

1. Introduction

Due to the Covid-19 Pandemic and the Government's response in establishing a nationwide lockdown, Acadata has been unable to compute its standard House Price Index for March 2020. Normally, Acadata relies on data from the Land Registry for sales in England & Wales. The present circumstances have resulted in a delay to that data being produced. As and when the data become available, Acadata intends to produce its March HPI in line with normal practice. Although there has been much comment about the housing market coming to a near standstill, transactions in March were likely to be closer to normal levels than perhaps realized, since the 'lockdown' did not start until 23 March 2020 – by which time most housing contracts would have been in the hands of conveyancing solicitors. Many of these sales would have progressed through the system to completion.

2. HM Land Registry Price Paid Data (PPD) March 2020

Acadata has studied the data published by the Land Registry relating to March 2020. Although those data are to date relatively low in number - and we discuss the implications of this below - there are sufficient data points to give an early indication of market trends at the national and regional level.

For the record, these show the following movement in national prices:

House Price Change			
England & Wales	Jan-20	Feb-20	Mar-20
Annual % growth	2.7%	3.6%	4.7%
Monthly % growth	0.2%	-2.6%	1.7%

Table 1. The annual and monthly growth rates for England & Wales for the period Jan – Mar 2020

On an annual basis, the pick-up in rates which became apparent following the General Election continued through the first quarter of 2020, thus the annual growth rate has climbed from +2.7% in January 2020 to +4.7% in March 2020. As we show on page 4 of this report, much of the increase in March prices has been due to an increase in prices in Wales, a turnaround in values in the South East and strong growth in London, particularly at the top-end of the market. These figures have also been flattered by the fall in rates that occurred in March 2019, reported by us at -0.4% in our last News Release, which will have resulted in an upward movement in annual rates in 2020.

3. Transactions

At the time of publication of the March Price Paid Data on 30 April 2020, the Land Registry also issued a press release showing the number of sales notifications it had received for registration by property type during the latest three months:-

Property type	Mar 2020	Feb 2020	Jan 2020
Detached	12,400	17,931	21,931
Semi-detached	13,864	20,296	25,205
Terraced	14,104	20,304	25,648
Flat/maisonette	10,501	14,223	17,090
Other	3,916	5,489	6,108
Total	54,785	78,243	95,982

Table 2. The number of sales for registration received in the month by Land Registry

The Land Registry is therefore showing a reduction in documents received for registration. Unfortunately the Land Registry does not give any definitive reasons as to why this reduction has taken place, although Mike Harlow, the Deputy Chief Executive of the Registry, wrote in its blog of the difficulties being experienced in processing applications. “My colleagues who process the manual searches and expedited applications were not enabled for homeworking and our systems needed increased capacity to allow that to happen securely. We are now in the phase of adjusting to this new normal and building out to our maximum homeworking capacity. That will be in place in just a few weeks’ time.”

At the same time as the Land Registry was describing a reduction of 43% in the number of registrations received in March 2020, HMRC in its “UK Property Transaction Statistics – March 2020” advised that “The provisional seasonally adjusted estimate of residential property transactions in March 2020 is 0.3% higher than March 2019, and 0.2% lower than February 2020.” To be fair to HMRC, the document states “Observed impacts [of the Covid-19 Pandemic] have so far been small, but please note the “provisional” status of our latest statistics due to the element of estimation.”

Our own estimate is that the total number of domestic sales for March 2020 for the England & Wales housing market will eventually total some 58,000 transactions. By way of comparison, the transaction count for March 2019 was 66,656 sales, which indicates that we are anticipating a 13% reduction in sales in March 2020 compared to the same month in 2019.

4. The current housing market

As our analysis shows, there was an active market in March, albeit one truncated by the lockdown. Our assessment gives the first detailed appraisal of both prices and transactions for that month. Turning then to April, clearly both Halifax and Nationwide have reported on prices based upon their own mortgage data, and together they indicate a flat market. ONS has suspended its own price reporting at present, as has Zoopla. Acadata will weigh the evidence as it becomes available - but as with March it will be a delayed commentary.

