

RESIDENTIAL BRIEFING NOTE

April 2020

Market Overview

This month shows a varied report as some data begins to demonstrate the effects of the lockdown and social distancing measures imposed due to the COVID-19 pandemic while other data has yet to reflect the impact. Therefore, the figures do not yet give a clear indication of just how severely the lockdown is affecting the economy and the property market.

Executive Summary

- February's GDP data showed a small monthly contraction of 0.1%, as this was before the COVID-related lockdown it is more to do with the rain and floods which affected parts of the country that month, keeping people from spending as they normally would;
- Not unexpectedly, all three Purchasing Managers Indices (PMI) recorded declines during March, some more dramatic than others. The services sector was not surprisingly the worst hit with a reading of 34.5, showing a near 20-point decline in just four weeks and the fastest fall ever recorded in this index.
- An interim flash report from GfK showed the consumer confidence index decline from -9 at the start of March to -34 by the last two weeks of the month. Consumers were most concerned for their own financial situation and that of the economy generally.
- Retail sales fell sharply during March even though the official lockdown only began after the third week of the month. Official figures showed the largest-ever monthly decline in sales volumes, down by 5.1% although unsurprisingly food sales were up by over 10%.
- Employment and unemployment numbers this month remained largely unchanged as data is collected only to February, before the economic effects of COVID took place;
- Again, the housing market data reported during February (ONS, 1.1%) and March (Halifax, 3.0% and Nationwide, 3.0%) showed a healthy and improving sector before the lockdown took hold and government regulations temporarily halted the market.
- The more timely RICS residential market survey showed the impacts of effectively closing an entire sector of the market: new enquiries, sales volumes, sales expectations, and price expectations all showed abrupt and dramatic declines following the positive start to the year;
- Data from the private rental sector during February and March, as provided by ARLA and HomeLet showed a strong lettings market was in place prior to the COVID lockdown. The more up to date March and April rental data reported by Hometrack however found demand declined dramatically in the final days of March before rebounding slightly in the first weeks of April.

UK economic backdrop

- **GDP figures for February indicated a 0.1% fall** in the economy (month on month), meaning that the economy was already on slightly shaky ground before the effects of coronavirus even began to take hold in March. In context though **January's 0.0% GDP figure was upwardly revised to 0.1%, and February did see a lot of rain and floods across the country**, keeping consumers away from shops and slowing construction activity. Nevertheless, both points are now virtually meaningless as March and April's data will show much more dramatic declines in both speed and severity. Indeed the Office for Budget Responsibility recently published their prediction of a real GDP fall of around 35% GDP during the second quarter, before quickly bouncing back.
- No surprise that retail sales tumbled during March with **retail sales volumes showing their largest ever one-month decline, falling by 5.1%** as most stores closed for trading on 23 March following the official government guidance. Clothing sales fell by nearly 35% while fuel sales also declined by 18.9% as motor vehicle use dropped. Supermarkets meanwhile were the only sub-sector to see volumes increase, showing a rise of 10.3% month on month while alcohol sales jumped by over a third.
- Over the course of the first two weeks of March, the **GfK Consumer Confidence index measured a small decline to -9** from -7 during February (this is the usual and official reporting period). However, the Index released **an interim flash report using data gathered in the final weeks of March and finds a dramatic decrease to -34**, a fall of 25 points in the span of just a few weeks. The fall in confidence between mid-March and end-March was most acute in the Major Purchase Index which fell by 50 points followed by a fall of 29 points in the General Economic Situation over the next 12 months, and the Personal Financial Situation which declined by 20 points.
- The IHS Markit / CIPS **Manufacturing Purchasing Managers Index (PMI) for March declined to 47.8**, down from 51.7 the previous month. Output contracted the most since July 2012 and new orders declined as **the outbreak of COVID-19 reduced demand both domestically and internationally**. Employment also declined substantially due to redundancies and restructuring. The industry also cites delivery times as being exceptionally long right now as input shortages and transport disruption results in delays in receiving and sending goods overseas.
- Meanwhile the construction sector PMI shows vividly that **social distancing and lockdown measures have dramatically dampened construction activity as the index hit a low of 36.3 in March**, down from 52.6 in February and the lowest level since the financial crisis in 2009. Civil engineering activity witnessed the steepest rate of decline followed by commercial building work and residential activity. Going forward and business expectations showed their weakest level since October 2008.
- Unsurprisingly the **UK services sector PMI (IHS Markit / CIPS) also fell dramatically during March to 34.5** from 53.2 in February marking **the fastest downturn in services sector activity since the survey began in 1996**. New orders dropped at a record pace, with new business abroad falling even more due to international travel restrictions. Employment also declined, falling the most since 2009 due to hiring freezes and forced redundancies. Business confidence also dipped to an all-time low due to the health crisis and uncertainty surrounding its length.
- **Interest rates remain at their record-low 0.10%**. There is no Monetary Policy Committee meeting during April, with the next one scheduled for 7 May 2020. We do not expect an interim emergency meeting or change in interest rates before then.
- **The UK CPI (inflation) rate continued to decline, down to 1.5% during March from 1.7% the previous month**. The dramatic fall in oil prices during the month resulted in a downward contribution from motor fuel while further declines from clothing also reduced the rate during the month. **Many analysts expect that inflation will continue to fall in the coming months as fuel prices remain low while weak demand from consumers as a result of the lockdown, will pull it down yet further.**
- **Labour market data to February (latest) does not yet reflect any COVID-related increase in unemployment**. Instead, the data prior to lockdown showed a strong market, with official figures showing 76.6% of those aged 16-64 were in employment, up from last month's 76.5%. Unemployment edged up slightly from 3.9% to 4.0% but this still does not reflect any data or fallout from the current lockdown.
- **Regular pay data shows a slight decline in the three months to February from 3.1% last month to 2.9% in February**. This month the highest rates of growth came from the public sector which saw an average rate of growth of 3.2%, followed by finance and business services sector at 3.1% while the manufacturing sector saw the slowest rate of pay growth at 2.1% annually.

