

# UK Housing Market Update



## Demand surges, but will the uptick be sustained?

Estate agents in England have now been open for a month. While some data sets show a significant release of pent-up demand, we expect this spike to be short lived.

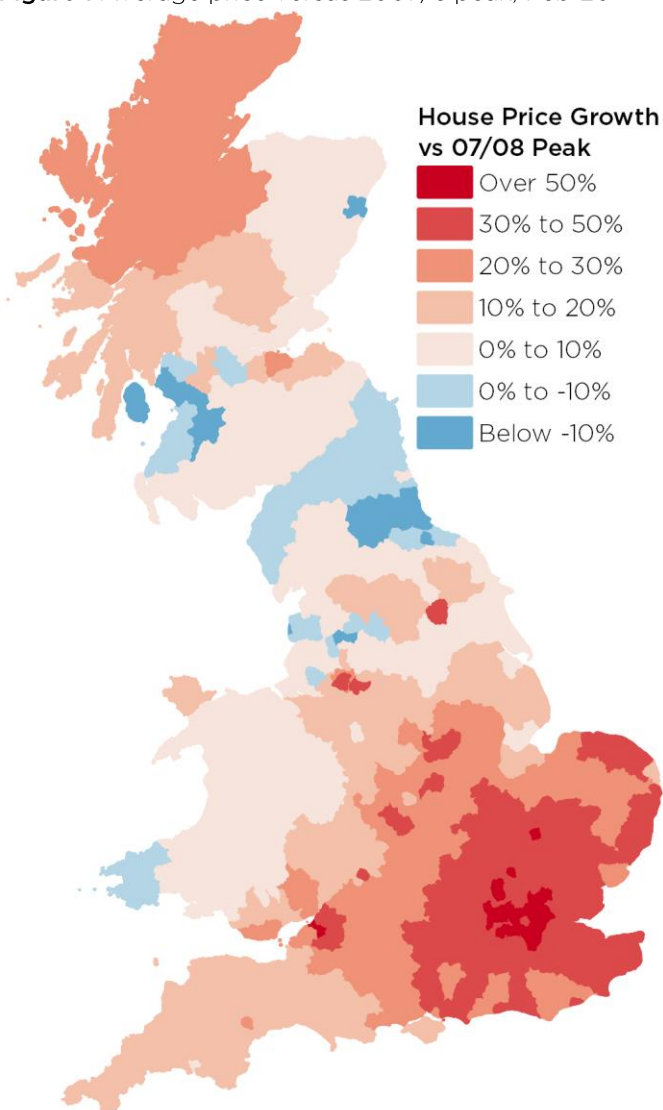
Data from Zoopla shows that recent demand for housing (as of the first week of June) had risen to 54% above its levels in early March, prior to the lockdown. The number of sales agreed, while lagging behind demand, have largely returned to last year's levels.

The RICS survey for May is slightly less up to date, but shows that 48% of surveyors saw rising numbers of new buyer enquiries, and 40% saw rising levels of new instructions. While an improvement on the previous month, it paints a picture of general stability of activity, rather than mirroring the spike we saw in the Zoopla data.

More robust records of activity, mortgage approvals and registered transactions, are only available up to end April. Mortgage approvals were at their lowest number since monthly records began in 1993, and half the number of the previous low point in the GFC. Transactions were also at historic lows in April, with only 38,000 recorded. Many of these would already have been underway prior to the lockdown.

While the figures for April were certainly dismal, Oxford Economics believes that the 20% fall in GDP in April marked the bottom of the downturn, and that the economy has seen a gradual recovery since then.

