

# RESIDENTIAL BRIEFING NOTE

June 2021

## Market Overview

*The push to get the population vaccinated not once but now twice (of which over 30 million now have had their double dose) continues to instil strong confidence in the market, as both consumers and businesses report strong levels of optimism going forward and GDP growth in April of 2.3% reflects the willingness to get out and spend.*

*In the residential market there is some concern that once the stamp duty holiday ends buyer demand will dissolve substantially and the housing market will then show a sharp slowdown. While there is little doubt that the tax break has fuelled a good deal of the increased demand over the last ten months (there was a strong spike in transactions during March 2021 as households tried to get sales over the line before the original end of the tax break), this level of intensity and momentum is unsustainable. Bank of England mortgage approvals data already shows a decline in the number of approvals since reaching a peak last November of 103,000.*

*We believe there is still (and will be for some time) latent demand from people who will continue to reevaluate their changing needs and preferences due to the pandemic and lockdown, and the new ways of office and home working. While demand may become more subdued than what we are seeing now, and the pace of house price inflation will slow, demand will return to more sustainable levels. This is particularly important given that first time buyers and younger people will have been disadvantaged by the current rates of demand and price growth.*

## Executive Summary

- Annual GDP grew by a record 27.6% over the year to April, although that was when the virus was first racing across the country, and lockdown restrictions were at their tightest. Nevertheless, April's month on month GDP growth was still a strong 2.3%.
- Retail sales volumes declined 1.4% between April and May 2021, but this followed the strong increase in April when non-essential retail restrictions were eased.
- Yet again all three Purchasing Managers Indices (PMI's) showed strong growth during May with each sector citing continued jobs growth. However, input cost inflation and materials shortages were noted which may hamper stronger expansion going forward. May's jump in inflation to 2.1% corroborates this.
- The UK unemployment rate fell for the fourth month in a row in April, down to 4.7%, with businesses taking on increasing staff numbers as restrictions across the country began to ease that month and non-essential shops opened.
- House price inflation continues its robust rise with Nationwide recording a 10.9% annual increase and Halifax 9.5%, both up on last month's figures and the strongest growth levels since 2014.
- The gap between supply and demand in the residential sales market widened again during May, according to the latest RICS survey. A negative net balance of new instructions was recorded compared with a positive balance in rising new buyer enquiries.
- RICS also reports that the rental market is facing strong levels of demand while stock levels dwindle, and this has resulted in rents rising at much faster rates than usual. HomeLet noted rent increases averaging 6.4% annually, outside London.

## UK economic backdrop

- Reflecting the first full month of reopening and activity following several months of lockdown restrictions, GDP grew by a punchy 2.3% during April. This follows March's 2.1% rise and means GDP is now up a massive 27.6% above its low point last April, although it is still 3.7% below pre-pandemic levels.
- Following April's sharp rise in retail sales it is not entirely unexpected that May's figures show a monthly fall of 1.4%. The largest contribution to the monthly decline came from food store sales where volumes fell by 5.7%; this was probably due to consumers getting out to more restaurants and bars as hospitality restrictions eased during the month. The proportion of retail sales done online also declined in May however compared with February 2020 the value of total online retail sales was 58.8% higher.
- The further easing of restrictions in April and May appears to have boosted consumer confidence with the GfK index now recording a figure of -9, the strongest since before the pandemic. The biggest increase came from the 'General Economic Situation over the next 12 months' sub-index which increased 15 points into positive territory and now its highest figure since 2015. The 'Major Purchase' sub-index also increased five points to -7, again its highest level since pre-pandemic and suggests that many consumers now feel ready to spend following months of (accidental) built-up savings.
- May's survey of purchasing managers in the manufacturing industry found that growth continued to soar as new orders rose at their quickest pace in over 30 years with the final index reading of 65.6 up from 60.9 in April. The Manufacturing PMI report also noted that employment rose at another record pace while on the supply side purchasing costs rose at their steepest rate ever due to raw materials shortages and rising input costs.
- The IHS Markit / CIPS Construction PMI also rose in May to 64.2, up from 61.6 in April and the strongest rate of growth in this sector since September 2014. House building was the best-performing category followed by commercial, which itself grew at its fastest rate since 2007. Job creation in the industry continues its rapid rate of growth, increasing at its fastest rate since 2014 although, as in the manufacturing industry, cost inflation hit an all-time high.
- The services sector continues its run of output growth, with the latest PMI figure jumping to 62.9 in May, the fastest rate for 24 years, as restrictions eased and business and consumer spending grew. New orders increased and job creation was at its highest level since 2015 – although respondents noted this was both new job hires and returns from furlough. As with the other sectors however, input cost inflation rose significantly, at its highest rate since July 2008.
- Increasing prices for clothing, fuel, games and meals & drinks consumed out were the largest month on month upward contributions to the latest inflation rate, aiding the rise of 2.1% CPI inflation over the 12 months to May. On an annual basis the largest contribution came from rising transport costs, which was partly due to the low cost 12 months ago during lockdown.
- Latest estimates from the labour market survey shows that the jobs market continues to recover well with the number of payrolled employees increasing for the sixth consecutive month while the unemployment figure decreased to 4.7% in the three months to April 2021. The survey goes on to say that most industries are now showing job vacancies above their pre-pandemic levels, while the redundancy rate decreased in the three months to April and is now similar to pre-pandemic rates. Since February 2020 the largest declines in payrolled employees have been from three main areas: those in the food and accommodation sector, people under 25 years, and people living in London.
- Annual growth in average earnings continues to accelerate but the labour market survey reports that the latest sharp rise of 5.6% can be partly attributed to the number and proportion of lower-paid workers losing their jobs, but it is also compared with April 2020 when earnings were first affected by the pandemic.