*Click to see the [latest market indicators](#) at the end of document

Residential property market

Sales Prices and Rents

- **Nationwide house price index found that overall price growth continued across the UK with annual prices up by 3.0%**, marking the highest rate of growth since January 2018. As Nationwide points out **the sample period excluded the most recent COVID-19 related disruption** and government advised 'lockdown'. On a regional basis the report shows Wales had the highest annual pace growth (Q1 2020 over Q1 2019) at 6.4% followed by Yorkshire and Humberside at 4.3% and the North West at 4.1%, while the North was the only region to show a small contraction of 0.3%.
- Data from **Halifax also showed burgeoning house price growth, moving from 2.8% annually in February to 3.0% during March**, although on a monthly basis prices remained flat. With buyer and seller activity still robust (throughout the half of the month anyway), this supported a positive trajectory of price growth, although clearly by the end of the month much had changed. Halifax reports that average prices are now £240,384 across the UK.
- The **Official House Price index from the ONS lags the other indices with data only published up to end February, therefore showing no effects yet from the lockdown. February's annual house price inflation declined slightly to 1.1%, down from an upwardly revised January figure of 1.5%**. The average UK house price is now £230,332 and £246,341 across England.
- Wales recorded the strongest annual house price growth during February, at 3.4% followed by **Greater London which saw 2.3% annual growth, the strongest growth the capital has seen since October 2017**. This was followed by Yorkshire and Humberside at 1.9% while East of England was the only region to see house price declines this month, by -1.0%.
- Of the Carter Jonas regional locations the official index found that Harrogate experienced the strongest annual growth as at February of 8.8% followed by Winchester at 4.7% and South Cambridgeshire at 3.6%. At the other end of the table and Bath and North East Somerset show declines again this month of -3.3%, while neighbouring Somerset posted rises of 3.2%.
- Looking to **London and house prices showed their strongest annual gains in over two years with growth of 2.3%** during February to reach an average of £476,972. Anecdotal evidence from our own agents began to suggest that areas in the prime end of the London market experienced robust demand in the first two months of the year, and this is reflected across Westminster which saw annual gains of 6.2% and inner London generally which posted 3.6% growth annually.
- **March's RICS Residential Survey** encapsulates sentiment in the market during the time of coronavirus with predictable and sharp deterioration across all measures. The poor sentiment has naturally filtered into price growth expectations **with near-term price expectations moving from +21% in February to a staggering -82% in March**. Over the longer term there is slightly less negativity with -38% of respondents expecting house price falls over the coming 12 months. The report is quick to point out however that respondents still expect an average of 2.5% house price growth, per annum, over the next five years.
- **Rightmove** reports that average asking prices **in the four weeks to mid-March rose by 3.5% annually**, fuelled by strong buyer demand and a lack of supply as vendors took longer to return to the market than buyers, following the December general election. On a monthly basis the asking price of newly marketed properties rose by 1.0%, up from February's 0.8% rise. These **results were recorded and published just before the government restrictions on social distancing** were announced during the third week of March 2020.
- Rightmove published its April report during the third week of the month. In it, they report that so few properties came to the market in the last four weeks that it provides no meaningful data on new seller asking prices or new sales agreed, indicating that the market has indeed all but ground to a halt.
- ARLA Propertymark's latest report into **the private rented sector finds that the number of tenants experiencing rent rises declined slightly in February to 41%**. This compares to an average of 34% during February 2019 and 20% in February 2018, indicating that rents are continuing to rise at a faster pace. Tenants in the North East were the worst impacted with 60% of agents witnessing landlords who increased rents.
- According to **HomeLet's March Rental Index, rents rose by 1.8% annually during March**, up moderately from February's 1.6% increase. Average rents are now £959 across the UK, or £793 when London is excluded. The strongest rate of growth was recorded in Northern Ireland with an annual increase of 7.7% followed by Wales at 4.7%. **Greater London also saw some strong growth in March, recording an overall growth rate of 3.7% over the year. This follows 3.2% annual growth last month** and suggests that supply restrictions continue to effect rents in the capital.

