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Home Finance

SUMMER 2020

Property market: Where are we now?

In mid-May, the property market reopened after nearly two months of inactivity – and buyer demand surged. Almost immediately, the number of visitors to Rightmove soared back to pre-lockdown levels, with site activity reaching record levels on 27 May[1].

In its latest Housing Market Update, estate agent Savills welcomed this increase in activity; however, it did add the caveat that it was rising from exceptionally low levels – just 10% to 20% of pre-lockdown activity. The pace of longer-term recovery, it added, would depend on the state of the wider economy[2].

A short-lived rebound?

Buyer activity may have reached highs, but actual property transactions are lagging, analysis found[3]. Meanwhile, with half of employers still anticipating redundancies once the furlough scheme ends, widespread financial difficulties and an unsettled employment market could once again see demand take a tumble[4].

What most sources do appear to agree on, however, is that the property market will normalise – it will simply take some time.

Virtual viewings and valuations – the new normal?

Although the property market has been given the official green light, the entire purchase process will look very different for months to come. However, the industry has shown itself to be remarkably innovative, harnessing

technology in never-before-used ways to get the market moving as quickly as possible. Virtual viewings and even virtual valuations using photographs and videos of the property, are well on their way to becoming the norm, with only the most serious of buyers allowed to physically inspect their chosen home.

Mortgage payment holidays prove a lifeline to millions

In March, homeowners were allowed to defer their mortgage payments for three months without it affecting their credit rating. As the sheer impact of the crisis became clearer, however, the deadline for applying for the scheme was moved to October, potentially covering homeowners all the way through to January. At the time of writing, the scheme has provided relief to 1.8 million homeowners[5].

A guiding hand in uncertain times

If you're looking to move home, speak to us. We can help find the most suitable mortgage deal for you and provide clear, up-to-date advice to guide you through the process. Just get in touch.

[1]Rightmove, 2020, [2]Savills, 2020, [3]Zoopla, 2020
[4]People Management, 2020, [5]UK Finance, 2020

HAPPY STREET NAME – MORE VALUABLE HOME?

Do you fall into the 92% of people who aren't bothered about the street name when they are looking for a new home? If so, newly published research might make you change your mind.

According to a new study[6], this seemingly insignificant characteristic has the potential to seriously impact your property's value. In fact, streets whose names contain words associated with happiness and positivity can boost the value of properties by an average of nearly £25,000.

Feeling chipper?

According to the study, street names featuring the word 'chipper' add the most value to properties, potentially increasing selling prices by an average £56,571. This is followed by 'pretty', which adds an average £44,918.

In Scotland, living on a street named 'peace' adds an average of £24,147 to your home's value, with 'happy' increasing your home's value by £15,516 on average.

The UK's happiest regions

Some regions were also found to have more happy street names than others. If you live in the North West, you're in luck, with the region home to 237 positive street names. This is followed by Yorkshire and the Humber, with 199 happy street names, the South East with 175, and the South West with 157.

[6]Bankrate, 2020

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

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EQUITY RELEASE RATES RISE FROM ALL-TIME LOWS

Rates on lifetime mortgage deals are beginning to rise from record lows, with the average equity release rate for fixed and variable rate deals rising in March and in April[7].

While those considering taking out a lifetime mortgage will likely want to take advantage of lower rates, equity release isn't right for everyone – so it's important not to rush into a decision.

CORONAVIRUS SPARKS DEMAND FOR RURAL PROPERTIES

Prime property hunters say that having a dedicated space for remote working is now a bigger priority, a survey has found[8].

Following the COVID-19 pandemic, people are likely to be working from home much more; the research suggests that buyers at the top end of the market are therefore expanding their search out into well-connected rural areas, so they can split their time between home and the office.

PENSIONERS ENJOY £15BN BOOST TO PROPERTY WEALTH

Britain's ongoing climate of political and economic uncertainty has been no barrier to the continued growth of pensioners' property wealth. Over-65s now own £1.13tn of mortgage-free property, a £14.78bn rise on last year. This is equivalent to a gain of £3,152 per homeowner[9].

