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INDEPENDENT FINANCIAL ADVISERS

Your Home Finance

Summer Q3 2022

Keeping up to speed with 2022 property trends



The pandemic was a tumultuous time for us all – and the property market was not immune. As things begin to normalise, some pre-pandemic patterns are returning to property trends.

Double speed

Q1 2022 was the fifth busiest quarter since 2007, according to HM Revenue and Customs. Likewise, data¹ analysis has found that UK properties are selling twice as fast as in 2019, with the average property now taking just 33 days to sell.

Up and up and...?

2021 was a record year for house prices and this soaring growth has continued in 2022. The numerous property price indices mostly concur that year-on-year growth in April 2022 was about 10%. After such frenzied activity, many experts now expect house price growth to slow for the remainder of the year.

Supply, meet demand

Part of the reason for slowing house price growth is likely to be increased supply. The number of new homes listed for sale has risen for the first time in a year, with +8% of respondents to a recent industry survey² reporting an increase. Meanwhile, new buyer enquiries are at +9%, making this the closest supply has been to demand since the pandemic.

Delayed FTBs

With the war in Ukraine and soaring inflation, this is undoubtedly a challenging time for many. Indeed, seven in ten³ potential first-time buyers (FTBs) now expect to delay their plans to buy in the next two years because of the growing cost of living.

Chain-free record

Finally, 2022 is already setting new records; 73% of property buyers so far this year have been chain-free⁴.

New build buying considerations

Demand for new builds is on the up due to more people seeking energy efficient homes, but research⁵ has revealed other factors people wish they had considered before purchasing a new build.

Top of the list (36%) is researching the property manager as well as the developer, closely followed (35%) by checking out the parking arrangements, including the on-street parking situation.

A common problem on developments can be drainage; 19% of respondents recommended checking this out. Other top tips include booking in a snagging survey early on (18%) and visiting the property at different times of day (15%) to check noise, lighting and mobile reception. Ten percent of respondents wished they had checked the terms and conditions more carefully, while 9% wish they had communicated proactively with the developer and ensured they had everything in writing.

Paula Higgins, CEO, HomeOwners Alliance, commented, *"Don't assume anything when you're buying a new home. There's a lot more to research than you think. And with a new build in particular, you need to look beyond the glossy marketing brochure."*

⁵HOA, 2022

On the ball

There's plenty going on in the property market right now... and we're keeping track of it all! Whatever your situation or plans, we can help you achieve your property aspirations.

¹Rightmove, 2022, ²RICS, 2022, ³Nationwide, 2022, ⁴Hamptons, 2022

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Inside this issue

In the news // Equity release product standard update // Mortgage myths – fact versus fiction // Strengthening demand for energy-efficient properties // Your protection needs // Mortgages for over-65s – mission possible!



IN THE
News

The great bungalow shortage

Demand for bungalows has increased over 60% in 2022⁶, while supply has flattened, meaning prices for single storey properties has risen at double the market rate in some areas. Popular because of their large gardens and potential to extend, families are now keen to make offers, debunking the myth that only older generations favour single storey-living. Downsizers are now becoming embroiled in fierce competition for bungalows with all other demographics.

£24 per day FTB house price rise

Between 2016 and 2021, house prices for first time properties increased by almost £24 per day – a faster rate than the overall housing market⁷. On average FTBs are spending £223,751 on their first property and need to save £43,623 more than they did in 2016 to secure their first home. This leaves a sizable deficit when you consider the average salary of a thirtysomething (the decade that most people buy their first property) rose by just 10% over the same five-year period.

Dan Simson of Direct Line commented on the findings, *“The rate at which FTB prices have been increasing is frankly frightening. However, this generation of property owners are facing the challenge of dramatically increasing property prices in traditionally popular areas such as London and instead are buying in places that are less well-known. We may see an even more dramatic emergence of these ‘young towns & cities’ with the increasing prevalence of remote working that enables people to be far more flexible as to where they live. Given the commitment people need to make to get on the property ladder, it is vital they protect their investment with insurance should the worst happen.”*

⁶Zoopla, 2022, ⁷Direct Line, 2022



Equity release product standard update

All equity release plans sold to new customers from 28 March 2022 must feature penalty-free partial loan repayments, enabling customers to reduce their loan size and save money on interest.

The new standard introduced by the Equity Release Council (ERC) could save customers millions of pounds. While ERC standards aren't legally binding, almost 700 firms selling equity release products have promised to abide by them.

