

RESIDENTIAL BRIEFING NOTE

April 2021

Market Overview

March's GDP growth of 2.1% was a little surprising considering there was only a very limited amount of lockdown easing at the time. It has however instilled strong levels of confidence that the coming months will show even stronger economic output growth as restrictions ease yet further and we enter a period where there are (expected to be) little to no limitations on movement or trade.

The supply and demand imbalance in both the sales and lettings sectors of the housing market is becoming increasingly more acute and is driving pricing and rental growth across the country. London is the only exception to rental growth where rents continue to fall but the supply of rented property in the capital has risen by nearly 20% according to Rightmove, while stock is down by over half in the rest of the country. Private landlords continue to leave the sector, some are selling up to take advantage of price growth, but many are finding the legislative changes over the last few years has made it an untenable sector.

Executive Summary

- GDP fell by 1.5% in the three months to March, not unexpectedly given the country was in the middle of a severe national lockdown. More encouragingly, output grew by 2.1% in March, with production, manufacturing and construction sectors all showing growth.
- Retail sales rose sharply in April, up 9.2% compared with March, as all non-essential stores were permitted to reopen.
- All three Purchasing Managers Indices continued to show strong levels of expansion in April, with manufacturing in particular showing its strongest rate of growth since at least 1994. Promisingly, jobs growth was recorded across all sectors as new work levels also rose sharply.
- The unemployment rate declined in the three months to March, down slightly to 4.8% while the number of payrolled employees rose by an estimated 97,000 in April 2021.
- Average earnings growth meanwhile also grew, up to 4.6% in the latest three months. This will again be affected by the higher proportion of lower-paid jobs lost so an actual growth rate of 3.0% is probably more accurate.
- Halifax and Nationwide showed more harmonious data this month as both banks recorded strong levels of monthly and annual price growth; Nationwide reported 2.1% monthly growth as being the highest they have recorded since 2004.
- April's RICS survey once again reports diminishing supply in both the sales and lettings markets, combined with continued strong levels of demand which is fuelling rent and price growth in both sectors.
- Rightmove's latest quarterly rental report shows rents in London down by nearly 8% over the last year, while the rest of the country experienced an average 4.2% rise. Available stock issues remain at the heart of these discrepancies with supply increases in London while the UK as a whole has seen available lets down by over 50%.

UK economic backdrop

- UK GDP fell by 1.5% during the first quarter of the year, when the country was in the grip of a national lockdown. Contraction was noted in both the services and production output sectors however the construction sector saw output grow. The largest contributor to the fall in the services sector was from the education sector when schools were closed for eight weeks, while a fall in the manufacturing sector contributed to the largest decline in production output.
- More positively, monthly GDP grew by 2.1% during March, the fastest monthly growth since August 2020. As schools in most parts of the UK began to reopen this helped fuel a rise in output. Production however also grew, as did manufacturing and construction.
- Easing of lockdown during April and the opening of all non-essential stores pushed retail sales up sharply in the month, increasing 9.2% compared with March. Unsurprisingly it was non-food stores that provided the largest contribution to growth, with clothing stores alone seeing volumes increase by 69.4%. Consequently, all retail sectors reported a fall in their proportion of online sales during April as their physical shops re-opened. The proportion of online sales therefore dropped to 30.0% in April, down from 34.7% in March.
- Consumer confidence edged up modestly in April to -15, according to the GfK index. Of the sub-indices measured, the Economic Situation (both forward and backward looking) increased the most, while the Personal Financial Situation (forward looking) rated the strongest at +10. The Personal Financial index is one to keep an eye on as consumer spending going forward will help boost the economy and contributed to the projected rebound during the second half of the year.
- The UK Manufacturing PMI rose to 60.9 in April, up from 58.9 in March, signalling the steepest pace of expansion in this sector since records began in 1994. The loosening of lockdown restrictions has evidently buoyed manufacturing industries as growth in output and new orders was among the largest seen in seven years while job creation continued at one of its highest levels ever. This growth however has all been slightly offset by supply-chain delays and stock shortages which are contributing to increased costs.
- The UK Construction PMI held steady at 61.6 in April, little changed from March's six-and-a-half year high of 61.7. This is still a strong rate of expansion with all sub-sectors of commercial, residential and civil engineering growing rapidly. New work increased for the 11th month in a row and job creation was the highest in over five years. However, suppliers' delivery times remains challenging to the industry with it now being the third-longest since 1997.
- The reopening of the hospitality and retail industries during April has boosted the services sector PMI to 61.0, up from 56.3 in March, marking the strongest rate of expansion in this sector since October 2013. Expansion was driven by both consumer and business spending although consumer services clearly outstripped business services as customer-facing parts of the economy reopened. New business volumes rose at the highest rate in over six years while job growth continues to accelerate at its fastest pace in over five years.
- CPI inflation increased again in April, up 1.5% over the same time 12 months ago. This is an increase from 0.7% in March and 0.4% in February. The largest upward contribution to this month's inflation came from housing and household services, mainly in the form of utility prices as April saw an overall increase in gas and electricity costs. Transport was another contributor as fuel prices rose 13.6% between April 2020 and April 2021 – the largest annual increase since March 2017.
- Estimates for unemployment in the UK between January and March showed a quarterly decrease, with the unemployment rate at 4.8%, down from 4.9% previously, marking the third month in a row where this figure fell. The official employment rate meanwhile, rose to 75.2%, although it is still 1.4 percentage points lower than before the pandemic. The number of payroll employees grew by 97,000 in April 2021 compared with March 2021, but there are still 257,000 fewer payrolled employees compared with before the pandemic.
- Once again average earnings are up, rising to 4.6% per annum from 4.4% previously. Current pay growth however continues to be upwardly affected by the fall in the number and proportion of lower-paid jobs. This means that underlying wage growth is probably more likely to be around 3.0%.
- Bank rate was held at 0.1% again in the latest meeting of the Monetary Policy Committee. Members voted unanimously to hold the rate and judged that the current policy was appropriate given the wider economic conditions.

