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ESSENTIALLY MORTGAGES

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ROBUST HOUSING MARKET RECOVERY EXPECTED TO CONTINUE

The property and mortgage markets continue to defy the odds with strong activity continuing into the third quarter of 2021.

Despite the end of the Stamp Duty holiday, activity has continued apace. This has led to the Intermediary Mortgage Lenders Association (IMLA) upgrading its projections for gross mortgage lending in 2021 from £283bn to £285bn[1]. Executive Director of the IMLA, Kate Davies, commented on the data, *"Following a difficult period in the wake of the coronavirus crisis, it is very encouraging to see yet another positive prediction for the remainder of 2021. Our findings forecast that 2021 will see the highest level of mortgage lending since 2007 and, with a combination of government support helping to underpin new purchases and a bumper year for product maturities, we expect this high demand to continue."*

Homes still in high demand

Provisional HMRC data[2] suggests that 98,300 property transactions took place in August, 32% up on July and further proof of continued strong demand despite reduced tax savings. It would appear that there are other factors at play in the ongoing property market boom, including low mortgage rates, buyer demand for more space due to the pandemic, and the return of first-time buyer mortgages bringing this group back to the market.

Interestingly, in Scotland, where the Land and Buildings Transaction Tax reduction ended in March, data shows that buyer momentum has been resilient and house prices have continued to rise.

Mortgage rates still dropping

Recent data[3] shows that average mortgage rates for two and five-year fixed deals have fallen at their fastest rate in 16 months. People looking for high loan-to-value mortgages now have considerably more choice than a year or so ago. The competition between lenders and the rates they are offering is intense.

Deals aren't lasting long, however, so for advice on the most suitable mortgage for your circumstances, get in touch.

[1]IMLA, 2021, [2]HRMC, 2021, [3]Moneyfacts, 2021

MORTGAGE OVERPAYMENTS: A SHREWD USE OF LOCKDOWN SAVINGS?

With outgoings on holidays and commuting slashed during the pandemic, some families have been able to save far more than in 'normal times.' A good way to use these extra savings could be to overpay on your mortgage.

Why overpay?

In a low-rate environment, savings rates are probably going to be lower than your mortgage rate, which means overpayments are likely to save you more in interest payments than you could earn in deposit savings. Even small mortgage overpayments could result in a significant saving in interest payable. Overpaying also has the added benefit of reducing your mortgage term.

Things to think about

Before overpaying though, it's important to check your mortgage terms and make sure you have a financial safety net. Some questions to ask yourself include:

- Will I be able to cover outgoings should my circumstances suddenly change?
- Am I saving enough for other long-term plans, such as retirement?
- Does my mortgage have any charges for overpaying?
- Do I have other debts, such as credit cards or loans? (These are likely to have a higher interest rate).

One size doesn't fit all

Although it often makes financial sense to overpay on your mortgage, this option won't be right for everyone. We can help you understand your mortgage options.

STAYCATIONS DRIVE SURGE IN HOLIDAY LET MORTGAGES

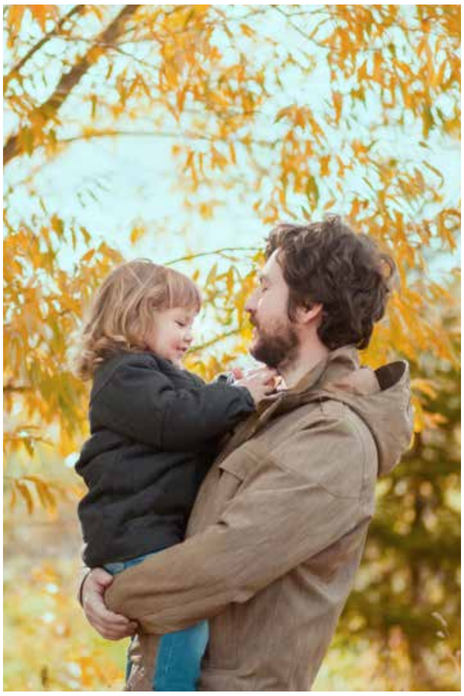
With the rise of the 'staycation', rents for UK holiday accommodation have risen sharply over the past few months. The resulting investor demand has now nudged holiday let mortgages into the mainstream.

Growing niche

Investors wanting to purchase a holiday property have the choice of buy-to-let or specialist holiday let mortgages. To cater for growing demand, four more lenders have started offering holiday let mortgage deals in the last six months and available deals have leapt over the last six months or so.

Trend set to continue

Analysts suggest that investor interest in holiday properties may be here to stay. Finance Expert, Rachel Springall, commented, *"It's positive to see a rise in holiday let product choice for landlords over the past few months, but the market is still relatively niche... As the demand for staycations remains evident, it would not be too surprising to see more growth in this market in the months to come."*



IS CITY LIVING BACK ON THE AGENDA?

