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After weeks of severe lockdown, new government guidance has begun the process of easing restrictions on the UK housing market, allowing for a partial return to normality in May.

Policymakers have chosen to kickstart activity in the property sector, allowing house viewings and physical property inspections to resume under certain conditions. Under previous rules, transactions could take place but only in limited circumstances, using virtual viewings and desktop valuations. While valuers and lenders have worked hard to provide practical solutions for the market, much of the activity since the start of the UK's 'lockdown' has necessarily been focused on remortgage activity, including equity release.

Physical viewings and property inspections can resume, provided estate agents and householders remain two metres away from the potential buyer or surveyor. Surfaces must be cleaned between viewings and appropriate protective clothing worn to limit exposure to the virus.

Despite some positive signs, the financial repercussions of Covid-19 continue to affect household finances, and levels of both supply and demand in the market are lower than usual, as the public remains cautious.

Help for homeowners

The Government and the Financial Conduct Authority announced at the start of the pandemic that all existing homeowners would be able to claim a three-month mortgage payment holiday, should they be unable to meet their monthly payments. Chancellor Rishi Sunak has announced this scheme will be extended to October. However, borrowers have been warned that they should only use these payment breaks as a last resort. Banks are being encouraged to offer the option of lowering payments for a short period, to prevent interest mounting.

Mr Sunak has also announced the ban on property repossessions for owner-occupiers would be in force until later in the year.

Low rates

The property market during lockdown has been dominated by remortgage activity, but with restrictions eased, more first-time buyers and home movers can once again look to access the low mortgage rates available.

The Bank of England has maintained the base rate at the historically low level of 0.1%. Swap rates, used by lenders to determine interest rates, have also remained low. This is good news for borrowers who can access the cheap mortgage rates being offered by many lenders.

According to data provider Moneyfacts, lenders are now offering deals below 1.5% for remortgage customers and below 3.5% for first-time buyers.

Market update: house prices

With the market in lockdown, many house price indices were suspended. The Office for National Statistics (ONS) suspended its index after releasing data for March, the month the country went into lockdown.

It found that the average house price in the UK in March stood at £231,855. This figure is 0.2% lower than February's total but 2.1% up compared to the same month in 2019.

The fastest growth occurred in Northern Ireland, where prices rose by 3.8% to hit an average of £141,000. Elsewhere, house prices in England fell by 0.1% to £248,271, Scotland decreased by 0.4% to £151,297 and in Wales the average price dropped by 2.8% to £161,684.

Sources:

<https://www.gov.uk/government/speeches/housing-secretarys-statement-on-coronavirus-covid-19-13-may-2020>

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/march2020>

<https://moneyfacts.co.uk/news/mortgages/the-best-residential-mortgage-rates-this-week-220520/>

<https://www.gov.uk/government/news/help-with-mortgages-to-continue-for-homeowners-affected-by-coronavirus>

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