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

Residential property market

Sales Prices and Rents

- House price inflation regained momentum in April, according to Nationwide's latest index. Annual house price growth rose to 7.1% but the real story was the monthly rise which, at 2.1%, was the highest monthly increase since February 2004. The bank notes that even if prices are flat between April and June, by then annual price growth will move into double digits, given the static market this time last year.
- More in line with the Nationwide this month, the Halifax house price index also showed robust monthly house price growth during April of 1.4% over March. On an annual basis this means average UK house prices have risen 8.2%, the highest annual rise in five years according to the bank.
- The official house price index from the ONS showed that house prices rose by 10.2% in the 12 months to March (across England and the UK), the highest annual rise since August 2007 and up from an upwardly revised February high of 9.2%. House prices were shown to have increased by 1.8% between February and March, the highest monthly rise since April 2014.
- Annual house price inflation was strongest in the northern regions where Yorkshire and The Humber posted 14% growth, the North East 13.7%, the North West 12.8% and the East Midlands 12.4%. Areas in the south experienced slightly less hefty increases (South East, 7.9%) with London at the bottom indicating an average rise of 3.7%.
- Yet again this month the ONS house price inflation data shows slow or negative price growth in the central parts of London, with Wandsworth, Camden, Kensington & Chelsea, Westminster and Southwark all at the bottom of the table with annual price growth ranging from 2% in Southwark to -8.1% in Westminster. In all, the inner London boroughs posted an average price growth of 2.1% over the 12 months to March compared with 6.1% across the outer London boroughs.
- Across all of the Carter Jonas office areas house price inflation continues to rise sharply, particularly in select parts of the country where demand has been most intense over the last year. Cornwall is posting 15.5% price growth followed by Suffolk (13.7%), Leeds (13.4%), Oxford (11.8%) and Vale of White Horse (10.5%). Of all the 21 districts that we track eight posted house price inflation in the double digits.
- April's RICS residential survey indicated overall strong house price inflation with a net balance of +75% of respondents who said there was continued increase in prices, up from +62% the month prior. They go on to say that all UK regions showed a sharp increase in house price inflation. In the short-term rising price expectations came in at +47%, again a rise from last month which showed +43%.
- Average residential asking prices rose 1.8% between April and May 2021, according to Rightmove's latest House Price Index report. This reflects an increase of 6.7% over March 2020 (index suspended in April and May 2020) with many regions reporting double digit increases over the period (Wales, 13%, North West, 11.1%, Yorkshire & Humberside 10.5%). Only London saw prices virtually unchanged at 0.2% since before the pandemic.
- For the 12th consecutive month rents in London have fallen (-5.3%), on an annual basis, according to HomeLet's April report on the private rented sector. This compares with an average increase across the rest of the UK (outside London) of 6.2% (or 2.9%, including London). Rents in the South West have increased the most with an annual rise of 8.6%, followed by the East Midlands (8.1%) and Yorkshire & Humberside (7.1%). The report goes on to say that sustained demand and reduced stock is behind most of the rise.
- Rightmove's quarterly rental market report finds that UK rents have risen an average of 4.2% over the same time last year, with London being the only region where rents have fallen (-7.8%). As with other indices the East Midlands is showing the highest annual increase at 7.5% followed by the South West at 5.6%.
- The RICS market survey also noted rental growth expectations rose sharply in April, with +55% of respondents seeing an increase. Compare this with a reading of +15% in the previous quarter and it is clear that rents have taken a sharp upward turn. Over the next 12 months rental growth is expected to be around 3% across the UK although in London expectations are still slightly negative.