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

## Residential property market

### Sales Prices and Rents

- Nationwide recorded the highest house price growth in seven years during May with average prices rising by 10.9% according to the bank. Month on month growth also remains strong with house prices rising by 1.8% over April. This month the bank conducted a survey of those looking to move and found that 25% were considering a move because of the pandemic. The results also showed that 30% were moving to access a garden or outdoor space more easily, while over 20%

were looking to get away from 'urban life'. All of this is consistent with the anecdotal evidence we have seen over many months now, of urban flight and the search for space.

- Halifax also noted another steep house price rise in May with annual prices rising by an average of 9.5%, and 1.3% over April's figure. The bank notes that this means that on average the value of a UK home has increased by £22,000 over the last 12 months.
- UK house prices rose by 8.9% in the year to April 2021, according to the latest official data from the ONS. This was down slightly from March's rate of 9.9% and on average, prices in the UK decreased by 1.9% between March and April 2021.
- Again this month it was the northern regions which saw the highest house price growth with houses in the North East recording a sharp 16.9% annual rise in prices, followed by Wales at 15.6%, Yorkshire and the Humber (12%) and the North West (11.8%). The more 'traditionally' expensive areas of London (3.3%), the South East (5.0%) and East of England (8.0%) were at the bottom of the house price growth table this month.
- The prime central areas of London are again posting annual house price declines with Kensington and Chelsea the hardest hit where average prices here have dropped by 16.7% over the year. Westminster also shows a steep decline of 11.1% followed by Camden (-5.9%) and Wandsworth (-3.5%). The remaining 29 London boroughs all posted either no change or positive price growth with Harrow leading the way at 11% inflation followed by Lewisham (10.7%), Lambeth (8.9%), Waltham Forest (8.9%) and Hillingdon (7.5%). It seems that the London boroughs are following a similar pattern as that for the rest of the country where the more expensive and less affordable areas have seen more muted price changes, while the less expensive areas are posting the strongest growth.
- The latest RICS residential market survey notes there is still no sign of house price inflation cooling with a headline balance of +83% of respondents noting upward pressure on house prices, an increase from +76% last month. This is the fourth consecutive month that house price inflation has grown with all regions noting an increase. Looking ahead and +45% of respondents feel price rises will continue in the short term, while +64% expect increases over the next 12 months.
- Rightmove reports that asking prices have risen by around 7.5% compared with March 2020, this is up

from April's 6.7% increase and reflects a more modest monthly increase of 0.8%. The web giant notes that the monthly rise is clearly slowing (April posted month on month rise of 1.8%) but is still the largest monthly increase at this time of year, since 2015.

- Average rents in most parts of the country continue to rise with strength, according to HomeLet's latest monthly report on the private rented sector. Across the UK rents have risen by an average of 4.0%, but this increases to 6.4% if London is excluded. Yet again it is areas across the South West and East of England which have seen the highest annual rises at 8.4% and 8.5% respectively. London meanwhile is reporting an average decrease of 0.9%, which is the slowest rate of decline since May 2020 but is the 12th month in a row of falling rents.
- In the lettings market RICS finds again that +55% of respondents expect a pickup in rents over the short term, while over the longer term a 3% rise in rents is still anticipated across the board. The only change is in the London market where rental growth expectations have finally moved into positive territory in both the three- and twelve-month horizon.