**Click to see detailed [house price](#) and [rent tables](#)*

Activity

- On 26 March the government published advice on home moving during the coronavirus outbreak. The advice suggests postponing buying and selling of homes with only essential viewings and video valuations permitted in order to comply with government social distancing measures. This will impact market activity which will unfold within the data in the coming weeks and months. [Carter Jonas examined this in further detail in our recent Residential Market Outlook \(April 2020\) which can be found here.](#)
- Seasonally adjusted transaction figures from HMRC indicated another small increase in sales activity during February, rising by around 1% to 99,650 over January's figure, and 1.1% compared with the same month last year. **March data shows just a very small decline to a provisional figure of 99,440 transactions across the UK, clearly yet to show any impacts from the lockdown or regulations on buying and selling homes** which were announced towards the end of the month.
- In a sign that the housing market was rebounding following Brexit uncertainty however, **Bank of England mortgage approvals data from February (latest data) showed the highest levels of approvals since January 2014.** With 73,546 approvals recorded this was 3.1% above January's figure and 12.5% more than the same month in 2019.
- **Government regulations to close estate agent offices and not conduct face to face viewings or valuations has frozen almost all activity in the market, and this is reflected in this month's RICS Residential Market Survey (March).** After three months of increasing new buyer demand this fell off a cliff in March, with a net balance of -74% of respondents reporting a fall in enquiries during the month. Similarly, -69% of those surveyed noted a decline in sales volumes while near-term sales expectations fell to -92%, the weakest figure since the start of the series in 1998. New instructions also fell to -72% with inventories reportedly at their lowest-ever levels, with just 40 properties, on average, per branch this month. None of this however can be considered a surprise given the industry has ground to a halt.
- In **Rightmove's March monthly report (dated 16 March), they found the number of agreed sales rose by 17.8%**, increasing to the highest level at this time of year since 2016, with London benefitting the most, selling an average of 18% more quickly than the same time last year. The **number of new vendors however rose by just 1.2%** nationally, meaning there are **still supply and demand issues** which would have helped buoy asking prices. Rightmove goes on to say their website recorded their five busiest days ever during February 2020.
- Rightmove's April report found so few properties where sales were agreed that there was not enough meaningful data to make any proper analysis. They did find that visits to their website fell by around 40% at the start of lockdown, however they notice that in the last week this has started to improve slowly.
- **February again saw further strong demand for rental accommodation** according to ARLA PropertyMark's latest report, with the average number of new prospective tenants reaching 82 per branch, a record high for a February. On a regional level Yorkshire and the Humber had the highest number of new prospective tenants at 109 per branch, while the North East showed the lowest at just 26 registered per branch. **Supply levels however did increase slightly** during the month to an average of 201 properties managed per branch, up from 191 in January. **London again falls significantly behind the rest of the regions** with an average of just 115 properties being managed per branch.
- **Hometrack's quarterly rental report noted a fall in demand for rental housing of 57% during the last two weeks of March, although this has since rebounded slightly to around 30%** in the first two weeks of April. On the supply side, the report notes no mass withdrawal of rental properties with properties listed for rent down by just 3% during April compared with 1 March. Looking ahead and Hometrack expects moves within the lettings market during 2020 to decline by around a quarter compared with 2019.
- According to the latest **RICS Residential market survey, tenant demand in the lettings market was stable in the three months to March.** Landlord instructions fell yet again, with a net balance of -32% of respondents noting a decline. In the near-term **rental growth projections have moved into negative territory during March**, due to the virus outbreak, while over the coming 12 months respondents see stagnation of rents. Once again however, the effect of the virus has done little to change the longer view with projections of average annual rental growth declining only very slightly to 2.5% per annum to 2025.