Other standards include the obligation to either offer fixed interest rates or capped variable rates, the right to remain in the property for life, and a ‘no negative equity guarantee.’

Chairman of the Equity Release Council David Burrowes spoke about the recent changes, *“Updating our standards to lock down the ability to make partial repayments on lifetime mortgages – an innovative feature that has become increasingly common in recent years – provides flexibility for consumers and ensures the sector continues to evolve to meet changing demographic needs.”*

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As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. Equity release may require a lifetime mortgage or a home reversion plan. To understand the features and risks, ask for a personalised illustration.



Mortgage myths – fact versus fiction

1. MYTH: You need a perfect credit rating

A bad credit history can have a negative impact on your mortgage application, but it doesn't make getting a mortgage impossible. Indeed, there are specialist lenders who offer mortgages to people with less favourable credit histories.

2. MYTH: You can't get a mortgage if you're self-employed

It's also a myth that being self-employed means you can't get a mortgage. You might have to jump through a few extra hoops to prove your income, but with the rise of freelance and flexible work, many lenders are now better suited to assess different employment situations.

3. MYTH: You should choose a home before thinking about mortgages

The opposite is true! It's a good idea to meet with us before finding your dream home. Securing an Agreement in Principle will speed things up once you have an offer accepted.

4. MYTH: You should always pick the lowest interest rate

Although it's natural to focus on the headline figure, a low initial rate does not necessarily mean a cheaper mortgage. If you're on a tracker mortgage, for example, the rate can rise at any time. So, a higher fixed rate might end up cheaper in the long term. Different fees can also come into play; we can weigh up your options.

5. MYTH: You need to get a mortgage from your current bank

There's no obligation to get a mortgage from your current bank. In fact, it's a good idea to compare multiple providers to find the best deal for your needs – that's where we come in!

Get in touch

We can help dispel myths at every stage of your mortgage journey. Our clear and transparent approach will help you find the most suitable mortgage for your circumstances.

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Strengthening demand for energy-efficient properties



A growing proportion of house hunters are focusing on energy-efficient considerations when looking to buy a new home.

Research⁸ suggests that rising energy prices and the cost-of-living crisis are having a significant impact on how buyers prioritise various desirable features, with an increasing number focusing on aspects related to energy efficiency.

Key features

Cavity wall insulation was this year's biggest mover of the top 20 features, rising five spots from 20th in 2021 to 15th in the current rankings. In addition,

a good energy efficiency rating rose three spots to sixth place, while a new boiler or central heating system was four positions higher than last year in ninth.

Top spot

Interestingly, the top five must-have house attributes remained the same this year as last, with a private garden and central heating tied at the top of the table. Double glazing, secure doors and windows and a reliable broadband connection also remained high up on the list of desirable features.

⁸GoCompare, 2022

Mortgages for over-65s – mission possible!

Are you over sixty-five and finding it challenging to get a mortgage? You're certainly not alone, according to recent findings⁹.

With the number of people in the UK aged over 65 soon expected to surpass those aged 18 and under, just 37% of potential borrowers aged 65 and over are offered the size of loan requested, compared with 75% of younger borrowers; despite the average loan request being much lower for older borrowers (£100,000 for older borrowers versus £216,750 for those aged under 65 – March 2022).

Lenders are looking for evidence that you will be able to make the repayments for the entire term of your mortgage. It's also important to be able to demonstrate that you're a responsible borrower with a stable income. Getting a mortgage as an older borrower is not mission impossible; whatever your circumstances, we can help.

⁹MBT Affordability Index, 2022

Your protection needs

We all know financial commitments are a fact of life. Mortgage repayments and household bills aren't glamorous expenses, but they are unavoidable in spending our hard-earned cash. Protection insurance too should be seen as a certainty in your financial plans.

With living expenses rising considerably, many people are having to tighten their spending reins. Cutting back on protection, however, is not like spending

less in the shops. With the right protection, you are paying for peace of mind in the knowledge that you and your loved ones should not suffer severe financial hardship due to any setback covered by your policy. It's important to know that protection policies can cater to all budgets, so we can find a policy with an affordable premium.

In turbulent economic times, protection is more important than ever.

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**.



As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain.

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Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation are subject to change.

A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

Tax treatment is based on individual circumstances and may be subject to change in the future.

All details correct at time of writing (June 2022).