### Activity

- Mortgage approvals rose slightly in April, according to Bank of England's latest release. With nearly 87,000 approvals this is up 4% over March's figure and is nearly a quarter more than that five-year monthly average. Given the lag between mortgage approvals and house purchases it appears demand is still strong, and the stamp duty holiday may no longer be the only key factor in decision making.
- Following the surge in sales transactions during March it is not surprising that April's figures fell back again, with 117,860 sales estimated to have taken place. This is down 36% over March's historic figure but is still nearly 20% above the monthly average over the five years prior to the pandemic. With mortgage approvals also down and the end of the SDLT tax break now just weeks away, sales volumes will probably begin to fall back to more 'normal' levels in the coming months.
- Rightmove's latest house price index report had some interesting analysis with regards to where demand is coming from. The report found that the number of sales agreed in May on properties over £500,000 is up by nearly 50% compared with the same time two years ago, and this is despite these sales unlikely to get over the line by the end of the stamp duty holiday. They go on to report that 'top of the ladder' homes have risen



by 12.3%, far higher than first-time buyer properties (5.2%) and second-steppers (8.7%). Again, this appears to verify what many have speculated: that it is well-off relocators looking to more expensive areas and homes that have been fuelling these latest rises in house prices and demand.

- The gap between supply and demand in the housing market continues, according to the latest RICS residential market survey. A net balance of +32% of survey participants noted an increase in new buyer enquiries during May, compared with a net balance of -23% noting new instructions. This gap between enquiries and instructions is now at its widest since November 2013, underpinning much of the latest house price growth across the country.
- A similar trend is reported across the lettings market too, according to the RICS survey as it notes that tenant demand remains strong with a net balance of +48% noting tenant growth while at the same time new landlord instructions remains negative.

## HM Treasury Forecasts for the UK Economy, June 2021

	2021	2022	2023	2024	2025
Official Bank Rate (%)	0.10	0.10	0.63	0.93	1.25
House Price Growth (annual, %)	3.8	0.8	1.8	2.9	2.8
CPI inflation rate (annual average, %)	2.4	1.8	2.1	2.1	2.0
Unemployment rate (%)	5.7	4.9	4.7	4.4	4.3
GDP (annual, %)	6.8	5.4	2.1	1.6	1.6
Average earnings growth (annual, %)	3.8	2.2	3.3	3.5	3.3

Sources: HM Treasury Consensus Forecasts (2021, 2022: June 2021, all others: May 2021)

## Select Market Indicators, latest versus previous data

	Current	Previous	Direction of change
GDP monthly (month-on-month)	2.3%	2.1%	↑
Retail sales volumes (monthly % change)	-1.4%	9.2%	↓
GfK Consumer Confidence Index (monthly, May 2021)	-9	-15	↑
IHS Markit / CIPS Manufacturing PMI	65.6	60.9	↑
IHS Markit / CIPS Construction PMI	64.2	61.6	↑
IHS Markit / CIPS Services PMI	62.9	61.0	↑
Inflation rate (CPI)	2.1%	1.5%	↑
Interest rate	0.10%	0.10%	↔
Employment rate	75.2%	75.2%	↔
Unemployment rate	4.7%	4.8%	↓
Weekly earnings growth, regular pay (excl bonuses)	5.6%	4.6%	↑
Nationwide annual house price inflation	10.9%	7.1%	↑
Halifax annual house price inflation	9.5%	8.2%	↑
Official UK House Price inflation (annual)	8.9%	9.9%	↓
Rightmove HPI (asking prices, compared with March 2020)	7.5%	6.7%	↑
HomeLet Rental Index (annual growth, UK)	4.0%	2.9%	↑
£ Sterling: \$ USD	\$1.41	\$1.42	↓
£ Sterling: € Euro	€1.16	€1.16	↔
Brent Crude (USD)	\$74.24	\$65.78	↑
Gold (USD)	\$1,825.49	\$1,871.30	↓
FTSE 100	7,157.62	6,979.63	↑
UK 5 Year Gilt Yield	0.391	0.376	↑

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 17 June)