After a year dominated by demand for rural property and open spaces, UK buyers are once more looking to towns and regional cities for their next home.

Property data for Q2 2021 shows that of all UK sales outside of London, town and city sales accounted for 42% - the highest Q2 figure in a decade[4]. By comparison, the 10-year average for town and regional city sales as a percentage of UK sales is just 37%.

This momentum has continued into Q3, with the combined figure for July and August 2021 at 40%.

Social life returns

As the country continues to recover, the lifting of restrictions and the opening of entertainment venues and nightclubs has put social life back on the agenda. As a result, buyers are once again including proximity to shops, pubs and restaurants on their list of desired characteristics for their next home.

The best of both worlds

With green and open spaces still high on buyers' agendas, it is easy to see why smaller, less densely populated towns and cities that still offer all the benefits of urban living are in such high demand.

No wonder that 43,109 people left London in 2020 to settle in one of the 15 destinations featured in Knight Frank's *Town & City Life* report: Bath, Beaconsfield, Birmingham, Bristol, Cheltenham, Edinburgh, Exeter, Guildford, Haslemere, Henley, Oxford, Sevenoaks, Stratford-upon-Avon, Tunbridge Wells and Winchester.

[4]Knight Frank, 2021

ALL UK SALES OUTSIDE OF LONDON, TOWN AND CITY SALES ACCOUNTED FOR 42%

DESPERATE BUYERS SNAP UP TRADITIONALLY HARD-TO-SELL HOMES

Record property sales and high buyer demand mean that properties that would normally languish for weeks on the market are being snapped up in just days, particularly in areas of high demand.

In the eloquent words of famous TV property agent, Henry Pryor, *"Homes that look like the last turkey in the Christmas shop window are flying off the shelves at the moment."*

Dire predictions of a house price crash at the end of June (when the first Stamp Duty holiday deadline saw the nil-rate threshold fall from £500,000 to £250,000) have proven to be unfounded. In fact, August saw the second largest monthly house price rise in 15 years[5].

A seller's market – for now?

Driving house prices further upwards over the past months has been the ongoing imbalance between the number of buyers looking for a new home and the number of properties coming to market. Competition for each property has doubled since the pandemic first hit[6], leaving desperate buyers scrabbling for what would usually be the dregs at the bottom of the housing pile.

Early signs suggest that this imbalance may soon be righted, however; the number of new listings on Rightmove in the first two weeks of September was 14% up compared with the last two weeks of August.

Find your ideal property

We can help with your property transaction by finding the most suitable mortgage for your circumstances. For expert advice, get in touch.

[5]Nationwide, 2021, [6]Rightmove, 2021

THIS COULD KNOCK £50K OFF YOUR PROPERTY!

Research[7] has revealed the most off-putting property features for potential buyers and calculated how much each one could potentially knock off the value of the average property.

That sinking feeling

Taking the number one spot on the list is subsidence, which can apparently reduce the value of a property by a shocking 20% – around £51,000 for the average UK home.

Coming in second is Japanese knotweed, which can severely damage a property's structural integrity as well as its value, knocking off an average of £38,000 (15%). And taking third place is neglect, with poor upkeep or an overgrown garden reducing a home's value by up to 14% (£36,000).

Other 'turnoffs' include plans for power lines, mobile phone towers or wind turbines close by, nuisance neighbours, an increased risk of flooding and a lack of good parking spots, among others. All these factors could potentially lose you tens of thousands of pounds on your property sale.

A quick fix?

Some of these turnoffs, for example neglect, are easily and cheaply fixed. Others, like severe subsidence and structural issues, are likely to be significantly more expensive and stressful to rectify.

If the cost of fixing the issue is higher than the value it has knocked off of your property, you may save yourself a great deal of time, money and stress by simply selling the property at a disappointing price and moving on to pastures new.

Onwards and upwards

We can assist you in securing a suitable mortgage for your next property, so that you're ready to move as soon as you've found a buyer.

[7]Yes Homebuyers, 2021

TAKING THE NUMBER ONE SPOT ON THE LIST IS SUBSIDENCE, WHICH CAN APPARENTLY REDUCE THE VALUE OF A PROPERTY BY A SHOCKING 20%

LOFT CONVERSIONS AT THE TOP OF MOST VALUABLE PROJECTS

Homeowners have enjoyed double-digit house price growth this year, but those looking to sell up may still be wondering how they can further boost their home's asking price.

New research[8] has revealed which projects are likely to add the most value. Whether you're planning extensive renovations or finishing touches, it's important to think about which projects to prioritise.

