

Your Window on

## Home Finance

WINTER 2022

### The housing market – what does 2022 hold in store?

**Key drivers in the housing market in 2021 were a continuing desire for homes with more indoor and outdoor space, a mismatch in supply and demand, and the temporary cut in Stamp Duty. The resulting property boom, which according to Zoopla culminated in 1.5 million homes having changed hands last year, also saw UK house prices rise to record highs, with the average UK property hitting a high of over £270,000.<sup>1</sup>**

#### Housing market activity strong towards the end of 2021

According to the latest figures from Halifax, house prices rose by 0.9% in October, taking the annual growth figure to 8.1%, up from 7.4% in the previous month. Significant regional variations continue to be seen; in England, the North West was the strongest performing region with annual growth of 10.4% and an average house price of £205,881; London has remained the weakest performing area of the UK, although with an average property price of £514,907, values in the capital remain well ahead of other parts of the country. House prices also continued to rise in Scotland, with the average property costing £190,023 and growth of 8.6% year-on-year.

#### Uncertain outlook

One estate agent<sup>2</sup> has predicted that house prices will increase by 7% in 2022 in a 'best case' scenario, though it also made a 'downside' prediction of 2% growth. However, it remains to be seen how much any increases in Bank Rate will affect the market. Robert Gardner, Nationwide's Chief Economist, thinks that Bank Rate increases will have minimal impact now that most mortgages are on fixed rates stating, "Even a 0.4% increase in rates (to 0.5%) is likely to have a modest impact on most borrowers who are on variable rates. For example, on the average mortgage, an interest rate increase of 0.4% would raise monthly payments by £28 to £625."

#### We can help with your mortgage search and more

Finding a suitable mortgage and the right protection cover can be challenging, particularly in a rapidly moving property market. We can help by assessing a wide range of mortgages and protection policies and advise on which best suit your circumstances.

<sup>1</sup>Halifax, 2021, <sup>2</sup>Strutt & Parker

### Property 'catfishing' – new word, old trend?

**Catfishing – it's a term from the online dating world referring to somebody who presents themselves somewhat differently online to when you meet them in person.**

And it seems that a lot of prospective homebuyers are suffering the catfishing experience at property viewings, too.

#### An unpleasant surprise

A recent survey<sup>3</sup> of homebuyers suggested that the vast majority (71%) of homebuyers were catfished by a property during their search. The most common issue was a property that was much smaller than it appeared in photos, while poor build quality frequently led buyers to believe a property wasn't worth the asking price.

Buyers were also disappointed by properties that looked more outdated than they'd expected, as well as tiny rooms being advertised as extra bedrooms.

#### Do your research

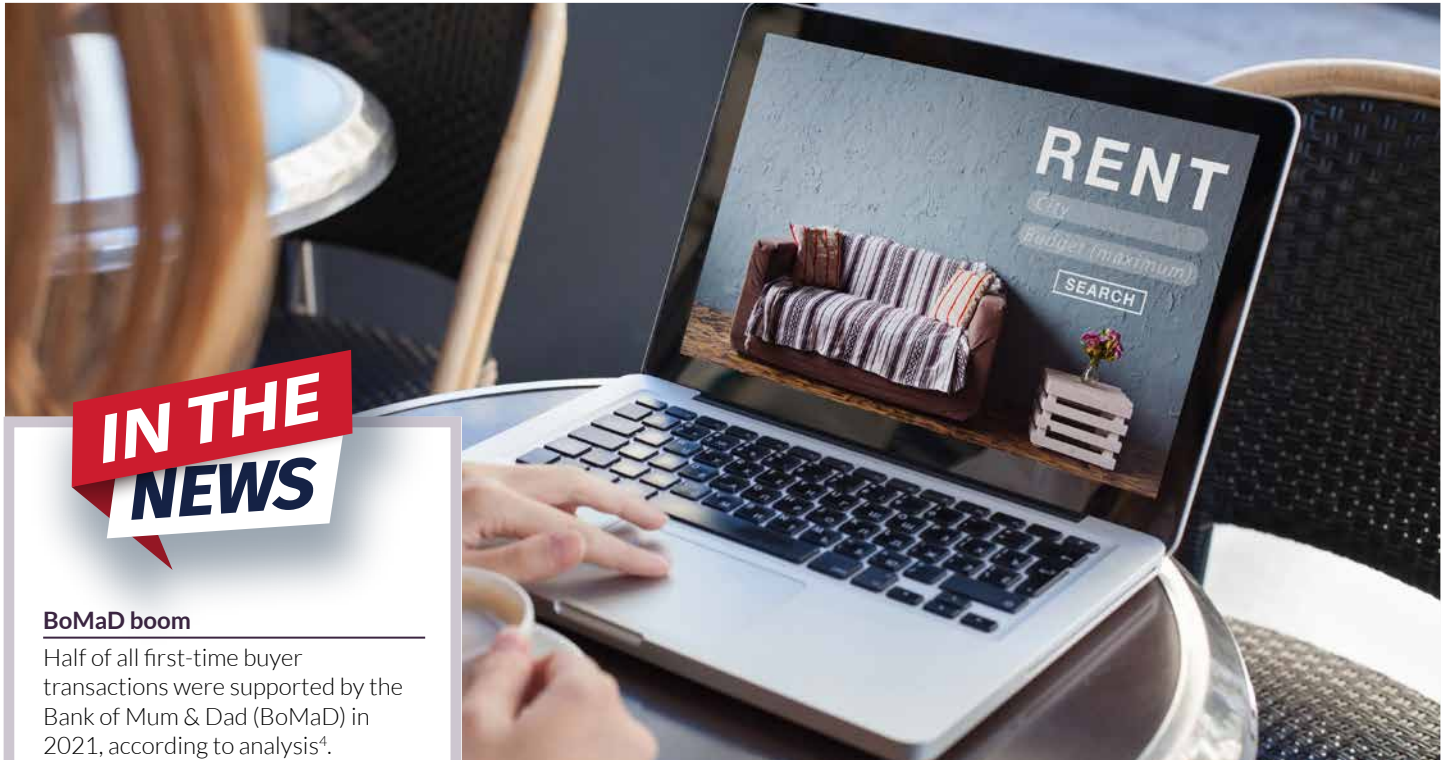
To avoid disappointment, try doing some extra research rather than relying on the estate agent's photos alone. A floor plan can give you an idea of the actual size of each room, while a street view tool could help you get a more realistic view of the state of the property.