Activity

- The number of mortgages approved for house purchase fell for the fourth consecutive month in March, to 82,740, down 5% over February's figure but still 24% more than the five-year monthly average prior to the pandemic. This was below market expectations and suggests that many households rushed to get a mortgage in place well before the initial stamp duty (SDLT) deadline of March. This data is a leading indicator of future sales activity so we may now start to see a decline in the recent strong pace of sales over the coming months.
- Following the surge in sales transactions during March it is not surprising that April's figures fell back again, with 117,860 sales estimate 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.
- The latest RICS residential market survey found that buyer demand in April remained firm but on the supply side properties listed for sale have begun to dwindle. Respondents to the survey noted that this supply and demand imbalance is what will continue to drive up house prices, and this was noted in all parts of the UK. During April a net balance of +44% of respondents indicated that new buyer demand rose, while the net balance of new instructions fell to -4%, down from +21% just one month prior.
- Yet again Rightmove's latest report into the residential sales market tells of a widening supply and demand gap within the sector. The portal giant reports demand is up 52% between April 2021 and April 2019 across the country, while available stock of three + bedroom homes was down 50% over the same period, and one- and two-bedroom homes were down by nearly 25%.
- HomeLet's private rented sector report for April finds that rental stock continues to decrease as landlords, facing cost increases and legislative changes, look to exit the sector. The rate of landlords selling up and leaving may rise yet further as the current ban on tenant evictions and plans to abolish Section 21s make the sector less appealing than ever.
- This lack of rental stock outside of London is noted in Rightmove's latest quarterly rental market report where they note that in London, where rents are falling supply is up by 19% compared with the same period in 2019. Outside London however, where rents are rising fastest, rental stock is down by an average of 54%.
- The RICS market survey noted that new landlord instructions were largely unchanged since the last survey period while tenant demand growth accelerated sharply in the three months to April. A net balance of +60% of respondents noted demand growth, up from +14% three months prior. This supply and demand imbalance is leading to sharp upward rental growth across most of the UK.

HM Treasury Forecasts for the UK Economy, May 2021

	2021	2022	2023	2024	2025
Official Bank Rate (%)	0.11	0.21	0.63	0.93	1.25
House Price Growth (annual, %)	1.6	1.0	1.8	2.9	2.8
CPI inflation rate (annual average, %)	2.1	2.0	2.1	2.1	2.0
Unemployment rate (%)	5.9	5.1	4.7	4.4	4.3
GDP (annual, %)	6.5	5.6	2.1	1.6	1.6
Average earnings growth (annual, %)	4.0	2.6	3.3	3.5	3.3

Sources: HM Treasury Consensus Forecasts (May 2021)

Select Market Indicators, latest versus previous data

	Current	Previous	Direction of change
GDP monthly (quarter-on-quarter)	-1.5%	+1.3%	↓
Retail sales volumes (monthly % change)	9.2%	5.4%	↑
GfK Consumer Confidence Index (monthly, April 2021)	-15	-16	↑
IHS Markit / CIPS Manufacturing PMI	60.9	58.9	↑
IHS Markit / CIPS Construction PMI	61.6	61.7	↔
IHS Markit / CIPS Services PMI	61.0	56.3	↑
Inflation rate	1.5%	0.7%	↑
Interest rate	0.10%	0.10%	↔
Employment rate	75.2%	75.1%	↑
Unemployment rate	4.8%	4.9%	↓
Weekly earnings growth, regular pay (excl bonuses)	4.6%	4.4%	↑
Nationwide annual house price inflation	7.1%	5.7%	↑
Halifax annual house price inflation	8.2%	6.5%	↑
Official UK House Price inflation (annual)	10.2%	9.2%	↑
Rightmove House Price Index (over March 2020)	6.7%	5.1%	↑
HomeLet Rental Index (annual growth, UK)	2.9%	3.4%	↓
£ Sterling: \$ USD	\$1.42	\$1.39	↑
£ Sterling: € Euro	€1.16	€1.16	↔
Brent Crude (USD)	\$65.78	\$64.80	↑
Gold (USD)	\$1,871.30	\$1,789.70	↑
FTSE 100	6,979.63	6,907.45	↑
UK 5 Year Gilt Yield	0.376	0.308	↑

Sources: ONS (unless otherwise indicated) (final six indicators retrieved on 20 May)