Work is underway to restart the housing market in terms of safely undertaking valuations and visits, and evidently some buyers are happy to transact on the basis of online viewing alone. After an initial stepping-back by mortgage lenders in relation to higher LTV loans - and not least because of the challenges of processing payment holiday applications - mortgage lenders have continued to fund transactions, including remortgages, and there has been a slight move back to modestly higher LTV lending.

All told, and despite the MPC’s 16% house price fall scenario published on the 7th May, most commentary has recognized, as does the Bank of England, that any short term disruption in the housing market will be followed by a recovery, the precise timing and shape of which is difficult to specify at the moment.

5. Background notes

What follows now is largely a technical commentary giving the background to the analysis presented above. It describes in detail the data source used. However, we also go into some detail as to why a detailed individual authority house price analysis would be inappropriate at the present time, given the data limitations. At the same time, we are able to offer some comment on the nature of each of the regional markets.

On 30th April 2020, the Land Registry published its first release of the Price Paid Data set relating to property sales that took place in England & Wales in March 2020. Usually, this first release of data published by the Land Registry will identify approximately 40% of the eventual number of sales for that month, totaling some 25,000 of the average 60,000 monthly transactions that take place in England & Wales. However, in March 2020 this first release only listed 5,514 transactions, which are likely to represent less than 10% of the eventual number of sales that will be registered in the month. This delay in the production of the data was largely a consequence of the difficulties encountered in the registration of properties by Land Registry employees working from home, particularly in relation to their access to the large paper documents often required to ensure that registration of a property accords with Ordnance Survey’s detailed maps and plans.

Of the 5,514 transactions recorded by Land Registry, 4,614 were Category “A” and 900 were Category “B” sales. Category “A” sales (Standard entries) include single residential properties sold for full market value, whereas Category “B” sales (Additional entries) are for sales to a company, for buy-to-lets (where they can be identified by a mortgage) and for repossessions. The Acadata HPI limits its analysis of the market to those sales undertaken in the residential housing market at arm’s length, which closely matches the Land Registry definition of Category “A” sales, i.e. the 4,614 transactions described above.

For the record, the highest value property listed as being sold in March was an £8 million semi-detached home in Chelsea, and the cheapest a £19k terraced property in Burnley, Lancashire.

6. Registrations at the Land Registry

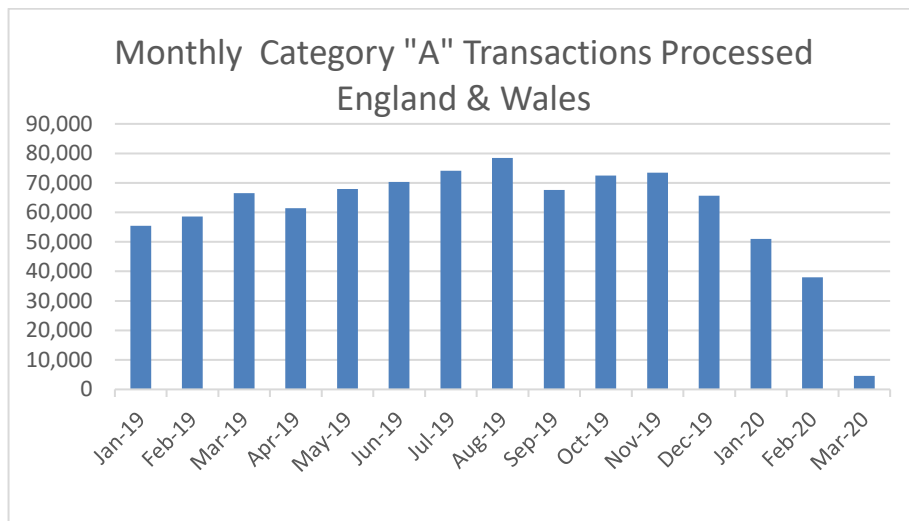


Figure 1. Number of transactions processed to date by Land Registry, Jan 2019 – Mar 2020

By the PPD publishing date of 30 April 2020, only 4,614 March Category “A” sales had been registered by Land Registry. We anticipate that March registrations will eventually total some 58,000 sales.