<sup>3</sup>MoveStreets, 2021

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## IN THE NEWS

### BoMaD boom

Half of all first-time buyer transactions were supported by the Bank of Mum & Dad (BoMaD) in 2021, according to analysis<sup>4</sup>. BoMaD contributions of £9.8bn helped 169,000 first-time buyers onto the housing ladder. Surging BoMaD contributions could become the norm, analysts suggest, after Help to Buy is withdrawn completely from March 2023 onwards.

### Time to negotiate?

Six in ten UK homebuyers are unsure when to negotiate during the house buying process, even though the same percentage say they feel confident negotiating, a survey<sup>5</sup> has revealed. In today's seller's market, negotiating can be a risk; seven in 10 admit their biggest concern is losing the property or being outbid by another buyer.

### Fix it?

Almost half of people (49%) have never remortgaged their home according to research<sup>6</sup>, despite the average Briton having held a mortgage for over 13 years. By failing to consider their mortgage options, for example, securing a fixed term instead of a variable rate, just under a third (32%) know it could probably save them money.

<sup>4</sup>Savills, 2021, <sup>5</sup>Douglas & Gordon, 2021, <sup>6</sup>Barclays, 2021

## Lifetime renters pay over £330k more

**While getting on the housing ladder is becoming increasingly difficult, doing so could leave you richer to the tune of nearly £330,000.**

Research from the Equity Release Council (ERC)<sup>7</sup> has found that today's homebuyers could save hundreds of thousands of pounds - £326,214, to be exact - over a period of 30 years compared to lifetime renters. This is before house price growth is even factored into the equation!

And yet, more than half (54%) of people who are not yet homeowners believe it is 'unrealistic' that they will ever be able to do so.

### It's worth your while

Working to build up the funds for a deposit, although difficult, is very much worth the effort. Over two-thirds (68%) of homeowners say they feel confident about their financial future, against 45% of renters.

Homeownership, the research concludes, is becoming ever more critical to financial wellbeing and being able to achieve one's long-term financial goals.

Chair of the ERC, David Burrowes, said, "People today are living and working longer with responsibility to fund their later years and will need to think differently about their financial decisions at different life stages. For people who manage to buy their own home during their working lives, the extra confidence and flexibility this provides will be even more critical to their financial wellbeing than it is today."

### Giving you the best start

When you're looking to get onto the property ladder, the chances of success will be greater with sound advice. To make your first steps towards homeownership, get in touch.

<sup>7</sup>Equity Release Council, 2021

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## Avoiding collapse: managing your property chain in 2022

**You've found your ideal property, you're just about ready to exchange contracts, and then you get the call: your buyer has pulled out, leaving your own transaction in jeopardy.**

Unfortunately, many property transactions are interlinked in this way, with the decision of one buyer having a knock-on effect on the whole chain, with the worst possible scenario seeing every single buyer losing out on their new home. However, there are actions you can take to speed up the process and reduce the risk of things going wrong.

*Getting your transaction over and done with as quickly as possible limits the chances of your chain collapsing. Be proactive in instructing your solicitor and other professionals*

- **Go chain-free**

You can avoid a chain altogether by finding a seller whose own transaction isn't dependent on the sale of their property. However, this does limit your options, so what steps can you take if you do find yourself in a chain?

