by figures for the numbers of sales agreed.



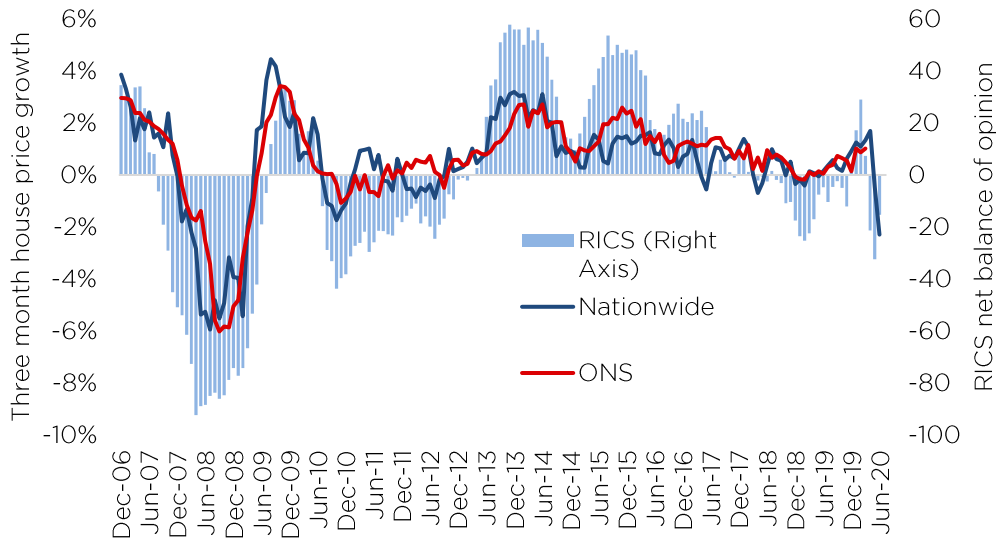
Source RICS (seasonally adjusted)

Figure 4 Nationwide and surveyors agree on falls in values

The RICS Survey can be a good indicator of house price movements, which are later picked up by other indices.

RICS and Nationwide are now in agreement on price falls. The ONS haven't felt comfortable publishing their index since march, so remains out of date.

It's worthwhile remembering that low transaction levels may make price indices more volatile than usual.