7. Regional house prices

The level of data available for March is currently too small to enable us to provide our full HPI for each of the Unitary Authorities / Counties in England & Wales. For example, to date in March 2020 only five properties have been registered as being sold in Windsor and Maidenhead, compared to say March 2019 in which 152 properties had been sold. There are however sufficient data to give an indication of price movements at the regional and national level, which we do on the next page.

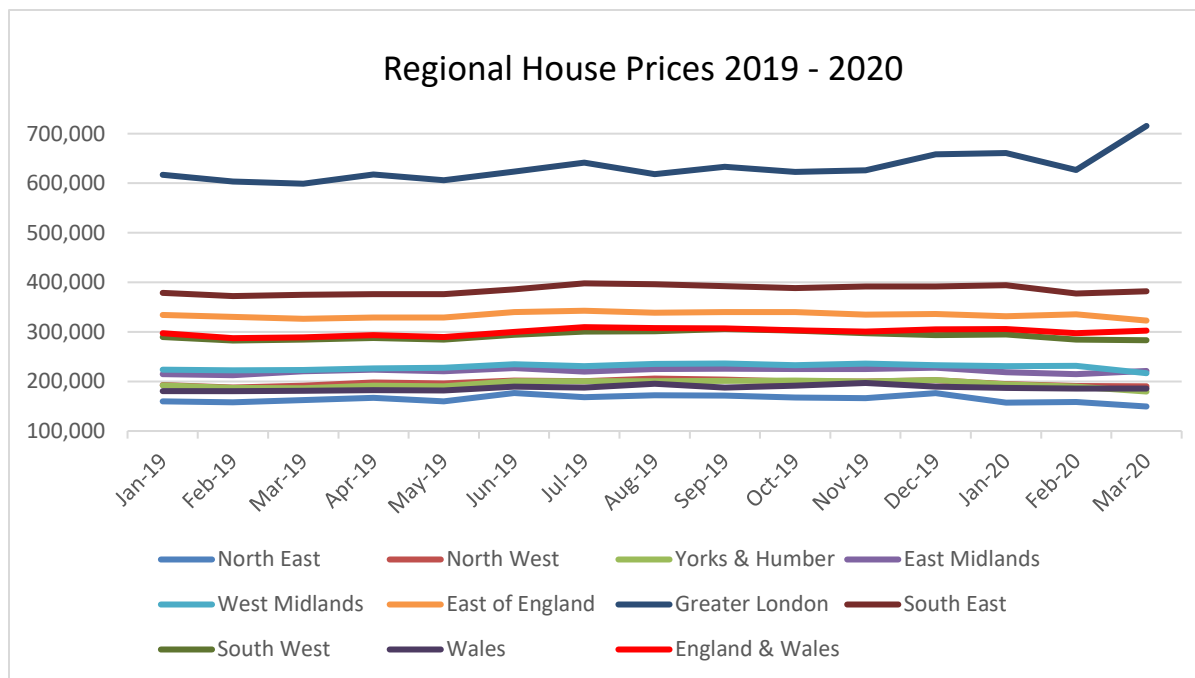


Figure 2. Regional house prices January 2019 – March 2020

The uptick in prices in Greater London in March may be due to sampling error, as it is possible that the Land Registry has focused on registering higher value properties in March first, to enable the collection of stamp duty by HMRC.