Long term, the gains are even more significant. Since 2010, the property wealth of mortgage-free homeowners, over the age of 65, has shot up by 45% – or almost £354bn. This equates to gains of £75,000 per homeowner.

[7]Moneyfacts, 2020, [8]Savills, 2020, [9]Key, 2020

Payment holidays – consider your options

Back in March, the Chancellor's announcement, offering three-month mortgage payment holidays for homeowners experiencing financial difficulties due to the pandemic, came as welcome news to many. Mortgage lenders agreed with the Treasury that any customers in 'difficulty' would be eligible. Mortgage payment holidays have since been extended for a further three months to 31 October (deadline for applying).

Recent data[10] has revealed over 1.8 million mortgage payment holidays have been offered to customers impacted by COVID-19, with around one in six mortgages in the UK now subject to a payment holiday.

How does it work?

Homeowners concerned about being unable to pay their mortgage should contact their lender. If they progress to applying for a mortgage payment holiday, they must self-certify that their income has been affected – no documentation is required. Most lenders offer an online application, no fees should apply. Due to the pandemic, credit agencies have agreed to ensure current credit scores are protected for the duration of an agreed payment holiday.

Think it through

Payment holidays provide short-term relief, alleviating some financial pressure. Faced with a temporary drop in income, it can be an option, depending on individual circumstances. Taking a payment holiday will not reduce the capital you still owe, nor will interest stop accruing. That means it will cost more to clear your debt once payments resume, so your monthly payments will be higher as a result of taking the holiday.

Need to know

You must not stop making mortgage payments without speaking to your lender. If you do this, you will go into arrears, creating a black mark on your credit file which could prevent you borrowing in the future. If you only have a few years left on your loan, in terms of repaying the holiday, your monthly costs will shoot up after the payment holiday.

Don't rush in

If you are worried about making your mortgage payments, it is crucial that you speak to your lender. A payment holiday may not be suitable for everyone. Some brokers have reported that people have panicked and arranged a payment holiday too early.

[10]UK Finance, May 2020

As a mortgage is secured against your home, it could be repossessed if you do not keep up the mortgage repayments. Mortgages on and equity released from your home will be secured against it.

Time to remortgage?

Borrowers on a tracker, discounted or variable rate mortgage may have already benefited from base rate cuts in March, but borrowers whose mortgage deal is nearing its end, or those currently on a standard variable rate (SVR), should review their situation as there are some competitive products on the market.

Remortgaging is where you take out a new mortgage on a property you already own, either to replace your existing mortgage, or to borrow more money against your property. Reasons to consider remortgaging include:

- Your current deal is about to end
- You are looking for a better rate
- You want to overpay, but cannot do this on your current mortgage
- You want to borrow more
- Your home has increased in value and your loan-to-value ratio means you may get a better rate.

Lenders have adapted

Many lenders initially reacted to the coronavirus crisis by restricting the products available (particularly to those borrowers with a high loan-to-value ratio) and remortgage applications faced operational constraints such as an inability to do physical valuations. However, optimism has started to return, with lenders reintroducing a wider range of products and adjusting their processes, for example using automated 'drive-by' valuations.

Advice is vital

In such a fast-changing environment, those who are considering remortgaging over the next few months should assess their options now. There are pros and cons to remortgaging and it won't be right for everyone. At present, the market is more complex, so we believe getting good advice is vital. As well giving you advice on whether a remortgage is suitable, we will explain the costs, outline potential implications and guide you through the process.

You're in safe hands

Buying a home is a major step that is much easier to take if you are well-informed and well-advised, regardless of whether you are a first-time buyer or someone who has moved before.

Mortgage debt accounts for over 80% of total UK household liabilities, so finding a suitable mortgage is an important financial decision. Most mortgages in the UK are provided by building societies, banks and specialised mortgage corporations. There are currently around 200 different financial institutions offering mortgages in Britain.