HM Treasury Forecasts for the UK Economy

(April data versus data from just one month ago to give an indication of what analysts think COVID impacts might look like)

	APRIL RELEASE		MARCH RELEASE	
	2020	2021	2020	2021
Official Bank Rate (%)		0.37	0.39	0.63
House Price Growth (annual, %)	-1.5	3.4	1.7	2.9
CPI inflation rate (annual average, %)	1.4	1.8	1.5	1.9
Unemployment rate (%)	6.9	5.5	4.1	4.1
GDP (annual, %)	-5.8	5.0	0.6	1.3
Average earnings growth (annual, %)	1.3	2.4	2.8	3.1

Sources: HM Treasury Consensus Forecasts

Select Market Indicators, latest versus previous data

	Current	Previous	Direction of change
GDP monthly estimate (February, m-o-m)	-0.1%	0.1%	↓
Retail sales volumes (monthly % change)	-5.1%	-0.3%	↓
GfK Consumer Confidence Index	-9	-7	↓
IHS Markit / CIPS Manufacturing PMI	47.8	51.7	↓
IHS Markit / CIPS Construction PMI	39.3	52.6	↓
IHS Markit / CIPS Services PMI	34.5	53.2	↓
Inflation rate	1.5%	1.7%	↓
Interest rate	0.10%	0.10%	↔
Employment rate (to February 2020)	76.6%	76.5%	↑
Unemployment rate (to February 2020)	4.0%	3.9%	↑
Weekly earnings growth (excl bonuses) (to February 2020)	2.9%	3.1%	↓
Nationwide annual house price inflation	3.0%	2.3%	↑
Halifax annual house price inflation	3.0%	2.8%	↑
Official UK House Price inflation (annual, HM Land Registry)	1.1%	1.5%	↓
Rightmove House Price Index (annual, asking price)	3.5%	2.9%	↑
HomeLet Rental Index (annual growth, UK)	1.8%	1.6%	↑
£ Sterling: \$ USD	\$1.23	\$1.18	↑
£ Sterling: € Euro	€1.13	€1.09	↑
Brent Crude (USD)	\$17.42	\$27.39	↓
Gold (USD)	\$1,696.00	\$1,613.80	↑
FTSE 100	5,717.34	5,640.42	↑
UK 5 Year Gilt Yield	0.175	0.25	↓

Sources: ONS (unless otherwise indicated) (final six indicators as at 22 April)

Official House Price data, HM Land Registry, February 2020

Source: HM Land Registry

Carter Jonas Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Harrogate	£301,887	3.0%	8.8%
Winchester	£419,296	2.8%	4.7%
South Cambridgeshire	£380,725	0.1%	3.6%
Leeds	£188,799	-0.1%	3.5%
Somerset	£241,035	1.5%	3.2%
Cornwall	£237,540	0.2%	3.0%
Cambridge	£441,769	0.7%	2.8%
Oxford	£419,973	-2.4%	2.3%
Vale of White Horse	£360,294	1.6%	1.6%
Devon	£262,700	0.3%	1.2%
South Oxfordshire	£405,137	-0.4%	0.9%
Northampton	£213,539	0.4%	0.4%
Suffolk	£243,986	-0.7%	0.4%
Cambridgeshire	£291,577	-1.0%	0.2%
Dorset	£289,562	-0.1%	0.1%
Northamptonshire	£227,705	0.0%	-0.7%
York	£251,696	-1.5%	-0.9%
Wiltshire	£272,613	0.2%	-1.2%
West Berkshire	£342,401	-2.1%	-1.7%
West Oxfordshire	£314,450	-1.7%	-2.3%
Bath and North East Somerset	£322,746	-3.5%	-3.3%