Annual Growth			
All properties	Jan-20	Feb-20	Mar-20
North East	-1.7%	0.6%	-8.0%
North West	1.1%	1.6%	-0.8%
Yorks & Humber	0.8%	1.4%	-3.4%
East Midlands	1.7%	0.9%	0.1%
West Midlands	3.2%	4.1%	-3.0%
East of England	-0.8%	1.6%	-1.0%
Greater London	7.1%	3.9%	19.5%
South East	4.2%	1.4%	2.0%
South West	1.7%	0.8%	-0.5%
Wales	3.7%	2.9%	2.3%
England & Wales	2.7%	3.6%	4.7%

Monthly Growth			
All properties	Jan-20	Feb-20	Mar-20
North East	-11.0%	1.0%	-5.8%
North West	-3.8%	-2.0%	-0.3%
Yorks & Humber	-4.5%	-2.2%	-5.3%
East Midlands	-4.2%	-1.7%	3.0%
West Midlands	-0.7%	0.1%	-6.3%
East of England	-1.4%	1.2%	-3.8%
Greater London	0.4%	-5.2%	14.2%
South East	0.7%	-4.2%	1.2%
South West	0.3%	-3.4%	-0.7%
Wales	-1.2%	-0.8%	0.0%
England & Wales	0.2%	-2.6%	1.7%

Tables 3 & 4. Regional house price growth on an annual and monthly basis for January - March 2020