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



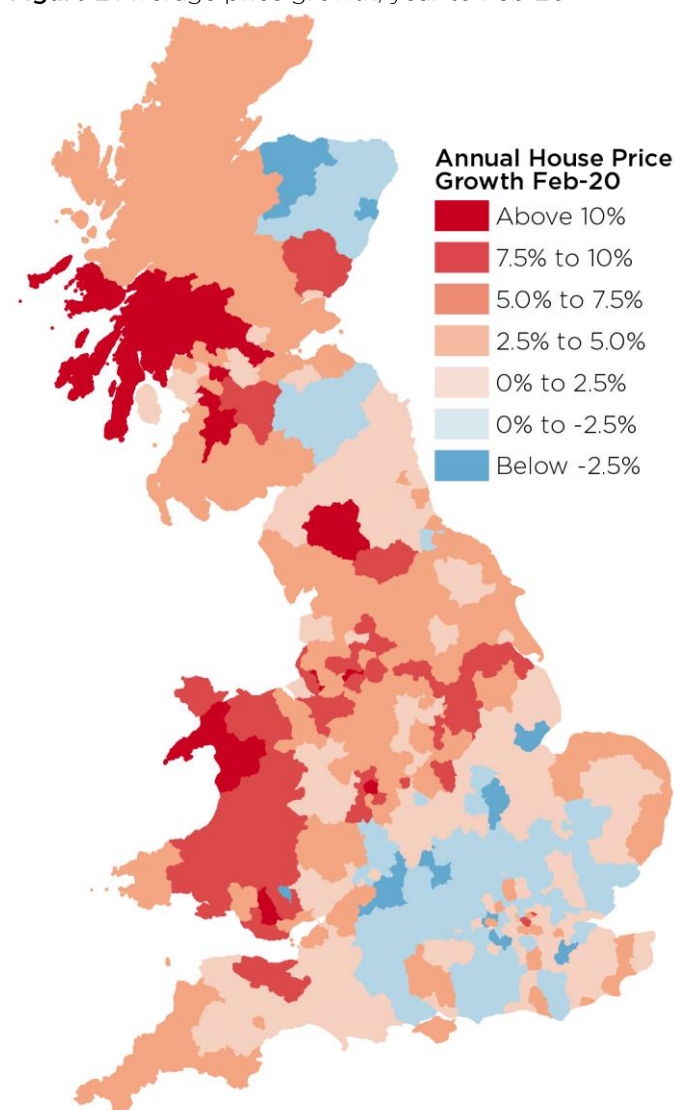
We have also been looking forward, and have produced a new set of forecasts, outlining our views on the mainstream market recovery. The current release of demand may trigger a rise in transactions over the summer, but uncertainty around values and employment will add to lender caution. We have also updated our regional house price forecasts. We expect national falls of -7.5% in 2020, and 15.1% growth over the next 5 yrs. The tables are available at the bottom of this report, and the full report [here](#).

Recovery in the housing market will be determined by the state of the wider economy and consumer finances. Interest rates are expected to remain lower for longer which will support mortgage affordability. This will be welcomed by households most impacted by the economic effects of the lockdown and its aftermath. Record levels of credit repayment suggest that others have benefitted from lockdown, though consumer confidence will take time to recover as it still sits at a historic low.

Nationwide made headlines earlier in the month with reports of values falling by -1.7% in May, albeit based on a smaller than usual sample. Price growth had been increasing in the run up to the Covid crisis, though it remained modest when compared to the 5 year average.

Annual rental growth rose slightly to 1.5% in April. It was greatest in the South West at 2.6%, followed by the East Midlands at 2.4%. Growth was weakest in Scotland, at 0.7%.

**Figure 2** Average price growth, year to Feb-20

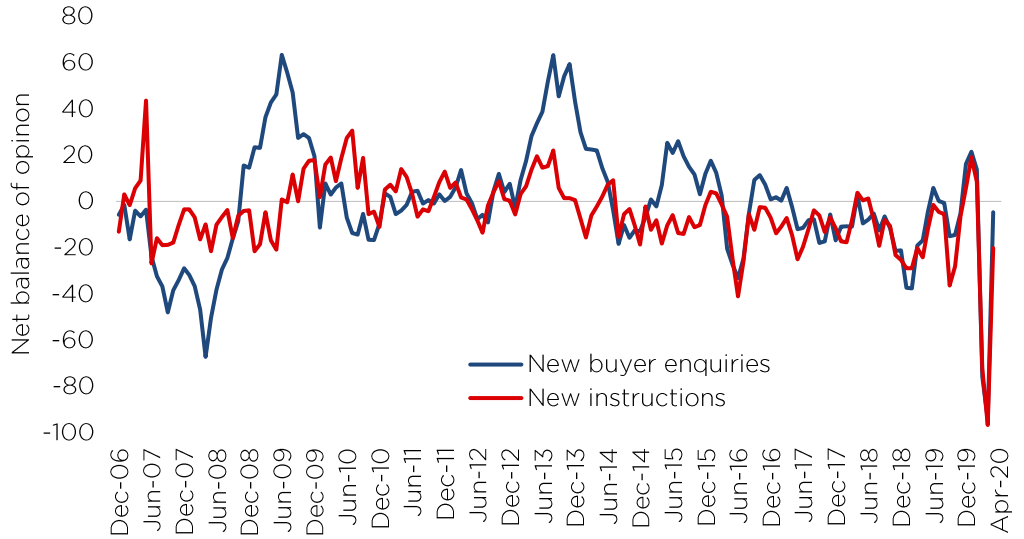


The RICS survey for May showed 48% of surveyors reporting rising numbers of new buyer enquiries, and 40% of new instructions.