- **Organisation, organisation, organisation**

Getting your transaction over and done with as quickly as possible limits the chances of your chain collapsing. Be proactive in instructing your solicitor and other professionals, ensure you're completing forms and sending them back as quickly as possible, and chase up any delays.

- **Rent for a short period**

Depending on your circumstances, it may be possible to sell your home and rent for a little while so that you're not dependent on a buyer. Likewise, if your seller's transaction falls through, you may be able to ask them to rent on a short-term basis so that you can still complete your purchase.

**Let us help**

Another way you can speed up your transaction and protect your chain is by securing an agreement in principle with a mortgage provider before beginning your search. We can help you there – so speak with us.



## Getting a mortgage in retirement

**These days, it's not uncommon for people to become homeowners later in life. But can you get a mortgage even if you're retired? If so, what's the maximum age?**

First things first: we're not going to pretend that getting a mortgage past the age of 55 is easy. For a start, it is more difficult to prove retirement income than it is a salary. And secondly, mortgage providers want to be sure you'll be able to pay off the loan during your lifetime.

**It can be done**

Difficult, yes. Impossible? No. Some lenders are willing to provide mortgage finance to older people and even retirees, provided they can prove their income. This may be a private or workplace pension, or a mixture of the two, as well as any savings you may have. These details, as well as an outline of your expenditure, will help prove you will have enough to live on and to pay your mortgage for the duration of the term.

Depending on the lender, and your age, you may have to accept a shorter mortgage term or a higher interest rate. This is because most lenders have a maximum age by which they will want the mortgage to be paid off, which can be as high as 85 and as low as 70.

We can work with you to assess the available options for securing mortgage finance that suits your circumstances.



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## Budget update

**In the run up to the Autumn Budget, the Chancellor pledged an additional £1.8bn to assist housing supply via land regeneration. The additional funds are aimed at delivering 160,000 new homes and comprises of two parts:**

- £300m to be distributed to councils and combined authorities to help them unlock smaller brownfield sites for housing *“and improve communities in line with their priorities”*
- £1.5bn to *“regenerate under-used land and deliver transport links and community facilities.”*

Mr Sunak said, *“We are investing in better quality, safer, greener and more affordable homes to create thriving places where people want to live. Transforming our unloved and neglected urban spaces will help protect our cherished countryside and green spaces, while improving the physical and mental health of our communities.”*

The Budget also:

- Reconfirmed £11.5bn through the Affordable Home Programme (2021-26)
- Promised an additional £65m investment to improve the planning regime through a new digital system
- Confirmed over £5bn to remove unsafe cladding from the highest-risk buildings.

## Home insurance – the finer detail – can you read the T&Cs?

**Do you check the details of your home insurance policy? If you don't, you're certainly not alone because a fifth of adults in the UK don't either, potentially leaving them with insufficient or the wrong type of cover.**

Interestingly, just under a quarter (24%) of respondents to a recent survey<sup>8</sup> said that the T&Cs were too long, while 17% disclosed that they don't care about details, purely just about the cost. Just under a fifth (19%) admitted that they occasionally read the small print of their home cover.

With 15% not having the time to worry about the detail, and 6% saying the writing is too small, it's heartening to see that around half of respondents always check the T&Cs.

We can help make sure you have the right level and type of cover in place, after all, it's a false economy to take out an insurance policy and not check the finer detail.

<sup>8</sup>Go Compare, 2021



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**It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change. The information contained within this newsletter is for information only purposes and does not constitute financial advice. The Financial Conduct Authority does not regulate commercial buy-to-let mortgages.**

## Top house hunter beauty spots

**With 46 areas of outstanding natural beauty (AONB) across England, Wales and Northern Ireland and 40 national scenic areas (NSA) across Scotland, British house hunters are spoilt for choice.**

Now, research<sup>9</sup> has revealed the top beauty spots prospective homebuyers are currently itching to move to, as well as ranking them by the most to least expensive.

### Escape to the country

With houses in this area notching up over 8.5 million views on Zoopla in 2021, the Cotswolds is leading the way with its acres of open countryside, charming villages and an average property price of £474,164. Coming in second is the Kent Downs with 8.25 million views, with the average home costing £460,132, and the Chilterns ranking third with 7.27 million views and an average price of £613,200. High Weald, Cornwall, the Gower, the North Wessex Downs, the Surrey Hills, South Devon and the Wye Valley complete the top 10.

### It'll cost you...

The rankings look slightly different when price is taken into account. The Surrey Hills is the most expensive area, with the average home costing £704,813, followed by the Chilterns and High Weald (£580,537).

### Looking to move?

If you're currently looking for your own slice of paradise in 2022, get in touch to talk about the most suitable mortgage finance for you.

<sup>9</sup>Zoopla, 2021

**IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.**