8. The frequency distribution

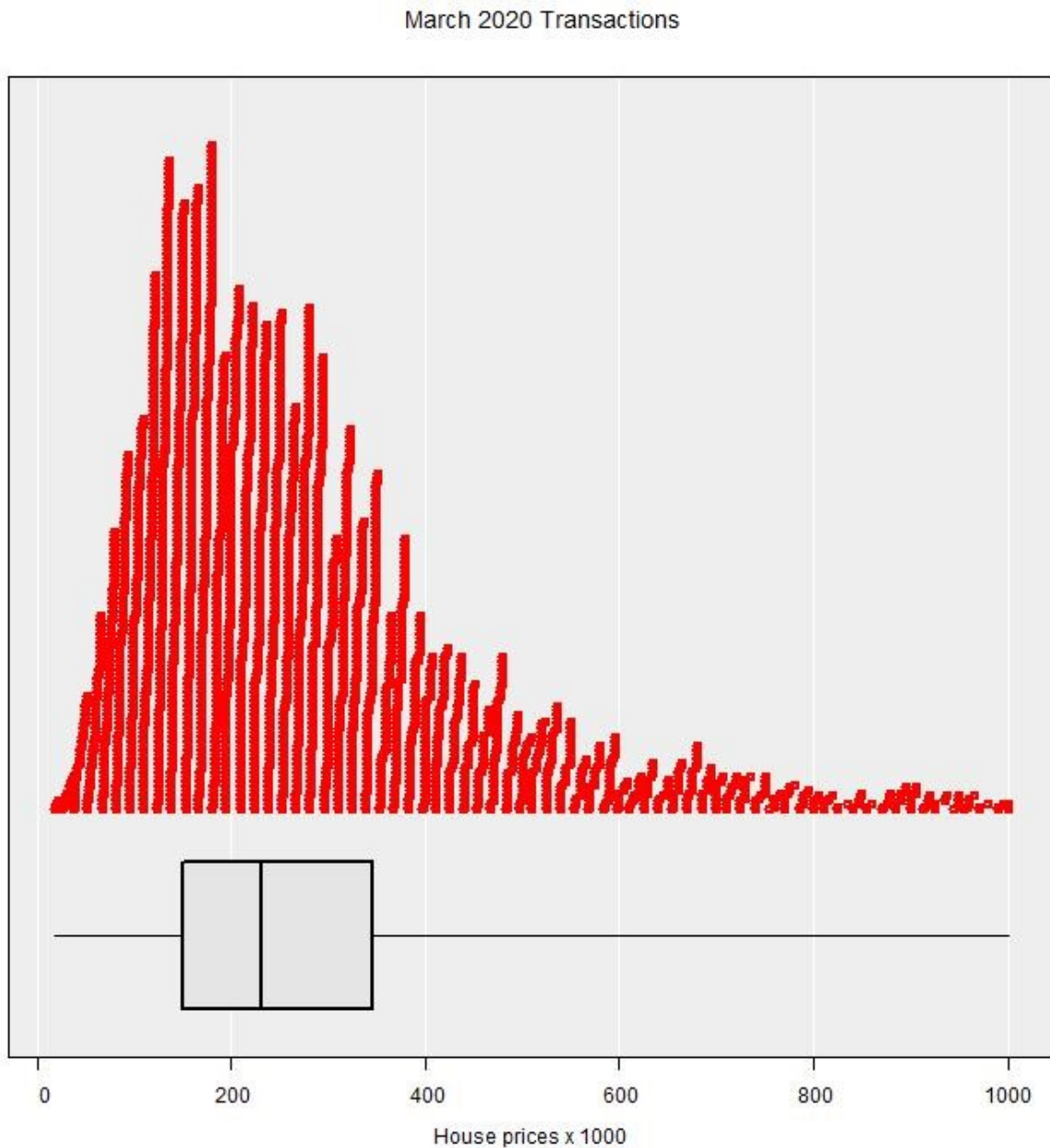


Figure 3. Frequency distribution of the March 2020 transactions recorded as sales by Land Registry

Figure 3 provides a box-plot analysis of the frequency distribution of 4,525 transactions recorded as March 2020 sales at the Land Registry. The sample size is reduced by 89 sales from the 4,614 sales previously stated, as the scale of the x-axis has been limited to a maximum price of £1 million to show more clearly the shape of the curve at lower values. As previously stated, the highest-priced house in the month was valued at £8 million, which would require the x-axis scale to be 8 times wider to incorporate all sales on the one graph.

The “box” of the box-plot analysis contains three vertical lines - the central line is positioned at the median price, which in this case is £232,000. The median of a distribution is the central point at which half of the total transactions are located to the left of the line and half to the right. The value of £232k is just below the stamp duty threshold of £250k which is the point at which stamp duty changes from a 2% tax on the value of the property above £125k to 5% on the value above £250k.

The left hand vertical line of the “box” is positioned at the 25% decile, aka the lower quartile, which in this case is located at £150k. 25% of all transactions in the month are located at a price below this point.

The right hand vertical line of the “box” is positioned at the 75% decile, aka the upper quartile, which in this case is located at £345k. 75% of all transactions in the month are located at a price below this point.

The frequency distribution is described as being ‘right-skewed’, which is when the data are piled up on the left side of the graph and the tail extends out to the right. It is a very common phenomenon in distributions relating to house prices.

On the next page we show the frequency distribution of the ten regions in England and Wales, with the location of the median and upper and lower quartiles being set out in the following table:

Regional Summary	£ x 1,000 Lower quartile	£ x 1,000 Median	£ x 1,000 Upper Quartile	£ x 1,000 Mean	£ x 1,000 IQ Range	Sample Size
North East	93	130	179	149.5	86	198
North West	108	153	237	188.5	129	574
Yorks & Humber	110	150	217	174.0	107	426
East Midlands	138	194	263	215.6	125	388
West Midlands	140	185	260	216.7	120	394
East of England	209	285	382	316.3	173	531
Greater London	375	484	631	510.3	256	384
South East	245	316	434	358.8	189	778
South West	185	248	325	279.7	140	582
Wales	113	163	230	185.7	117	270
England & Wales	150	232	345	273.4	195	4525