New challenges

The mortgage market is continually evolving to meet the needs of a changing customer base, with new developments in intergenerational lending, lending into and in retirement, buy-to-let mortgages and support for first-time buyers. In light of the COVID-19 pandemic, we are working hard to stay informed of developments.

We're here to help

We are responsible for advising you on the most suitable mortgage for your circumstances. Whether you're moving up the ladder, looking to downsize, purchasing another property or remortgaging, please get in touch; we have our finger on the pulse in this evolving environment and can assist you to navigate any challenges. We are qualified advisers with in-depth knowledge of the market and are able to look at a whole range of mortgage products. Getting a mortgage is one of the biggest financial decisions you will make, so it's important to get it right.

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

Home working opens new horizons

One effect of the coronavirus epidemic has been the pressure placed on many people to find viable ways of working from home, aided by technology. Where insurance, security, connectivity and any local planning constraints allow, it's likely that a significant number of these workers may continue to be wholly or partially home-based after the virus threat subsides. This may give them greater choice about where they live.

If just weekly or monthly visits to the office are sufficient, it becomes possible to live in a distant town or remote country cottage. No longer does home have to be within an hour or so of an employer's premises, so priorities such as schools, other local facilities, value for money and a better quality of life may come to the fore. For sheer variety of locations, UK homebuyers are spoilt for choice.

Compare the market town

The UK's historic market towns are widely favoured, so the ones within daily commuting distance of major cities may have higher property prices than similar towns further out. With the shackles of daily commuting broken, home-based employees may find their ideal home more affordable in a market town 100 miles or more from company HQ. Most counties, from Cornwall to Caithness and Kent to Ceredigion, have attractive market towns.

Being free of daily travel does not force you to live many miles from HQ. You could opt for the combination of town and country offered by 'garden cities', some of them within 30 miles of major conurbations including London, Birmingham, Wolverhampton, Stoke-on-Trent, Hull and Edinburgh. Garden cities have appeared over the past 130 years. In 2017, the government announced plans for 17 new garden villages and towns in England.

Duck pond optional

For many city dwellers and workers, the dream is a home in a quaint village away from the hustle and bustle – though not with constant lockdown-style social life. Many people believe that the complete village needs a pub, church, village hall, Post Office stores, good broadband and maybe a green with a duck pond.

So, market town, garden city or quaint village – all are among the options if you can work primarily from home.

BUYERS MOVE FURTHER FOR NEW BUILDS

Buyers of new build properties are willing to move 56% further than those purchasing second-hand homes, according to Savills[11].

New builds are clearly a more attractive proposition for buyers, drawing households an average of five miles from their previous home, against 3.2 miles for households moving into an older property.

The research also revealed regional and age-specific variations. For example, new builds in London boroughs such as Newham and Brent stand out for attracting buyers up to 3.5 times further, while older buyers tend to move further overall, likely influenced by retirees moving away to begin a new phase in their lives.

[11]Savills, 2020

Working from home – are you covered?

With millions more people across the UK now working from home, should you inform your insurer?

The Association of British Insurers (ABI)[12] has issued reassurance that, if you are an office-based worker now working from home because of government advice or because you are self-isolating, your home insurance cover will not be affected. The ABI has stated: *'You do not need to contact your insurer to update your documents or extend your cover'.*

Will my work laptop be covered?

If you're using company property such as a laptop or mobile, you should check with your employer whether they have the correct insurance policy in place to cover these items outside of the usual place of work. Such equipment is not usually covered by a standard household insurance policy, but it is worth checking your policy document.

What if I have an accident whilst working from home?

Your home environment is under your own control so there is a duty upon you to look after your own safety. Therefore, if you were to suffer an accident whilst working at home, your employer would generally only be responsible if it was due to their negligence, meaning that they had failed to take reasonable care for your safety and the accident was due to that negligence.

If you have a protection policy such as Accident and Sickness or Income Protection, and you have an accident or suffer an illness that prevents you from working, you may be able to make a claim.

Do you have the right cover in place?

If you are unsure whether you have the right insurance cover in place, contact us for advice on your own individual circumstances.

[12]ABI, 2020

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