Value for money

A loft conversion might be a worthwhile project. This adds valuable space to a property and can boost a home's value by as much as 20%. Based on an average property value of £255,000, this is an increase of almost £51,000. Once the work costs of around £33,000 are factored in, this could leave you more than £17,000 in profit.

Keep things simple

For a smaller project, a downstairs toilet can add 5% (or approximately £12,700) in value. With a cost of £3,000, that's a profit of over £9,700. Similarly, a new kitchen could add £14,000 and leave you £6,000 in profit once costs of £8,000 have been factored in.

Other projects that add value after work costs include an extensive lick of paint (almost £5,000), a new boiler or central heating (£2,463), a new roof (£2,393), a conservatory (£2,206), a new bathroom (£1,195) and double glazing (£1,389).

Be wary

There are, however, some projects that might leave homeowners out of pocket. For example, installing solar panels will set you back over £2,700, nearly £1,500 higher than the expected boost to value (£1,273).

Figures for all improvements may vary widely according to the size, type and location of the property; estimates and valuations are advisable.

[8]GetAgent, 2021

MORTGAGE JARGON CONFUSES YOUNGER GENERATIONS

Buying a home has become a distant dream for many young people, with prohibitive house prices and high living costs making saving difficult. However, a lack of understanding of mortgage terminology and processes may also be holding them back.

A survey[9] has found that 52% of 18 to 34-year-olds have a fairly or very bad understanding of how mortgages work, while 53% said the same about the various types of insurance available and when they might be needed.

A whole new language

From fixed rate to SVR, the language used to describe mortgage products and processes can be very confusing for the uninitiated. No wonder that 33% of 25 to 34-year-olds and 37% of 18 to 24-year-olds stated that they were not very or not at all confident that they would be able to understand mortgage-related terminology.

All in all, the survey findings suggest that many young adults lack the understanding they need to make informed and confident decisions about the mortgage and insurance products that might best suit their needs.

Here to help

There's nothing wrong with being a bit confused about mortgages – everybody starts somewhere! We're on hand to advise you about the most suitable options for you – in plain English – so you can make mortgage decisions with confidence (whatever your age).

[9]PaymentShield, 2021

STAMP DUTY RECEIPTS NEARLY DOUBLE DESPITE HOLIDAY

So many buyers flocked to purchase properties in 2021 that Stamp Duty payments soared by 90% in the three months to June compared with the same period last year.

This is despite the Stamp Duty holiday, which increased the threshold at which homebuyers would begin to pay tax on their property purchases to £500,000 until 30 June. In fact, just 37% of people buying a home paid any Stamp Duty at all during this three-month period, compared with 64% last year[10].

We need only look at the property transaction figures between April and June 2021 for answers to this seemingly incredible phenomenon. During this period, property transactions shot up by 175%, while purchases of properties worth over £500,000 also greatly increased due to the significant savings still on offer.

The tapered Stamp Duty threshold of £250,000, which was in place between 1 July and 30 September, has now come to an end, meaning that all new buyers will be liable for the tax at the normal rate.

[10]HMRC, 2021

STRONG SELLER'S MARKET – REGIONAL VARIATIONS

Over two thirds (68%) of properties for sale in the UK, found a buyer, in the year to June 2021, this represents the highest percentage in ten years[11].

Scotland led the way with 89% of homes finding a buyer, while Yorkshire and the Humber was the second most successful at 77%. In contrast, London's figure of 48% was below the average rate of 53% recorded between 2012 and early 2020.

Especially sought-after areas included Falkirk and Sheffield, where 94% and 83% of homes found a buyer respectively.

[11] Rightmove, 2021

SECURING A LOW MORTGAGE RATE

Despite the end of the Stamp Duty holiday, the number of mortgage deals on the market is growing apace and rates are low.

In fact, mortgage rates fell at their fastest monthly rate since May 2020 in September[12]. Moreover, as competition hots up between lenders, an increasing number of deals are becoming available at below 1%, with 72 two-year and 29 five-year fixed rate deals on offer below this rate in September.

Taking advantage

Although an offer on one of these mortgage rates is often dependent on a larger deposit, those with a lower deposit shouldn't feel discouraged. Higher loan-to value (LTV) deals have seen the biggest rate reductions, with the average rate for a 90% two-year fixed mortgage dropping by 0.23 percentage points month-on-month and the five-year fixed average down by 0.18 percentage points.

It's important to note, however, that the lowest mortgage rate available might not translate to the most cost-effective deal. This is because super-low rates can be accompanied by a mortgage fee, which could make them more expensive overall.

If your current mortgage deal is coming to an end, though, now could be the perfect time to lock into a low-rate deal. Get in touch for expert advice on your next mortgage.

[12] Moneyfacts, 2021

MORTGAGE RATES FELL AT THEIR FASTEST MONTHLY RATE SINCE MAY 2020 IN SEPTEMBER

Important Information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.