Official House Price data, HM Land Registry, March 2021

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Cornwall	£273,153	2.6%	15.5%
Suffolk	£273,361	3.7%	13.7%
Leeds	£211,818	1.1%	13.4%
Oxford	£452,297	2.6%	11.8%
Vale of White Horse	£387,514	3.4%	10.5%
Bath and North East Somerset	£373,348	1.2%	10.2%
Wiltshire	£297,154	1.4%	10.1%
Harrogate	£318,130	3.2%	10.0%
Somerset	£259,467	-0.5%	9.3%
Dorset	£315,051	0.4%	9.2%
South Oxfordshire	£450,769	0.9%	9.2%
Devon	£286,602	0.9%	8.7%
West Oxfordshire	£351,343	3.8%	8.4%
South Cambridgeshire	£403,254	1.0%	8.0%
Northamptonshire	£245,875	1.0%	7.3%
Northampton	£225,681	0.5%	7.0%
West Berkshire	£364,933	0.2%	6.7%
Cambridgeshire	£311,944	0.5%	6.5%
York	£274,112	0.4%	6.3%
Winchester	£434,916	-2.0%	4.5%
Cambridge	£461,935	-0.3%	4.0%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Yorkshire and The Humber	£188,575	3.4%	14.0%
North East	£145,893	3.0%	13.7%
North West	£187,924	1.2%	12.8%
East Midlands	£219,950	1.9%	12.4%
Wales	£185,431	3.1%	11.0%
South West	£287,650	2.6%	10.9%
West Midlands region	£220,982	1.8%	10.7%
England	£274,615	1.7%	10.2%
United Kingdom	£256,405	1.8%	10.2%
East of England	£315,059	1.2%	9.4%
South East	£348,615	0.9%	7.9%
London	£500,310	1.0%	3.7%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£500,310	1.0%	3.7%
Prime Central London	£1,130,063	2.0%	-4.2%
South West London	£697,927	3.3%	7.1%

Official House Price data, HM Land Registry, February 2021

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Waltham Forest	£490,895	2.4%	12.6%
Haringey	£607,029	2.3%	11.9%
Hammersmith and Fulham	£804,517	10.5%	11.7%
Merton	£557,445	0.4%	9.2%
Brent	£510,533	-0.6%	9.2%
Enfield	£428,257	2.7%	9.0%
Bexley	£367,015	1.4%	8.2%
Redbridge	£454,415	-1.2%	8.1%
Bromley	£463,226	0.3%	7.4%
Havering	£390,902	1.4%	7.2%
Harrow	£479,417	-0.1%	6.4%
Barking and Dagenham	£317,185	-0.8%	5.7%
Greenwich	£416,306	1.0%	5.5%
Sutton	£395,397	-1.0%	5.4%
Kingston upon Thames	£511,318	1.5%	5.2%
Richmond upon Thames	£690,985	-0.6%	4.9%
Islington	£682,485	-1.1%	4.8%
Lewisham	£432,500	-2.8%	4.8%
Hackney	£604,466	0.3%	4.6%
Croydon	£385,345	-1.1%	4.3%
Tower Hamlets	£496,247	6.0%	3.8%
London	£500,310	1.0%	3.7%
Hounslow	£423,197	-1.4%	3.3%
Lambeth	£530,046	-0.6%	2.8%
Hillingdon	£419,408	-2.1%	2.6%
Ealing	£490,426	-1.5%	2.4%
Newham	£378,862	-3.5%	2.4%
Barnet	£534,005	-0.4%	2.3%
City of London	£864,354	16.1%	2.0%
Southwark	£508,423	-3.5%	2.0%
Kensington And Chelsea	£1,332,134	5.3%	-0.4%
Wandsworth	£598,279	-0.9%	-2.0%
Camden	£796,442	-3.0%	-6.1%
City of Westminster	£927,993	-2.2%	-8.1%
Outer London	£450,712	0.0%	6.1%
Inner London	£595,921	0.2%	2.1%

HomeLet Rental Index, April 2021

Region	Rent (£pcm)	Monthly Change (%)	Annual Change (%)
South West	£955	2.0%	8.6%
East Midlands	£709	-1.3%	8.1%
Yorkshire & Humberside	£693	0.7%	7.1%
East of England	£993	0.6%	6.9%
North East	£555	2.4%	6.5%
North West	£791	0.4%	6.3%
UK (excluding London)	£853	0.7%	6.2%
Wales	£686	1.3%	6.2%
South East	£1,102	1.5%	5.7%
West Midlands	£755	1.2%	3.9%
Scotland	£689	1.0%	3.6%
UK	£996	0.4%	2.9%
Northern Ireland	£670	-1.6%	1.1%
Greater London	£1,580	-0.4%	-5.3%

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.

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