This paints a somewhat mixed picture, with over half of surveyors not reporting a notable increase in activity. However it is still a marked improvement on the previous month.

It seems unlikely that the majority of surveyors are actually seeing continued falls in activity from last month, when the entire market was essentially closed. Rather, many may be reporting based on perception and general sentiment instead.

**Figure 3** The majority of surveyors continue to report falling activity

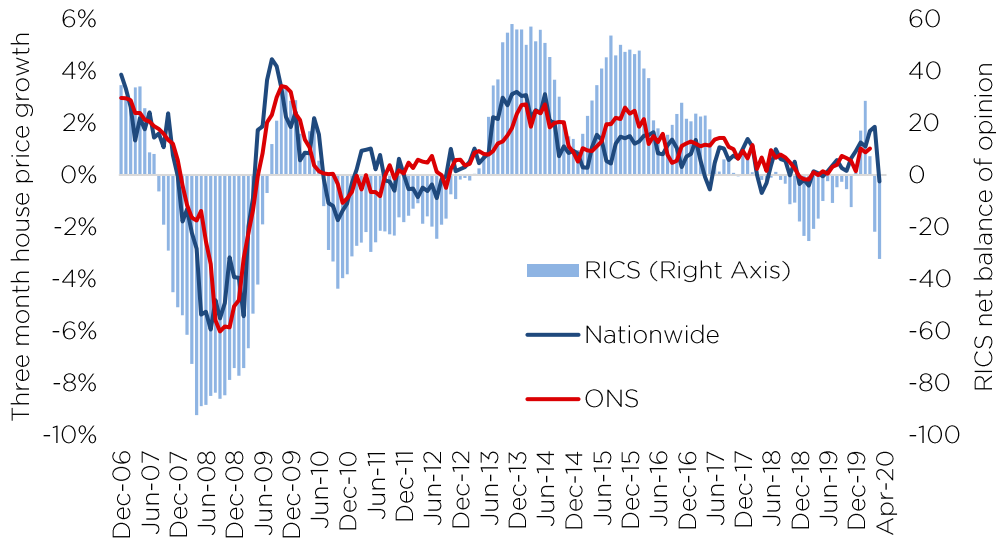


Source RICS (seasonally adjusted)

The RICS Survey can be a good indicator of house price movements, which are later picked up by the indices. Given the current rate of change, it may be a less reliable forward indicator than usual.

Both Nationwide and the RICS price indicator have fallen into negative territory. While not surprising, it should be remembered that these indicators will be based on much smaller samples than usual, and some volatility is to be expected.