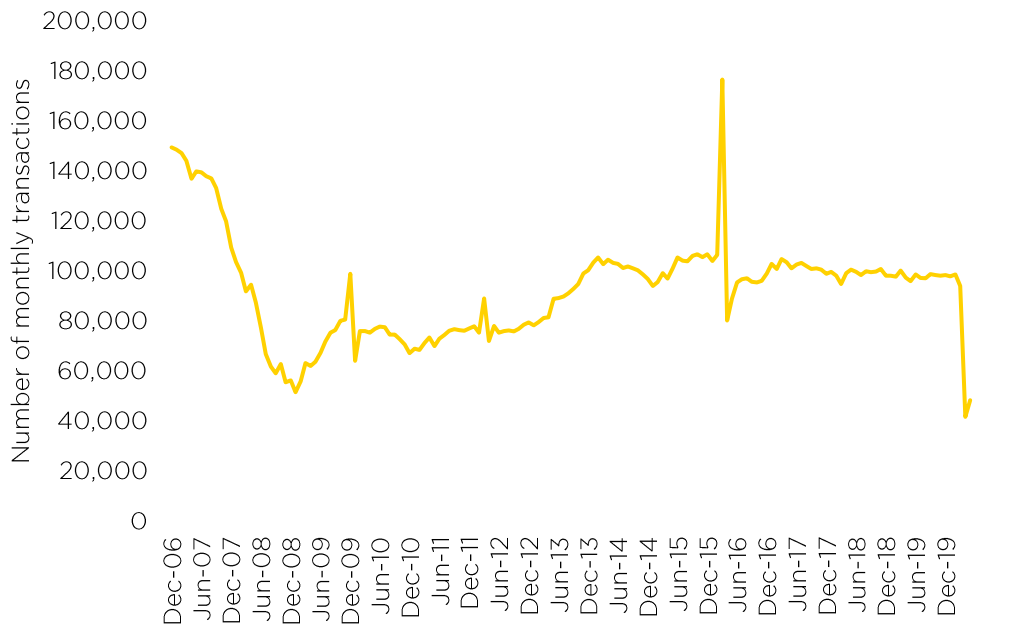


Source RICS, Nationwide, ONS

Figure 5 Transactions started to recover in May

HMRC reported 48,000 transactions in May, a 16% increase on the number in April. This will be a mix of sales that were on hold since the start of lockdown, and new sales as some pent up demand is released.

While the stamp duty holiday will support activity, reduced mortgage availability and low consumer confidence will also act to restrict recovery.



Source HMRC

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Table 1 Recent house price growth

	Nationwide (to Jun-20)			ONS (to Mar-20)			Savills (to Feb-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	-1.4%	-0.1%	2.0%	0.1%	1.0%	2.0%	-0.1%	0.2%	1.9%
London	-	1.4%	2.0%	1.5%	2.2%	4.6%	0.0%	0.3%	1.0%
South East	-	0.1%	2.2%	0.9%	1.1%	1.9%	-0.1%	0.0%	0.2%
East of England	-	-0.2%	0.9%	0.7%	1.3%	1.5%	-0.1%	0.0%	0.3%
South West	-	1.2%	2.2%	2.2%	3.0%	4.0%	0.0%	0.2%	1.4%
East Midlands	-	-1.5%	1.6%	0.7%	0.8%	2.1%	-0.1%	0.3%	2.3%
West Midlands	-	-0.8%	0.7%	-1.5%	0.1%	0.4%	0.0%	0.4%	2.4%
North East	-	0.3%	-0.1%	0.0%	0.8%	1.8%	-0.2%	-0.4%	1.7%
Yorks & Humber	-	-1.8%	2.2%	-3.0%	-2.0%	-1.1%	0.0%	0.1%	3.3%
North West	-	0.4%	5.1%	1.1%	2.1%	3.4%	0.0%	0.6%	3.7%
Wales	-	-2.2%	1.2%	-2.8%	-1.8%	1.2%	0.0%	0.6%	4.3%
Scotland	-	2.5%	3.7%	0.1%	1.4%	1.4%	-0.3%	0.0%	2.8%

Source Savills using HM Land Registry and Registers of Scotland*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 2 Five year mainstream house price forecasts (first published June 2020)

	2020	2021	2022	2023	2024	5-year
North West	-7.5%	8.5%	9.0%	7.0%	6.0%	24.1%
Yorkshire & the Humber	-7.5%	3.0%	10.0%	8.0%	7.0%	21.1%
Scotland	-7.5%	7.0%	8.5%	6.0%	5.5%	20.1%
North East	-7.5%	2.0%	10.0%	8.0%	7.0%	19.9%
East Midlands	-7.5%	7.0%	7.5%	5.5%	5.5%	18.4%
West Midlands	-7.5%	2.0%	10.0%	7.0%	6.5%	18.3%
Wales	-7.5%	2.0%	10.0%	7.0%	6.0%	17.7%
South West	-7.5%	3.0%	8.0%	5.5%	4.0%	12.9%
South East & East	-7.5%	8.0%	5.5%	2.5%	2.5%	10.7%
London	-7.5%	6.0%	3.0%	1.5%	1.5%	4.0%
UK	-7.5%	5.0%	8.0%	5.0%	4.5%	15.1%

Source Savills

Savills team

Please contact us for further information

Ed Hampson

Analyst
ed.hampson@savills.com
020 3107 5460

Chris Buckle

Director
CBuckle@savills.com
0207 016 3881

*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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