UK region	Average Price	Monthly Change (%)	Annual Change (%)
Wales	£164,435	1.2%	3.4%
London	£476,972	0.2%	2.3%
Yorkshire and The Humber	£162,334	-1.0%	1.9%
United Kingdom	£230,332	-0.6%	1.1%
South West	£258,044	0.5%	1.1%
North West	£163,602	-0.5%	0.9%
England	£246,341	-0.6%	0.8%
East Midlands	£192,244	-1.5%	0.7%
West Midlands region	£198,658	-1.3%	0.7%
North East	£125,053	-1.3%	0.4%
South East	£321,329	-0.4%	0.4%
East of England	£286,869	-0.7%	-1.0%

Official House Price data, HM Land Registry, February 2020

Source: HM Land Registry

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£476,972	0.2%	2.3%
Prime Central London	£1,115,469	0.0%	-1.1%
South West London	£671,150	0.6%	0.4%

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Islington	£686,810	2.9%	9.5%
Hackney	£577,443	2.2%	8.5%
Tower Hamlets	£462,323	0.5%	8.1%
Lambeth	£528,519	0.4%	6.6%
City Of Westminster	£975,091	-2.3%	6.2%
Newham	£382,454	4.3%	5.2%
Kingston Upon Thames	£500,189	1.8%	5.2%
Lewisham	£414,975	0.9%	4.1%
Southwark	£507,512	2.2%	3.8%
Wandsworth	£600,089	-0.6%	3.5%
Hammersmith And Fulham	£741,096	1.5%	3.4%
Hounslow	£403,401	-1.6%	3.3%
Redbridge	£423,671	0.3%	3.0%
Richmond Upon Thames	£672,266	0.7%	2.5%
Croydon	£373,110	0.4%	2.4%
London	£476,972	0.2%	2.3%
Barking And Dagenham	£298,960	-1.5%	1.7%
Sutton	£380,198	1.8%	1.6%
Havering	£369,312	1.7%	1.3%
Waltham Forest	£441,113	-0.3%	1.1%
Greenwich	£395,484	-0.6%	0.9%
Bexley	£341,588	1.8%	0.7%
Barnet	£526,024	1.5%	0.4%
Brent	£479,542	12.7%	0.2%
Kensington And Chelsea	£1,255,848	1.9%	-0.3%
Bromley	£437,030	0.2%	-0.6%
Enfield	£392,895	0.7%	-1.1%
Ealing	£470,814	0.8%	-1.2%
Harrow	£444,755	-0.6%	-2.1%
Haringey	£530,513	-5.4%	-2.6%
Hillingdon	£396,248	-2.7%	-4.2%
Merton	£493,242	-2.3%	-5.2%
Camden	£792,861	-1.0%	-8.2%
City Of London	£730,282	-2.4%	-18.4%

	Average Price	Monthly Change (%)	Annual Change (%)
Outer London	£426,008	0.6%	0.5%
Inner London	£580,663	0.5%	3.6%

HomeLet Rental Index, March 2020

Source: HomeLet Rental Index

Region	Rent (£pcm)	Monthly change (%)	Annual change (%)
Northern Ireland	£682	1.9%	7.7%
Wales	£641	-1.4%	4.7%
Greater London	£1,673	1.4%	3.7%
North West	£738	-2.3%	3.7%
East Midlands	£650	-0.2%	2.8%
Yorkshire & Humberside	£646	0.2%	2.1%
West Midlands	£714	0.8%	1.9%
UK Average	£959	0.4%	1.8%
UK (excluding Greater London)	£793	0.3%	1.4%
South West	£854	0.6%	1.1%
East of England	£924	0.9%	0.7%
Scotland	£669	-0.4%	0.0%
North East	£519	0.4%	-1.1%
South East	£1,025	0.7%	-2.1%

ABOUT CARTER JONAS

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