**Figure 4** Nationwide and surveyors agree on falls in values

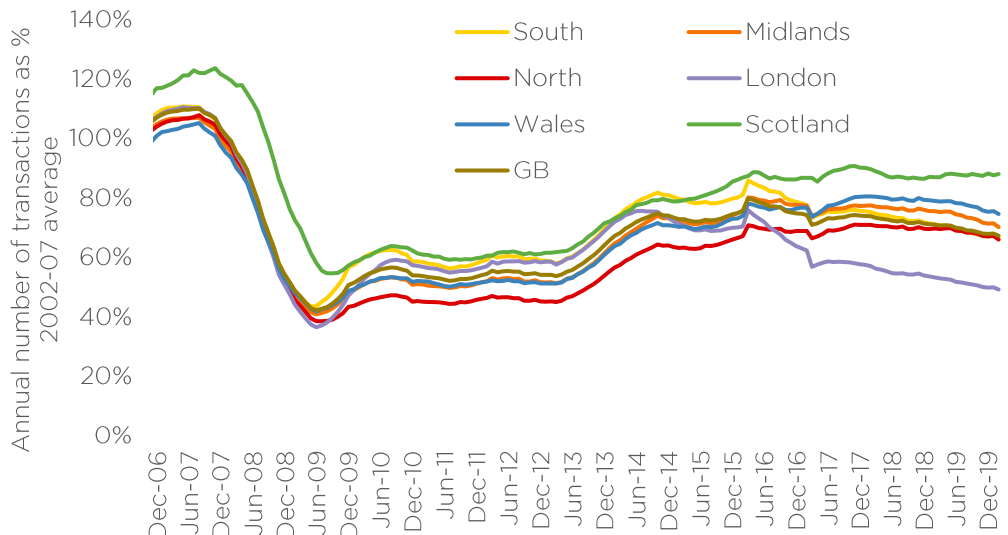


Source RICS, Nationwide, ONS

HMRC reported a record low of 38,000 transactions in April, due to the market being essentially closed for the month. Many of these transactions would have likely occurred earlier in March. This is slightly lower than the previous low of 41,000 in January 2009.

The chart to the right shows the regional breakdown of transactions, based on HMLR data. This data is only reliable up to February. We will need to wait for more data to understand the regional differences in activity levels.

**Figure 5** Transactions reach historic lows



Source Savills using HM Land Registry (adjusted for count lag) and Registers of Scotland

## UK Housing Market Update

**Table 1** Recent house price growth

	Nationwide (to Mar-20 for Regions, to May-20 for UK)			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
<b>UK</b>	-1.7%	-0.3%	2.1%	0.1%	1.0%	2.0%	0.0%	0.3%	2.0%
<b>London</b>	-	1.3%	1.0%	1.5%	2.2%	4.6%	0.0%	0.3%	1.1%
<b>South East</b>	-	2.0%	1.7%	0.9%	1.1%	1.9%	0.0%	0.1%	0.2%
<b>East of England</b>	-	1.3%	1.3%	0.7%	1.3%	1.5%	0.0%	0.0%	0.3%
<b>South West</b>	-	-0.5%	1.5%	2.2%	3.0%	4.0%	-0.1%	0.2%	1.4%
<b>East Midlands</b>	-	2.7%	3.6%	0.7%	0.8%	2.1%	-0.1%	0.3%	2.3%
<b>West Midlands</b>	-	0.5%	2.5%	-1.5%	0.1%	0.4%	0.1%	0.5%	2.5%
<b>North East</b>	-	-0.9%	-0.4%	0.0%	0.8%	1.8%	-0.3%	-0.4%	1.7%
<b>Yorks &amp; Humber</b>	-	2.5%	4.2%	-3.0%	-2.0%	-1.1%	0.0%	0.2%	3.3%
<b>North West</b>	-	2.9%	4.1%	1.1%	2.1%	3.4%	0.0%	0.6%	3.8%
<b>Wales</b>	-	2.7%	6.3%	-2.8%	-1.8%	1.2%	0.1%	0.6%	4.3%
<b>Scotland</b>	-	-0.9%	0.9%	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
<b>North West</b>	-7.5%	8.5%	9.0%	7.0%	6.0%	<b>24.1%</b>
<b>Yorkshire &amp; the Humber</b>	-7.5%	3.0%	10.0%	8.0%	7.0%	<b>21.1%</b>
<b>Scotland</b>	-7.5%	7.0%	8.5%	6.0%	5.5%	<b>20.1%</b>
<b>North East</b>	-7.5%	2.0%	10.0%	8.0%	7.0%	<b>19.9%</b>
<b>East Midlands</b>	-7.5%	7.0%	7.5%	5.5%	5.5%	<b>18.4%</b>
<b>West Midlands</b>	-7.5%	2.0%	10.0%	7.0%	6.5%	<b>18.3%</b>
<b>Wales</b>	-7.5%	2.0%	10.0%	7.0%	6.0%	<b>17.7%</b>
<b>South West</b>	-7.5%	3.0%	8.0%	5.5%	4.0%	<b>12.9%</b>
<b>South East &amp; East</b>	-7.5%	8.0%	5.5%	2.5%	2.5%	<b>10.7%</b>
<b>London</b>	-7.5%	6.0%	3.0%	1.5%	1.5%	<b>4.0%</b>
<b>UK</b>	<b>-7.5%</b>	<b>5.0%</b>	<b>8.0%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>15.1%</b>

**Source** Savills

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\*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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