## Official House Price data, HM Land Registry, April 2021

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Cornwall	£270,079	-0.4%	15.7%
Leeds	£211,228	-0.1%	14.5%
South Oxfordshire	£481,669	6.8%	14.1%
Cambridge	£498,370	7.4%	13.2%
Somerset	£263,996	0.7%	12.1%
Oxford	£439,740	1.5%	12.0%
York	£286,987	3.3%	11.4%
Devon	£291,369	1.4%	10.5%
Suffolk	£264,891	-0.4%	9.7%
Wiltshire	£298,478	1.2%	9.6%
Dorset	£320,064	1.9%	9.1%
Bath and North East Somerset	£376,033	1.1%	9.0%
Cambridgeshire	£316,991	1.8%	8.6%
South Cambridgeshire	£400,439	-0.8%	8.0%
Harrogate	£297,801	-4.0%	7.0%
Northampton	£226,442	-0.3%	6.3%
Northamptonshire	£244,691	-0.6%	5.7%
Vale of White Horse	£371,731	-0.4%	5.2%
West Berkshire	£355,669	-2.4%	3.3%
Winchester	£431,534	-2.5%	3.1%
West Oxfordshire	£318,852	-8.0%	-3.2%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£144,032	-1.7%	16.9%
Wales	£185,041	0.6%	15.6%
Yorkshire and The Humber	£179,408	-3.7%	12.0%
North West	£183,299	-2.6%	11.8%
West Midlands region	£216,973	-0.9%	11.2%
East Midlands	£213,308	-1.1%	9.3%
South West	£279,951	-2.3%	9.1%
<b>England</b>	<b>£268,380</b>	<b>-1.9%</b>	<b>8.9%</b>
<b>United Kingdom</b>	<b>£250,772</b>	<b>-1.9%</b>	<b>8.9%</b>
East of England	£313,964	0.3%	8.0%
South East	£341,358	-2.3%	5.0%
London	£491,687	-2.0%	3.3%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£491,687	-2.0%	3.3%
Prime Central London	£1,024,414	-5.3%	-13.9%
South West London	£663,255	-0.5%	2.7%

## Official House Price data, HM Land Registry, April 2021

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Harrow	£502,786	3.5%	11.0%
Lewisham	£458,056	1.6%	10.7%
Lambeth	£547,505	3.0%	8.9%
Waltham Forest	£480,235	-1.4%	8.9%
Hillingdon	£432,341	1.8%	7.5%
Merton	£545,179	-1.6%	7.2%
Croydon	£394,879	1.1%	7.1%
Barking and Dagenham	£312,288	-1.1%	7.1%
Redbridge	£448,806	-1.3%	6.9%
Sutton	£402,550	0.8%	6.8%
Enfield	£422,476	0.7%	6.7%
Hounslow	£427,900	0.6%	6.3%
Ealing	£504,519	0.4%	5.8%
Bromley	£456,681	-1.2%	5.5%
Islington	£673,362	-4.0%	5.1%
Bexley	£358,959	-1.6%	4.9%
Havering	£385,572	0.3%	4.9%
Southwark	£527,883	-0.2%	4.8%
Newham	£382,016	-2.7%	4.0%
Hackney	£599,308	-1.6%	4.0%
Richmond upon Thames	£696,476	1.3%	3.7%
Haringey	£561,253	-4.4%	3.4%
<b>London</b>	<b>£491,687</b>	<b>-2.0%</b>	<b>3.3%</b>
Kingston upon Thames	£501,788	-1.7%	3.0%
Barnet	£544,682	1.1%	2.6%
Brent	£479,010	-6.0%	1.6%
Tower Hamlets	£473,355	-1.4%	1.2%
Hammersmith and Fulham	£703,385	-1.3%	1.2%
Greenwich	£399,475	-3.4%	0.3%
Wandsworth	£589,904	-1.6%	-3.5%
Camden	£812,624	1.1%	-5.9%
City of Westminster	£918,858	-1.9%	-11.1%
City of London	£793,432	6.8%	-13.6%
Kensington And Chelsea	£1,129,971	-7.9%	-16.7%
Outer London	£449,420	-0.4%	5.5%
Inner London	£587,172	-1.2%	1.0%

## HomeLet Rental Index, May 2021

Region	Rent (£pcm)	Monthly Change (%)	Annual Change (%)
East of England	£1,001	0.8%	8.5%
South West	£943	-1.3%	8.4%
Wales	£698	1.5%	7.7%
Yorkshire & Humberside	£697	0.6%	6.9%
East Midlands	£704	-0.7%	6.8%
<b>UK (excluding London)</b>	<b>£854</b>	<b>0.1%</b>	<b>6.4%</b>
North East	£560	0.9%	6.3%
South East	£1,095	-0.6%	5.6%
West Midlands	£755	0.0%	4.7%
North West	£790	-0.1%	4.2%
Northern Ireland	£678	1.2%	4.1%
<b>UK</b>	<b>£997</b>	<b>0.1%</b>	<b>4.0%</b>
Scotland	£707	939.7%	3.7%
Greater London	£1,583	0.2%	-0.9%

Source: HomeLet Rental Index

### ABOUT CARTER JONAS

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 33 offices and 700 property professionals, our commercial team is renowned for their quality of service, expertise and the **simply better advice** they offer their clients.

### Residential Research

**Leslie Schroeder**  
Head of Residential Research  
020 7529 1538  
leslie.schroeder@carterjonas.co.uk

**020 7518 3200**  
**One Chapel Place, London W1G 0BG**

© Carter Jonas 2020. The information given in this publication is believed to be correct at the time of going to press. We do not however accept any liability for any decisions taken following this report. We recommend that professional advice is taken.