Table 5. Lower and Upper Quartiles by Region – March 2020

March 2020 Transactions by Region

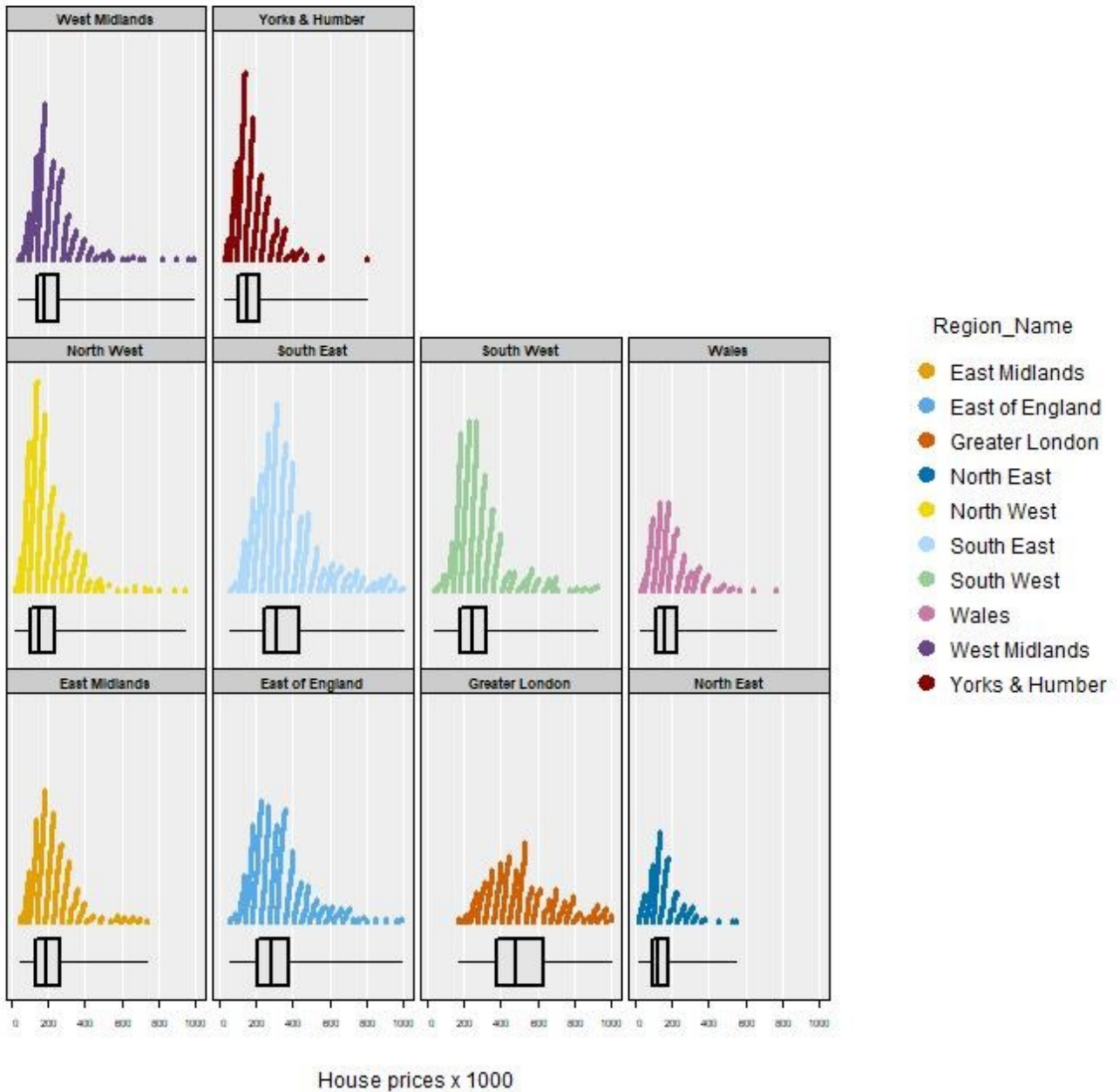


Figure 4. Frequency distribution of the March 2020 transactions by Region

It is interesting to observe the width of the banding between the lower and upper quartiles (the Interquartile range), potentially indicating the variety of different property types currently being sold in each region. The North East has the narrowest band width as well as the lowest median price at £130k. Meanwhile, Greater London has the widest band width with the highest median price of £484k. It also appears to have the least skew in its frequency distribution, with a more even spread of house values across the price spectrum.