

RESIDENTIAL PROPERTY REVIEW

JUNE 2021



Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

RENTING LESS EXPENSIVE THAN BUYING A PROPERTY

Research from estate agency Hamptons, suggests that renters are better off than buyers for the first time in five years.

The study found that, just prior to the pandemic in March 2020, the average buyer with a 10% deposit was better off than renters by £102 per month. In May 2021, however, buyers were found to be worse off by £71 per month on average, spending £1,125 on mortgage repayments against the average £1,054 for renters.

This pattern has extended to most of Britain's regions, with only three regions (North East, North West, and Yorkshire and the Humber) cheaper for buyers than renters in May 2021. On the other hand, London buyers have been hit hardest, going from being £123 better off a month buying (March 2020) to £251 better off renting (May 2021).

STAMP DUTY HOLIDAY TAPER APPROACHES

The temporary Stamp Duty nil-rate threshold of £500,000 (applicable in England and Northern Ireland) will end on 30 June, with a tapered threshold of £250,000 then applying until the end of September. From July, the maximum saving buyers can make will fall from £15,000 to £2,500.

This will make June an exceptionally busy month for the property market, says Knight Frank, with buyers racing to complete their transactions for maximum savings. Indeed, the number of offers accepted in May, was the highest monthly figure in a decade, and 55% higher than the same month in 2019. However, it is expected that activity will fall off in July as the Stamp Duty threshold falls and the holiday season makes its return.

2021 looks set to be a record-breaking year in many ways. According to Knight Frank, the number of viewings per available property hit a ten-year high in May and properties have gone under offer more quickly. Zoopla expect total sales completions this year to be over 1.5 million, marking 2021 as one of the most active sales markets since the global financial crisis and one of the top 10 busiest years since 1959.

VALUE OF MORTGAGES RISES

Bank of England (BoE) mortgage data for Q1 2021, has revealed an increase in the value of outstanding mortgage loans over the past year, reflecting heightened buyer demand for property.

The outstanding value of all residential mortgage loans at the end of Q1 2021 (£1,561.8bn) was 3.6% higher than the end of Q1 2020, while the value of gross mortgage advances soared by 26.5% to £83.3bn in the same period.

The continuing record low BoE base rate has not benefited as many buyers as anticipated, however. The proportion of mortgage advances with a rate of less than 2% above bank rate stood at 59.1% for Q1 2021 – 13.3 percentage points lower than the year before – showing that many lenders did not pass on the base rate reduction to customers.

Meanwhile, a fall in the availability of high loan-to-value (LTV) mortgages during the pandemic, was reflected by a 4.1% decrease in mortgages at LTV ratios of 90% and higher, which stood at 1.1% in Q1 2021 – the lowest figure since records began in 2007. This lack of availability is likely to be addressed by the launch of the government mortgage guarantee scheme for small deposit homebuyers, resulting in more high LTV products making a comeback.

HOUSE PRICES HEADLINE STATISTICS

| | |
|-------------------------------|----------|
| HOUSE PRICE INDEX (APR 2021)* | 131.5* |
| AVERAGE HOUSE PRICE | £250,772 |
| MONTHLY CHANGE | -1.9% |
| ANNUAL CHANGE | 8.9% |

*(Jan 2015 = 100)

- Average house prices in the UK increased by **8.9%** in the year to April 2021
- On a non-seasonally adjusted basis, average house prices in the UK decreased by **1.9%** between March and April 2021
- House price growth was strongest in the North East where prices increased by **16.9%** in the year to April 2021.

Source: The Land Registry
Release date: 16/06/21
Next data release: 14/07/21

HOUSE PRICES PRICE CHANGE BY REGION

| REGION | MONTHLY CHANGE (%) | ANNUAL CHANGE (%) | AVERAGE PRICE (£) |
|-------------------------------------|--------------------|-------------------|-------------------|
| ENGLAND | -1.9 | 8.9 | £268,380 |
| NORTHERN IRELAND (QUARTER 1 - 2021) | 1.1 | 6.0 | £149,178 |
| SCOTLAND | -4.1 | 6.3 | £161,401 |
| WALES | 0.6 | 15.6 | £185,041 |
| EAST MIDLANDS | -1.1 | 9.3 | £213,308 |
| EAST OF ENGLAND | 0.3 | 8.0 | £313,964 |
| LONDON | -2.0 | 3.3 | £491,687 |
| NORTH EAST | -1.7 | 16.9 | £144,032 |
| NORTH WEST | -2.6 | 11.8 | £183,299 |
| SOUTH EAST | -2.3 | 5.0 | £341,358 |
| SOUTH WEST | -2.3 | 9.1 | £279,951 |
| WEST MIDLANDS REGION | -0.9 | 11.2 | £216,973 |
| YORKSHIRE AND THE HUMBER | -3.7 | 12.0 | £179,408 |

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – APR 2021

| PROPERTY TYPE | ANNUAL INCREASE |
|-------------------------------|-----------------|
| DETACHED £385,918 | 9.3% |
| SEMI-DETACHED £241,407 | 10.1% |
| TERRACED £204,990 | 9.5% |
| FLAT / MAISONETTE £210,006 | 5.4% |

Source: The Land Registry
Release date: 16/06/21

RESIDENTIAL MARKET OUTLOOK

“The lack of supply is expected to hamper potential sales during this year, yet even so, we expect total transactions this year to rise to 1.5 million, marking one of the busiest years in the UK’s residential market in more than a decade.”

Grainne Gilmore, Head of Research at Zoopla

Source Zoopla May 2021

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All details are correct at the time of writing (17 June 2021)

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